

# The Elan Fund

Interim Report and Financial Statements (Unaudited)

For the period from 1st May 2009 to 31st October 2009

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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. At the period end the Company contained two sub-funds, The Elan Diversified Income Fund, The Elan High Income Fund.

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 2009 to 31st October 2009.

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)  
31st December 2009

Mark Friend  
Managing Director, Operations (of the ACD)

# THE ELAN FUND AGGREGATED FINANCIAL STATEMENTS

## STATEMENT OF TOTAL RETURN

For the period ended 31st October 2009

	31/10/09		31/10/08 <sup>1</sup>	
	£'000	£'000	£'000	£'000
Income				
Net capital gains/(losses)		3,370		(3,673)
Revenue	409		237	
Expenses	(256)		(214)	
Finance costs: Interest	<u>(1)</u>		<u>(4)</u>	
Net revenue before taxation	152		19	
Taxation	<u>(14)</u>		<u>(4)</u>	
Net revenue after taxation		<u>138</u>		<u>15</u>
Total return before distributions		3,508		(3,658)
Finance costs: Distributions		(347)		(186)
Change in net assets attributable to shareholders from investment activities		<u>3,161</u>		<u>(3,844)</u>

<sup>1</sup>Restated (see note to the financial statements on page 4).

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the period ended 31st October 2009

	31/10/09		31/10/08	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		22,338		22,328
Amounts receivable on issue of shares	6,537		1,274	
Amounts payable on cancellation of shares	<u>(3,772)</u>		<u>(1,528)</u>	
		2,765		(254)
Dilution levy		3		-
Stamp duty reserve tax		(5)		(3)
Change in net assets attributable to shareholders from investment activities		3,161		(3,844)
Retained distributions on accumulation shares		50		23
Closing net assets attributable to shareholders		<u>28,312</u>		<u>18,250</u>

## BALANCE SHEET

As at 31st October 2009

	31/10/09	30/04/09
	£'000	£'000
<b>ASSETS</b>		
Investment assets	<u>27,842</u>	<u>21,662</u>
Debtors	1,112	1,609
Cash and bank balances	<u>559</u>	<u>813</u>
Total other assets	<u>1,671</u>	<u>2,422</u>
Total assets	<u>29,513</u>	<u>24,084</u>
<b>LIABILITIES</b>		
Creditors	(953)	(548)
Bank overdrafts	-	(971)
Distributions payable on income shares	<u>(248)</u>	<u>(227)</u>
Total liabilities	<u>(1,201)</u>	<u>(1,746)</u>
Net assets attributable to shareholders	<u>28,312</u>	<u>22,338</u>

On behalf of Premier Portfolio Managers Limited.



Neil Macpherson

Mark Friend

Finance Director (of the ACD)

Managing Director, Operations (of the ACD)

31st December 2009

# THE ELAN FUND AGGREGATED FINANCIAL STATEMENTS

## 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 2009. 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).

During the period, the sub-funds have adopted the IMA SORP 2008. This has resulted in presentational changes to the Statement of Total Return whereby currency gains or losses and transaction charges are now classified as capital. The effect of this is to reduce 'Other gains/(losses)' by £5,218 (2008: £-17,422) and 'Expenses' by £1,902 (2008: £451), with a corresponding change in 'Net capital losses'.

# ELAN HIGH INCOME FUND

## COMPARATIVE TABLES

### Performance Record

Calendar Year	High (p)	Low (p)
<b>Income Shares</b>		
2008 <sup>1</sup>	100.00	100.00
2009 <sup>2</sup>	117.56	89.32
<b>Accumulation Shares</b>		
2009 <sup>2</sup>	118.34	89.32

### Income Record

Calendar Year	Net Income per Share (p)
<b>Income Shares</b>	
2009 <sup>2</sup>	3.3977
<b>Accumulation Shares</b>	
2009 <sup>2</sup>	1.5526

### Net Asset Value (NAV)

As at	Shares in Issue	NAV per Share (p)
<b>Income Shares</b>		
30/04/2009	5,916,554	95.27
31/10/2009	8,930,963	114.89
<b>Accumulation Shares</b>		
31/10/2009	1,469,360	116.78
<b>Total NAV</b>		NAV of Sub-Fund (£)
30/04/2009		5,636,689
31/10/2009		11,976,264

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

<sup>2</sup> To 31st October 2009.

