

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

Annual Short Report for the period from 1st May 2008 to 30th April 2009

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

To provide income together with some long-term capital growth from a portfolio of investments. To invest 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)

30/04/2009

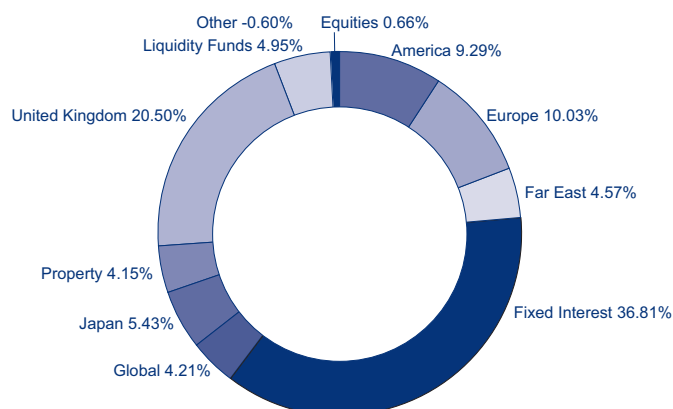
2.82%

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
30/04/2009	Income	81.76
	Accumulation	85.44

## Asset Allocation as at 30/04/2009



## Top Ten Holdings as at 30/04/2009

Franklin Templeton Global Bond 'I' Europe	14.76%
Fidelity MoneyBuilder	6.92%
Artemis Income	5.13%
Legal & General All-Stocks Index Linked Gilt Index	4.92%
Societe Generale Japan Core Alpha	4.86%
Baillie Gifford High Yield Bond 'B'	4.34%
Absolute Return Targeted Positive Return	3.84%
Schroder UK Alpha Plus 'A'	3.69%
Invesco Income	3.16%
UBS Global Asset Management US Growth 'B'	3.13%

## 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.

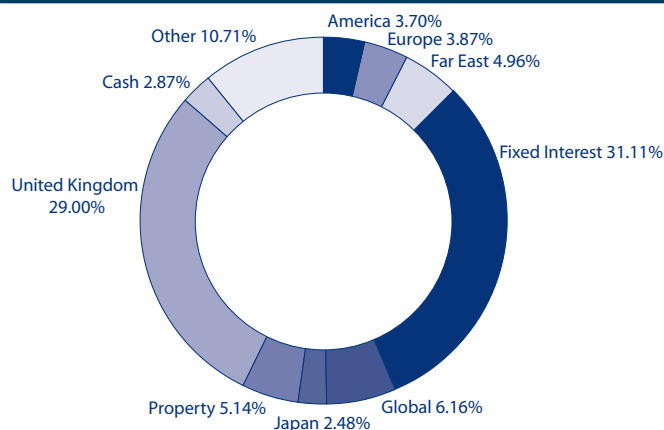
## Performance Record

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	Income	100.06	76.92
	Accumulation	101.61	78.73
2009 <sup>2</sup>	Income	85.89	77.15
	Accumulation	88.80	79.77

<sup>1</sup>11th December 2006 to 31st December 2006. <sup>2</sup>To 30th April 2009.

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

It is pleasing to note that the Elan Diversified Income Fund outperformed the IMA Cautious Managed sector average over the reporting period.

Both fund selection and asset allocation were positive contributors to performance. The timely shifts in the relative weightings of equities, cash and bonds throughout the period, as well as changes within the regional equity allocation, broadly worked well. Fund selection was also extremely strong with more than two-thirds of the funds held outperforming their respective peer groups. Over the reporting period the Elan Diversified Income Fund fell by 11.74% against the IMA Cautious Managed Sector which fell by 14.51%.

