



SMARTfund Defensive OBSR

Short Form Report

Period 03 November 2008 to 03 November 2009

INVESTMENT OBJECTIVE

To generate returns through capital growth and income with lower risk of capital loss.

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 and Fixed Interest Securities funds but will include some funds that have exposure to equities and property.

RISK PROFILE

This fund's risk profile is low.

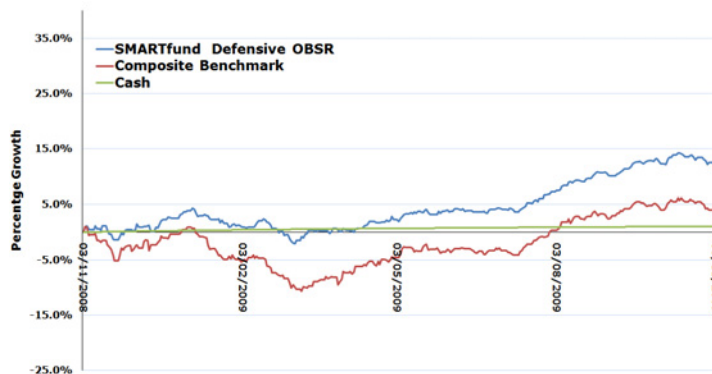
MARKET & FUND REVIEW (PROVIDED BY OBSR)

The strategic allocation for this fund has in excess of 40% in cash and given the very low returns available, a tactical decision was taken to allocate a portion of this liquidity to corporate bonds. This position has been maintained throughout the last 12 months and has been extremely beneficial for overall performance. The construction of the corporate bond exposure was a balance between those funds that were in a position to invest heavy cash weightings, such as M&G Strategic Bond Fund and holding some of the funds, such as Henderson Strategic Bond Fund, that had been buyers on the way down and were therefore well positioned for the rally we were anticipating. In the end, all the funds we selected for the dedicated corporate bond exposure outperformed their respective indexes and the broader peer group. On a tactical basis, a very underweight position was taken in property at the start of the fund's life but this was gradually addressed as 2009 progressed and by the 3rd quarter the fund's weighting was in line with the strategic property allocation. The equity component of this portfolio is relatively modest. The bulk of the funds selected were competitive against the peer groups and relevant benchmarks with selections in the US and Japan performing particularly well. The emerging markets selection was disappointing but we have reviewed the Gartmore Emerging Markets Fund in some depth and remain content with the capability of the manager.

ASSET ALLOCATION REVIEW (PROVIDED BY BARRIE & HIBBERT)

The strategic asset allocation for the Defensive fund includes a significant exposure to cash (or near-cash instruments) to ensure that potential loss relative to cash is limited. The primary means of generating additional return is through the term premium and credit risk premium embedded in corporate bonds. In addition, a modest 29% of the fund is allocated to commercial property and primarily developed market equities, but at a level which means risk is maintained at a level consistent with the objectives of the Defensive SMARTfund investor. The target volatility for this fund is approximately 5%.

PERFORMANCE REVIEW



Annual Percentage Growth - 03.11.2009

SMARTfund Defensive OBSR	Composite Benchmark	Cash
11.8%	3.6%	1.1%

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.

There are no comparative figures for the period as this is the first annual accounting period of the scheme

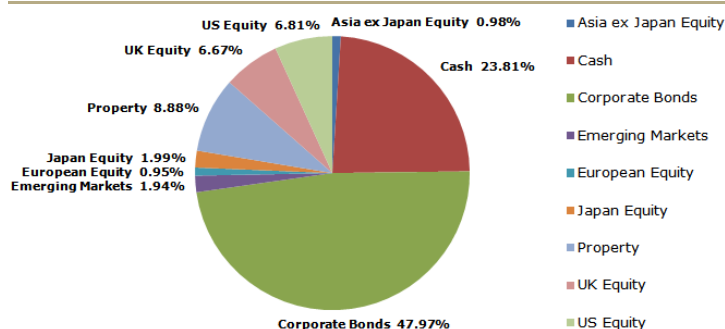
THE VALUE OF INVESTMENTS CAN FALL AS WELL AS RISE – YOU MAY GET BACK LESS THAN YOU PAY IN

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TOP 10 SECURITIES (AS AT 03 NOVEMBER 2009)

Security	%
Fidelity Moneybuilder	14.75
Invesco Perpetual Corporate Bond Fund	14.48
Fidelity Cash Fund	11.83
Standard Life AAA Income Fund	10.85
L&G Cash Trust	9.86
Henderson Strategic Bond Fund	7.89
M&G Property Portfolio	4.90
Blackrock UK Dynamic Fund	4.25
Threadneedle UK Property Trust	3.98
Threadneedle American Fund	3.88

ASSET ALLOCATION (AS AT 03 NOVEMBER 2009)



TOTAL EXPENSE RATIO (TER)

03.11.2009

Total expense ratio 1.72%

The TER reflects the annual operating expenses of the SMARTfund to the average daily net asset value of each sub-fund. This does not include any Adviser Charging which is specific to each individual unitholder.

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

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
SMARTfund Defensive OBSR	£3,427.48	£2,938.63	£65.56

Net Asset Value for Notional Unit

	03.11.2008	03.11.2009
SMARTfund Defensive OBSR	£3,000.00	£3,352.98

Distribution Statement for Notional Unit

Distribution Payment Dates	Distribution Amount (£)
November 2008	9.15
December 2008	0.68
January 2009	6.05
February 2009	2.57
April 2009	0.22
May 2009	8.97
June 2009	6.76
July 2009	4.84
August 2009	1.32
September 2009	0.93
October 2009	24.07

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.

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/Depositary	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 2009
Fund Currency	GBP
Fund Sector	Unclassified
Fund Type	Authorised Unit Trust
Distribution Policy	Monthly

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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