## TOTAL EXPENSE RATIO (TER)

30/04/09  
3.67%

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)

30/04/09  
29.30%

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 Fund may also invest in equities, fixed interest securities, money market instruments and warrants.

The 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 Fund).

Subject to the above, the 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 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

The interim reporting period, which began in May this year, was an exceptionally good one for financial markets. It was dominated by the rally in corporate bond and share prices as they rebounded from the depressed levels they had reached just two months earlier. The Fund performed very well in this environment, producing a decent level of income while creating a total return of 21.27% for the six months; as compared to the return of 13.75% generated by the IMA Cautious Managed Sector average.

### MARKET REVIEW

As the period began, stock markets and corporate bond markets were already two months into a dramatic rebound. This rally was initially sparked in March as investors became reassured that the world wasn't on the verge of financial armageddon, which meant share and corporate bond prices suddenly looked very cheap, even while the economic outlook remained gloomy. The result was a dramatic rebound in prices, which was given further impetus later in the year by a tentative improvement in corporate results and the economic outlook.

One of the defining characteristics of this rally was that its biggest winners had been those assets that had been hurt the most in the preceding crash. This meant that, in most cases, small companies outperformed large, emerging markets beat developed ones and shares in riskier companies, such as banks or miners, outpaced steadier ones like utilities or pharmaceutical firms. Likewise, in corporate bond markets, higher-yielding, riskier corporate bonds outperformed those issued by more financially sound companies which, in turn, made much higher returns than government bonds.

### PORTFOLIO ACTIVITY

Having inherited the Fund in January, much of our earlier activity in the period came as we continued to build up a comprehensive and well-diversified portfolio using inflows into the Fund. This included the addition of modest weightings in two income paying smaller company funds, run by small-cap investment specialists Aberforth and Chelverton. In addition to these, we made certain that the Fund had sufficient exposure to corporate bonds throughout the period, as the attractive yields and favourable risk-reward characteristics of these assets looked particularly compelling. We did this by adding Ignis Corporate Bond to the portfolio, and making sure that we were fully weighted in other bond funds such as Henderson Preference & Bond and Aegon Sterling Corporate Bond. We still think these assets offer reasonable value, although the bargain-basement prices we saw six months ago have now passed into history.

However, one new fund we added towards the end of the period still offers access to assets that look deeply under valued. TwentyFour Monument Bond Fund invests in Residential Mortgage-Backed Securities (RMBS), which, like corporate bonds, were sold off heavily in the depths of the credit crisis. However, unlike corporate bonds, they have not yet recovered. So at their current levels, we think these securities offer plenty of potential for positive returns, but also a level of protection against possible future issues such as rising inflation.

## ELAN HIGH INCOME FUND

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

Purchases	Costs	Sales	Proceeds
	£'000		£'000
Rathbone Income	520	Ecofin Water and Power	281
Standard Life UK Equity		Standard Life UK Equity	
Higher Income	500	Higher Income	225
Ignis Corporate Bond	486	Symphony Structured '1'	214
Mellon Global Higher Income	450	Mellon Global Higher Income	165
Schroders Income Maximiser 'A'	404	Schroders Income Maximiser 'A'	160
TwentyFour Monument Bond 'I'	300	Rensburg UK Equity Income	70
Legal & General Dynamic Bond	259	Aviva Morley Convertibles	60
Goldman Sachs Dividend Linked Equity Income	246	F&C Commercial Property	51
Baillie Gifford Corporate Bond 'B'	234	Legal & General Dynamic Bond	32
Legal & General High Income Trust	220	M&G Strategic Bond	30
Total purchases during the period were	£6,454,085	Total sales during the period were	£1,337,477

