

# The Advisors' Inner Circle Fund II

## SmartGrowth Funds

SmartGrowth® Lipper™ Optimal Conservative Index Fund

SmartGrowth® Lipper™ Optimal Moderate Index Fund

SmartGrowth® Lipper™ Optimal Growth Index Fund

Semi-Annual Report

July 31, 2009



**Investment Adviser:**

Hennion & Walsh Asset Management, Inc.

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The Funds file their complete schedule of fund holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q within sixty days after the end of each period. The Funds' Forms N-Q are available on the Commission's website at <http://www.sec.gov>, and may be reviewed and copied at the Commission's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities, as well as information relating to how the Funds voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, is available (i) without charge, upon request, by calling 1-888-465-5722; and (ii) on the Commission's website at <http://www.sec.gov>.

**SHAREHOLDERS' LETTER**

Dear Shareholders:

The SmartGrowth® family of mutual funds currently consists of three strategies, whose inception dates are June 1, 2007:

**SmartGrowth® Lipper™ Optimal Conservative Index Fund (LPCAX)**

The Fund's investment objective is to track the performance of the Lipper™ Optimal Conservative Index which is a target risk benchmark consisting of a select group of ETFs, rebalanced quarterly, designed to maximize returns given a low degree of volatility.

**SmartGrowth® Lipper™ Optimal Moderate Index Fund (LPMAX)**

The Fund's investment objective is to track the performance of the Lipper™ Optimal Moderate Index which is a target risk benchmark consisting of a select group of ETFs, rebalanced quarterly, designed to maximize returns given a moderate degree of volatility.

**SmartGrowth® Lipper™ Optimal Growth Index Fund (LPGAX)**

The Fund's investment objective is to track the performance of the Lipper™ Optimal Growth Index which is a target risk benchmark consisting of a select group of ETFs, rebalanced quarterly, designed to maximize returns given a high degree of volatility.

Each of the three SmartGrowth® funds is categorized in the Lipper™ Multi-Cap Core Funds classification. Performance comparisons against this Index are as follows:

<b>Fund/Benchmark</b>	<b>One Year Performance Through July 31, 2009</b>
<b>LPCAX</b>	
Without Load	-10.57%
With Load	-14.80%
<i>Lipper Multi-Cap Core Funds Index</i>	-19.00%
<b>LPMAX</b>	
Without Load	-12.47%
With Load	-16.67%
<i>Lipper Multi-Cap Core Funds Index</i>	-19.00%
<b>LPGAX</b>	
Without Load	-17.09%
With Load	-21.04%
<i>Lipper Multi-Cap Core Funds Index</i>	-19.00%

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The SmartGrowth® Mutual Funds achieved this level of performance despite great volatility and uncertainty in the financial markets. To underscore this point, through July 31, 2009, the S&P 500 Index (“S&P 500”) lost 19.96% and the Dow Jones Industrial Average (“DJIA”) lost 16.62% over the prior twelve month period. However, the second quarter of 2009 may mark the turning point of this particular bear market and the beginning stages of the next bull market. I believe that the bottom in this market downturn, which currently ranks as one of the largest downturns in the history of the stock market, likely occurred in March of 2009 – March 9, 2009 to be exact. To help draw a line in the sand, it should be noted that the “S&P 500” closed at 676.53 on March 9<sup>th</sup> and the “DJIA” closed that day at 6547.05. However, stock market gains often lead economic gains, often by as much as 6-9 months, and I believe that the economic recovery will likely be a long and drawn-out process. In my opinion, the market has rallied too far, too fast and the potential exists for a pullback in the markets before a solid and sustainable market recovery takes hold later this year. Regardless, the best word to characterize the 2<sup>nd</sup> quarter of 2009, coming on the heels of a very difficult 1<sup>st</sup> quarter, would be encouraging.

In terms of the major equity indices, the S&P 500 gained 15.93% in the 2<sup>nd</sup> quarter. Similarly, the DJIA gained 11.96% and the technology heavy NASDAQ led all of the major equity indices with an advance of 20.34% in the 2<sup>nd</sup> quarter. The bulk of the rally in each of these respective indices during the 2<sup>nd</sup> quarter took place between March 9<sup>th</sup> and May 8<sup>th</sup> with directionless trading essentially taking place through the end of the quarter.

In terms of asset classes, outside of high yield bonds and municipal bonds, equities outperformed bonds in the 2<sup>nd</sup> quarter of 2009 as well as year-to-date in 2009. Despite their inherit credit risk, high yield bonds registered a particularly strong 2<sup>nd</sup> quarter showing and the flight to quality with respect to rising prices and declining yields in the U.S. Treasury Bond market that we saw late in 2008 and early in 2009 appears to be dissipating as investors are seemingly starting to jump on the equities recovery bandwagon.

In terms of sub-asset classes, Small-Cap beat out its Mid-Cap and Large-Cap counterparts in the 2<sup>nd</sup> quarter of 2009. During the 2<sup>nd</sup> quarter, with the exception of Large-Cap, Value outperformed Growth, although for the year, Growth is still ahead of Value. These are both positive indicators pointing towards a market recovery, as smaller capitalized companies generally tend to outperform larger capitalized companies during recovery periods, as do growth-oriented companies when compared against value-oriented companies.

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As we look to the different geographies of the world, there is clearly one frontrunner: International – Emerging Market Equities. Emerging Markets, notably the BRIC countries, which include Brazil, Russia, India and China, have significantly outperformed International – Developed Markets and U.S. Equities thus far in 2009. To help better illustrate this out performance, consider that the MSCI Emerging Market Index (in U.S. Dollar Terms) gained 33.57% in the 2<sup>nd</sup> quarter of 2009. I believe that this is largely attributable to my belief that Emerging Markets remain essentially unscathed from the sub-prime mortgage debacle and associated global credit crisis that consumed the developed world along with the fact that Emerging Markets experienced such significant declines in 2008, and are trading at very attractive technical and fundamental levels now.

Finally, in terms of sectors, financials and information technology (“IT”) led the way in the 2<sup>nd</sup> quarter of 2009 while IT appears to be one of the clear leaders thus far in 2009.

The ETF marketplace followed suit with the general markets during the 2<sup>nd</sup> quarter of 2009 with Natural Resources (i.e. Commodities) and Emerging Market ETF products leading the way and government bond oriented products lagging. On the positive side, in terms of Commodities, Market Vectors Coal ETF (Ticker: *KOL*) and Market Vectors Steel ETF (Ticker: *SLX*) were the two of the leaders for all ETFs in the quarter registering returns of 68.0% and 52.9% respectively. In terms of Emerging Markets, two products focused on the India markets; iPath MSCI India Index ETN (Ticker: *INP*) and Wisdom Tree India Earnings (Ticker: *EPI*). Focused on the Turkish market; iShares MSCI Turkey Investable Market Index ((Ticker: *TUR*), were all top performers for the quarter returning 62.3%, 58.3% and 53.9% respectively.

On the negative side, Intermediate-Long Term U.S. Treasury Bond oriented ETFs suffered some of the most significant losses during the 2<sup>nd</sup> quarter of 2009, likely due to the reversal of the flight to quality trade that seemingly took place during the quarter, with iShares Barclays 20+ Year Treasury Bond (Ticker: *TLT*) and iShares Barclays 7-10 Year Treasury (Ticker: *IEF*) experiencing returns of -10.5% and -6.1% respectively. The worst performing ETF of the quarter focused on Health, Biotechnology to be specific, as the Biotech HOLDRs (Ticker: *BBH*) lost a staggering 46.9% between March and June of 2009.

The SmartGrowth® Mutual Funds registered their first quarter of underperformance since their inception during the 2<sup>nd</sup> quarter of 2009. The Funds maintained a defensive posture in the 2<sup>nd</sup> quarter which held the Funds back from

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participating in the significant upswings in the Equities market that occurred early in the quarter. Allocations to inverse ETFs (i.e. those ETFs that benefit from a decline in the underlying index) such as Short S&P 500 ProShares (Ticker: SH), UltraShort Consumer Services ProShares (Ticker: SCC) and Ultrashort MSCI EAFE ProShares (Ticker: EFU) served as detriments to Fund performance during the second quarter.

