

# The Elan Fund

Interim Report and Financial Statements  
For the period from 1st May 2010 to 31st October 2010

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## MANAGEMENT AND ADMINISTRATION

The Authorised Corporate Director ("ACD") and registered office of the Elan Fund ("the Company"):

### PREMIER PORTFOLIO MANAGERS LIMITED

Eastgate Court, High Street,  
Guildford, Surrey, GU1 3DE

Premier Portfolio Managers Limited is authorised and regulated by the Financial Services Authority ("FSA") and is a member of the Investment Management Association ("IMA"). Premier Portfolio Managers Limited and Premier Fund Managers Limited are both members of the Premier Asset Management Marketing Group.

**DIRECTORS OF THE ACD:** Mike O'Shea (Chairman)  
Neil Macpherson (Finance Director)  
Simon Weldon (Managing Director, Sales and Marketing)  
Mark Friend (Managing Director, Operations)  
Mike Hammond (IFA Sales Director)

**INVESTMENT ADVISER:** Premier Fund Managers Limited is the Investment Adviser to the Elan Diversified Income Fund and the Elan High Income Fund.  
Premier Fund Managers Limited has appointed FundQuest UK Limited as sub-Investment Adviser to the Elan Diversified Income Fund.

**DEPOSITARY:** The Royal Bank of Scotland plc  
Trustee & Depositary Services  
The Broadstone,  
50 South Gyle Crescent,  
Edinburgh, EH12 9UZ

**AUDITOR:** Grant Thornton UK LLP  
30 Finsbury Square,  
London, EC2P 2YU

**ADMINISTRATOR & REGISTRAR:** Northern Trust Global Fund Services Limited  
PO Box 55736,  
50 Bank Street,  
Canary Wharf,  
London, E14 1BT

### COMPANY INFORMATION

The Elan Fund is an Investment Company with Variable Capital under regulation 12 of the Open-Ended Investment Company Regulations and incorporated in England and Wales under registered number IC000497 and authorised by the FSA with effect from 27th November 2006. Shareholders are not liable for the debts of the company. The Company is an umbrella company and comprised of three sub-funds, the Elan Diversified Income Fund, Elan Growth Fund and the Elan High Income Fund. At the period end date, only the Elan Diversified Income Fund and the Elan High Income Fund were launched.

The Company is a non-UCITS scheme which complies with the FSA's Collective Investment Schemes sourcebook and is structured as an umbrella company so that different sub-funds may be established from time to time by the ACD with the approval of the FSA and the agreement of the Depositary.

### REPORT OF THE ACD TO THE SHAREHOLDERS OF THE COMPANY

The ACD, as sole director, presents its report and the unaudited financial statements of the Company for the period from 1st May 2010 to 31st October 2010.

The Company is a non-UCITS scheme which complies with the FSA's Collective Investment Schemes sourcebook. The shareholders are not liable for the debts of the Company.

The Investment Objectives and Policies of each sub-fund of the Company are covered in the section for each sub-fund. The sub-funds of an umbrella company should be invested as if they were a single company. The names and addresses of the ACD, the Depositary and the Auditor are detailed on this page.

In the future there may be other sub-funds of the Company. As a sub-fund is not a legal entity, if the assets attributable to any sub-fund were insufficient to meet the liabilities attributable to it, the shortfall might have to be met out of the assets attributable to one or more other sub-funds of the Company.

### DIRECTORS' STATEMENT

In accordance with the Regulations, we hereby certify the report on behalf of the directors of Premier Portfolio Managers Limited.



Neil Macpherson  
Finance Director (of the ACD)  
22nd December 2010

Mark Friend  
Managing Director, Operations (of the ACD)

# THE ELAN FUND AGGREGATED FINANCIAL STATEMENTS

## STATEMENT OF TOTAL RETURN

For the period ended 31st October 2010

	31/10/10		31/10/09	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		686		3,370
Revenue	566		409	
Expenses	(324)		(256)	
Finance costs: Interest	(3)		(1)	
Net revenue before taxation	239		152	
Taxation	-		(14)	
Net revenue after taxation		239		138
Total return before distributions		925		3,508
Finance costs: Distributions		(517)		(347)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>408</b>		<b>3,161</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the period ended 31st October 2010

	31/10/10 <sup>1</sup>		31/10/09	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		35,930		22,338
Amounts receivable on issue of shares	10,700		6,537	
Amounts payable on cancellation of shares	(6,611)		(3,772)	
		4,089		2,765
Dilution levy		3		3
Stamp duty reserve tax		(7)		(5)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>408</b>		<b>3,161</b>
Retained distributions on accumulation shares		263		50
<b>Closing net assets attributable to shareholders</b>		<b>40,686</b>		<b>28,312</b>

<sup>1</sup> Opening net assets attributable to shareholders for current period differs from the comparative period closing balance as they are not consecutive periods.

