



# SMARTfund Defensive OBSR

Short Report

Report for six months ended 03 May 2010

## 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)

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 was fortuitous as it lagged meaningfully over the quarter.

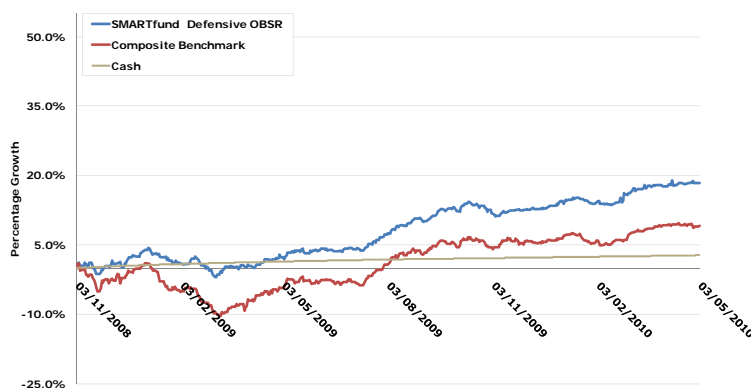
With the IPD UK All Property Index moving aggressively higher over the quarter it has been a struggle for the dedicated direct property portfolios to keep pace. Both the M&G Property Portfolio and Threadneedle UK Property Portfolio lagged a fully invested and strongly moving benchmark over the quarter. 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 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

03.11.2008 to 03.05.2010



## Performance Table

|                        | SMARTfund Aggressive Growth OBSR | Composite Benchmark | Cash |
|------------------------|----------------------------------|---------------------|------|
| 6 months to 03.05.2010 | 5.9%                             | 4.7%                | 0.6% |
| 03.11.08 to 03.05.2010 | 18.3%                            | 9.1%                | 2.8% |

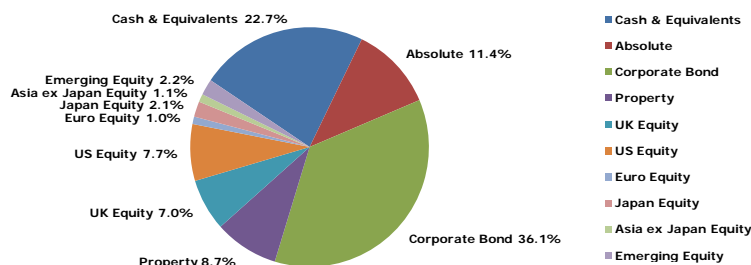
## PAST PERFORMANCE SHOULD NOT BE SEEN AS A GUIDE TO FUTURE PERFORMANCE

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](http://www.smartfund.co.uk). ph: 0844 801 0700

## TOP 10 SECURITIES

|                                           | 03.05.2010 |
|-------------------------------------------|------------|
| <b>Security</b>                           | <b>%*</b>  |
| Invesco Perpetual Corporate Bond          | 14.69      |
| Fidelity MoneyBuilder                     | 14.60      |
| Fidelity Cash Fund                        | 11.38      |
| L&G Cash Trust                            | 9.48       |
| Henderson Strategic Bond                  | 6.82       |
| BlackRock UK Absolute Alpha               | 5.71       |
| Insight Absolute UK Equity Market Neutral | 5.70       |
| M&G Property Portfolio                    | 4.84       |
| BlackRock UK Dynamic Fund                 | 4.63       |
| Threadneedle American Fund                | 4.40       |

|                                  | 03.11.2009 |
|----------------------------------|------------|
| <b>Security</b>                  | <b>%*</b>  |
| Fidelity MoneyBuilder            | 14.75      |
| Invesco Perpetual Corporate Bond | 14.48      |
| Fidelity Cash Fund               | 11.83      |
| Standard Life AAA Income Fund    | 10.85      |
| L&G Cash Trust                   | 9.86       |
| Henderson Strategic Bond         | 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       |

\*Calculated as a percentage of Net Asset Value

## SUB-FUND DETAILS

|                               |                                                                                         |
|-------------------------------|-----------------------------------------------------------------------------------------|
| Fund Manager                  | SMARTfund Administration Ltd<br>6 Broad Street Place<br>London, EC2M 7JH                |
| Investment Adviser            | OBSR Advisory Services Ltd<br>Scandinavian House<br>2 Cannon Street<br>London, EC4M 6QQ |
| Trustee/Depositary            | HSBC<br>8 Canada Square<br>Canary Wharf<br>London, E14 5HQ                              |
| Auditor                       | BDO LLP<br>55 Baker Street<br>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 | £3,566.19     | £3,334.23    | £34.60     |
| 03.11.08 to 03.11.2009 | £3,427.48     | £2,938.63    | £65.56     |

### Net Asset Value for Notional Unit

|  | 03.05.2010 | 03.11.2009 |
|--|------------|------------|
|  | £3,550.12  | £3,352.98  |

### Distribution Statement for Notional Unit

| Distribution Payment Dates | Distribution Amount (£) |
|----------------------------|-------------------------|
| November 2009              | 15.96                   |
| December 2009              | 2.57                    |
| January 2010               | 3.40                    |
| February 2010              | 1.18                    |
| March 2010                 | 2.16                    |
| April 2010                 | 9.33                    |

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 | 1.90%      |

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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Authorised and regulated by the Financial Services Authority  
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