Contributors to SmartGrowth® Mutual Fund performance during the 2<sup>nd</sup> quarter included two technology oriented ETFs; Semiconductor HOLDRs (Ticker: SMH) and Internet HOLDRs (Ticker: HHH), and a preferred stock oriented ETF called iShares S&P U.S. Preferred Stock Index ETF (Ticker: PFF).

Leading into the 3<sup>rd</sup> Quarter of 2009, following an encouraging 2<sup>nd</sup> quarter that saw the equity markets mount a serious attempt at the initial stages of a market comeback, the SmartGrowth® Mutual Funds have maintained a cautiously optimistic stance by utilizing certain short, and leveraged short, ETFs to allow the portfolios to withstand the pullback that many market professionals are forecasting, while looking for growth opportunities overseas – primarily in certain emerging market equities.

Overall, the SmartGrowth® Mutual Funds have long allocations that range between 75%-77% and short allocation that range between 23%-25%.

1. In terms of equities allocations, the Growth, Moderate and Conservative funds have allocations to equities of approximately 72%, 57% and 55% respectively.
  - The majority of the long equity allocations are international – notably emerging markets – equity ETFs that focus on countries such as Israel, Thailand and Turkey
  - The majority of the short equity allocations are U.S. based – primarily being associated with U.S. Large Cap as well as a net short position to U.S. Small Cap
2. In terms of fixed income allocations, the Growth, Moderate and Conservative Funds have approximately 25% - 26% allocated to bond-oriented ETF strategies. The majority of the bond-oriented strategies are associated with short-term corporate and government bond portfolios while there are also slight allocations to municipal bond oriented ETF strategies.

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3. In terms of alternative asset allocations, the Moderate and Conservative Funds have approximately 16% and 20% respectively, allocated to foreign currency ETFs that benefit from the depreciation of the USD against certain currencies – namely the Chinese Yuan, the Swiss Franc and the Mexican Peso. The Growth Fund has roughly a 3% allocation to the Mexican Peso oriented ETF and no allocation to the other mentioned ETFs.

Following the themes underlying the SmartGrowth® fund allocations for the 3<sup>rd</sup> quarter, it would seem that if emerging markets rally and U.S. markets, primarily Large Cap or “Blue Chips”, fall back (re-fueling somewhat of a flight to quality to short-term bonds), the Funds should do well this quarter. On the other hand, if the U.S. equity markets continue to build significantly upon their recent recovery efforts, the Funds could lag for the next three month period.

Despite the challenging market environment that is likely to persist throughout 2009, I am confident that the SmartGrowth® Mutual Funds will continue to strive to provide attractive risk-adjusted returns for the next twelve month period and beyond.

Sincerely,



Kevin D. Mahn  
Chief Investment Officer & Portfolio Manager

*This represents the manager's assessment of the Portfolios and the market environment at a specific point in time and should not be relied upon by the reader as research or investment advice.*

### **Definition of Comparative Index**

The **Lipper Multi Cap Core Index** tracks funds that invest in a variety of market capitalization ranges without concentrating 75% of their equity assets in any one market capitalization range over an extended period of time.

**S&P 500 Index** is an unmanaged index containing common stocks of 500 industrial, transportation, utility and financial companies, regarded as generally representative of the U.S. stock market. The return per the total return index reflects the reinvestment of income dividends and capital gain distributions, if any, but does not reflect fees, brokerage commissions, or other expenses of investing.



<b>EXCHANGE TRADED FUNDS — (continued)</b>		
	<u>Shares</u>	<u>Value</u>
<b>LARGE BLEND — 0.7%</b>		
iShares Morningstar Large Core Index Fund . . . . .	147	\$ 8,477
<b>MUNICIPAL CALIFORNIA LONG — 1.7%</b>		
SPDR Barclays Capital California Municipal Bond Fund . . . . .	1,031	22,393
<b>MUNICIPAL NATIONAL LONG — 5.6%</b>		
iShares S&P National Municipal . . . . .	726	73,435
<b>MUNICIPAL NATIONAL SHORT — 1.9%</b>		
iShares S&P Short-Term National Municipal Bond Fund . . . . .	227	24,221
<b>SHORT-TERM BOND — 11.0%</b>		
iShares Barclays 1-3 Year Credit Bond Fund . . . . .	1,366	142,433
<b>SMALL BLEND — 17.8%</b>		
iShares Russell Microcap Index Fund . . . . .	1,041	37,507
ProShares UltraShort SmallCap 600 . . . . .	1,843	66,330
Rydex 2X Russell 2000 . . . . .	1,002	27,104
Vanguard Small-Cap . . . . .	1,993	99,889
		<u>230,830</u>
<b>SPECIALTY COMMUNICATIONS — 1.5%</b>		
iShares Dow Jones US Telecommunications Sector Index Fund . . . . .	1,107	19,937
<b>SPECIALTY UTILITIES — 4.7%</b>		
ProShares UltraShort Utilities . . . . .	2,084	60,853
<b>TECHNOLOGY — 2.6%</b>		
B2B Internet HOLDRs Trust . . . . .	36,400	12,496
ProShares Ultra Semiconductors . . . . .	817	21,528
		<u>34,024</u>
<b>ULTRASHORT BOND — 5.3%</b>		
WisdomTree US Short Term Government Income Fund . . . . .	2,759	68,892

*The accompanying notes are an integral part of the financial statements.*

**EXCHANGE TRADED FUNDS — (continued)**

	<u>Shares</u>	<u>Value</u>
<b>UTILITIES — 7.9%</b>		
Vanguard Utilities .....	1,696	\$ 103,286
<b>TOTAL EXCHANGE TRADED FUNDS</b>		
(Cost \$1,293,305) .....		<u>1,298,978</u>
<b>TOTAL INVESTMENTS — 99.9%</b>		
(Cost \$1,293,305) .....		<u><u>\$1,298,978</u></u>

*Percentages are based on Net Assets of \$1,300,376.*

*HOLDR Holding Company Depository Receipts*

*MSCI Morgan Stanley Capital International*

*SPDR Standard & Poor's Depository Receipts*

*The accompanying notes are an integral part of the financial statements.*

SECTOR WEIGHTINGS †:

18.5%	Diversified Emerging Markets
16.0%	Small Blend
14.0%	Currency
13.4%	Short-Term Bond
10.7%	Bear Market
6.1%	Municipal National Long
5.2%	Utilities
4.2%	Specialty Utilities
3.8%	Technology
2.8%	Municipal California Long
2.0%	Ultrashort Bond
1.9%	Municipal National Short
1.4%	Specialty Communications

† Percentages are based on total investments

SCHEDULE OF INVESTMENTS

EXCHANGE TRADED FUNDS — 99.3%

	<u>Shares</u>	<u>Value</u>
<b>BEAR MARKET — 10.6%</b>		
ProShares UltraShort Euro .....	14,362	\$ 274,458
Rydex Inverse 2X S&P 500 .....	13,828	1,049,268
		<u>1,323,726</u>
<b>CURRENCY — 13.9%</b>		
CurrencyShares Mexican Peso .....	5,858	444,036
CurrencyShares Swiss Franc .....	5,986	558,494
WisdomTree Dreyfus China Yuan Fund .....	28,746	730,723
		<u>1,733,253</u>
<b>DIVERSIFIED EMERGING MARKETS — 18.3%</b>		
iShares MSCI Israel Capped Index Fund .....	25,099	1,187,183
iShares MSCI Thailand Index Fund .....	18,150	639,061
iShares MSCI Turkey Index Fund .....	10,176	458,022
		<u>2,284,266</u>
<b>MUNICIPAL CALIFORNIA LONG — 2.8%</b>		
SPDR Barclays Capital California Municipal Bond Fund .....	16,023	348,020
<b>MUNICIPAL NATIONAL LONG — 6.1%</b>		
iShares S&P National Municipal .....	7,524	761,053

