

The Elan Fund

The Elan Diversified Income Fund

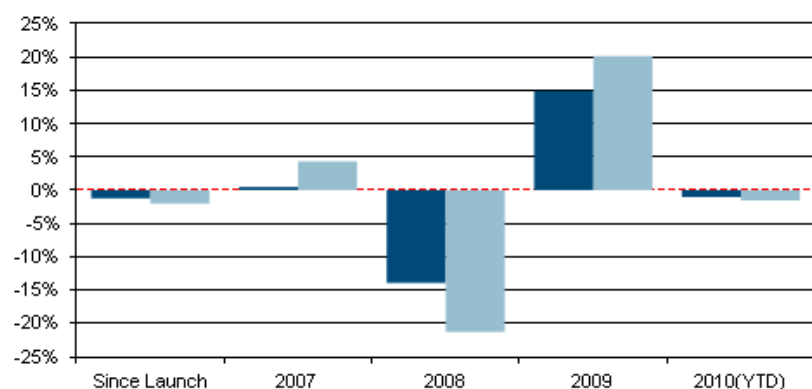
I Fund Strategy I

- The price paid for an investment is key. Buying cheap, high-quality assets for the long term, while avoiding expensive ones, has proven itself to be a consistently successful approach to investing.
- We firstly identify the most attractively priced asset classes. We then work out the best way to invest in them. This may be through funds run by talented managers or through other investment vehicles that, for whatever reason, offer particularly advantageous exposure.
- We are very conscious of risk, and endeavour to run the Fund so that it is not overly exposed to any one specific threat. There are several rules within the fund that are designed to keep risks well spread.
- In our view, "timing the market" is not something that we, or anyone else, can do consistently, and that attempting to do so is likely to prove costly for investors. At most times, therefore, we are likely to be close to fully invested in what we consider to be the most attractively valued non-cash assets.

I Fund Objectives I

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

Performance Record



■ Elan Diversified Income TR
■ IMA Balanced Managed TR

© Financial Express Holdings 2010

Discrete Annual Performance (%)

Share Type	2010(YTD)	2009	2008	2007	2006
Accumulation	-1.0	14.9	-13.9	0.5	-

Discrete Annual Performance to Quarter End 30 June 2010 (%)

Share Type	30/06/2009	30/06/2008	30/06/2007	30/06/2006	30/06/2005
Accumulation	14.9	-8.0	-9.3	-	-

Cumulative Performance to 30 June 2010 (%)

Share Type	3 Months	6 Months	1 Year	3 Years	5 Years
Accumulation	-6.5	-1.0	14.9	-4.2	-
Official Sector	-6.8	-1.5	16.8	-7.6	20.0

Quoted on a total return, bid to bid, UK sterling basis. Past performance is not a guide to the future. The price of units and shares and the income from them may go down as well as up and you may get back less than you invested.

Source: Financial Express. 14/07/2010

| Fund Facts |

Fund Size:	£17.8m
Historic Yield:	Acc: 2.9%, Inc: 2.9%
Launch Date:	11 Dec 2006
Sector:	IMA Balanced Managed

| Top 10 Holdings |

	%
M&G INVESTMENT MAN STRATEGIC CORP B	5.06
LEGAL & GENERAL UT GROWTH TRUST I A	4.94
RENSBURG UK EQUITY INCOME	4.89
RWC GLOBAL CONVERTIBLES	4.86
J O HAMBRO CAP MGT UK OPPS INSTL IN	4.84
TWENTYFOUR ASS MGM TWTY FOUR INV MN	4.61
ABERFORTH UT MGT UK SMALL COMPANIES	4.49
ABSOLUTE RETURN TR GBP SHS NPV	3.98
SCHRODER UNIT TST EUROPEAN ALPHA PL	3.97
Cash	3.87
TOTAL	45.51

| Asset Allocation |

	%
UK	27.4
Europe ex UK	12.7
Other	11.4
Alternatives	11.3
Japan	8.7
Cash	7.0
High Yield	6.2
Investment Grade	6.1
Asia Ex Japan	4.9
North America	4.3

