

QAM Downing Monthly Income Fund

September 2016



Market Background

The Bank of England cut the Bank Rate by 0.25% during August and started quantitative easing in the form of gilt purchases (£60bn), corporate bond purchases (£10bn), and a £100bn Term Funding Scheme to ensure that the full effect of the rate cut would be passed on to customers. The MSCI UK All Cap Total Return Index advanced 1.79% in August while the fund finished the month up 3.34%.

Portfolio

Contributors to performance over the month included Kier, whose share price rose 16.09% following a number of positive contract wins including three major construction frameworks totalling over £5bn. Close Brothers stated towards the end of July that they had seen little direct impact on their business since the UK referendum and that they were confident in a solid outcome for the full financial year. This helped the shares advance 8.02% in August. The shares of Phoenix Group advanced 8.29% for the month following the release of their interim results confirming that full year cash generation guidance is unchanged.

Detractors included Premier Farnell as Datwyler confirmed that it would not be increasing its bid for the business. The shares fell 5.93% to the level of the previous bid by Avnet. Card Factory was added to the portfolio during the month given its clear and sustainable competitive advantage in a very defensive part of the retail sector and our view that net space will leave the industry in the medium term. The business is highly cash generative, and we believe that it will pay a special dividend every year, thus yielding in excess of 8%. Despite this, like-for-like sales growth of only 0.2% announced on the release of a trading statement covering the six months to 31 July 2016 saw the shares fall 4.53% in August. It is worth noting that the price recovered in the first week of September. Rio Tinto shares also detracted from performance, falling 5.25%.

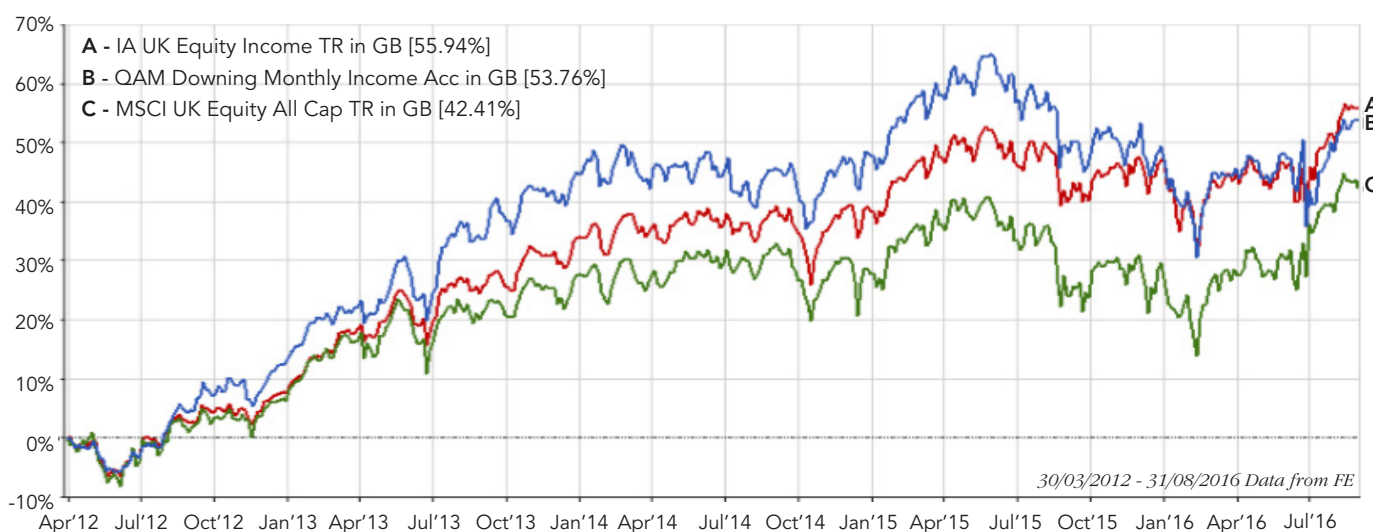
Another new addition to the portfolio during the month was B&M European Value. B&M has built a c.22% share of the UK general merchandise discount space through a disciplined and well-executed offer. The company operates a capital-light, highly cash generative model that can self-fund a five to seven year UK roll-out in a market still in growth and, in our view, fund special dividends.