### OUTLOOK

We've benefited greatly from the rally in equities and corporate bonds, so our debate between our team members has centred on how much, if at all, we should be putting the brakes on. We responded in the last couple of months by reducing our equity exposure slightly in favour of alternative sources of value, which seems only sensible given how far and fast we've come. This move reduced the equity figure we show on a factsheet, but what is less obvious is how the underlying make-up of this figure has changed. Our process, which majors on taking profits and recycling them into underperformers, has naturally reduced our exposure to the fast and the furious and upped our weight in the big and the boring.

This suits us fine. Steadier sectors like pharmaceuticals and utilities have been left behind in the so-called "dash for trash" (investors rushing back into last year's losers, which had generally been riskier investments), and many still look enticingly cheap considering their high yields and defensive natures. We now have a sizable weighting in funds that are focused on these types of stocks. This feels like the right place to be: we think they can make perfectly acceptable returns from here, but they are unlikely to crash and burn if markets lose their nerve.

Source: Premier Fund Managers Limited, November 2009. 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.

# ELAN HIGH INCOME FUND

## PORTFOLIO OF INVESTMENTS

As at 31st October 2009

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %	Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
<b>COLLECTIVE INVESTMENT SCHEMES 67.84% (57.32%)</b>				<b>STRUCTURED PLANS 15.47% (15.79%)</b>			
<b>Fixed Interest 37.40% (29.50%)</b>				<b>United Kingdom 13.85% (15.79%)</b>			
2,156,920	Aegon Sterling Corporate Bond	559	4.67	190,000	Elders Merrill Lynch 16A Capital Accumulation II	267	2.23
868,696	Baillie Gifford Corporate Bond 'B'	540	4.51	124,761	Elders Merrill Lynch 24B 7% Fixed Income	88	0.73
1,150,619	Henderson Preference & Bond 'I'	593	4.95	280,000	Elders Merrill Lynch 26A Capital Accumulation V	270	2.25
670,921	Ignis Corporate Bond	586	4.89	294,000	Elders Merrill Lynch FTSE Autocallable Warrant	336	2.81
949,886	Legal & General Dynamic Bond	578	4.84	210,000	Goldman Sachs Dividend Linked Equity Income	272	2.27
444,562	Legal & General High Income Trust	215	1.80	250,000	Harewood BNP Paribas UK High Income	162	1.36
918,119	M&G High Strategic Bond	552	4.61	250,000	Symphony Defensive FTSE Autocall I (12.25%/-5%)	263	2.20
695,354	Royal London Corporate Bond	553	4.62			<b>1,658</b>	<b>13.85</b>
2,941	TwentyFour Monument Bond 'I'	301	2.51				
		<b>4,477</b>	<b>37.40</b>				
<b>Global 5.31% (2.77%)</b>				<b>Europe 1.62% (0.00%)</b>			
1,631	Aviva Morley Convertibles	147	1.23	170,000	Harewood BNP Paribas Enhanced Income	194	1.62
449,469	Mellon Global Higher Income	489	4.08			<b>194</b>	<b>1.62</b>
		<b>636</b>	<b>5.31</b>				
<b>United Kingdom 25.13% (25.05%)</b>				<b>Total Value of Investments</b>			
192,307	Chelverton UK Equity Income	107	0.89			<b>11,613</b>	<b>96.97</b>
320,065	Neptune Income 'B'	438	3.66				
576,319	PSigma Income	385	3.21				
94,975	Rathbone Income	508	4.24				
351,076	Rensburg UK Equity Income	525	4.38				
1,046,733	Schroders Income Maximiser 'A'	444	3.71				
930,850	Standard Life UK Equity Higher Income	604	5.04				
		<b>3,011</b>	<b>25.13</b>				
<b>EQUITIES 0.00% (5.56%)</b>				<b>Net Other Assets</b>			
<b>Global 0.00% (2.24%)</b>						363	3.03
<b>Property 0.00% (3.32%)</b>							
<b>INVESTMENT TRUSTS 13.66% (7.68%)</b>				<b>Total Net Assets</b>			
<b>Global 7.11% (0.21%)</b>						<b>11,976</b>	<b>100.00</b>
229,513	AcenciA Debt Strategies	151	1.26				
145,000	Ecofin Water and Power	216	1.80				
200,000	Henderson Diversified Income	137	1.14				
225,000	International Public Partnerships	247	2.07				
150,000	PSource	101	0.84				
		<b>852</b>	<b>7.11</b>				
<b>Property 3.50% (0.00%)</b>							
250,000	F&C Commercial Property	221	1.85				
460,000	Invista Foundation Property	198	1.65				
		<b>419</b>	<b>3.50</b>				
<b>United Kingdom 3.05% (6.10%)</b>							
1,965	Aberforth UK Smaller Companies Income	168	1.40				
112,000	Dunedin Income	198	1.65				
		<b>366</b>	<b>3.05</b>				
<b>FIXED INTEREST 0.00% (1.37%)</b>							