## BALANCE SHEET

As at 31st October 2010

	31/10/10	30/04/10
	£'000	£'000
<b>ASSETS</b>		
Investment assets	38,434	33,739
Debtors	838	8,557
Cash and bank balances	2,264	715
<b>Total other assets</b>	<b>3,102</b>	<b>9,272</b>
<b>Total assets</b>	<b>41,536</b>	<b>43,011</b>
<b>LIABILITIES</b>		
Investment liabilities	(81)	-
Creditors	(573)	(5,376)
Bank overdrafts	-	(1,519)
Distributions payable on income shares	(196)	(186)
<b>Total other liabilities</b>	<b>(769)</b>	<b>(7,081)</b>
<b>Total liabilities</b>	<b>(850)</b>	<b>(7,081)</b>
<b>Net assets attributable to shareholders</b>	<b>40,686</b>	<b>35,930</b>

On behalf of Premier Portfolio Managers Limited.



Neil Macpherson

Finance Director (of the ACD)

22nd December 2010

Mark Friend

Managing Director, Operations (of the ACD)

# THE ELAN FUND AGGREGATED FINANCIAL STATEMENTS

## NOTE TO THE FINANCIAL STATEMENTS

### ACCOUNTING POLICIES

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The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 30th April 2010. They are in accordance with the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA), in November 2008 (the IMA SORP 2008).

# ELAN DIVERSIFIED INCOME FUND

## COMPARATIVE TABLES

### Performance Record

Calendar Year	High (p)	Low (p)
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#### Income Shares

2006 <sup>1</sup>	100.35	99.82
2007	105.09	95.88
2008	100.06	76.92
2009	95.33	77.15
2010 <sup>2</sup>	100.64	90.94

#### Accumulation Shares

2006 <sup>1</sup>	100.35	99.82
2007	105.09	95.88
2008	101.61	78.73
2009	100.11	79.77
2010 <sup>2</sup>	107.48	96.81

### Income/Accumulation Record

Calendar Year	Net Income per Share (p)
---------------	--------------------------

#### Income Shares

2006 <sup>1</sup>	-
2007	1.3832
2008	1.7490
2009	1.8677
2010 <sup>2</sup>	1.2593

#### Accumulation Shares

2006 <sup>1</sup>	-
2007	1.3218
2008	1.7825
2009	1.9947
2010 <sup>2</sup>	2.0382

### Net Asset Value (NAV)

As at	Shares in Issue	NAV per Share (p) <sup>3</sup>
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#### Income Shares

30/04/2009	15,701,499	81.76
30/04/2010	14,887,379	98.36
31/10/2010	15,408,321	98.38

#### Accumulation Shares

30/04/2009	4,521,978	85.44
30/04/2010	6,731,463	104.87
31/10/2010	2,339,980	106.03

#### Total NAV

	NAV of Sub-Fund (£)
30/04/2009	16,701,027
30/04/2010	21,702,706
31/10/2010	17,639,974

<sup>1</sup> From 11th December 2006 to 31st December 2006.

<sup>2</sup> To 31st October 2010.

<sup>3</sup> The net asset value per share is calculated on a bid basis and excludes any distribution payable.

## TOTAL EXPENSE RATIO (TER)

30/04/10

2.71%

The TER shows the annual operating expenses of the sub-fund including the annual management charge and other expenses. It does not include transaction charges. Funds highlight the TER to help you compare the annual operating expenses of different schemes. The TER for income and accumulation shares is the same.

## PORTFOLIO TURNOVER RATE (PTR)

30/04/10

133.60%

The PTR is a ratio that reflects the volume of trading within the sub-fund over the course of a 12 month period. The PTR is calculated by taking the sum of all transactions in securities less the sum of all transactions in the sub-fund's shares and is expressed as a percentage of the sub-fund's average net asset value.

## INVESTMENT OBJECTIVE AND POLICY

The investment objective of the Elan Diversified Income Fund is to provide income together with some long term capital growth from a portfolio of investments by investing in units in collective investment schemes. The sub-fund may also invest in equities, fixed interest securities, money market instruments and warrants.

The sub-fund may invest in unregulated collective investment schemes such as hedge funds (where investment in such funds would be consistent with the investment objective of the sub-fund).

Subject to the above, the sub-fund may invest in any asset class or adopt any investment technique or strategy permitted under FSA rules and as detailed in the full prospectus. The sub-fund may invest in derivatives and forward transactions for investment purposes as well as for the purposes of efficient portfolio management (including hedging).