### Portfolio Activity

Over the past six months we have maintained a well balanced portfolio. Both equity and bond/cash exposure was kept overweight, but trimmed back or topped up during the period as and when market volatility provided opportunities to do so. Several new holdings were added, partly for diversification and partly to replace other funds on conviction grounds. Defensive funds added were CF Odey Continental European and CF Morant Wright Japan; and more aggressive funds added were Fidelity Special Situations and Fidelity South East Asia. BlackRock UK Dynamic and Skandia Specialist American were sold, with the Skandia fund replaced by another US large cap growth fund, UBS US Growth.

### Outlook

The continued deterioration of the global economy creates a vicious circle where declining asset prices further damage capital reserves of financial institutions and worsens the credit crisis, and where confidence can only be restored in financial markets if the financial system is stabilised. Lots of measures have already been announced and the \$1trillion security loan facility (otherwise known as TALF) as well as other programs should help to clarify the situation and improve credit availability.

A few indicators pointed recently to an economic stabilisation (even though the global economy is still in contraction). These positive signals were a result of the rapid reduction of inventory by companies over the last few months and the sharp drop in production rates. Companies have adjusted very rapidly to the new environment, which should be positive as final demand starts to improve. The more positive economic news coupled with new measures announced in the first quarter of 2009 to clean banks' balance sheets, as well as strong political mobilisation at the G20 conference held on 2 April, helped the market to strongly rebound. However, despite better news and improved investor sentiment, we do not think that the market has yet turned to an upward trend. We may be near the economic trough and markets may have already bottomed, but we feel that the environment is still uncertain.

Although there has been a slight improvement in the overall evaluation of equities resulting from both fundamental and technical indicators, we feel that the forthcoming quarterly results season and the ongoing issues with the financial system could weigh on the market.

However, cyclical exposure could be increased to reflect the improvement in the global environment and risk sentiment. Emerging markets have recently reflected this more than other markets, having outperformed in relative terms. Most of them show a greater resistance to the global crisis and investors have returned massively to these markets in recent weeks. We do, however, continue to favour Asia over other countries. We have for some time maintained a preference for large cap over small cap and this stays unchanged as we believe that smaller companies will still find it hard to access credit.

Bonds (selective sovereign bonds and some investment grade corporate credits) should benefit from strong support resulting from quantitative easing, particularly if renewed fears periodically emerge to drive investors back into these areas. The search for higher yields in a low interest rate environment could also drive investors towards local emerging market debt where the systematic risk appears to have lessened now that the IMF has new resources at its disposal and where currencies are generally undervalued.

Source: FundQuest UK Limited, June 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.

The full Investment Review is available in the Long-form Annual Report & Accounts, which is available on request, or from the Fund's website, [www.theelanfund.co.uk](http://www.theelanfund.co.uk).

## Dividend Distribution (in pence per share)

XD date	Payable	Share Class	Distribution
31/10/2008	31/12/2008	Income	0.7966
		Accumulation	0.8173
30/04/2009	31/08/2009	Income	0.8883
		Accumulation	0.9164

## Other Information

<b>Authorised Corporate Director (ACD) &amp; Registered Office:</b>	<b>Premier Portfolio Managers Limited,</b> Eastgate Court, High Street, Guildford, Surrey, GU1 3DE
<b>Auditors:</b>	<b>Grant Thornton UK LLP,</b> 30 Finsbury Square, London, EC2P 2YU
<b>Depository:</b>	<b>The Royal Bank of Scotland plc,</b> Trustee & Depository Services, The Broadstone, 50 South Gyle Crescent, Edinburgh, EH12 9UZ
<b>Administrators &amp; Registrar:</b>	<b>Northern Trust Global Services Limited,</b> PO Box 55736, 50 Bank Street, Canary Wharf, London, E14 1BT

Issued by:

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Premier Portfolio Managers Limited and Premier Fund Managers Limited are both members of the Premier Asset Management Marketing Group and are authorised and regulated by the Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS. Premier Portfolio Managers Limited is an ISA manager and markets a number of funds. Premier Fund Managers Limited manages these and other funds and provides discretionary portfolio management services. Premier Portfolio Managers Limited is also a member of the Investment Management Association.

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. 2708095868