Figures in brackets represent sector distribution at 30th April 2009.

# ELAN HIGH INCOME FUND

## STATEMENT OF TOTAL RETURN

For the period ended 31st October 2009

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

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the period ended 31st October 2009

	31/10/09	
	£'000	£'000
Opening net assets attributable to shareholders		5,637
Amounts receivable on issue of shares	5,420	
Amounts payable on cancellation of shares	(661)	
		4,759
Change in net assets attributable to shareholders from investment activities		1,561
Retained distributions on accumulation shares		19
Closing net assets attributable to shareholders		<u><u>11,976</u></u>

## BALANCE SHEET

As at 31st October 2009

	31/10/09	30/04/09
	£'000	£'000
<b>ASSETS</b>		
Investment assets	<u>11,613</u>	<u>4,867</u>
Debtors	786	962
Cash and bank balances	<u>341</u>	<u>134</u>
Total other assets	<u>1,127</u>	<u>1,096</u>
Total assets	<u>12,740</u>	<u>5,963</u>
<b>LIABILITIES</b>		
Creditors	(664)	(238)
Bank overdrafts	-	-
Distributions payable on income shares	<u>(100)</u>	<u>(88)</u>
Total liabilities	<u>(764)</u>	<u>(326)</u>
Net assets attributable to shareholders	<u><u>11,976</u></u>	<u><u>5,637</u></u>

On behalf of Premier Portfolio Managers Limited.



Neil Macpherson

Mark Friend

Finance Director (of the ACD)

Managing Director, Operations (of the ACD)

31st December 2009

# 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 2009. 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 2009 to 31st July 2009

#### 1st Interim dividend distribution in pence per share

##### Income Shares

	Net Income	Equalisation	Distribution Paid 30/09/09
Group 1	0.7921	-	0.7921
Group 2	0.4697	0.3224	0.7921

##### Accumulation Shares

	Net Income	Equalisation	Amount Accumulated 30/09/09
Group 1	0.4075	-	0.4075
Group 2	0.1685	0.2390	0.4075

For the period from 1st August 2009 to 31st October 2009

#### 2nd Interim dividend distribution in pence per share

##### Income Shares

	Net Income	Equalisation	Distribution Payable 31/12/09
Group 1	1.1251	-	1.1251
Group 2	0.2429	0.8822	1.1251

##### Accumulation Shares

	Net Income	Equalisation	Amount Accumulated 31/12/09
Group 1	1.1451	-	1.1451
Group 2	0.3279	0.8172	1.1451

# 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 <sup>2</sup>	95.33	77.15

#### Accumulation Shares

2006 <sup>1</sup>	100.35	99.82
2007	105.09	95.88
2008	101.61	78.73
2009 <sup>2</sup>	99.86	79.77

### Income Record

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

#### Income Shares

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

#### Accumulation Shares

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

### Net Asset Value (NAV)

As at	Shares in Issue	NAV per Share (p)
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#### Income Shares

30/04/2008	20,761,103	95.02
30/04/2009	15,701,499	81.76
31/10/2009	15,088,674	90.07

#### Accumulation Shares

30/04/2008	2,674,684	97.25
30/04/2009	4,521,978	85.44
31/10/2009	2,878,494	95.37

#### Total NAV

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

30/04/2008	22,328,378
30/04/2009	16,701,027
31/10/2009	16,336,338

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

<sup>2</sup> To 31st October 2009.