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Fund developments and comments



Elan Diversified Income Fund, Investment Managers - David Hambidge, Simon Evan-Cook

Stock markets had a rough time of it in June, due to growing fears of a faltering economic recovery and ongoing worries about sovereign debt. The result was a marked decline in investors' appetite for risk, as evidenced by the flight to the perceived safety of gilts, whose prices rose sharply over the month. The slightly conservative footing the Fund is currently on proved useful given the conditions, as it fell back by just 0.6% as compared to the sector average's decline of 2.3%.

Currency markets proved just as dramatic as stock markets in June, with sterling, for once, one of the strongest. This indicates that currency investors were encouraged by the Government's efforts to cut the budget deficit. This helped the Fund's returns over the month, as we have a relatively high exposure to sterling, as we think it has become under-valued and holds no direct currency risk for UK investors. Choosing to hedge much of our euro exposure back to sterling proved particularly useful, as the single currency took a hammering against the pound.

Our fund selection has also helped greatly in recent weeks, with most of the funds we have added faring well against their respective sector averages. Our large exposure to Henderson UK Property – a direct property unit trust – also boosted our own returns, as its price continued to tick steadily upwards while most other asset classes were heading south. The one thorn in our side was bonds, however, as we are currently avoiding high-flying gilts as they offer poor value for money.

Fund Strategy

We still believe equities offer the best value in the current environment, although we think it's sensible to stay away from the hotter areas of the market. Corporate bonds, meanwhile, look more attractive than their government counterparts, especially after the movements of the last few weeks, so we're adding some exposure here. Away from the major asset classes, convertible bonds have had a weak run due to what look like technical – rather than fundamental – reasons, so we topped them up during month.

We used Axa US Short-Duration High Yield to top up our corporate bond exposure, as high-yield bonds have improved in value of late, and this Fund offers a more attractive trade-off between risk and reward than the wider high-yield market. Elsewhere, we have completed our reconstruction of the portfolio following our appointment as managers at the start of April. We were pleased to see that, despite the reconstruction process, the Fund has managed to outperform its average peer over that three-month period.

Fund Information

Annual Management Charge	1.75%
	1.50% with effect from 1 April 2010
Initial Charge	5.55%
Accounting Dates	30 Apr, 31 Oct
Payment Dates	31 Aug, 31 Dec
Valuation Point	12 noon, daily
Sedol Code	Acc: B1KST58, Inc: B1KSRR6
Published Price	www.theelfund.co.uk The Financial Times
Share Class	Accumulation & Income
Min. Investment	£1,000 / £100pm
ISA eligible	Yes, stocks & shares

Investment Team

I Premier Asset Management Limited I

Premier Asset Management is a privately owned, dynamic and progressive asset management company that designs and distributes innovative investments, predominantly through financial advisers. Via its FSA regulated subsidiaries, Premier Portfolio Managers Ltd and Premier Fund Managers Ltd, Premier manages a range of authorised UK and offshore funds as well as providing bespoke discretionary management services for retail and corporate clients.

I David Hambidge & Simon Evan Cook I

Investment Director, David Hambidge, has been with Premier since 1987 and specialises in the management of portfolios using collective investment vehicles including OEICs and investment trusts. David has been part of the original investment team that set up Premier's Fund of Funds in 1995 and was appointed lead manager in February 1999, making him one of the most experienced Fund of Funds managers in the UK. Working within Premier's multi-asset team, Simon is an investment manager with portfolio management and fund research responsibilities. Prior to joining Premier in 2006, he had gained a decade's worth of industry experience with companies such as Rothschild Asset Management, Gartmore and Fidelity. Simon graduated from Hull University in 1996 with a BSc in Economics and Accounting.

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