



# SMART FUNDS® 2040 R-INST

Investment Category: Target Date

All data as of March 31, 2012

## About The Fund

The SMART Funds® 2040 is a collective investment fund (CIF) created by the Hand Composite Employee Benefit Trust and sponsored by Hand Benefits & Trust Company that invest in the strategies of Blue Prairie Group and Target Date Solutions which serve as the sub-advisors to the CIF.

## Investment Strategy

The SMART Funds® 2040 seeks to preserve the purchasing power of accumulated assets at the target date and provide for the growth of assets. The SMART Funds® are managed “To” retirement meaning as one approaches retirement less than 10 percent of the assets are invested in equities. Using an asset allocation strategy designed for investors planning to retire in or within a few years of 2040; the SMART Funds® employ a three phase process, primarily using passive indexes to fill the underlying asset classes required by the allocation models.

### Phase I — Accumulation

Each of the SMART Funds® begins with a well-diversified equity portfolio (“Equity Growth Portfolio”) at approximately 45 years prior to the target date. It includes domestic and foreign equities, commodities, precious metals and real estate and is designed to replicate, as far as practical, the world’s investable securities, excluding bonds. A second portion of the portfolio (“Strategic Core”) shifts it’s allocation between and within Stocks, Bonds, Hard Assets (such as Real Estate and Commodities), and Cash based on a forward-looking assessment of asset class risk characteristics in an attempt to reduce downside volatility.

### Phase II — 15 Years To Retirement Target Date

As the fund approaches 15 years to the retirement date, assets begin to shift into a safer asset pool (“Reserve Asset”) containing Treasury bills and Treasury Inflation-Protected Securities (TIPS).

### Phase III — Retirement Income

In order to minimize the potential for loss and to maximize the purchasing power protection of the portfolio, 95% of the allocations beyond the target date are held in the Reserve Asset (TIPS and Treasury bills).

The three phases are illustrated on the glide path (located on the back) which ranges over a 40 year period from age 25 to age 65. The asset allocation and glide path are both adjusted on a monthly basis.

## Fund Performance History

	QTD	YTD	1 Year	3 Year	5 Year	Inception to Date
Fund	7.74%	7.74%	-0.26%	19.36%	1.87%	6.49%
S&P Target Date 2040 Index	10.68%	10.68%	3.17%	20.70%	1.75%	11.80%

Stated returns prior to inception date of the fund represents past performance of the index adjusted for fees. Performance prior to October 1, 2010 is back tested while performance after October 1, 2010 is based on actual results. Past performance is not a guarantee of future results. Because market activity affects investment performance, an investor’s principal value will fluctuate so that when shares are sold, they may be worth more or less than the original cost. Cumulative performance may be lower or higher than returns shown due to more recent market activity.

Expense Ratio\* .58% (or \$5.80 per \$1,000 invested)

CUSIP: 41023R263

Inception Date: 10/01/10

\*The expense ratio includes no service fees payable to the plan’s service providers

## Calendar Year Returns

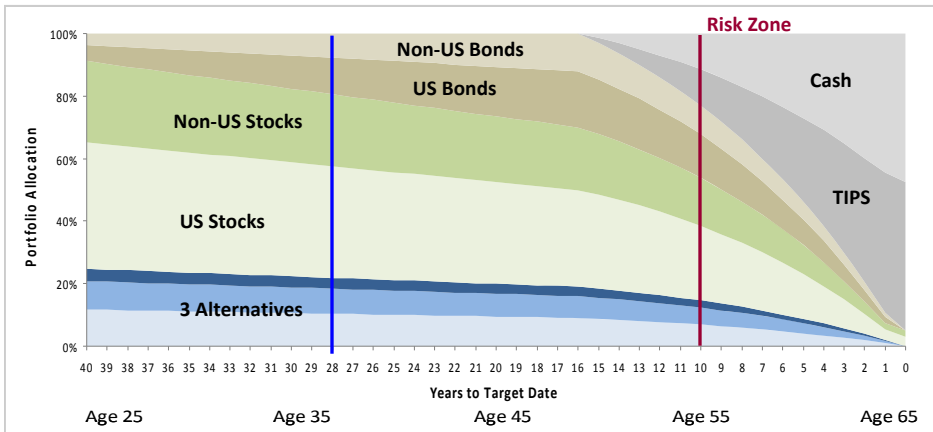
	2011	2010	2009	2008	2007	2006
Fund	-2.90%	16.24%	24.59%	-30.09%	6.08%	16.20%
S&P Target Date 2040 Index*	-2.17%	15.38%	25.97%	-33.93%	6.94%	16.45%