## TOTAL EXPENSE RATIO (TER)

30/04/09

2.82%

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)

30/04/09

165.40%

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 Fund may also invest in equities, fixed interest securities, money market instruments and warrants.

The 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 Fund).

Subject to the above, the 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 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

The Elan Diversified Income Fund over the six months has lagged the IMA Cautious Managed sector average. The Fund produced a return of 10.17%, whilst the peer group average return was 13.75%.

As markets rotated and rallied from March onwards, the overall defensive bias, particularly in the UK, detracted from performance. Regional allocation also detracted slightly as the Fund was overweight in Japan, which proved to be the worst performing region over the period, and the Fund was underweight in Europe, which was one of the strongest performing regions following a quicker than expected move out of recession by the EU economies.

Fund selection was broadly positive, with roughly half of the funds held outperforming their respective peer groups. There were strong absolute returns from several funds, notably Baillie Gifford High Yield Bond and JPMorgan Natural Resources, where both funds saw returns of over 36% for the period.

### MARKET REVIEW

Equity markets from March onwards were notable for their contrast to the preceding six months, as investor confidence and risk appetite returned with a vengeance. Improving macroeconomic news and positive corporate first quarter earnings were the initial catalysts, and were subsequently followed by other events such as the G20 undertakings in April and the successful stress testing of the US banking system.

## ELAN DIVERSIFIED INCOME FUND

Ahead of the third quarter earnings results, investors took a more cautious stance. The previous positive quarter had mostly been as a result of cost cutting which could not continue indefinitely. However, results were positive as most of the S&P 500 companies that did announce results beat analysts' consensus forecasts. Nevertheless, lingering concerns over longer term economic growth prospects (high unemployment levels, lack of US housing demand and rising public deficits) resulted in brief spells of profit taking even though markets maintained their upward trend. Thus the fourth quarter started on a relatively flat note.

### PORTFOLIO ACTIVITY

Over the past six months, we have been shifting the portfolio to emphasise growth, taking advantage of short term positive market conditions. Formerly defensive areas such as UK equity income were reduced, with an increased bias to areas where growth prospects were stronger, such as Asia ex Japan and Global Emerging Markets. Within sectors, we also reduced some of the more defensive, value style managers in order to build exposure to more aggressively managed funds. To that end, we added a new fund during the period, Neptune European Opportunities, but otherwise added to existing holdings including Fidelity South East Asia, Nevsky Global Emerging Markets and Fidelity Special Situations.

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

Purchases	Costs	Sales	Proceeds
	£'000		£'000
Fidelity Institutional Cash Fund	760	Fidelity Institutional Cash Fund	862
Neptune European Opportunities	350	Fidelity Institutional US Dollar	609
JPMorgan Euro Liquidity	328	Legal & General All-Stocks Index Linked Gilt Index	430
Fidelity Special Situations	310	Fidelity Institutional Euro Fund	417
Nevsky Global Emerging Markets	282	Fidelity MoneyBuilder	400
Fidelity MoneyBuilder	274	GLG Partners Japan	360
Fidelity South East Asia	200	Core Alpha	360
Fidelity Institutional US Dollar	193	Artemis Income	360
Schroder UK Alpha Plus 'A'	160	Franklin Templeton Global Bond 'I' Europe	310
JPMorgan Natural Resources	160	Cazenove European 'X'	200
		CF Odey Continental European	200
Total purchases during the period were	£3,018,059	Total sales during the period were	£4,147,370

### OUTLOOK

The last few weeks have seen equity markets maintain their upward trend but at a much slower pace than before. The strong rise in equities was mainly the result of the improvement in the economic environment since March but investors are now more focused on earnings which will probably be one of the main drivers of markets going forward. As long as earnings move progressively towards their long term trend and monetary policies remain accommodative, we remain in a sweet spot for equity markets. We all know that those conditions will not last forever, but this "ideal world" could last for a few more months as companies are in pretty good shape and would benefit from even a modest economic recovery.