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<b>EXCHANGE TRADED FUNDS — (continued)</b>		
	<u>Shares</u>	<u>Value</u>
<b>MUNICIPAL NATIONAL SHORT — 1.9%</b>		
iShares S&P Short-Term National Municipal Bond Fund . . . . .	2,231	\$ 238,048
<b>SHORT-TERM BOND — 13.3%</b>		
iShares Barclays 1-3 Year Credit Bond Fund . . . . .	15,846	1,652,262
<b>SMALL BLEND — 15.9%</b>		
iShares Russell Microcap Index Fund . . . . .	9,505	342,465
ProShares UltraShort SmallCap 600 . . . . .	16,752	602,904
Vanguard Small-Cap . . . . .	20,655	1,035,229
		<u>1,980,598</u>
<b>SPECIALTY COMMUNICATIONS — 1.4%</b>		
iShares Dow Jones US Telecommunications Sector Index Fund . . .	9,559	172,158
<b>SPECIALTY UTILITIES — 4.1%</b>		
ProShares UltraShort Utilities . . . . .	17,638	515,030
<b>TECHNOLOGY — 3.8%</b>		
B2B Internet HOLDRs Trust . . . . .	142,492	48,917
First Trust Dow Jones Internet Index Fund . . . . .	7,739	158,108
ProShares Ultra Semiconductors . . . . .	9,885	260,470
		<u>467,495</u>
<b>ULTRASHORT BOND — 2.0%</b>		
WisdomTree US Short Term Government Income Fund . . . . .	9,926	247,852
<b>UTILITIES — 5.2%</b>		
Vanguard Utilities . . . . .	10,547	642,312
<b>TOTAL EXCHANGE TRADED FUNDS</b>		
(Cost 12,250,734) . . . . .		<u>12,366,073</u>
<b>SHORT-TERM INVESTMENT — 0.9%</b>		
Fidelity Money Management Fund, Institutional Class, 0.550% (A) (Cost 116,540) . . . . .	116,540	116,540
<b>TOTAL INVESTMENTS - 100.2%</b>		
(Cost 12,367,274) . . . . .		<u>\$12,482,613</u>

*The accompanying notes are an integral part of the financial statements.*

*Percentages are based on Net Assets of 12,452,148.*

*(A) The rate shown is the 7-day effective yield as of July 31, 2009.*

*HOLDR Holding Company Depository Receipts*

*MSCI Morgan Stanley Capital International*

*SPDR Standard & Poor's Depository Receipts*

*The accompanying notes are an integral part of the financial statements.*



<b>EXCHANGE TRADED FUNDS — (continued)</b>		
	<u>Shares</u>	<u>Value</u>
<b>SMALL BLEND — 6.2%</b>		
ProShares UltraShort SmallCap 600 .....	12,012	\$ 432,312
Vanguard Small-Cap .....	10,214	511,926
		<u>944,238</u>
<b>SPECIALTY UTILITIES — 3.9%</b>		
ProShares UltraShort Utilities .....	20,648	602,922
<b>TECHNOLOGY — 7.4%</b>		
B2B Internet HOLDRs Trust .....	150,408	51,635
First Trust Dow Jones Internet Index Fund .....	22,051	450,502
ProShares Ultra Semiconductors .....	23,481	618,724
		<u>1,120,861</u>
<b>TOTAL EXCHANGE TRADED FUNDS</b>		
(Cost \$14,911,234) .....		<u>15,220,412</u>
<b>SHORT-TERM INVESTMENT — 0.2%</b>		
Fidelity Money Management Fund, Institutional Class, 0.550% (A) (Cost \$23,882) .....	23,882	23,882
<b>TOTAL INVESTMENTS - 100.2%</b>		
(Cost \$14,935,116) .....		<u>\$15,244,294</u>

Percentages are based on Net Assets of \$15,214,931.

(A) The rate shown is the 7-day effective yield as of July 31, 2009.

HOLDR Holding Company Depository Receipts

MSCI Morgan Stanley Capital International

SPDR Standard & Poor's Depository Receipts

*The accompanying notes are an integral part of the financial statements.*

## STATEMENTS OF ASSETS AND LIABILITIES

	SmartGrowth® Lipper™ Optimal Conservative Index Fund	SmartGrowth® Lipper™ Optimal Moderate Index Fund	SmartGrowth® Lipper™ Optimal Growth Index Fund
<b>Assets</b>			
Investments at Value (Cost \$1,293,305, \$12,367,274, and \$14,935,116, respectively) . . .	\$1,298,978	\$12,482,613	\$15,244,294
Receivable for Investment Securities Sold . . . . .	30,094	8,146	78,320
Prepaid Expenses . . . . .	8,648	9,754	10,512
Receivable from Investment Adviser . . . . .	5,363	8,256	11,002
Dividends Receivable . . . . .	14	65	83
Receivable for Capital Shares Sold . . . . .	—	73,839	—
Total Assets . . . . .	<u>1,343,097</u>	<u>12,582,673</u>	<u>15,344,211</u>
<b>Liabilities</b>			
Payable to Custodian . . . . .	23,345	—	—
Payable due to Administrator . . . . .	1,022	9,822	12,088
Payable due to Distributor . . . . .	258	2,434	2,955
Payable due to Trustees . . . . .	210	1,885	2,257
Chief Compliance Officer Fees Payable . . . . .	201	1,940	3,048
Payable for Investment Securities Purchased . . . . .	—	61,031	27,770
Payable for Capital Shares Redeemed . . . . .	—	34,072	53,293
Other Accrued Expenses . . . . .	17,685	19,341	27,869
Total Liabilities . . . . .	<u>42,721</u>	<u>130,525</u>	<u>129,280</u>
<b>Net Assets</b> . . . . .	<u>\$1,300,376</u>	<u>\$12,452,148</u>	<u>\$15,214,931</u>
<b>Net Assets Consist of:</b>			
Paid-in Capital . . . . .	\$1,431,175	\$13,778,992	\$20,692,976
Undistributed Net Investment Income . . . . .	45,820	679,311	953,716
Accumulated Net Realized Loss on Investments . . . . .	(182,292)	(2,121,494)	(6,740,939)
Net Unrealized Appreciation on Investments . . . . .	5,673	115,339	309,178
Net Assets . . . . .	<u>\$1,300,376</u>	<u>\$12,452,148</u>	<u>\$15,214,931</u>
<b>Class A Shares:</b>			
Outstanding Shares of Beneficial Interest (unlimited authorization — no par value) . . . . .	<u>160,349</u>	<u>1,549,283</u>	<u>2,148,312</u>
<b>Net Asset Value and Redemption</b>			
Price Per Share . . . . .	<u>\$ 8.11</u>	<u>\$ 8.04</u>	<u>\$ 7.08</u>
<b>Maximum Offering Price per Share</b>			
(net asset value ÷ 95.25%) . . . . .	<u>\$ 8.51</u>	<u>\$ 8.44</u>	<u>\$ 7.43</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENTS OF OPERATIONS**

	SmartGrowth® Lipper™ Optimal Conservative Index Fund	SmartGrowth® Lipper™ Optimal Moderate Index Fund	SmartGrowth® Lipper™ Optimal Growth Index Fund
<b>Investment Income:</b>			
Dividends from Investment Company Shares . . . . .	\$ 45,203	\$ 705,058	\$ 816,139
Dividend income . . . . .	110	1,006	785
<b>Total Investment Income:</b> . . . . .	<u>45,313</u>	<u>706,064</u>	<u>816,924</u>
<b>Expenses:</b>			
Administration Fees . . . . .	4,957	48,969	79,964
Investment Advisory Fees . . . . .	2,325	22,861	36,395
Distribution Fees . . . . .	1,162	11,430	18,197
Trustees' Fees . . . . .	381	3,456	6,296
Chief Compliance Officer Fees . . . . .	271	2,450	4,359
Transfer Agent Fees . . . . .	14,284	21,089	31,192
Audit Fees . . . . .	9,188	9,337	9,498
Registration Fees . . . . .	6,728	7,605	8,688
Custodian Fees . . . . .	1,464	3,534	2,590
Legal Fees . . . . .	790	7,594	13,962
Printing Fees . . . . .	651	5,729	10,409
Other Expenses . . . . .	501	2,581	4,555
<b>Total Expenses</b> . . . . .	<u>42,702</u>	<u>146,635</u>	<u>226,105</u>
Less:			
Waiver of Investment Advisory Fees . . . . .	(2,325)	(22,861)	(36,395)
Reimbursement by Investment Advisor . . . . .	(33,403)	(55,190)	(80,524)
<b>Net Expenses</b> . . . . .	<u>6,974</u>	<u>68,584</u>	<u>109,186</u>
<b>Net Investment Income</b> . . . . .	<u>38,339</u>	<u>637,480</u>	<u>707,738</u>
<b>Net Realized Loss on Investments</b> . . . . .	(74,655)	(1,121,680)	(1,764,486)
<b>Net Change in Unrealized Appreciation (Depreciation) on Investments</b> . . . . .	<u>26,000</u>	<u>467,582</u>	<u>1,442,358</u>
<b>Net Realized and Unrealized Loss on Investments</b> . . . . .	<u>(48,655)</u>	<u>(654,098)</u>	<u>(322,128)</u>
<b>Increase (Decrease) in Net Assets Resulting from Operations</b> . . . . .	<u>\$ (10,316)</u>	<u>\$ (16,618)</u>	<u>\$ 385,610</u>

