

# Elan Diversified Income Fund, a sub Fund of the Elan Fund

Interim Short Report for the period from 1st May 2008 to 31st October 2008



The information in this report is designed to enable investors to make an informed judgement on the activities of the Fund during the period. Copies of the Long-Form Interim Report & Accounts are available free of charge by calling Premier on 01483 306 090, or can be downloaded from the Fund's website, [www.theelanfund.co.uk](http://www.theelanfund.co.uk).

## Investment Objective and Policy

To provide income together with some long-term capital growth from a portfolio of investments. To invest in units in collective investment schemes. The sub-fund may also invest in equities, fixed interest securities, money market instruments and warrants.

## Total Expense Ratio (TER)

30/04/2008

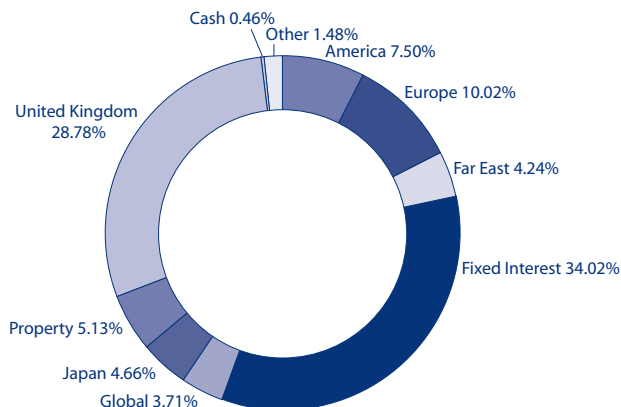
2.88%

The TER shows the annual operating expenses of the 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 to different schemes. The TER for income and accumulation shares is the same.

## Net Asset Values

As at	Share Class	Net Asset Value Per Share (p)
30/04/2008	Income	95.02
	Accumulation	97.25
31/10/2008	Income	78.47
	Accumulation	81.13

## Asset Allocation as at 31/10/2008



## Top Ten Holdings as at 31/10/2008

Franklin Templeton Global Bond Euro	9.72%
Fidelity MoneyBuilder	7.22%
JPMorgan Europe Highridge Income Opportunities	4.94%
Schroder UK Alpha Plus 'A'	4.75%
Invesco Income	4.73%
Societe Generale Japan Core Alpha	4.66%
Legal & General All-Stocks Index Linked Gilt Index	4.26%
AXA Framlington UK Select Opportunities	4.18%
Baillie Gifford High Yield Bond 'B'	4.16%
Legal & General Index Linked Gilt Index	3.93%

## Fund Facts

Launch date: .....11th December 2006  
 Ex-dividend dates: .....30 April, 31 October  
 Income dates: .....31 August, 31 December  
 IMA sector: .....Cautious Managed

## Investment Risks

In order to place emphasis on the generation of income as a higher priority than capital growth, the Elan Diversified Income Fund deducts all charges from capital rather than income. This may result in the income paid by the Fund being higher than would otherwise have been the case and the growth in the capital sum may be constrained.

## Performance Record

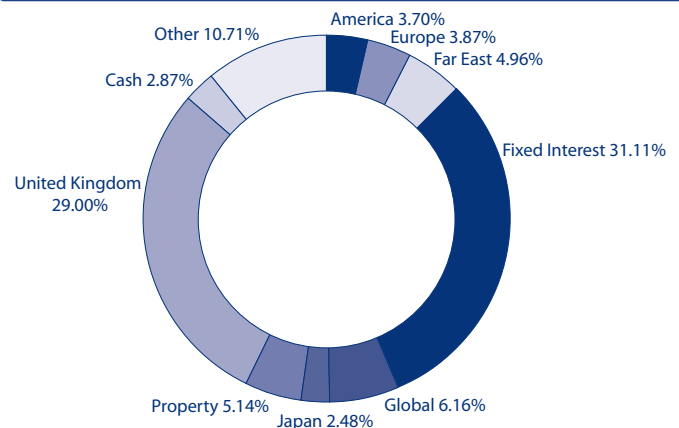
Year	Share Class	Highest Price (p)	Lowest Price (p)
2006 <sup>1</sup>	Income	100.35	99.82
	Accumulation	100.35	99.82
2007	Income	105.09	95.88
	Accumulation	105.09	95.88
2008 <sup>2</sup>	Income	100.06	76.92
	Accumulation	101.61	78.73

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

<sup>2</sup>To 31st October 2008.