Equities should continue to benefit from the recovery in earnings and the improving macro environment. We do not see changes in monetary policies as an immediate major risk for equity markets as we are still at very accommodative levels.

The situation is very different in bond markets, where interest rates are at historically low levels and monetary policies remain very accommodative. Low interest rates are mainly as a result of large purchases by central banks and commercial banks. As the recovery of the global economy progresses, central banks will have to adjust their policies in order to withdraw the massive liquidity they provided to different intermediaries. The process by which this happens will probably first be a withdrawal of liquidity, followed by rising interest rates. This poses a bit more of a risk for government bonds where we see very limited potential upside in an environment that could become problematic as we progress into this mild recovery.

Source: FundQuest UK Limited, November 2009. 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.

# ELAN DIVERSIFIED INCOME FUND

## PORTFOLIO OF INVESTMENTS

As at 31st October 2009

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
<b>COLLECTIVE INVESTMENT SCHEMES 98.36% (99.94%)</b>			
<b>America 9.53% (9.29%)</b>			
22,078	Findlay Park American Smaller Companies	478	2.93
7,874	Schroder Alternative Solutions Agriculture - US Dollar	498	3.05
972,022	UBS Global Asset Management US Growth 'B'	580	3.55
		<b>1,556</b>	<b>9.53</b>
<b>Europe 9.14% (10.03%)</b>			
406,612	Artemis Income	608	3.72
94,046	Cazenove European 'X'	397	2.43
32,149	CF Odey Continental European	155	0.95
101,309	Neptune European Opportunities	333	2.04
		<b>1,493</b>	<b>9.14</b>
<b>Far East 6.43% (4.57%)</b>			
90,396	Fidelity South East Asia	498	3.05
124,777	First State Pacific Asia Leaders 'B'	347	2.12
131,956	Marlborough Far East Growth 'B'	206	1.26
		<b>1,051</b>	<b>6.43</b>
<b>Fixed Interest 32.08% (36.81%)</b>			
848,561	Baillie Gifford High Yield Bond 'B'	877	5.37
3,855,220	Fidelity MoneyBuilder	1,151	7.05
225,694	Franklin Templeton Global Bond 'I' Euro	2,100	12.85
39,717	Invesco Income	432	2.64
383,994	Legal & General All-Stocks Index Linked Gilt Index	391	2.39
449,956	Legal & General Index Linked Gilt Index	291	1.78
		<b>5,242</b>	<b>32.08</b>
<b>Global 6.91% (4.21%)</b>			
193,594	First State Global Resources 'B'	557	3.41
14,096	Nevsky Global Emerging Markets	571	3.50
		<b>1,128</b>	<b>6.91</b>
<b>Japan 3.99% (5.43%)</b>			
55,212	CF Morant Japan 'B'	99	0.61
717,098	Societe Generale Japan Core Alpha	552	3.38
		<b>651</b>	<b>3.99</b>
<b>Property 4.09% (4.15%)</b>			
1,446,579	New Star International Property	384	2.35
581,127	Schroder Unit Trust Global Property	285	1.74
		<b>669</b>	<b>4.09</b>
<b>United Kingdom 24.26% (20.50%)</b>			
612,000	Absolute Return Targeted Positive Return	728	4.46
24,728	AXA Framlington UK Select Opportunities	222	1.36
43,584	Fidelity Special Situations Fund	745	4.56
6,624	JPMorgan Income Opportunities	567	3.47
24,844	JPMorgan Natural Resources	173	1.06
80,107	Jupiter Financial Opportunities	315	1.93
232,851	PSigma Income	156	0.95
813,488	Schroder UK Alpha Plus 'A'	734	4.50
146,738	Standard Life UK Equity Growth	322	1.97
		<b>3,962</b>	<b>24.26</b>