*The accompanying notes are an integral part of the financial statements.*

## STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended July 31, 2009 (Unaudited)	Year Ended January 31, 2009
<b>Operations:</b>		
Net Investment Income . . . . .	\$ 38,339	\$ 4,748
Net Realized Loss on Investments . . . . .	(74,655)	(51,828)
Net Change in Unrealized Appreciation (Depreciation) on Investments . . . . .	26,000	(26,120)
<b>Net Decrease in Net Assets Resulting from Operations . . . . .</b>	<u>(10,316)</u>	<u>(73,200)</u>
<b>Dividends and Distributions*:</b>		
Dividends from Net Investment Income . . . . .	—	(5,883)
Distributions from Net Realized Gains . . . . .	—	(54,280)
<b>Total Dividends and Distributions . . . . .</b>	<u>—</u>	<u>(60,163)</u>
<b>Capital Share Transactions:</b>		
Issued . . . . .	852,031	947,468
Reinvestment of Distributions . . . . .	—	53,440
Redeemed . . . . .	(124,843)	(673,262)
<b>Net Increase from Capital Share Transactions . . . . .</b>	<u>727,188</u>	<u>327,646</u>
<b>Total Increase in Net Assets . . . . .</b>	<u>716,872</u>	<u>194,283</u>
<b>Net Assets:</b>		
Beginning of Period . . . . .	583,504	389,221
End of Period . . . . .	<u>\$ 1,300,376</u>	<u>\$ 583,504</u>
Undistributed Net Investment Income . . . . .	<u>\$ 45,820</u>	<u>\$ 7,481</u>
<b>Share Transactions:</b>		
Issued . . . . .	104,487	93,442
Reinvestment of Distributions . . . . .	—	6,180
Redeemed . . . . .	(15,341)	(66,010)
<b>Net Increase in Shares Outstanding from Share Transactions . . . . .</b>	<u>89,146</u>	<u>33,612</u>

\* Certain distributions from net investment income for federal income tax purposes have been reclassified to distributions from realized gains for financial reporting purposes.

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended July 31, 2009 (Unaudited)	Year Ended January 31, 2009
<b>Operations:</b>		
Net Investment Income .....	\$ 637,480	\$ 24,658
Net Realized Loss on Investments .....	(1,121,680)	(445,410)
Net Change in Unrealized Appreciation (Depreciation) on Investments .....	467,582	(403,418)
<b>Net Decrease in Net Assets Resulting from Operations .....</b>	<u>(16,618)</u>	<u>(824,170)</u>
<b>Dividends and Distributions*:</b>		
Dividends from Net Investment Income .....	—	(35,033)
Distributions from Net Realized Gains .....	—	(576,907)
<b>Total Dividends and Distributions .....</b>	<u>—</u>	<u>(611,940)</u>
<b>Capital Share Transactions:</b>		
Issued .....	8,114,910	5,252,583
Reinvestment of Distributions .....	—	584,541
Redemption Fees .....	101	500
Redeemed .....	(1,930,516)	(750,041)
<b>Net Increase From Capital Share Transactions .....</b>	<u>6,184,495</u>	<u>5,087,583</u>
<b>Total Increase in Net Assets .....</b>	<u>6,167,877</u>	<u>3,651,473</u>
<b>Net Assets:</b>		
Beginning of Period .....	<u>6,284,271</u>	<u>2,632,798</u>
End of Period .....	<u>\$12,452,148</u>	<u>\$6,284,271</u>
Undistributed Net Investment Income .....	<u>\$ 679,311</u>	<u>\$ 41,831</u>
<b>Share Transactions:</b>		
Issued .....	1,011,851	535,077
Reinvestment of Distributions .....	—	67,668
Redeemed .....	(240,609)	(77,055)
<b>Net Increase in Shares Outstanding from Share Transactions .....</b>	<u>771,242</u>	<u>525,690</u>

\* Certain distributions from net investment income for federal income tax purposes have been reclassified to distributions from realized gains for financial reporting purposes.

The accompanying notes are an integral part of the financial statements.

## STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended July 31, 2009 (Unaudited)	Year Ended January 31, 2009
<b>Operations:</b>		
Net Investment Income .....	\$ 707,738	\$ 28,358
Net Realized Loss on Investments .....	(1,764,486)	(2,940,331)
Net Increase from Payment by Affiliate* .....	—	6,415
Net Change in Unrealized Appreciation (Depreciation) on Investments .....	1,442,358	(1,248,747)
<b>Net Increase (Decrease) in Net Assets Resulting from Operations .....</b>	<b>385,610</b>	<b>(4,154,305)</b>
<b>Dividends and Distributions**:</b>		
Dividends from Net Investment Income .....	—	(39,336)
Distributions from Net Realized Gains .....	—	(1,880,955)
Total Dividends and Distributions .....	—	(1,920,291)
<b>Capital Share Transactions:</b>		
Issued .....	3,234,836	12,460,006
Reinvestment of Distributions .....	—	1,799,160
Redemption Fees .....	—	729
Redeemed .....	(1,069,849)	(2,412,748)
<b>Net Increase From Capital Share Transactions .....</b>	<b>2,164,987</b>	<b>11,847,147</b>
<b>Total Increase in Net Assets .....</b>	<b>2,550,597</b>	<b>5,772,551</b>
<b>Net Assets:</b>		
Beginning of Period .....	12,664,334	6,891,783
End of Period .....	\$15,214,931	\$12,664,334
Undistributed Net Investment Income .....	\$ 953,716	\$ 245,978
<b>Share Transactions:</b>		
Issued .....	469,703	1,228,876
Reinvestment of Distributions .....	—	234,015
Redeemed .....	(153,787)	(262,049)
<b>Net Increase in Shares Outstanding from Share Transactions .....</b>	<b>315,916</b>	<b>1,200,842</b>

\* See Note 3 in Notes to Financial Statements.

\*\* Certain distributions from net investment income for federal income tax purposes have been reclassified to distributions from realized gains for financial reporting purposes.

The accompanying notes are an integral part of the financial statements.

FINANCIAL HIGHLIGHTS

Selected Per Share Data & Ratios  
For a Share Outstanding Throughout the Period

Class A Shares

	Six Months Ended July 31, 2009 (Unaudited)	Year Ended January 31, 2009	Period Ended January 31, 2008 <sup>(1)</sup>
Net Asset Value, Beginning of Period	\$ 8.19	\$10.35	\$10.00
Income from Operations:			
Net Investment Income <sup>(2)</sup>	0.33	0.09	0.07
Net Realized and Unrealized Gain (Loss) on Investments	(0.41)	(1.31)	0.35
Total from Operations	(0.08)	(1.22)	0.42
Dividends and Distributions <sup>(3)</sup> :			
Net Investment Income	—	(0.09)	(0.06)
Net Realized Gains	—	(0.85)	(0.01)
Total Dividends and Distributions	—	(0.94)	(0.07)
Net Asset Value, End of Period	\$ 8.11	\$ 8.19	\$10.35
<b>Total Return</b> †	<u>(0.98)%</u>	<u>(12.22)%</u>	<u>4.20%</u>
<b>Ratios and Supplemental Data</b>			
Net Assets, End of Period (Thousands)	\$1,300	\$ 584	\$ 389
Ratio of Expenses to Average Net Assets	1.50%*	1.50%	1.50%*
Ratio of Expenses to Average Net Assets (excluding waivers and reimbursements)	9.18%*	16.87%	52.47%*
Ratio of Net Investment Income to Average Net Assets	8.25%*	0.88%	1.10%*
Portfolio Turnover Rate	175%**	411%	260%**

† Total return is for the period indicated and has not been annualized. Total return would have been lower had certain fees not been waived and expenses assumed by the Adviser during the period. Returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Total return excludes applicable sales charges.

