

Querns Monthly Income Fund

Oct 2015



Market commentary

Another weak month for equities generally, with the UK market down 2.83% as measured by the MSCI UK Equity All Cap Total Return Index. But for a late rally on the last afternoon of the month which felt more like a “bear squeeze” it could have been worse. The fund fell 2.48%. The reasons for the market weakness are well rehearsed, namely the slowdown in Chinese growth and the potential knock on effects on the global economy which has spooked investors for some months now and resulted in a poor Q3 overall. This has tended to particularly affect pro-growth and cyclical stocks in the main.

Portfolio

The brighter spots in the portfolio included major holding Provident Financial which traded higher by 6.4% and holiday company TUI AG which was up 4.7% and also released a statement saying summer 2015 trading has remained robust and selling prices were ahead of the prior year. Elsewhere Dairy Crest rose 3.8% and said its full year expectations remained unchanged and that the sale of its milk business was on track to close this year.

Weaker stocks included Premier Farnell which issued a profit warning and a dividend cut. It fell 17.7% over the month. An operational review was announced in July and was said to be progressing well. We will watch closely. Standard Chartered was down 16.2%, caught up in the maelstrom of Asian markets prompted by the Chinese woes. Halfords lost 11.4% and reported cycling sales in Q2 had decreased against tough comparatives but trading in all other categories remained strong.

There were no investment changes over the month.

Outlook

China remains the big issue for investors at present and markets are sensitive on the upside to any alleviation in the bad news flow here, given the falls we have had. A great deal has already been discounted by speculators which is why we have seen something of a rally on even slightly better sentiment in the region at the start of October. Valuations look far from stretched and as we enter the final quarter of the year the managers reasonably expect market levels to rise from their current base.

**All performance figures for securities include net reinvested income where applicable. Source: StatPro*

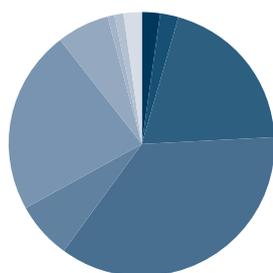
Performance



30/03/2012 - 30/09/2015 Data from FE 2015

	Cumulative performance			Discrete performance	
	6m	1y	3y	2014	2013
Querns Monthly Income Fund	-6.59%	2.66%	36.66%	1.74%	30.26%
IA UK Equity Income sector average	-4.29%	3.54%	34.81%	3.16%	25.20%
MSCI UK All Cap index	-7.52%	-3.25%	21.40%	0.44%	20.62%
Quartile ranking	3rd	3rd	2nd	3rd	1st

Breakdown



Basic materials	2.4%	Oil & gas	6.3%
Consumer goods	2.3%	Telecoms	1.0%
Consumer services	19.7%	Utilities	0.9%
Financials	35.8%	Cash	2.2%
Healthcare	6.8%		
Industrials	22.6%		
		Total equities	97.8%
		Total (ex income)	100.0%

Fund Managers



Stephen Whittaker
Stephen has 35 years' experience of managing a variety of UK portfolios, including small companies, special situations, income and growth funds.



James Lynch
James draws on experience gained in managing a top performing micro-cap fund as well as time spent as a private equity and venture capital investor.

Key facts

Fund objective

To achieve a high level of income, together with long-term capital growth

Launch date

14 June 2010

Conversion date

1 April 2012¹

IMA sector

UK Equity Income

Currency

UK Sterling

Types of shares

Income & Accumulation

Yield

4.6%²

Income paid

Monthly

Number of holdings

34

Platforms and wraps

Ascentric Hargreaves Lansdown
Cofunds (Inst) Nucleus
Fidelity (Inst) Transact

Prices

Accumulation shares:

At launch 14/06/2010	100.00p
At conversion 30/03/2012 ¹	114.99p
As at 29/05/2015	189.59p

Minimum investment

Lump sum	£1,000
Subsequently	£500
Monthly savings	£100

Charges

Initial charge	0%
Annual management charge	0.75%
Ongoing charges	1.44% ³
<i>charged to capital</i>	

SEDOL and ISIN numbers

Accumulation shares:

SEDOL	B61JRG2
ISIN	GB00B61JRG28

Income shares:

SEDOL	B625QM8
ISIN	GB00B625QM82

Income distribution

Period to	Income
31/10/2014	0.5236p
30/11/2014	0.3865p
31/12/2014	0.5350p
31/01/2015	0.4263p
28/02/2015	0.3068p
31/03/2015	0.7386p
30/04/2015	0.5231p
31/05/2015	0.5467p
30/10/2015	0.4901p
31/07/2015	0.4319p
31/08/2015	0.6624p
30/09/2015	0.4039p

Top 10 holdings

	% of Fund
Close Brothers	4.4
Connect Group	4.2
Countrywide	4.2
Kier Group	4.1
GlaxoSmithKline	4.0
Provident Financial	3.9
Phoenix Group	3.8
Martin McColl	3.7
Electrocomponents	3.6
Aviva	3.6
Total	39.5

¹ The investment objective and policy of the fund was changed on 1 April 2012 so that it was primarily invested in UK equities rather than as previously in UK equities and Sterling corporate bonds. ² The historic yield reflects distributions declared over the previous 12 months as a percentage of the share price, as at the first business day of the current month. The yield 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 are charged to capital. This has the effect of increasing the distribution(s) for the year by the amount of the charges and constraining the fund's capital performance to an equivalent extent. ³ The ongoing charges figure is based on expenses, including annual management charge, for the year ending 31 March 2015. This figure may vary from year to year. It excludes portfolio transaction costs.

Statistics correct as at 30/09/2015. Source: Querns Asset Managers. Performance figures source: FE. Fund performance is based on accumulation shares, indices include net reinvested income. Performance figures are for the period from when the investment objective and policy was changed on 1 April 2012, so that the fund was primarily invested in equities. 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, Key Investor Information Document and Supplementary Information Document for more information. Opinions expressed in this document represent the views of the Fund Manager at the time of publication, are subject to change, and should not be interpreted as investment advice. Querns only gives information about its own products and services and does not provide investment advice based on individual circumstances.



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