## INVESTMENT REVIEW

### PERFORMANCE

During the period under review, the Fund returned 1.3%, with its more cautious footing putting it behind its sector average's advance of 2.0%.

### MARKET REVIEW

The six-month reporting period turned out to be a volatile one for financial markets, with a notable rally in September and October helping to push markets into positive territory for the period.

After the sharp falls in 2008 and the emphatic rebound in 2009, stock markets in 2010 have produced much less dramatic returns. However, the placid-looking figures mask a great deal of volatility along the way, as investors' sentiment has swung violently between hope and fear as the year has progressed.

After the initial relief of avoiding financial meltdown in 2008, the hopes that have underpinned markets are based on expectations of continued economic recovery, and the ability for companies to grow their profits. Against this are the fears that continue to weigh on investors' minds. These are various, but chiefly fall into two camps: that deflation caused by paying down debt will derail the fledgling recovery, tipping us back into recession; or that over-zealous central bankers will over-stimulate us into rampant inflation.

During the six month period in question, it was fears of sovereign default in Greece and other indebted European nations that caused the most consternation, resulting in a sell-off in May and June that put markets' returns firmly in the red. However, the stress tests carried out by the European Union seemed to settle nerves, and most markets began to climb back towards positive territory in July. Then, as markets began to run out of steam in August, suggestions of more stimulation from the US Federal Reserve gave equity markets a second wind.

## ELAN DIVERSIFIED INCOME FUND

Bond markets had a smoother time of it over the period. Corporate bonds benefited from investors' continued search of a decent income now that interest rates have been slashed. Gilts, meanwhile, also rallied hard over the summer months, as fears of deflation began to take centre-stage. This drove yields on many gilts close to the levels they reached at the height of the credit crisis in spring 2009.

### PORTFOLIO ACTIVITY

We inherited the portfolio as the period began, so much of our early trading was centred around shaping the portfolio to match our investment views. These, in a nutshell, are very much based around paying a sensible price for any asset we invest in, as we firmly believe this is a much more important factor than simply trying to jump onto an exciting investment story.

By the end of May, our portfolio was in place, leaving us to the business of monitoring our chosen investments to make sure they still offer the best balance between risks and rewards. To this end, we will tend to trim back those investments that have done particularly well, thereby locking in profits, and then channel the proceeds into some of the laggards (provided we're comfortable with the reasons for the lag). To put this another way, we like to consistently sell high and buy low, which is as simple an investment philosophy as you're likely to find.

### OUTLOOK

Currently, the fiercest debate concerning the financial world is whether the biggest threat to our financial future is deflation or inflation. We don't claim to know the answer to this, but given the fact that American and British central banks, and their printing presses, seem dead set on avoiding deflation, it is ultimately inflation that we fear the most. However, it will most likely be years before this conundrum is solved, and in the meantime markets will keep swinging between fears of the two extremes.

Given this situation, and our own concerns of an eventual inflationary outcome, our preference for good-quality, attractively priced equities remains in place. Decent valuations are still available, companies are generally in good shape and the fittest companies should be able to ride out the challenging economic environment while growing their market share. Where we do hold fixed income, such considerations lean us towards corporate bonds, especially considering the tailwind they have from income-hungry baby boomers looking for a less volatile home for their cash than equities, and a better return than a bank account.

Source: Premier Fund Managers Limited, November 2010. Performance data taken from Financial Express Analytics, quoted on a total return, bid to bid, UK sterling basis. Past performance is not a guide to future returns.

The top ten purchases and sales during the period were as follows:

Purchases	Costs	Sales	Proceeds
	£'000		£'000
RWC Global Convertibles 'B'	950	Fidelity MoneyBuilder	1,103
M&G Strategic Corporate Bond	940	Invesco Perpetual Income	801
Rensburg UK Equity Income	924	Schoders Global Property	
Schroder European Alpha		Securities 'A'	699
Plus 'A'	790	Henderson International	
Henderson Global Preference		Property	688
& Bond	700	Artemis Income	624
AXA US Short-Duration High Yield	670	Cazenove Absolute Equity	609
Henderson International Property	563	IVI European	607
TwentyFour Monument Bond	500	Fidelity South East Asia	497
Barclays FTSE 100 10.75%		Findlay Park American Smaller	
11/06/16	500	Companies - USD	436
Allianz RCM Japan 'A'	410	Franklin Templeton Global	
		Bond 'I' - EUR	432
<b>Total cost of all securities purchased</b>	<b>10,896</b>	<b>Total proceeds from all securities sold</b>	<b>13,214</b>