\* Annualized

\*\* Not Annualized

<sup>(1)</sup> Commenced operations on June 1, 2007.

<sup>(2)</sup> Per share data calculated using average shares method.

<sup>(3)</sup> Certain distributions from net investment income for federal income tax purposes have been reclassified to distributions from realized gains for financial reporting purposes.

Amounts designated as “—” are \$0 or have been round to \$0.

The accompanying notes are an integral part of the financial statements.

**FINANCIAL HIGHLIGHTS**

**Selected Per Share Data & Ratios  
For a Share Outstanding Throughout the Period**

**Class A Shares**

	<b>Six Months Ended July 31, 2009 (Unaudited)</b>	<b>Year Ended January 31, 2009</b>	<b>Period Ended January 31, 2008<sup>(1)</sup></b>
Net Asset Value, Beginning of Period .....	\$ 8.08	\$10.43	\$10.00
Income from Operations:			
Net Investment Income <sup>(2)</sup> .....	0.55	0.06	0.04
Net Realized and Unrealized Gain (Loss) on Investments .....	(0.59)	(1.53)	0.48
Total from Operations .....	(0.04)	(1.47)	0.52
Redemption Fees .....	—††	—††	—
Dividends and Distributions <sup>(3)</sup> :			
Net Investment Income .....	—	(0.06)	(0.04)
Net Realized Gains .....	—	(0.82)	(0.05)
Total Dividends and Distributions .....	—	(0.88)	(0.09)
Net Asset Value, End of Period .....	\$ 8.04	\$ 8.08	\$10.43
<b>Total Return</b> † .....	(0.50)%	(14.56)%	5.22%
<b>Ratios and Supplemental Data</b>			
Net Assets, End of Period (Thousands) .....	\$12,452	\$6,284	\$2,633
Ratio of Expenses to Average Net Assets .....	1.50%*	1.50%	1.50%*
Ratio of Expenses to Average Net Assets (excluding waivers and reimbursements) .....	3.21%*	5.59%	16.52%*
Ratio of Net Investment Income to Average Net Assets .....	13.94%**	0.60%	0.57%*
Portfolio Turnover Rate .....	194%**	396%	256%**

† Total return is for the period indicated and has not been annualized. Total return would have been lower had certain fees not been waived and expenses assumed by the Adviser during the period.

Returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Total return excludes applicable sales charges.

†† Amount shown represents less than \$0.01.

\* Annualized

\*\* Not Annualized

<sup>(1)</sup> Commenced operations on June 1, 2007.

<sup>(2)</sup> Per share data calculated using average shares method.

<sup>(3)</sup> Certain distributions from net investment income for federal income tax purposes have been reclassified to distributions from realized gains for financial reporting purposes.

Amounts designated as “—” are \$0 or have been rounded to \$0.

The accompanying notes are an integral part of the financial statements.

FINANCIAL HIGHLIGHTS

Selected Per Share Data & Ratios  
For a Share Outstanding Throughout the Period

Class A Shares

	Six Months Ended July 31, 2009 (Unaudited)	Year Ended January 31, 2009	Period Ended January 31, 2008 <sup>(1)</sup>
Net Asset Value, Beginning of Period	\$ 6.91	\$ 10.91	\$10.00
Income from Operations:			
Net Investment Income (Loss) <sup>(2)</sup>	0.34	0.02	(0.03)
Net Realized and Unrealized Gain (Loss) on Investments	(0.17)	(2.71)	1.06
Total from Operations	0.17	(2.69)	1.03
Redemption Fees	—	—††	—
Dividends and Distributions <sup>(3)</sup> :			
Net Investment Income	—	(0.03)	—
Net Realized Gains	—	(1.28)	(0.12)
Total Dividends and Distributions	—	(1.31)	(0.12)
Net Asset Value, End of Period	\$ 7.08	\$ 6.91	\$10.91
<b>Total Return</b> †	<u>2.46%</u>	<u>(25.83)%</u>	<u>10.33%</u>
<b>Ratios and Supplemental Data</b>			
Net Assets, End of Period (Thousands)	\$15,215	\$12,664	\$6,892
Ratio of Expenses to Average Net Assets	1.50%*	1.50%	1.50%*
Ratio of Expenses to Average Net Assets (excluding waivers and reimbursements)	3.11%*	4.17%	14.23%*
Ratio of Net Investment Income (Loss) to Average Net Assets	9.72%**	0.21%	(0.36)%*
Portfolio Turnover Rate	208%**	433%	225%**

† Total return is for the period indicated and has not been annualized. Total return would have been lower had certain fees not been waived and expenses assumed by the Adviser during the period.

Returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Total return excludes applicable sales charges.

†† Amount shown represents less than \$0.01.

\* Annualized

\*\* Not Annualized

<sup>(1)</sup> Commenced operations on June 1, 2007.

<sup>(2)</sup> Per share data calculated using average shares method.

<sup>(3)</sup> Certain distributions from net investment income for federal income tax purposes have been reclassified to distributions from realized gains for financial reporting purposes.

Amounts designated as “—” are \$0 or have been rounded to \$0.

The accompanying notes are an integral part of the financial statements.

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**NOTES TO FINANCIAL STATEMENTS** *(Unaudited)***1. Organization:**

**The Advisors' Inner Circle Fund II** (the "Trust") is organized as a Massachusetts business trust under an Amended and Restated Agreement and Declaration of Trust dated July 24, 1992. The Trust is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company with thirty funds. The financial statements herein are those of the SmartGrowth® Lipper™ Optimal Conservative Index Fund (formerly SmartGrowth® ETF Lipper™ Optimal Conservative Index Fund), the SmartGrowth® Lipper™ Optimal Moderate Index Fund (formerly SmartGrowth® ETF Lipper™ Optimal Moderate Index Fund) and the SmartGrowth® Lipper™ Optimal Growth Index Fund (formerly SmartGrowth® ETF Lipper™ Optimal Growth Index Fund) (each, a "Fund," and collectively, the "Funds"). The financial statements of the remaining funds are presented separately. The investment objective of the SmartGrowth® Lipper™ Optimal Conservative Index Fund is to track the performance of the Lipper™ Optimal Conservative Index. The investment objective of the SmartGrowth® Lipper™ Optimal Moderate Index Fund is to track the performance of the Lipper™ Optimal Moderate Index. The investment objective of the SmartGrowth® Lipper™ Optimal Growth Index Fund is to track the performance of the Lipper™ Optimal Growth Index. The Trust is registered to offer Class A Shares and Institutional Class Shares of all Funds. As of July 31, 2009, the Institutional Class Shares of the SmartGrowth Funds had not yet commenced operations. The assets of each fund of the Trust are segregated, and a shareholder's interest is limited to the fund of the Trust in which shares are held.

**2. Significant Accounting Policies:**

The following is a summary of the significant accounting policies followed by the Funds:

*Use of Estimates* — The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

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*Security Valuation* — Securities listed on a securities exchange, market or automated quotation system for which quotations are readily available (except for securities traded on NASDAQ), including securities traded over the counter, are valued at the last quoted sale price on the primary exchange or market (foreign or domestic) on which they are traded, or, if there is no such reported sale, at the most recent quoted bid price. For securities traded on NASDAQ, the NASDAQ Official Closing Price will be used. The prices for foreign securities are reported in local currency and converted to U.S. dollars using currency exchange rates. Prices for most securities held in the Funds are provided daily by recognized independent pricing agents. If a security price cannot be obtained from an independent, third-party pricing agent, the Funds seek to obtain a bid price from at least one independent broker.