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
<b>Liquidity Funds 1.93% (4.95%)</b>			
26	JPMorgan Euro Liquidity	315	1.93
		<b>315</b>	<b>1.93</b>
<b>EQUITIES 0.99% (0.66%)</b>			
403,662	Advance Frontier Markets Fund - US Dollar	162	0.99
		<b>162</b>	<b>0.99</b>
<b>Total Value of Investments</b>		<b>16,229</b>	<b>99.35</b>
<b>Net Other Assets</b>		107	0.65
<b>Total Net Assets</b>		<b>16,336</b>	<b>100.00</b>

Figures in brackets represent sector distribution at 30th April 2009.

# ELAN DIVERSIFIED INCOME FUND

## STATEMENT OF TOTAL RETURN

For the period ended 31st October 2009

	31/10/09		31/10/08 <sup>1</sup>	
	£'000	£'000	£'000	£'000
Income				
Net capital gains/(losses)		1,742		(3,673)
Revenue	227		237	
Expenses	(173)		(214)	
Finance costs: Interest	(1)		(4)	
Net revenue before taxation	53		19	
Taxation	(6)		(4)	
Net revenue after taxation		47		15
Total return before distributions		1,789		(3,658)
Finance costs: Distributions		(189)		(186)
Change in net assets attributable to shareholders from investment activities		1,600		(3,844)

<sup>1</sup>Restated (see note to the financial statements on page 14).

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the period ended 31st October 2009

	31/10/09		31/10/08	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		16,701		22,328
Amounts receivable on issue of shares	1,117		1,274	
Amounts payable on cancellation of shares	(3,111)		(1,528)	
		(1,994)		(254)
Dilution levy		3		-
Stamp duty reserve tax		(5)		(3)
Change in net assets attributable to shareholders from investment activities		1,600		(3,844)
Retained distributions on accumulation shares		31		23
Closing net assets attributable to shareholders		16,336		18,250

## BALANCE SHEET

As at 31st October 2009

	31/10/09	30/04/09
	£'000	£'000
<b>ASSETS</b>		
Investment assets	16,229	16,795
Debtors	326	647
Cash and bank balances	218	679
Total other assets	544	1,326
Total assets	16,773	18,121
<b>LIABILITIES</b>		
Creditors	(289)	(310)
Bank overdrafts	-	(971)
Distributions payable on income shares	(148)	(139)
Total liabilities	(437)	(1,420)
Net assets attributable to shareholders	16,336	16,701

On behalf of Premier Portfolio Managers Limited.



Neil Macpherson

Mark Friend

Finance Director (of the ACD)

Managing Director, Operations (of the ACD)

31st December 2009

# 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 2009. 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).

During the period, the sub-fund has adopted the IMA SORP 2008. This has resulted in presentational changes to the Statement of Total Return whereby currency gains or losses and transaction charges are now classified as capital. The effect of this is to reduce 'Other gains/(losses)' by £5,218 (2008: £-17,422) and 'Expenses' by £571 (2008: £451), with a corresponding change in 'Net capital losses'.

### DISTRIBUTION TABLES

For the period from 1st May 2009 to 31st October 2009

Interim dividend distribution in pence per share

#### Income Shares

	Net Income	Equalisation	Distribution Payable/Paid	
			31/12/09	31/12/08
Group 1	0.9794	-	0.9794	0.7966
Group 2	0.4182	0.5612	0.9794	0.7966

#### Accumulation Shares

	Net Income	Equalisation	Amount Accumulated	
			31/12/09	31/12/08
Group 1	1.0783	-	1.0783	0.8173
Group 2	0.7033	0.3750	1.0783	0.8173

## Administration Queries

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