

The Elan Fund

The Elan High Income Fund

| Fund Strategy |

- Our investment style is a blend of bottom-up and top-down decision making; we carry out detailed research and analysis to pick the funds that make up the portfolio and then make top-down decisions based on macro factors to trade into and out of these funds.
- Our style could also be described as 'contrarian', as one of our main methods of adding value is to consistently take profits from funds and/or asset classes that have performed strongly, while channeling investment towards those that have been weak.
- There is a maximum exposure to any one holding of 5% and a 15% limit to any one investment group. This means that there will be 20 holdings from at least 7 different management groups.

| Fund Objectives |

To provide a high level of income from a portfolio of investments.

Performance Record



■ Elan High Income TR [21.0]

■ IMA Cautious Managed TR [17.9]

11/12/2008 - 30/06/2010 © Financial Express Holdings 2010

Discrete Annual Performance (%)

Share Type	2010(YTD)	2009	2008	2007	2006
Accumulation	0.3	20.7	-	-	-

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	19.9	-	-	-	-

Cumulative Performance to 30 June 2010 (%)

Share Type	3 Months	6 Months	1 Year	3 Years	5 Years
Accumulation	-3.9	0.3	19.9	-	-
Official Sector	-4.2	-0.2	13.9	-3.3	13.5

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

| Key Fund Facts |

Fund Size:	£18.3m
Launch Date:	05 January 2009
Sector:	IMA Cautious Managed
Historic Yield:	Inc 3.4% Acc 3.0%

| Top 10 Holdings |

	%
NRTNTST 001day 0.25000 % 01/07/10	6.40
AEGON ASSET MGT UK STERLING CORP BD	4.90
HENDERSON PREF BOND	4.81
Cash	4.80
RENSBURG UK EQUITY INCOME	4.79
ROYAL LONDON UTM CORPORATE BOND B I	4.74
RATHBONE INCOME	4.68
PSIGMA INCOME	4.62
NEPTUNE INCOME	4.62
STANDARD LIFE INVS UK EQTY HIGH INC	4.59
TOTAL	48.95

| Asset Allocation |

	%
UK Equities	39.90
Investment Grade Bonds	19.10
High Yield Bonds	7.95
Initial Equity	7.76
Cash	1.59
Gilts	0.82

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Fund developments and comments



Elan High Income Fund, Investment Managers:

David Hambidge & Simon Evan-Cook

Stock markets endured some fairly steep falls in June, sparked by growing fears that the economic recovery may be stalling and the ongoing concerns over sovereign debt. In contrast, gilt prices rose significantly, suggesting that edgy investors were losing their appetite for

risk. The Fund held up relatively well in the conditions, despite our avoidance of gilts, falling by just 0.4% as compared to -1.3% for the Cautious Managed sector average. Over one year, the Fund is up by 19.7%, against 13.8% for the sector average.

With stock markets taking the brunt of the selling, it was no surprise that our equity exposure was the chief driver of our small loss over the month. Our fixed interest exposure, meanwhile, generally had a positive impact on returns, despite our strong preference for corporate bonds over gilts. Having a weighting in direct property also proved useful, as the price of British commercial properties steadily ticked up in June while other assets were slumping.

Our holding in Standard Life UK Equity High Income was relatively hard hit in June, largely on account of its sizable weighting in plummeting BP shares. However, the BP disaster has had a limited impact on our Fund overall, showing the benefits of running a diversified portfolio. We have been wary for some time that UK equity income funds were becoming increasingly reliant on fewer and fewer large-cap stocks. This was one of the key reasons why we diversified into areas such as structured products and small-cap funds, which generally had a much better time of it in June.

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 with a higher yield, especially after the movements of the last few weeks, so we've added some exposure here. The rise in commercial property prices, meanwhile, seems to be running out of steam, so we have decided to take profits by selling our holding in Henderson UK Property.

We established a new position in Axa US Short-Duration High Yield to top up our corporate bond exposure, as high-yield bonds have improved in value of late, while this Fund offers a more attractive trade-off between risk and reward than the wider high-yield market. We also had one of our structured products mature in June, which gave us a return that comfortably beat the market over the course of its life.

Fund Information

Annual Management Charge	1.50%
Initial Charge	5.55%
Accounting Dates	31 Jan, 30 Apr, 31 Jul, 31 Oct
Payment Dates	31 Mar, 30 Jun, 30 Sept, 31 Dec
Valuation Point	12 noon, daily
Sedol Code	Acc: B3FQBC2, Inc: B3FQB99
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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