Securities for which market prices are not “readily available” are valued in accordance with Fair Value Procedures established by the Funds’ Board of Trustees (the “Board”). The Funds’ Fair Value Procedures are implemented through a Fair Value Committee (the “Committee”) designated by the Board. Some of the more common reasons that may necessitate that a security be valued using Fair Value Procedures include: the security’s trading has been halted or suspended; the security has been de-listed from a national exchange; the security’s primary trading market is temporarily closed at a time when under normal conditions it would be open; the security has not been traded for an extended period of time; the security’s primary pricing source is not able or willing to provide a price; or trading of the security is subject to local government-imposed restrictions. When a security is valued in accordance with the Fair Value Procedures, the Committee will determine the value after taking into consideration relevant information reasonably available to the Committee. As of July 31, 2009, there were no fair valued securities.

The Fund’s adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements (“FAS 157”), effective December 1, 2007. In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 established a three-tier hierarchy to maximize the use of the observable

market data and minimize the use of unobservable inputs and to establish classification of the fair value measurements for disclosure purposes. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three-tier hierarchy of inputs is summarized in the three broad Levels listed below:

- Level 1 — quoted prices in active markets for identical investments
- Level 2 — other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risks, etc.)
- Level 3 — significant unobservable inputs (including the Funds' own assumptions in determining the fair value of investments)

The valuation techniques used by the Funds' to measure fair value during the six months ended July 31, 2009 maximized the use of observable inputs and minimized the use of unobservable inputs.

The following is a summary of the inputs used as of July 31, 2009 in valuing the Funds' investments carried at value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>SmartGrowth® Lipper™ Optimal Conservative Index Fund</b>				
<b>Investments in Securities</b>				
Exchange Traded Funds	\$ 1,298,978	\$ —	\$ —	\$ 1,298,978
<b>Total Investments in Securities</b>	<u>\$ 1,298,978</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,298,978</u>
<b>SmartGrowth® Lipper™ Optimal Moderate Index Fund</b>				
<b>Investments in Securities</b>				
Exchange Traded Funds	\$12,366,073	\$ —	\$ —	\$12,366,073
Short-Term Investment	116,540	—	—	116,540
<b>Total Investments in Securities</b>	<u>\$12,482,613</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$12,482,613</u>

	Level 1	Level 2	Level 3	Total
<b>SmartGrowth® Lipper™ Optimal Growth Index Fund</b>				
<b>Investments in Securities</b>				
Exchange Traded Funds	\$15,220,412	\$ —	\$ —	\$15,220,412
Short-Term Investment	23,882	—	—	23,882
<b>Total Investments in Securities</b>	<b><u>\$15,244,294</u></b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>	<b><u>\$15,244,294</u></b>

In October 2008, the FASB issued Staff Position 157-3, Determining the Fair Value of a Financial Asset in a Market That Is Not Active (“FSP 157-3”), which clarifies the application of SFAS 157 in an inactive market and provides an illustrative example to demonstrate how the fair value of a financial asset is determined when the market for that financial asset is not active. The guidance provided by FSP 157-3 did not have an impact on the Funds’ approach to valuing financial assets.

In April 2009, FASB Staff Position No. 157-4 — Determining Fair Value when the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (“FSP 157-4”) was issued. FSP 157-4 clarifies the process for measuring the fair value of financial instruments when the markets become inactive and quoted prices may reflect distressed transactions. FSP 157-4 provides a non-exclusive list of factors a reporting entity should consider when determining whether there has been a significant decrease in the volume and level of activity for an asset or liability when compared with normal market activity. Under FSP 157-4, if a reporting entity concludes there has been a significant decrease in volume and level of activity for the asset or liability (or similar assets or liabilities), transactions or quoted prices may not be determinative of fair value. Further analysis of the transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value in accordance with FASB Statement No. 157 — Fair Value Measurement. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. FSP 157-4 also requires entities to describe the inputs used in valuation techniques used to measure fair value changes and changes in inputs over the period. FSP 157-4 expands the three level hierarchy disclosure and level three roll-forward disclosure for each major

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security type as described in paragraph 19 of FAS No. 115, Accounting for Certain Investments in Debt and Equity Securities.

*Federal Income Taxes* — It is each Fund's intention to continue to qualify as a regulated investment company for Federal income tax purposes by complying with the appropriate provisions of the Subchapter M of the Internal Revenue Code of 1986, as amended. Accordingly, no provisions for Federal income taxes have been made in the financial statements.

The Funds evaluate tax positions taken or expected to be taken in the course of preparing the Funds' tax returns to determine whether it is "more-likely-than-not" (i.e., greater than 50-percent) that each tax position will be sustained upon examination by a taxing authority based on the technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. The Funds did not record any tax provision in the current period. However, management's conclusions regarding tax positions taken may be subject to review and adjustment at a later date based on factors including, but not limited to, examination by tax authorities (i.e., the last 2 tax year ends), on-going analysis of and changes to tax laws, regulations and interpretations thereof.

*Security Transactions and Investment Income* — Security transactions are accounted for on trade date. Costs used in determining realized gains and losses on the sales of investment securities are based on specific identifications. Dividend income is recognized on the ex-dividend date.

*Expenses* — Most expenses of the Trust can be directly attributed to a particular fund. Expenses that cannot be directly attributed to a fund are apportioned among the funds of the Trust based on the number of funds and/or relative net assets. In addition to the expenses reflected on the statements of operations, the Funds indirectly bear the investment advisory fees and other expenses of the exchange traded funds (ETFs) in which they invest. Because each of the ETFs has varied expense and fee levels, and the Funds may own different amounts of shares of these funds at different times, the amount of fees and expenses incurred indirectly will vary.

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*Classes* — Class specific expenses are borne by that class of shares. Income, realized and unrealized gains/losses, and non-class specific expenses are allocated to the respective class on the basis of relative daily net assets.

*Dividends and Distributions to Shareholders* — Dividends from net investment income, if any, are declared and paid annually by the Funds. Any net realized capital gains are distributed to shareholders at least annually. All distributions are recorded on ex-dividend date.

*Redemption Fees* — The Funds retain a redemption fee of 2.00% on redemptions of capital shares held for less than 7 days. For the six months ended July 31, 2009, the SmartGrowth® Lipper™ Conservative Index Fund, the SmartGrowth® Lipper™ Optimal Moderate Index Fund and the SmartGrowth® Lipper™ Optimal Growth Index Fund retained \$0, \$101 and \$0, respectively, in redemption fees.

### **3. Transactions with Affiliates:**

Certain officers and a trustee of the Trust are also officers of SEI Investments Global Funds Services (the “Administrator”), a wholly owned subsidiary of SEI Investments Company, and/or SEI Investments Distribution Co. (the “Distributor”). Such officers are paid no fees by the Trust for serving as officers of the Trust.

A portion of the services provided by the Chief Compliance Officer (“CCO”) and his staff, whom are employees of the Administrator, are paid for by the Trust as incurred. The services include regulatory oversight of the Trust’s advisers and service providers as required by SEC regulations. The CCO’s services have been approved by and are reviewed by the Board.

*Payment by Affiliate* — During the year ended January 31, 2009, the SmartGrowth® Lipper™ Optimal Growth Index Fund was reimbursed by the adviser for losses incurred of \$6,415 due to the purchase of shares in a specific company in excess of the amount permitted under applicable Securities and Exchange Commission rules. The reimbursement had no impact on the Fund’s total return.

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#### **4. Administration, Distribution, Transfer Agent and Custodian Agreements:**

The Funds and the Administrator are parties to an Administration Agreement under which the Administrator provides management and administrative services to the Funds at an annual rate of:

- 0.10% on the first \$500 million of the Funds' average daily net assets;
- 0.08% between \$500 million and \$2 billion of the Funds' average daily net assets; and
- 0.06% on the Fund's average daily net assets over \$2 billion.

The Funds are subject to a minimum annual administration fee of \$90,000 per fund.

The Trust and Distributor are parties to a Distribution Plan dated May 31, 2000, amended and restated on November 16, 2004. The Funds have adopted the Distribution Plan (the "Plan") for Class A Shares. Under the Plan, the Distributor, or third parties that enter into agreements with the Distributor, may receive up to 0.25% of the Funds' average net assets attributable to Class A Shares as compensation for distribution services.

UMB Fund Services, Inc. serves as the transfer agent and dividend disbursing agent for the Funds under a transfer agency agreement with the Trust.