# ELAN DIVERSIFIED INCOME FUND

## PORTFOLIO OF INVESTMENTS

As at 31st October 2010

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %	Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
<b>COLLECTIVE INVESTMENT SCHEMES 79.69% (81.89%)</b>				<b>EQUITIES 1.70% (4.30%)</b>			
<b>America 4.69% (4.92%)</b>				<b>Global 1.70% (1.28%)</b>			
535,618	Allianz RCM US Equity	604	3.42	3,604	Schroder Alternative Solutions Agriculture 'C'	300	1.70
430,435	Schroder US Smaller Markets	224	1.27			300	1.70
		<b>828</b>	<b>4.69</b>	<b>United Kingdom 0.00% (3.02%)</b>			
<b>Emerging Markets 1.06% (1.01%)</b>				<b>FUND OF HEDGE FUNDS 4.64% (5.68%)</b>			
21,940	Aberdeen Emerging Markets 'C'	117	0.66	312,000	Absolute Targeted Positive Return	355	2.01
15,161	Baillie Gifford Emerging Markets Growth 'B'	71	0.40	425,000	Cazenove Absolute Equity	463	2.63
		<b>188</b>	<b>1.06</b>			<b>818</b>	<b>4.64</b>
<b>Europe 7.95% (10.06%)</b>				<b>STRUCTURED PLANS 10.95% (1.89%)</b>			
106,282	Cazenove European 'X'	474	2.69	951,443	Merrill Lynch 9% High Yield ELDeRS 24A	483	2.73
208,892	Ignis Argonaut European Income 'I'	220	1.25	430,000	Merrill Lynch DJ Euro Stoxx 50 Certified 10/05/12	438	2.48
661,515	Schroder European Alpha Plus 'A'	708	4.01	500,000	Barclays FTSE 100 10.75% 11/06/16	530	3.01
		<b>1,402</b>	<b>7.95</b>	400,000	Elders Investment - 17B JPN Capital Protected III	363	2.06
<b>Far East 4.65% (4.26%)</b>				100,000	Symphony Europe Defensive FTSE Auto-Call	118	0.67
47,301	Baring Eastern	262	1.48			<b>1,932</b>	<b>10.95</b>
161,993	First State Asia Pacific Leaders 'B'	559	3.17	<b>FORWARD FX CURRENCY CONTRACTS -0.46% (0.04%)</b>			
		<b>821</b>	<b>4.65</b>	198,492,676	Sold JPY, Bought GBP 1,529,007 for settlement 03/12/2010	(15)	(0.09)
<b>Fixed Interest 18.00% (19.53%)</b>				1,380,000	Sold Euro, Bought GBP 1,135,869 for settlement 03/12/2010	(66)	(0.37)
410,895	Baillie Gifford High Yield Bond 'B'	475	2.69			<b>(81)</b>	<b>(0.46)</b>
674,028	AXA US Short Duration High Yield	695	3.94	<b>Total Value of Investments</b>			
1,048,842	Henderson Global Preference & Bond	582	3.30			<b>17,026</b>	<b>96.52</b>
1,025,601	M&G Strategic Corporate Bond	659	3.74	<b>Net Other Assets</b>			
7,327	TwentyFour Monument Bond	764	4.33			614	3.48
		<b>3,175</b>	<b>18.00</b>	<b>Total Net Assets</b>			
<b>Global 7.71% (6.49%)</b>						<b>17,640</b>	<b>100.00</b>
68,855	Henderson Global Technology 'I'	407	2.31				
1,288	RWC Global Convertibles 'B'	742	4.21				
500,000	Invista Foundation Property	210	1.19				
		<b>1,359</b>	<b>7.71</b>				
<b>Japan 9.67% (9.02%)</b>							
158,124	Allianz RCM Japan 'A'	569	3.23				
889,878	AXA Framlington Japan Smaller Companies	328	1.86				
965,581	GLG Japan Core Alpha 'P'	808	4.58				
		<b>1,705</b>	<b>9.67</b>				
<b>Property 0.93% (4.97%)</b>							
348,160	ING UK Real Estate	164	0.93				
		<b>164</b>	<b>0.93</b>				
<b>United Kingdom 25.03% (21.63%)</b>							
8,974	Aberforth UK Smaller Companies	864	4.90				
633,186	JOHambro UK Opportunities	852	4.83				
1,460,420	Legal & General Growth	917	5.20				
831,486	PSigma Income	604	3.42				
273,320	Schroder UK Alpha Plus 'A'	296	1.68				
540,057	Rensburg UK Equity Income	882	5.00				
		<b>4,415</b>	<b>25.03</b>				

Figures in brackets represent sector distribution at 30th April 2010.

