

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

Annual Short Report for the period from 1 May 2010 to 30 April 2011



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 Annual 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

The investment objective of the 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).

## Total Expense Ratio (TER)

30/04/2011

2.32%

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.

## Fund Facts

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

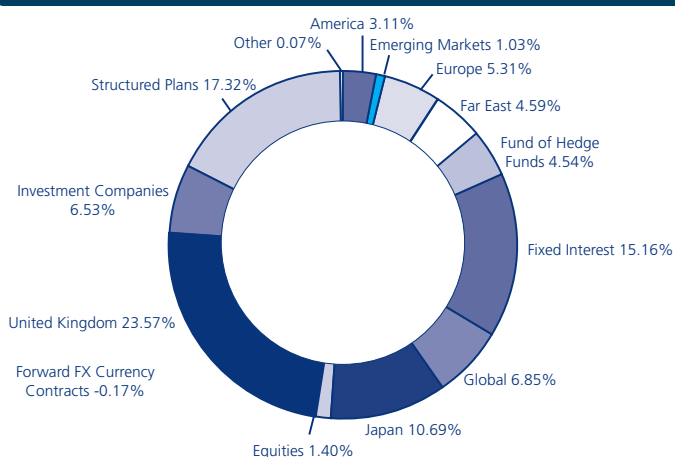
## Performance Record

| Year              | Share Class  | Highest Price (p) | Lowest Price (p) |
|-------------------|--------------|-------------------|------------------|
| 2007              | Income       | 105.09            | 95.88            |
|                   | Accumulation | 105.09            | 95.88            |
| 2008              | Income       | 100.06            | 76.92            |
|                   | Accumulation | 101.61            | 78.73            |
| 2009              | Income       | 95.33             | 77.15            |
|                   | Accumulation | 100.11            | 79.77            |
| 2010              | Income       | 102.33            | 90.94            |
|                   | Accumulation | 110.28            | 96.81            |
| 2011 <sup>1</sup> | Income       | 105.17            | 99.20            |
|                   | Accumulation | 113.34            | 106.91           |

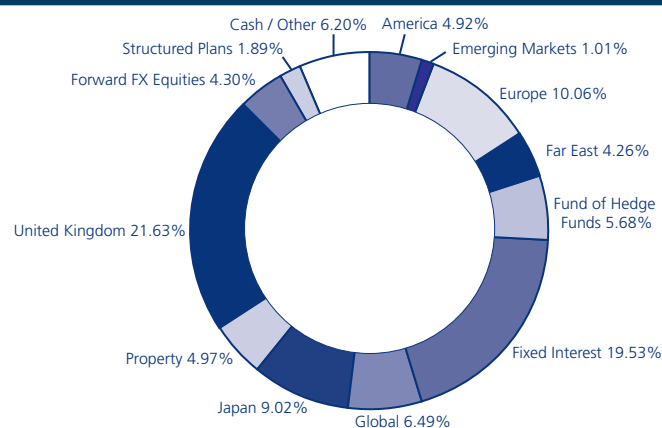
<sup>1</sup> To 30 April 2011.

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 30/04/2011



## Asset Allocation as at 30/04/2010



## Top Ten Holdings as at 30/04/2011

|  |       |
|--|-------|
| Rensburg UK Equity Income              | 4.58% |
| GLG Japan Core Alpha 'P'               | 4.54% |
| Aberforth UK Smaller Companies         | 4.33% |
| JO Hambro UK Opportunities             | 4.31% |
| TwentyFour Monument Bond               | 4.11% |
| Legal & General Growth 'I'             | 4.10% |
| Merrill Lynch 9% High Yield-ELDeRS 24A | 4.07% |
| Schroder European Alpha Plus 'A'       | 4.06% |
| AXA US Short-Duration High Yield       | 3.99% |
| TwentyFour Dynamic Bond                | 3.77% |

## Top Ten Holdings as at 30/04/2010

|  |       |
|--|-------|
| Fidelity MoneyBuilder                    | 5.07% |
| TwentyFour Monument Bond                 | 4.61% |
| JO Hambro UK Opportunities               | 4.07% |
| Baillie Gifford High Yield Bond 'B'      | 4.01% |
| Aberforth UK Smaller Companies           | 3.88% |
| Invesco Perpetual Income                 | 3.84% |
| Absolute Return Targeted Positive Return | 3.43% |
| Legal & General Growth                   | 3.36% |
| Schroder Global Property Securities 'A'  | 3.21% |
| RWC Global Convertibles 'B'              | 3.09% |

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## Investment Review

### Performance

Over the period under review, the Fund generated a return of 7.2%, which put it behind the IMA Balanced Managed Sector average of 8.0%.