U.S. Bank, N.A. acts as custodian (the "Custodian") for the Funds. The Custodian plays no role in determining the investment policies of the Funds or which securities are to be purchased or sold by the Funds.

#### **5. Investment Advisory Agreement:**

Under the terms of an investment advisory agreement, Hennion & Walsh Asset Management, Inc. (the "Adviser"), provides investment advisory services to the Funds at a fee, which is calculated daily and paid monthly at an annual rate of 0.50% of each Fund's average daily net assets. The Adviser has voluntarily agreed to waive a portion of its advisory fees and to assume expenses, if necessary, in order to keep the Funds' total annual operating expenses from exceeding 1.50% of the Class A shares average daily net assets. The Adviser may discontinue the expense limitation at any time. In addition, if at any point during the first three years after the expense was incurred it becomes unnecessary for the Adviser to make expense limitation reimbursements, the Board

may permit the Adviser to retain the difference between the “Total Annual Fund Operating Expenses” and 1.50% to recapture any of its prior fee reductions or expense reimbursements. At July 31, 2009, the amount the Adviser may seek reimbursement of previously waived fees and reimbursed expenses for the Funds was \$182,028, \$419,418, and \$657,957 for the SmartGrowth® Lipper™ Optimal Conservative Index Fund, the SmartGrowth® Lipper™ Optimal Moderate Index Fund and the SmartGrowth® Lipper™ Optimal Growth Index Fund, respectively.

The Adviser has entered into a licensing agreement with Lipper™ to obtain the right to offer shares of a registered investment company that pursues an investment program that seeks to track certain Lipper™ Indices and to obtain information and assistance from Lipper™ to facilitate the operations of the Funds. Fees payable to Lipper™ under this agreement are paid by the Adviser and not by the Funds.

## 6. Investment Transactions:

For the six months ended July 31, 2009, the purchases and sales of investment securities other than long-term U.S. Government and short-term investments were:

	<u>Purchases</u>	<u>Sales</u>
SmartGrowth® Lipper™ Optimal Conservative Index Fund	\$ 2,358,504	\$ 1,610,247
SmartGrowth® Lipper™ Optimal Moderate Index Fund	24,212,442	17,482,192
SmartGrowth® Lipper™ Optimal Growth Index Fund	32,782,250	29,822,934

There were no purchases or sales of long-term U.S. Government securities.

## 7. Federal Tax Information:

The amount and character of income and capital gain distributions, if any, to be paid are determined in accordance with Federal income tax regulations, which may differ from U.S. generally accepted accounting principles. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. These book/tax differences may be temporary or permanent. To the extent these differences are permanent in nature, they are charged or credited to undistributed net investment income (loss), accumulated net realized gain (loss) or paid-in capital, as appropriate, in the period that the differences arise.

Each of the Funds has a tax year that ends on December 31. The following tax disclosure is representative as of December 31, 2008, except for the tax character of distributions and federal tax cost and aggregate tax gross unrealized appreciation and depreciation on investments. Permanent book and tax differences resulted in the following reclassifications. These differences are due to reclass of distributions and investments in partnerships and grantor trust securities. These reclassifications had no impact on the net assets or net asset value of the Funds.

	<u>Paid-in Capital</u>	<u>Undistributed Net Investment Income</u>	<u>Accumulated Net Realized Loss</u>
SmartGrowth® Lipper™ Optimal Conservative Index Fund	\$ 4	\$ 8,928	\$ (8,932)
SmartGrowth® Lipper™ Optimal Moderate Index Fund	161	55,115	(55,276)
SmartGrowth® Lipper™ Optimal Growth Index Fund	—	262,274	(262,274)

The tax character of dividends and distributions paid during the last two fiscal years were as follows:

	<u>Ordinary Income</u>	<u>Long-Term Capital Gain</u>	<u>Total</u>
SmartGrowth® Lipper™ Optimal Conservative Index Fund			
2009	\$ 58,810	\$ 1,353	\$ 60,163
2008	2,001	—	2,001
SmartGrowth® Lipper™ Optimal Moderate Index Fund			
2009	599,323	12,617	611,940
2008	19,663	—	19,663
SmartGrowth® Lipper™ Optimal Growth Index Fund			
2009	1,891,106	29,185	1,920,291
2008	41,079	—	41,079

As of December 31, 2008 the components of distributable earnings on a tax basis were as follows:

	SmartGrowth® Lipper™ Optimal Conservative Index Fund	SmartGrowth® Lipper™ Optimal Moderate Index Fund	SmartGrowth® Lipper™ Optimal Growth Index Fund
Undistributed Ordinary			
Income	\$ 7,847	\$ 46,287	\$ 256,014
Capital Loss			
Carryforwards	(33,987)	(266,723)	(2,841,744)
Post October Losses	(191)	—	—
Net Unrealized Depreciation	<u>(67,919)</u>	<u>(696,562)</u>	<u>(2,000,697)</u>
Total Distributable Earnings	\$(94,250)	\$(916,998)	\$(4,586,427)

Post-October losses represent losses realized on investment transactions from November 1, 2008 through December 31, 2008 that, in accordance with Federal income tax regulations, the Funds may differ and treat as having arisen in the following fiscal year.

For Federal income tax purposes, capital loss carryforwards represent realized losses of the Portfolio that may be carried forward for a maximum period of eight years and applied against future capital gains. As of December 31, 2008, the Funds had the following capital loss carryforwards:

	<u>Years Expiring</u>	<u>Amounts</u>
SmartGrowth® Lipper™ Optimal Conservative Index Fund	2016	\$ 33,987
SmartGrowth® Lipper™ Optimal Moderate Index Fund	2016	266,723
SmartGrowth® Lipper™ Optimal Growth Index Fund	2016	2,841,744

The Federal tax cost and aggregate gross unrealized appreciation and depreciation on investments held by the Funds at July 31, 2009 were as follows:

<u>SmartGrowth® Funds</u>	<u>Federal Tax Cost</u>	<u>Appreciated Securities</u>	<u>Depreciated Securities</u>	<u>Net Unrealized Depreciation</u>
SmartGrowth® Lipper™ Optimal Conservative Index Fund	\$ 1,294,005	\$ 42,191	\$ (37,218)	\$ 4,973
SmartGrowth® Lipper™ Optimal Moderate Index Fund	12,379,500	454,894	(351,781)	103,113
SmartGrowth® Lipper™ Optimal Growth Index Fund	14,937,127	804,646	(497,479)	307,167

### 8. Other:

At July 31, 2009, the percentage of total shares outstanding held by shareholders for the SmartGrowth® Lipper™ Optimal Conservative Index Fund, the SmartGrowth® Lipper™ Optimal Moderate Index Fund and the SmartGrowth® Lipper™ Optimal Growth Index Fund, which were comprised of omnibus accounts that were held on behalf of several individual shareholders, was as follows:

	<u>No. of Shareholders</u>	<u>% Ownership</u>
SmartGrowth® Lipper™ Optimal Moderate Index Fund	1	23%
SmartGrowth® Lipper™ Optimal Growth Index Fund	1	15%

In the normal course of business, the Funds enter into contracts that provide general indemnifications. The Funds' maximum exposure under these arrangements is dependent on future claims that may be made against the Funds and, therefore, cannot be established; however, based on the Trust's experience, the risk of loss from such claim is considered remote.

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**9. Subsequent Event:**

The Funds have evaluated the need for disclosures and/or adjustments resulting from subsequent events through September 28, 2009, the date the financial statements were available to be issued. This evaluation did not result in any subsequent events that necessitated disclosures and/or adjustments.

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**DISCLOSURE OF FUND EXPENSES** *(Unaudited)*

We believe it is important for you to understand the impact of fees regarding your investment. All mutual funds have operating expenses. As a shareholder of a mutual fund, you incur ongoing costs, which include costs for fund management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a mutual fund's gross income, directly reduce the investment return of a mutual fund. A mutual fund's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing fees (in dollars) of investing in your Fund and to compare these costs with those of other mutual funds. The examples are based on an investment of \$1,000 made at the beginning of the period shown and held for the entire period.

The table on the next page illustrates your Fund's costs in two ways.