# ELAN DIVERSIFIED INCOME FUND

## STATEMENT OF TOTAL RETURN

For the period ended 31st October 2010

	31/10/10		31/10/09	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		21		1,742
Revenue	153		227	
Expenses	(159)		(173)	
Finance costs: Interest	(3)		(1)	
Net (expense)/revenue before taxation	(9)		53	
Taxation	1		(6)	
Net (expense)/revenue after taxation		(8)		47
Total return before distributions		13		1,789
Finance costs: Distributions		(138)		(189)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(125)</b>		<b>1,600</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the period ended 31st October 2010

	31/10/10 <sup>1</sup>		31/10/09	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		21,703		16,701
Amounts receivable on issue of shares	1,572		1,117	
Amounts payable on cancellation of shares	(5,538)		(3,111)	
		(3,966)		(1,994)
Dilution levy		3		3
Stamp duty reserve tax		(6)		(5)
Change in net assets attributable to shareholders from investment activities		(125)		1,600
Retained distributions on accumulation shares		31		31
<b>Closing net assets attributable to shareholders</b>		<b>17,640</b>		<b>16,336</b>

<sup>1</sup> Opening net assets attributable to shareholders for current period differs from the comparative period closing balance as they are not consecutive periods.

## BALANCE SHEET

As at 31st October 2010

	31/10/10	30/04/10
	£'000	£'000
<b>ASSETS</b>		
Investment assets	17,107	20,357
Debtors	476	7,051
Cash and bank balances	373	131
<b>Total other assets</b>	<b>849</b>	<b>7,182</b>
<b>Total assets</b>	<b>17,956</b>	<b>27,539</b>
<b>LIABILITIES</b>		
Investment liabilities	(81)	-
Creditors	(146)	(4,216)
Bank overdrafts	-	(1,519)
Distributions payable on income shares	(89)	(101)
<b>Total other liabilities</b>	<b>(235)</b>	<b>(5,836)</b>
<b>Total liabilities</b>	<b>(316)</b>	<b>(5,836)</b>
<b>Net assets attributable to shareholders</b>	<b>17,640</b>	<b>21,703</b>

On behalf of Premier Portfolio Managers Limited.



Neil Macpherson

Finance Director (of the ACD)

22nd December 2010

Mark Friend

Managing Director, Operations (of the ACD)

# ELAN DIVERSIFIED INCOME FUND

## NOTE TO THE FINANCIAL STATEMENTS

### ACCOUNTING POLICIES

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 30th April 2010. They are in accordance with the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA), in November 2008 (the IMA SORP 2008).

### DISTRIBUTION TABLES

For the period from 1st May 2010 to 31st October 2010

Interim distribution in pence per share

#### Income Shares

	Net Income	Equalisation	Distribution Payable/Paid	
			31/12/10	31/12/09
Group 1	0.5776	-	0.5776	0.9794
Group 2	0.2205	0.3571	0.5776	0.9794

#### Accumulation Shares

	Net Income	Equalisation	Amount Accumulated	
			31/12/10	31/12/09
Group 1	1.3189	-	1.3189	1.0783
Group 2	0.4826	0.8363	1.3189	1.0783

# ELAN HIGH INCOME FUND

## COMPARATIVE TABLES

### Performance Record

Calendar Year	High (p)	Low (p)
---------------	----------	---------

### Income Shares

2008 <sup>1</sup>	100.00	100.00
2009	118.83	89.32
2010 <sup>2</sup>	125.59	115.42

### Accumulation Shares

2009	120.73	89.32
2010 <sup>2</sup>	131.46	119.64

### Income/Accumulation Record

Calendar Year	Net Income per Share (p)
---------------	--------------------------

### Income Shares

2009	3.3977
2010 <sup>2</sup>	4.6647

### Accumulation Shares

2009	1.5526
2010 <sup>2</sup>	4.8143

### Net Asset Value (NAV)

As at	Shares in Issue	NAV per Share (p) <sup>3</sup>
-------	-----------------	--------------------------------

### Income Shares

30/04/2009	5,916,554	95.27
30/04/2010	6,324,613	121.79
31/10/2010	8,663,515	123.44

### Accumulation Shares

30/04/2009	-	-
30/04/2010	5,172,819	126.13
31/10/2010	9,463,389	130.52

Total NAV	NAV of Sub-Fund (£)
-----------	---------------------

30/04/2009	5,636,689
30/04/2010	14,227,277
31/10/2010	23,045,618

<sup>1</sup> From 11th December 2008 to 31st December 2008.

<sup>2</sup> To 31st October 2010.

<sup>3</sup> The net asset value per share is calculated on a bid basis and excludes any distribution payable.

## TOTAL EXPENSE RATIO (TER)

30/04/10

2.26%

The TER shows the annual operating expenses of the sub-fund including the annual management charge and other expenses. It does not include transaction charges. Funds highlight the TER to help you compare the annual operating expenses of different schemes. The TER for income and accumulation shares is the same.

