



SMARTfund Cautious OBSR

Short Report

Report for six months ended 03 May 2010

INVESTMENT OBJECTIVE

To provide relatively stable returns over the medium term with the potential for some long-term capital growth.

INVESTMENT POLICY

To achieve its investment objective, the fund will invest in a diversified portfolio of funds and other permitted investments that have a similarly diversified character.

The portfolio will be comprised predominantly of Cash, Fixed Interest Securities, Equities and Property funds.

RISK PROFILE

This fund's risk profile is low to medium.

MARKET & FUND REVIEW (PROVIDED BY OBSR)

With cash continuing to yield nothing in nominal terms, it is difficult to justify a significant weighting and as such a portion of this cash allocation continues to be given to corporate bonds. This decision was accretive again as corporate bonds continued to rally strongly. At the end of the last quarter the decision was taken to introduce two absolute funds namely; the BlackRock UK Absolute Alpha Fund and the Insight Absolute UK Equity Market Neutral. These two have been included on the basis that they represent the least volatile way of accessing absolute returns funds and we are pleased to report that over the period under review they contributed positively to performance. It should be noted that they were funded by reducing the significant overweight that we had been running in corporate bonds. We are firmly of the view that the best of the improvement in corporate bond pricing is behind us and the decision to move nearer to the strategic weighting in corporate bonds is the right one. Over the review period the corporate bond exposure in aggregate was ahead of the broader peer group and recognised benchmarks. The sale of Standard Life AAA Income Fund was fortuitous as it lagged meaningfully over the quarter.

With the IPD UK All Property Index moving aggressively higher over the quarter it has been a struggle for the dedicated direct property portfolios to keep pace. Both the M&G Property Portfolio and Threadneedle UK Property Portfolio lagged a fully invested and strongly moving benchmark over the quarter. As we move from a liquidity driven to fundamentally driven market, we expect both property portfolios to outperform. The relatively modest equity exposure remains invested with solid core funds. The bulk of the equity funds outperformed within their relevant peer groups and recognised benchmarks over the quarter, although the UK component once again struggled against the FTSE All Share Index which was very competitive against the active UK universe.

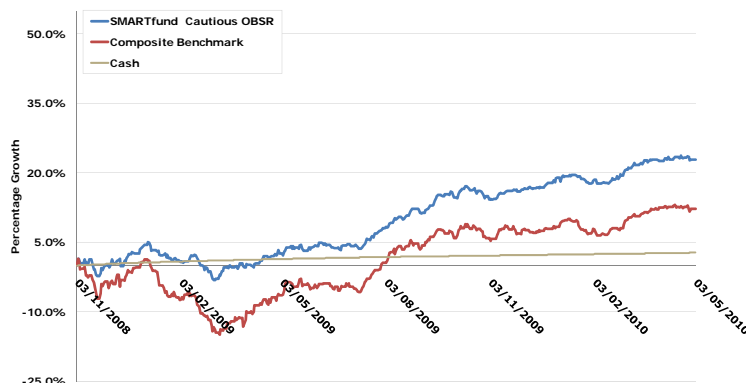
ASSET ALLOCATION REVIEW (PROVIDED BY BARRIE & HIBBERT)

The structure of the strategic asset allocation for the Cautious fund is similar to the Defensive fund. Although an exposure to cash (or near-cash instruments) is maintained to ensure potential losses relative to cash are consistent with the specified target volatility, part of this cash exposure has been re-allocated to corporate bonds, property and equities, approximately in proportion. As a result, the property and equity exposure within the strategic asset allocation has increased to 41%. This generates

some additional expected return with an associated increase in target volatility to approximately 7-8% pa.

PERFORMANCE REVIEW

03.11.2008 to 03.05.2010



Performance Table

	SMARTfund Cautious OBSR	Composite Benchmark	Cash
6 months to 03.05.2010	7.4%	6.5%	0.6%
03.11.08 to 03.05.2010	22.8%	12.2%	2.8%

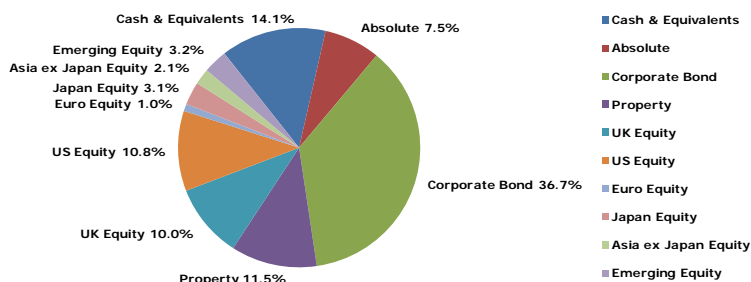
PAST PERFORMANCE SHOULD NOT BE SEEN AS A GUIDE TO FUTURE PERFORMANCE

The performance figures above are based on a notional unit issued on the date of inception of the sub-fund, with an initial capital value the same as the minimum investment amount for that fund. The notional unit is based on the AMC including zero (0%) Adviser Charging and therefore reflects performance after all other expenses that would be included in the TER. The red benchmark is a composite of the following ETFs: LYXOR F ALL LYXOR ETF FTSE ALL SHARE (representing UK Equity), iShares S&P 500 (representing US Equity), iShares MSCI Europe ex-UK (representing European Equity), iShares MSCI JAPAN (representing Japan Equity), iShares MSCI Emerging Market (representing Emerging Market Equity) and iShares MSCI Pacific ex-Japan Idx (representing Asia ex Japan Equity). Each of these ETFs has been selected to represent an average market sector performance of an asset class included in the long term strategic asset allocation used to achieve the risk weighting of the fund. The percentage of the composite formed by each ETF is the same as that of the relevant asset class within that strategic asset allocation. The green benchmark represents the performance of cash based on the British Bankers Association - LIBOR 12 Month GBP rate. All data has been obtained from the Telekurs data exchange.