- **Actual Portfolio Return.** This section helps you to estimate the actual expenses after fee waivers that you paid over the period. The "Ending Account Value" shown is derived from the Fund's actual return, and the fourth column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Fund. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number given for your Fund under the heading "Expenses Paid During Period."

- **Hypothetical 5% Return.** This section is intended to help you compare your Fund's costs with those of other mutual funds. It assumes that the Fund had a return of 5% before expenses during the period, but that the expense ratio is unchanged. In this case, because the return used is not the Fund's actual return, the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess your Fund's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other mutual funds.

**DISCLOSURE OF FUND EXPENSES** *(Unaudited)*

Please note that the expenses shown in the table are meant to highlight and help you compare ongoing costs only and do not reflect any transactional costs such as sales charges (loads) and redemption fees, which are described in the Prospectus. If this fee were applied to your account, your costs would be higher.

Note: Because the hypothetical return is set at 5% for comparison purposes — NOT your Fund's actual return — the account values shown may not apply to your specific investment.

	Beginning Account Value 02/01/09	Ending Account Value 07/31/09	Annualized Expense Ratios	Expense Paid During Period <sup>(1)</sup>
<i>SmartGrowth® Lipper™ Optimal Conservative Index Fund</i>				
<b>Actual Fund Return</b>				
Class A Shares	\$1,000.00	\$ 990.20	1.50%	\$7.40
<b>Hypothetical 5% Return</b>				
Class A Shares	1,000.00	1,017.36	1.50	7.50
<i>SmartGrowth® Lipper™ Optimal Moderate Index Fund</i>				
<b>Actual Fund Return</b>				
Class A Shares	\$1,000.00	\$ 995.00	1.50%	\$7.42
<b>Hypothetical 5% Return</b>				
Class A Shares	1,000.00	1,017.36	1.50	7.50
<i>SmartGrowth® Lipper™ Optimal Growth Index Fund</i>				
<b>Actual Fund Return</b>				
Class A Shares	\$1,000.00	\$1,024.60	1.50%	\$7.53
<b>Hypothetical 5% Return</b>				
Class A Shares	1,000.00	1,017.36	1.50	7.50

<sup>(1)</sup> Expenses are equal to the Fund's annualized expense ratio multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).

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**APPROVAL OF INVESTMENT ADVISORY AGREEMENT** *(Unaudited)***Board Considerations in Re-Approving the Advisory Agreement**

Pursuant to Section 15(c) of the Investment Company Act of 1940 (the “1940 Act”), the Board of Trustees (the “Board”) of The Advisors’ Inner Circle Fund II (the “Trust”) must annually review and re-approve the existing Advisory Agreement after its initial two-year term: (i) by the vote of the Trustees or by a vote of the shareholders of the Funds; and (ii) by the vote of a majority of the Trustees who are not parties to the Advisory Agreement or “interested persons” of any party thereto, as defined in the 1940 Act (the “Independent Trustees”), cast in person at a meeting called for the purpose of voting on such approval. Each year, the Board calls and holds a meeting to decide whether to renew the Advisory Agreement for an additional one-year term. In preparation for the meeting, the Board requests and reviews a wide variety of information from the Adviser. The Trustees use this information, as well as other information that the Adviser and other service providers of the Funds may submit to the Board, to help them decide whether to renew the Advisory Agreement for an additional year.

Prior to this year’s meeting held on May 19-20, 2009, the Board, including the Independent Trustees advised by their independent legal counsel, reviewed written materials from the Adviser regarding, among other things: (i) the nature, extent and quality of the services to be provided by the Adviser; (ii) the investment performance of the Funds and the Adviser; (iii) the costs of the services to be provided and profits to be realized by the Adviser and its affiliates from the relationship with the Funds; (iv) the extent to which economies of scale would be realized as the Funds grow; and (v) whether fee levels reflect these economies of scale for the benefit of Fund investors, as discussed in further detail below.

At the meeting, a representative from the Adviser, along with other Fund service providers, presented additional oral and written information to help the Board evaluate the Adviser’s fee and other aspects of the Advisory Agreement. Among other things, the representative provided an overview of the Adviser, including its history, assets under management, personnel and investment approach. The representative also discussed the Adviser’s best execution practices. The representative also reviewed each Fund’s current and historical portfolio composition and the types of securities included in the indexes that the Funds tracked. The

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**APPROVAL OF INVESTMENT ADVISORY AGREEMENT** *(Unaudited)*

Trustees then discussed the written materials that the Board received before the meeting and the Adviser's oral presentation and any other information that the Board received at the meeting, and deliberated on the renewal of the Advisory Agreement in light of this information. In its deliberations, the Board considered the factors and reached the conclusions described below relating to the selection of the Adviser and the re-approval of the Advisory Agreement, and did not identify any single piece of information discussed below that was all-important, controlling or determinative of its decision.

*Nature, Extent, and Quality of Services Provided by the Adviser*

In considering the nature, extent and quality of the services provided by the Adviser, the Board reviewed the portfolio management services provided by the Adviser to the Funds, including the quality and continuity of the Adviser's portfolio management personnel. The most recent investment adviser registration form ("Form ADV") for the Adviser was provided to the Board, as was the response of the Adviser to a detailed series of questions which included, among other things, information about the background and experience of the portfolio managers primarily responsible for the day-to-day management of the Funds.

The Trustees also considered other services to be provided to the Funds by the Adviser, such as selecting broker-dealers for executing portfolio transactions, monitoring adherence to the Funds' investment restrictions, and monitoring compliance with various Fund policies and procedures and with applicable securities regulations. Based on the factors above, as well as those discussed below, the Board concluded that it was satisfied with the nature, extent and quality of the services provided to the Funds by the Adviser.

*Investment Performance of the Funds and the Adviser*

The Board was provided with information regarding each of the Fund's performance since the Advisory Agreement was last renewed, as well as information regarding each Fund's performance since its inception. The Board also compared the Funds' performance to their respective benchmark indices and other similar mutual funds over various periods of time. The Adviser provided information regarding and led a discussion of factors impacting the performance of each Fund over the past year, focusing on its investment process and

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**APPROVAL OF INVESTMENT ADVISORY AGREEMENT** *(Unaudited)*

current market conditions. The Board considered each Fund's performance compared to a benchmark index and a Lipper Classification for various trailing periods, noting that each Fund had outperformed its benchmark index and Lipper Classification for various periods. Based on this information, the Board concluded that it was satisfied with the investment results that the Adviser had been able to achieve for the Funds.

*Costs of Advisory Services, Profitability and Economies of Scale*

In concluding that the advisory fees payable by the Funds were reasonable, the Trustees reviewed a report of the advisory fees paid by each Fund to the Adviser, and the fee waivers that the Adviser had made over the period. The Trustees noted that each Fund's total fees and expenses, after waivers, were within the range of fees and expenses incurred by other respective peer funds. The Trustees also reviewed the costs and other expenses incurred by the Adviser in providing advisory services and the resulting profits realized by the Adviser from its relationship with the Funds, and concluded that such profit was not excessive. The Trustees also reviewed reports comparing the expense ratios and advisory fees paid by the Funds to those paid by other comparable mutual funds and concluded that the advisory fees appeared reasonable in light of the services rendered and were the result of arm's length negotiations. The Trustees also considered the Adviser's commitment to managing the Funds and its willingness to continue its expense limitations and fee waiver arrangements with the Funds. In addition, the Board considered whether economies of scale were realized during the current contract period, but did not conclude that such economies of scale had yet been achieved.

Based on the Board's deliberations and its evaluation of the information described above, the Board, including all of the Independent Trustees, unanimously: (a) concluded that terms of the Advisory Agreement are fair and reasonable; (b) concluded that the Adviser's fees are reasonable in light of the services that the Adviser provides to the Funds; and (c) agreed to renew the Advisory Agreement for another year.

## NOTES

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**SmartGrowth® Funds**

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1-888-465-5722

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**Distributor:**

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**Administrator:**

SEI Investments Global Funds Services  
One Freedom Valley Drive  
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**Legal Counsel:**

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Washington, DC 20004

**Independent Registered Public Accounting Firm:**

Ernst & Young, LLP  
Two Commerce Square  
2001 Market Street, Suite 4000  
Philadelphia, PA 19103

This information must be preceded or accompanied by a current prospectus for the Funds described.