## PORTFOLIO TURNOVER RATE (PTR)

30/04/10

(98.60%)

The PTR is a ratio that reflects the volume of trading within the sub-fund over the course of a 12 month period. The PTR is calculated by taking the sum of all transactions in securities less the sum of all transactions in the sub-fund's shares and is expressed as a percentage of the sub-fund's average net asset value.

## INVESTMENT OBJECTIVE AND POLICY

The investment objective of the Elan High Income Fund is to provide a high level of income from a portfolio of investments by investing in units in collective investment schemes. The sub-fund may also invest in equities, fixed interest securities, money market instruments and warrants.

The sub-fund may invest in unregulated collective investment schemes such as hedge funds (where investment in such funds would be consistent with the investment objective of the sub-fund).

Subject to the above, the sub-fund may invest in any asset class or adopt any investment technique or strategy permitted under FSA rules and as detailed in the full prospectus. The sub-fund may invest in derivatives and forward transactions for investment purposes as well as for the purposes of efficient portfolio management (including hedging).

## INVESTMENT REVIEW

### PERFORMANCE

During the period under review, the Fund performed relatively well, registering a return of 3.3%, as compared to the figure of 2.0% for its sector average.

### MARKET REVIEW

The six-month reporting period proved to be a volatile one, though ultimately positive for financial markets, as fears over the economic outlook clashed with the ongoing stimulus from central banks.

After the sharp falls in 2008 and the emphatic rebound in 2009, stock markets in 2010 have produced much less dramatic returns. However, the placid-looking figures mask a great deal of volatility along the way, as investors' sentiment has swung violently between hope and fear as the year has progressed.

After the initial relief of avoiding financial meltdown in 2008, the hopes that have underpinned markets are based on expectations of continued economic recovery, and the ability for companies to grow their profits. Against this are the fears that continue to weigh on investors' minds. These are various, but chiefly fall into two camps: that deflation caused by paying down debt will derail the fledgling recovery, tipping us back into recession; or that over-zealous central bankers will over-stimulate us into rampant inflation.

During the six month period in question, it was fears of sovereign default in Greece and other indebted European nations that caused the most consternation, resulting in a sell-off in May and June that put markets' returns firmly in the red. However, the stress tests carried out by the European Union seemed to settle nerves, and most markets began to climb back towards positive territory in July. Then, as markets began to run out of steam in August, suggestions of more stimulation from the US Federal Reserve gave equity markets a second wind.

Bond markets had a smoother time of it over the period. Corporate bonds benefited from investors' continued search of a decent income now that interest rates have been slashed. Gilts, meanwhile, also rallied hard over the summer months, as fears of deflation began to take centre-stage. This drove yields on many gilts close to the levels they reached at the height of the credit crisis in spring 2009.

# ELAN HIGH INCOME FUND

## PORTFOLIO ACTIVITY

With the market in full yo-yo mode, much of our activity over the last six months has been centred around taking profits when markets are strong, then topping up the laggards at times of weakness. We have also, as always, been focusing on defending the level of income payments the Fund pays, as it is first and foremost an income fund, and we have no intention of letting down our investors who rely on this income to fund their day-to-day lives.

So, in addition to the smaller trades, there were a few new additions to the Fund, as well as some holdings that we exited completely. One of the new additions was AXA US Short-Duration High Yield, which helped us to top up our corporate bond exposure. We added this in June, as high-yield bonds had improved in value prior to that point, while we felt that the fund itself offers a more attractive trade-off between risk and reward than the wider high-yield market.

Around the same time, we had one of our structured products mature, having produced a return that comfortably beat the market over the course of its life. Prior to that we had also sold our holding in the Goldman Sachs Dividend-Linked Equity Income structured product, it having produced an excellent return in both absolute and relative terms. We re-invested the proceeds across a number of our existing equity positions.

We also sold out of our holding in Henderson UK Property, locking in the profits we have made since we bought into this Fund last year. Commercial property prices have recovered markedly since, but we sense that the recovery is slowing to a halt. In addition to this consideration, the high levels of cash held in most direct property funds is likely to dilute the income they pay to us, and that we can therefore pay to our own investors.

## OUTLOOK

With savings rates so depressed on high street bank accounts, we believe that the genuinely income-led approach of this Fund is as appealing as it's ever been. We have focused steadfastly on maintaining a diverse portfolio of assets that, when combined, should defend investors' capital against specific one-off risks (the like of which investors in BP have just become painfully aware of) while providing a decent income that will grow over time (thereby providing some protection against the ravages of inflation). We're satisfied that the Fund is well set to deliver on these simple but increasingly hard-to-meet objectives.