### Portfolio Activity

A relatively cautious stance, including a light weighting in Emerging Markets, held the Fund back over the year, as these markets rallied strongly on the US announcement of more Quantitative Easing. However, our investment views have not changed dramatically over the period – in essence, these are that developed-market equities are the most attractively valued assets at the current time. In respect of our bond holdings, we are wary that, as developed market interest rates cannot drop much further, a raise in rates is the bigger threat, so we have tried to protect our holdings from the negative impact interest rate and inflation rises would have on returns. Given the fact that our view has not changed materially over the year, there have been no significant changes made to the overall asset allocation of the Fund.

At a holding level though, we made a number of changes. These included selling out of PSigma Income, M&G Strategic Bond and Blackrock European Dynamic while adding funds such as Polar Hiscox Insurance Portfolio, Blackrock Frontiers Trust and Cazenove UK Smaller Companies.

### Outlook

Issues such as the Middle East turmoil, rocketing oil prices, European government solvency and tragic natural disasters don't usually make for an environment that suits riskier assets such as equities. Astoundingly though, share prices have been fairly robust, as if equity investors are somehow oblivious to these real-world nuisances. In trying to understand this nonchalance, we can only point at improved US economic news combined with firm indications that the US Federal Reserve will be keeping interest rates lower for longer. But to us, the current situation seems eerily reminiscent of summer 2008, when equity markets incorrectly dismissed the damaging impact of crippling expensive oil.

That statement probably needs tempering slightly - we're not predicting another credit crisis. In fact, we're not predicting anything at all. We are merely suggesting that the hazards mentioned above, combined with stock markets that have done little else but rally hard in the last six months, warrant taking more caution, not less. As such, we have begun to trim back our equity and high-yield bond exposure as we move into the Fund's next financial year. However, our base, long-term view remains largely unchanged. In the current environment, high-quality equities offer the best balance between risk and reward. As such, and despite trimming back recently, these remain our assets of choice.

Source: Premier Fund Managers Limited, May 2011. 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.

Full details are in the Long-Form Report and Accounts and Simplified Prospectus, available on request or from the Fund's website, [www.theelanfund.co.uk](http://www.theelanfund.co.uk).

## Net Asset Values

| As at      | Share Class  | Net Asset Value Per Share (p) |
|------------|--------------|-------------------------------|
| 30/04/2009 | Income       | 81.76                         |
|            | Accumulation | 85.44                         |
| 30/04/2010 | Income       | 98.36                         |
|            | Accumulation | 104.87                        |
| 30/04/2011 | Income       | 103.81                        |
|            | Accumulation | 112.02                        |

## Dividend Distribution (in pence per share)

| XD date    | Payable    | Share Class  | Distribution |
|------------|------------|--------------|--------------|
| 31/10/2010 | 31/12/2010 | Income       | 0.5776       |
|            |            | Accumulation | 1.3189       |
| 30/04/2011 | 31/08/2011 | Income       | 0.6977       |
|            |            | Accumulation | 0.7517       |

## Important Information

The Royal Bank of Scotland plc (RBS), the depositary of the Fund, has indicated its intention to transfer its Trustee and Depositary Services business to National Westminster Bank plc prior to 31 October 2011.

## Other Information

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

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

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

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

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You should remember that past performance is not a guide to future returns and 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. Investment in these funds should be viewed as a long term investment. Exchange rates will also cause the value of underlying investments to fall as well as rise. Tax concessions are not guaranteed and may be changed at any time, their value will depend on your individual circumstances. Reference to any particular stock does not constitute a recommendation to buy or sell the stock. 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. Monthly cash withdrawals may lead to erosion of the capital value of your investment should you take a higher cash withdrawal than the growth or income generated. 1908117251 August 2011