



SMARTfund Defensive OBSR

Short Report

Report for 04 November 2010 to 03 May 2011

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.

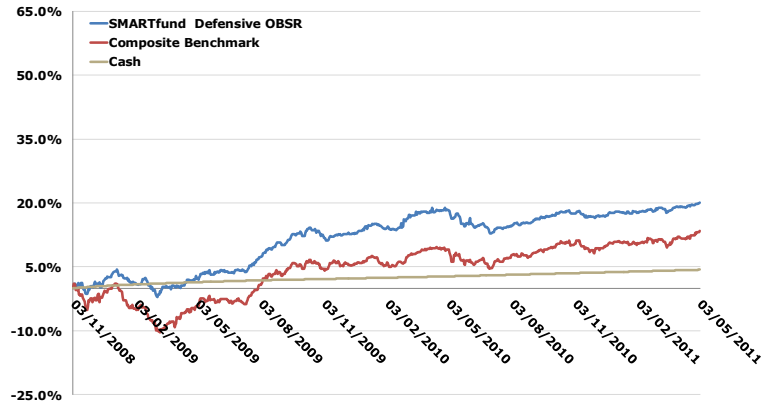
MARKET & FUND REVIEW (PROVIDED BY OBSR)

It has been a positive period for risk based assets with equities leading returns across the board. Investment grade bonds were relatively subdued as nominal bond yields reached new lows for this credit cycle and although credit spreads continued to narrow, the nominal level actually rose from the lows seen in Q4, detracting from overall returns. We have retained the view that excessively high levels of cash in the portfolio cannot be justified in the current interest rate environment and it was appropriate to maintain the overweight to corporate bonds and a position in two of the lower volatility absolute funds. The allocation away from cash added incrementally to overall returns over the review period.

Investment grade credit, which is the largest single weighting in the portfolio, displayed more muted returns over the review period. Past commentaries have eluded to the outsized returns that credit has seen since the March 2009 lows. With nominal yields at low levels and spreads against sovereigns approaching previous lows, the outlook for credit is at best pedestrian. There is no reason to take a negative view on the prospects for credit at this point given the robustness of corporate balance sheets but we stick to the view that yield type returns are the best hope for the market moving forward. Commercial property saw further modest capital gains as investors continued to move into income producing assets. The prime property sector has seen a significant rerating in the last 18 months and the likes of London West End locations have revisited previous yield lows. The only real scope for capital gains is a rerating of better quality secondary property, the scope for which is limited against a still difficult economic background in the UK; as such we see a yield type outcome as the year progresses. Within the modest equity weighting, the strong bias to developed markets was helpful as they outperformed strongly over the review period.

PERFORMANCE REVIEW

03.11.2008 to 03.05.2011



	SMARTfund Defensive OBSR	Composite Benchmark	Cash
6 months to 03.05.2011	2.1%	2.6%	0.8%
12 months to 03.05.2011	1.4%	4.0%	1.5%
Inception to 03.05.2011	20.0%	13.4%	4.3%

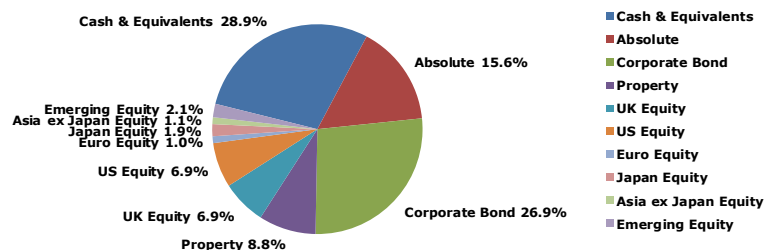
PAST PERFORMANCE SHOULD NOT BE SEEN AS A GUIDE TO FUTURE PERFORMANCE

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

03.05.2011*



*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

	03.05.2011
Security	%*
Fidelity Cash Fund	14.68
Legal & General Cash Trust	12.68
Fidelity MoneyBuilder Income	11.00
M&G Strategic Corporate Bond	8.76
Insight Absolute UK Equity Market Neutral	7.85
BlackRock UK Absolute Alpha	7.74
Invesco Perpetual Corporate Bond	7.17
M&G Property Portfolio	4.89
Threadneedle American Fund	3.96
Threadneedle UK Property Trust	3.91

	03.11.2010
Security	%*
Fidelity MoneyBuilder Income	14.09
Fidelity Cash Fund	11.38
M&G Strategic Corporate Bond	11.30
Invesco Perpetual Corporate Bond	9.47
Legal & General Cash Trust	9.44
BlackRock UK Absolute Alpha	5.89
Insight Absolute UK Equity Market Neutral	5.71
M&G Property Portfolio	4.72
BlackRock UK Dynamic Fund	4.18
Threadneedle American Fund	4.16

*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/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 2011
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
6 months to 03.05.2011	£3,601.08	£3,491.61
03.11.08 to 03.05.2011	£3,601.08	£2,938.63

Net Asset Value for Notional Unit

	03.05.2011	03.11.2010
	£3,601.08	£3,526.68

Distribution Statement for Notional Unit

Distribution Payment Dates	Distribution Amount (£)
February 2011	2.55
April 2011	7.78
Net Income	10.33

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)

	03.05.2011
Annualised TER	1.10%
Annualised Synthetic TER	1.86%

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.

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



SMARTfund Administration Limited
6 Broad Street Place, London, EC2M 7JH

Tel: 0844 801 0700 Fax: 020 7562 2451
www.smartfund.co.uk

**Authorised and regulated by the Financial Services Authority
whose address is 25 The North Colonnade, Canary Wharf, London E14 5HS.**