

Querns Income First Fund – June 2010

The Fund Managers



Stephen Whittaker (Equities)

Stephen has 29 years' experience of managing a wide variety of UK portfolios, including small companies, special situations, income and growth funds

Phil Roantree (Bonds)

Phil has 23 years' experience in the financial services industry. He has managed a broad spectrum of bond portfolios for 18 years, including segregated, unit linked, sterling, global, government and credit portfolios

Fund Objective

The objective of the Fund is to achieve a high level of income, together with some long term capital growth

Fund Managers

Stephen Whittaker (Equities)
Phil Roantree (Bonds)

Launch Period

14 – 27 June 2010

Sector

UK Equity and Bond Income

Currency

UK Sterling

Type of Shares

Income and Accumulation

Estimated Initial Yield

6.2% for gross shares*
5.6% for net shares*

Income Paid

Monthly

Minimum investment

Lump sum £1,000
subsequently £500
Monthly Savings £100

Management Charges

Initial Charge 0%

Annual Charge 0.75%
charged to capital

The Querns Income First Fund, launched on 14 June 2010, is dedicated to providing income seekers, with a high level of income. Income is paid monthly and the Fund can be held in tax efficient wrappers such as ISAs and SIPPs.

The fund is a Tax Elected Fund (TEF), one of the first to take advantage of the regime introduced in September 2009. The fund pays a dividend distribution from the income from UK equities and a non-dividend distribution from interest earned including from corporate bonds, thereby putting investors in the same tax position as if they held the underlying investments direct. As a result, shareholders holding the fund through tax efficient wrappers, such as an ISA or a pension fund, are entitled to receive the non-dividend distribution gross. Until the TEF regime was introduced, it was only possible to receive gross interest (or reclaim the tax credit) from UK funds that paid interest distributions, although such funds were required to have a minimum of 60% invested in fixed interest investments. The Querns Income First Fund does not have that restriction.

Key Highlights

- Designed to achieve a high annual income – yield estimated to be initially about 6.2% for gross shares and 5.6% for net shares*
- Invests in high quality UK corporate bonds and UK equities, both with high levels of income
- Low 0.75% annual management fee
- Tax efficient Tax Elected Fund status
- Income paid monthly
- Available for direct investment and for both ISA and SIPP investments
- No initial charge
- Designed to prioritise income and aim for some long term capital growth
- Flexible asset allocation with bond/equity ratio of up to 20/80 either way to provide substantial flexibility between asset classes based on relative value at any given time
- Tax Elected Fund regime allows receipt of gross income from corporate bonds for ISA and SIPP investors, no matter what the proportion of bonds to equities
- Straightforward single pricing
- UK authorised UCITS scheme
- Fund structure designed as a low cost post Retail Distribution Review product

Potential Top Industry Weightings

Equity: Industrials, Oil & Gas, Consumer Goods, Consumer Services, Financials, Health Care, Telecoms, Utilities
Bonds: Financials 66%, Non-financials 34%

Initial Asset Allocation

Equity: 60%
Bonds: 40%

Potential Portfolio Holdings

Equity: 20-30 holdings
Bonds: 60-90 holdings

Past Performance

Phil Roantree's fund management has seen his funds in the top quartile of the IMA £ Corporate Bond sector for 9 of the 15 full calendar years which he managed the New Star Sterling Bond Fund.

Stephen Whittaker's fund management has seen his funds in the top quartile of the IMA UK All Companies sector for 6 of the 13 full calendar years that he managed the Invesco Perpetual UK Growth Fund and for 3 of the 5 full calendar years that he managed the New Star UK Growth Fund.

Investment Statistics as at 1 June 2010. Source: Lipper Inc, a Thomson Reuters company. Where the names of funds are used these are the names of the fund when the manager ceased to manage them.

Past performance is not a guide to future returns. The value of the fund and the income from it may go down as well as up, so you may not get back the amount you invested. The tax treatment of the Fund may change and such changes cannot be foreseen. Please refer to the latest Full Prospectus and Simplified Prospectuses for more information. Querns only gives information about its own products and services and does not provide investment advice based on individual circumstances.

* Gross shares are shares where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the fund. Gross Shares are available only to those investors in respect of whom distribution or allocation of income may be made without any tax being deducted or accounted for by the fund, for example UK pension funds and ISAs. All other investors will hold net shares.

The yield reflects the historical income based on the estimated initial portfolio, as at 1 June 2010, and in the case of net shares is net of taxation deducted from the distributions, the yield will vary and investors may be subject to tax on their distributions. The fund charges and expenses, estimated to be 1.1% per year, are charged to capital. This has the effect of increasing the distribution(s) for the year by the amount of the charges and expenses and constraining the funds capital performance to an equivalent extent.

Querns Asset Managers LLP. Authorised and regulated by the Financial Services Authority, No. 516255.

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