\*Performance prior to the 2009 inception of the S&P Target Date Index represents Target Date mutual fund peer group average returns.

## Risk

10 YEAR AVEAGES	STD DEV	ALPHA	BETA	SHARPE	ANNUAL PORTFOLIO TURNOVER RATE
Fund	13.11	3.02	0.83	0.50	20%
S&P Target Date 2040 Index*	15.35	0.00	1.00	0.27	

## Glide Path



Vertical Blue line indicates the allocations of the SMART FUNDS® 2040

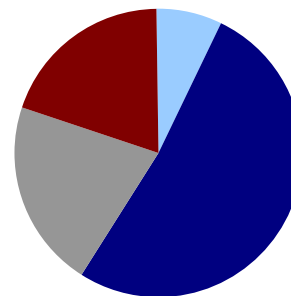
The allocations represented above are baseline, or average, allocation targets for each respective “Years to Target”. The actual allocation may vary, sometimes significantly based on market conditions and outlook. The deviations from these baselines may be most pronounced 15 – 20 years from target and should be minimal in the years just preceding the target

## Top 10 Holdings

1. BlackRock US Equity Market Fund
2. BlackRock MSCI ACWI EX US Index Fund
3. Federated Total Return Bond Fund
4. BlackRock US Real Estate Fund
5. iShares Global Infrastructure Index
6. Powershares DB Commodity Index Fund
7. Fidelity Floating Rate HI Income Fund
8. Vanguard Dividend Appreciation Fund
9. BlackRock Equity Dividend Fund
10. PIMCO Emerging Local Bond Fund

Sector Holdings are subject to change.

## Asset Allocation



■ Cash	7.51%
■ US Stocks	51.10%
■ Non US Stocks	21.32%
■ Bonds	20.07%

## Management Team

Gary Silverman, CFA, Chief Investment Officer, Blue Prairie Group, LLC. (BPG)  
M.B.A, Harvard University

Blue Prairie Group is an independent, fee-based retirement and investment consulting firm based in Chicago, IL. The firm is registered with the SEC and is a boutique retirement and investment consulting firm specializing in ERISA. BPG passionately advocates low cost investments, full fee transparency, and open investment architecture. For more information, please go to [www.blueprairiegroup.com](http://www.blueprairiegroup.com).

Ron Surz, CIMA, President, Target Date Solutions (TDS)  
M.S., Applied Mathematics, University of Illinois  
M.B.A., University of Chicago

Target Date Solutions develops and licenses high-quality Safe Landing Glide Paths® that end at the target date, using a precision engineered asset allocation design. TDS is a wholly owned subsidiary of PPCA Inc, San Clemente CA, which is registered with the SEC under section 203 of the Investment Advisors Act of 1940. For more information, please go to [www.targetdatesolutions.com](http://www.targetdatesolutions.com).

## Legal Structure

The CIF is not a mutual fund. Its shares are not deposits of Hand Benefits & Trust Company, Blue Prairie Group or Target Date Solutions and are not insured by the Federal Deposit Insurance Corporation or any other agency. The CIF is a security which has not been registered under the Securities Act of 1933 and is exempt from investment company registration under the Investment Act of 1940.

The performance quoted here does not guarantee future results. As market conditions fluctuate, the investment return and principal value of any investment will change. Diversification may not protect against market risk. There are risks involved with investing, including possible loss of principal. Before investing in any investment portfolio, the client and the financial professional should carefully consider client investment objectives, time horizon, risk tolerance and fees.