Past performance is not a guide to future returns. The price of units and the income from them may go down as well as up and you may get back less than you invested.

## Asset Allocation as at 30/04/2008



## Top Ten Holdings as at 30/04/2008

Franklin Templeton Global Bond 'I' Europe	7.60%
Fidelity Institutional UK Gilt	7.26%
Schroder UK Alpha Plus 'A'	7.02%
Legal & General All-Stocks Index Linked Gilt Index	7.00%
Invesco Income	4.81%
Baillie Gifford High Yield Bond 'B'	4.68%
Old Mutual Corporate Bond	4.57%
Rensburg UK Select Growth	4.27%
Cazenove European	3.87%
JPMorgan Natural Resources	3.33%

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## Investment Review

### Performance

The Fund outperformed its peer group over the past six months and returned a fall of 16.2% and its IMA Cautious Managed Sector returned a fall of 16.6%. This was through a combination of asset allocation i.e. the underweight in equities and overweight in bonds, cash and cash proxy vehicles, as well as fund selection, which was strong in relative terms across most sectors and asset classes.

### Market Review

Over the past six months we have maintained a cautious outlook, keeping equity exposure underweight relative to the peer group average. We also added to our bond exposure maintaining the bias towards sovereign debt and increasing exposure to higher quality, investment grade debt through the addition of Fidelity Moneybuilder Income.

### Portfolio Activity

Worries about the health of the global financial system have dominated markets over the period. From mid-July, global equity market indices fell below their previous lows for the year observed in March, when under the guidance of the monetary authorities, Bear Stearns was taken over by JPMorgan. Although the flight to quality did benefit sovereign debt, corporate bonds sold off sharply along with equities. As investor sentiment continued to deteriorate and the likelihood of recession appeared, we adopted even more of a defensive bias, selling out of some of the more aggressively managed funds, such as New Star Global Financials, Old Mutual Corporate Bond and JPMorgan Natural Resources. These were replaced with more pragmatic, defensive managers, such as Jupiter Financial Opportunities, where the manager is prepared to hold higher levels of cash in uncertain market conditions. Another new fund that we added during the period was the absolute return oriented JPMorgan Income Opportunity (formerly known as JPMorgan Highbridge Income).

### Outlook

The economic environment remains very uncertain and the recent deterioration in growth, especially in Europe and Japan, coupled with the ongoing financial turmoil, accelerated the fall of all risky assets. Market perception has moved from fears of higher inflation to expectations of recession in the major developed economies. These new developments had at least one positive impact in allowing a sharp reversal in commodity prices and a decrease in inflation expectations. If commodity prices stay at their current levels, then inflation should slow down significantly in the coming months and allow a stabilisation in core inflation, which should be beneficial for equities and even better for bonds.

The continuing slowdown will probably weigh on equities. Consensus earning expectations remain too high and there will need to be downward revisions, particularly within the Financial and Consumer sectors.

Bonds should be the preferred asset class in the current macro environment as growth slows and inflation falls. However, corporate credit will probably continue to be impacted by increasing balance sheet constraints in the banking sector.

The global slowdown in economic growth should have a bigger impact on more cyclical markets like Japan. The US is likely to be the first developed market to show an improvement in its earnings evolution due to its leading position in the economic cycle. Despite this clear relative macro advantage however, valuations in the US look less attractive compared to other markets. The situation is different in emerging markets where Asia looks in a better position to withstand a global economic slowdown and where earnings have already been significantly downgraded (compared to Latin America and emerging Europe). In addition, the longer term growth prospects in emerging markets continue to look more attractive compared to developed markets.

Source: Investment Manager Selection Limited, November 2008. Performance data taken from Financial Express Analytics, total return, bid to bid, UK sterling. Past performance is not a guide to future returns.

## Dividend Distribution (in pence per share)

XD date	Payable	Share Class	Distribution
31/10/2007	31/12/2007	Income	1.3832
		Accumulation	1.3218
31/10/2008	31/12/2008	Income	0.7966
		Accumulation	0.8173

## Other Information

**Authorised Corporate Director (ACD) & Registered Office:** Premier Portfolio Managers Limited, Eastgate Court, High Street, Guildford, Surrey, GU1 3DE

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

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

**Administrators & Registrar:** Northern Trust International Fund Administration Services UK Limited & Northern Trust Global Services Limited, PO Box 55736, 50 Bank Street, Canary Wharf, London, E14 1BT

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