From our perspective, focusing on valuations and fundamentals is the most sensible investment approach in this environment (and any other environment, for that matter). Swathes of the equity markets qualify in this respect, as companies are generally in good nick, while the best-run businesses should continue to churn out results even if deflationary pressures prevail. Corporate bonds also look a reasonable option, although many have begun to look slightly expensive. Investors are likely to continue seeing these assets as an attractive alternative to the thin gruel offered by bank accounts.

Source: Premier Fund Managers Limited, November 2010. Performance data taken from Financial Express Analytics, quoted on a total return, bid to bid, UK sterling basis. Past performance is not a guide to future returns.

The top ten purchases and sales during the period were as follows:

Purchases	Costs £'000	Sales	Proceeds £'000
AXA US Short-Duration High Yield	920	Merrill Lynch Capital Accumulation 2 ELDeRS 16A	572
Henderson Global Preference & Bond	699	Henderson International Property	534
Merrill Lynch Income ELDeRS 31C	608	Henderson Global Preference & Bond	300
Aviva Global Convertibles Fund	570	TwentyFour Monument Bond	300
Neptune Income 'B'	555	Goldman Sachs Dividend-Linked Equity Income Portfolio	286
Barclays FTSE100 10.75% 11/06/16	550	F&C Commercial Property	245
TwentyFour Monument Bond	510	Legal & General High Income	234
Schroders Income Maximiser - A Shares Income	510	Aviva Global Convertibles	
Rathbone Income	450	Fund	200
Standard Life UK Equity High Income	445	Royal London Corporate Bond	180
		Aegon Sterling Corporate Bond 'B'	110
<b>Total cost of all securities purchased</b>	<b>162,597</b>	<b>Total proceeds from all securities sold</b>	<b>155,025</b>

# ELAN HIGH INCOME FUND

## PORTFOLIO OF INVESTMENTS

As at 31st October 2010

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
<b>COLLECTIVE INVESTMENT SCHEMES 67.73% (64.34%)</b>			
<b>Fixed Interest 27.48% (31.01%)</b>			
3,304,310	Aegon Sterling Corporate Bond 'B'	935	4.06
1,308,840	Baillie Gifford Corporate Bond 'B'	903	3.92
1,766,077	Henderson Preference & Bond	979	4.25
695,036	Ignis Corporate Bond	660	2.86
1,318,846	Legal & General Dynamic Bond	874	3.79
1,085,102	Royal London Corporate Bond 'B'	947	4.11
9,940	TwentyFour Monument Bond	1,036	4.49
		<b>6,334</b>	<b>27.48</b>
<b>Global 3.36% (2.95%)</b>			
643,747	Newton Global Higher Income	775	3.36
		<b>775</b>	<b>3.36</b>
<b>United Kingdom 36.89% (30.38%)</b>			
4,544	Aberforth UK Smaller Companies	437	1.90
4,156	Aviva Global Convertibles Fund	411	1.78
917,865	AXA US Short-Duration High Yield	945	4.10
606,027	Chelverton UK Equity Income	416	1.81
682,945	Neptune Income 'B'	1,036	4.50
1,411,288	PSigma Income	1,025	4.45
178,062	Rathbone Income	1,079	4.68
689,515	Rensburg UK Equity Income	1,128	4.89
2,394,568	Schroder Income Maximiser 'A'	1,065	4.62
1,359,965	Standard Life UK Equity High Income	958	4.16
		<b>8,500</b>	<b>36.89</b>
<b>EQUITIES 4.45% (9.29%)</b>			
<b>Property 4.45% (9.29%)</b>			
91,500	F&C Commercial Property	83	0.36
1,074,712	ING UK Real Estate	505	2.19
1,041,290	Invista Foundation Property	438	1.90
		<b>1,026</b>	<b>4.45</b>
<b>INVESTMENT COMPANIES 7.76% (6.95%)</b>			
<b>Fixed Interest 2.04% (1.56%)</b>			
600,000	Henderson Diversified Income	471	2.04
		<b>471</b>	<b>2.04</b>
<b>Global 2.89% (1.83%)</b>			
629,513	AcenciA Debt Strategies	494	2.14
450,000	Psource Structured Debt	173	0.75
		<b>667</b>	<b>2.89</b>
<b>United Kingdom 2.83% (3.56%)</b>			
112,000	Dunedin Income	228	0.99
98,136	Ecofin Water and Power	129	0.56
402,780	MedicX	294	1.28
		<b>651</b>	<b>2.83</b>