*Performance data does not exist before the 03 Nov 2008 as the fund had not launched.

ASSET ALLOCATION

03.05.2010*



*Calculated as a percentage of total value of investments

THE VALUE OF INVESTMENTS CAN FALL AS WELL AS RISE – YOU MAY GET BACK LESS THAN YOU PAY IN

SMARTfund Administration Ltd (6016828) is registered in England at 6 Broad Street Place, EC2M 7JH and is authorised and regulated by the Financial Services Authority under ref. 463566. Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only. Investors should also note that the views expressed may no longer be current and may have already been acted upon by the Investment Adviser and/or Manager. The investment service may not be suitable for all Investors and if you have any doubts you should contact your Financial Adviser. The full prospectus for this fund is available on request or at www.smartfund.co.uk. ph: 0844 801 0700

TOP 10 SECURITIES

	03.05.2010
Security	%*
Invesco Perpetual Corporate Bond	14.47
Fidelity MoneyBuilder	14.37
Henderson Strategic Bond	7.68
BlackRock UK Dynamic Fund	7.10
M&G Property Portfolio	6.70
Fidelity Cash Fund	6.53
Threadneedle American Fund	6.50
L&G Cash Trust	5.60
Threadneedle UK Property Trust	4.75
Schroder US Small and Mid Cap	4.33

	03.11.2009
Security	%*
Fidelity MoneyBuilder	14.72
Invesco Perpetual Corporate Bond	13.58
Standard Life AAA Income Fund	9.84
Henderson Strategic Bond	7.87
M&G Property Portfolio	6.84
Blackrock UK Dynamic Fund	6.63
Fidelity Cash Fund	6.39
Threadneedle American Fund	5.82
L&G Cash Trust	5.41
Threadneedle UK Property Trust	4.97

*Calculated as a percentage of Net Asset Value

SUB-FUND DETAILS

Fund Manager	SMARTfund Administration Ltd 6 Broad Street Place London, EC2M 7JH
Investment Adviser	OBSR Advisory Services Ltd Scandinavian House 2 Cannon Street London, EC4M 6QQ
Trustee/Depository	HSBC 8 Canada Square Canary Wharf London, E14 5HQ
Auditor	BDO LLP 55 Baker Street London, W1U 7EU
Investment Adviser Start Date	03 November 2008
Fund Launch Date	03 November 2008
Fund Accounting Date - Final	03 November 2010
Fund Currency	GBP
Fund Sector	Unclassified
Fund Type	Authorised Unit Trust
Distribution Policy	Monthly

NOTIONAL UNITS

You should be aware that units for SMARTfund operate very differently to a conventional unit trust. Units in the SMARTfund Advantage are created and priced uniquely for each unit holder. For further information on how the unit price is calculated, you should refer to the Prospectus. If you have already invested in the SMARTfund you should login to check your own current and historic prices.

The figures below are based on a notional unit issued on the date of inception for the fund, with an initial capital value the same as the minimum investment amount for the fund, i.e. £3,000.00.

Notional Unit Price and Income

	Highest Price	Lowest Price	Net Income
6 months to 03.05.2010	£3,711.82	£3,427.01	£25.83
03.11.08 to 03.11.2009	£3,513.02	£2,904.05	£71.36

Net Asset Value for Notional Unit

	03.05.2010	03.11.2009
	£3,685.11	£3,429.95

Distribution Statement for Notional Unit

Distribution Payment Dates	Distribution Amount (£)
November 2009	2.37
December 2009	2.01
January 2010	6.33
February 2010	1.26
March 2010	2.21
April 2010	11.65

The sub-funds accrue distributions on a daily basis and pay any income available to the unitholder on a monthly basis, three and a half months in arrears. All distributions are paid net of income tax.

TOTAL EXPENSE RATIO (TER)

	03.05.2010
Annualised TER	1.07%
Annualised Synthetic TER	1.93%

The Annualised TER reflects the annual operating expenses of the SMARTfund to the average daily net asset value of each sub-fund. The Annualised Synthetic TER incorporates the TERs of the underlying funds held within each sub-fund. These figures have been calculated on the basis of an AMC for the SMARTfund which does not include any Adviser Charging. Adviser Charging is specific to each individual unitholder and is included as a component within the AMC for that unit holder.

Adviser Charging: the amount of remuneration that the Investor agrees with their Adviser that the Manager will pay the Adviser for services provided.

OTHER INFORMATION

The information included in this document is designed to enable Investors to make an informed judgement on the activities of the fund during the stated period and the results of those activities at the end of the period. More information regarding these activities and performance of this fund over this period can be obtained from the Manager. The Long Report is available on request from the Manager.

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