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
<b>STRUCTURED PLANS 12.60% (13.48%)</b>			
<b>Global 0.00% (2.04%)</b>			
<b>United Kingdom 12.60% (11.44%)</b>			
550,000	Barclays FTSE 100 10.75% 11/06/16	583	2.53
450,000	Harewood BNP Paribas Enhanced Income	479	2.08
250,000	Harewood BNP Paribas UK High Income	133	0.58
777,761	Merrill Lynch 7% Fixed Income ELDeRS 24B	636	2.76
600,000	Merrill Lynch Income ELDeRS 31C	645	2.80
340,000	Symphony Defensive FTSE Auto-Call 1 (12.25% / -5%)	427	1.85
		<b>2,903</b>	<b>12.60</b>
<b>Total Value of Investments</b>		<b>21,327</b>	<b>92.54</b>
<b>Net Other Assets</b>		<b>1,719</b>	<b>7.46</b>
<b>Total Net Assets</b>		<b>23,046</b>	<b>100.00</b>

Figures in brackets represent sector distribution at 30th April 2010.

# ELAN HIGH INCOME FUND

## STATEMENT OF TOTAL RETURN

For the period ended 31st October 2010

	31/10/10		31/10/09	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		665		1,628
Revenue	413		182	
Expenses	(165)		(83)	
Finance costs: Interest	-		-	
Net revenue before taxation	248		99	
Taxation	(1)		(8)	
Net revenue after taxation		247		91
Total return before distributions		912		1,719
Finance costs: Distributions		(379)		(158)
Change in net assets attributable to shareholders from investment activities		533		1,561

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the period ended 31st October 2010

	30/10/10 <sup>1</sup>		31/10/09	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		14,227		5,637
Amounts receivable on issue of shares	9,128		5,420	
Amounts payable on cancellation of shares	(1,073)		(661)	
		8,055		4,759
Stamp duty reserve tax		(1)		-
Change in net assets attributable to shareholders from investment activities		533		1,561
Retained distributions on accumulation shares		232		19
Closing net assets attributable to shareholders		23,046		11,976

<sup>1</sup> Opening net assets attributable to shareholders for current period differs from the comparative period closing balance as they are not consecutive periods.

## BALANCE SHEET

As at 31st October 2010

	31/10/10	30/04/10
	£'000	£'000
<b>ASSETS</b>		
Investment assets	21,327	13,382
Debtors	362	1,506
Cash and bank balances	1,891	584
Total other assets	2,253	2,090
Total assets	23,580	15,472
<b>LIABILITIES</b>		
Creditors	(427)	(1,160)
Bank overdrafts	-	-
Distributions payable on income shares	(107)	(85)
Total liabilities	(534)	(1,245)
Net assets attributable to shareholders	23,046	14,227

On behalf of Premier Portfolio Managers Limited.



Neil Macpherson

Mark Friend

Finance Director (of the ACD)

Managing Director, Operations (of the ACD)

22nd December 2010

# ELAN HIGH INCOME FUND

## NOTE TO THE FINANCIAL STATEMENTS

### ACCOUNTING POLICIES

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 30th April 2010. They are in accordance with the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA), in November 2008 (the IMA SORP 2008).

### DISTRIBUTION TABLES

For the period from 1st May 2010 to 31st July 2010

#### First Interim dividend distribution in pence per share

##### Income Shares

	Net Income	Equalisation	Distribution Paid	
			30/09/10	30/09/09
Group 1	1.1642	-	1.1642	0.7921
Group 2	0.6777	0.4865	1.1642	0.7921

##### Accumulation Shares

	Net Income	Equalisation	Amount Accumulated	
			30/09/10	30/09/09
Group 1	1.2296	-	1.2296	0.4075
Group 2	0.6607	0.5689	1.2296	0.4075

For the period from 1st August 2010 to 31st October 2010

#### Second interim dividend distribution in pence per share

##### Income Shares

	Net Income	Equalisation	Distribution Payable/Paid	
			31/12/10	31/12/09
Group 1	1.2316	-	1.2316	1.1251
Group 2	0.3264	0.9052	1.2316	1.1251

##### Accumulation Shares

	Net Income	Equalisation	Amount Accumulated	
			31/12/10	31/12/09
Group 1	1.2916	-	1.2916	1.1451
Group 2	0.3657	0.9259	1.2916	1.1451

## Administration Queries

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## This document is issued by:

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You should remember that past performance is not a guide to the future. The price of shares and the income from them may go down as well as up and you may get back less than you invested. Exchange rates will also cause the value of underlying investments to fall or rise. Tax concessions are not guaranteed and may be changed at any time; their value will depend on your individual circumstances. For your protection when dealing, your call may be recorded and monitored. Details of the nature of the investments, the commitment required and fund specific risk warnings are described in the Simplified Prospectus document which is available on request. Large print documents are available on request from the above Guildford address.