Outlook

Despite the uncertainty concerning the impact of Brexit we see a Chinese hard landing as the largest risk to the global economy. Chinese economic data releases suggest the economy is losing momentum. There are signs of softening demand across the board reflected in disappointing production, investment, credit and money data. We expect further deterioration over the coming months and will be watchful, however at home the dramatic downturn in economic activity foreseen by some following the referendum appears to have been avoided for the time being.

All performance figures for securities include net reinvested income where applicable. Source: StatPro & FE Analytics.

Performance



	Cumulative performance			Discrete performance		
	6m	1y	3y	2015	2014	2013
QAM Downing Monthly Income Fund	7.83%	2.55%	15.06%	0.84%	1.74%	30.26%
IA UK Equity Income Sector Average	9.81%	9.89%	24.68%	6.20%	3.16%	25.20%
MSCI UK Equity All Cap index	13.33%	11.81%	19.03%	0.13%	0.44%	20.62%
Quartile ranking	3rd	4th	4th	4th	3rd	1st

Fund Managers

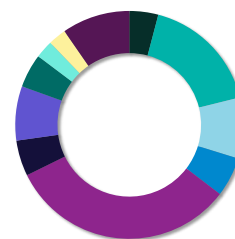


James Lynch
James draws on experience gained in managing a top performing micro-cap fund as well as time spent as a private equity and venture capital investor.



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

Sector Breakdown



4.10%	Cash
17.02%	Consumer discretionary
8.66%	Consumer staples
5.61%	Energy
32.33%	Financials
5.06%	Healthcare
7.71%	Industrials
4.79%	IT
2.54%	Materials
2.55%	Utilities
9.63%	Real estate

Source: StatPro

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 2012

IMA sector

UK Equity Income

Currency

UK Sterling

Types of shares

Income & Accumulation

Yield

4.5%¹

Income paid

Monthly

Number of holdings

31

Prices as at 31 August 2016

Accumulation shares: 176.81p

Income shares: 130.94p

Charges

Initial charge 0%

Annual management charge 0.75%

Ongoing charges charged to capital 1.44%²

Minimum investment

Lump sum £1,000

Subsequently £500

Monthly savings £100

SEDOL and ISIN numbers

Accumulation shares:

SEDOL B61JRG2

ISIN GB00B61JRG28

Income shares:

SEDOL B625QM8

ISIN GB00B625QM82

ACD

Querns act as ACD and manage the administration for the Fund

Contact details:

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Oxfordshire OX49 5TU
www.querns.co.uk

Sales: 020 3828 0963

Dealing: 0345 305 4212

Investment Manager

Downing LLP was appointed Investment Manager to the Fund on 1 June 2015 and, to further represent the strength of the relationship, the Fund name was changed to QAM Downing Monthly Income Fund from 1 November 2015

Platforms and wraps

Ascentric	Hargreaves Lansdown
Cofunds	Nucleus
Fidelity (Inst)	Transact

Income Distribution

Period to	Income
30/09/2015	0.4039p
31/10/2015	0.4922p
30/11/2015	0.4217p
31/12/2015	0.4847p
31/01/2016	0.4100p
29/02/2016	0.6342p
31/03/2016	0.4239p
29/04/2016	0.6078p
31/05/2016	0.5360p
30/06/2016	0.5710p
29/07/2016	0.4012p
31/08/2016	0.5296p

Top 10 Holdings

	% of Fund
Martin McColl Retail	5.00
Primary Health Properties	4.53
Connect Group	4.53
Kier Group	4.46
Phoenix	4.16
Marston's	3.67
Conviviality	3.66
Intermediate Capital	3.59
Aviva	3.57
3i Group	3.28
Total	40.45

Source: StatPro

Statistics correct as at 31/08/2016. 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. All references to Citywire rankings are sourced from Citywire Financial Publishers Ltd ("Citywire"). Citywire information is proprietary and confidential to Citywire, may not be copied and Citywire excludes any liability arising out of its use. All references to FE Crown rankings are sourced from Trustnet via www.trustnet.com. All ratings are for the 3 year period ended 31/08/2016.

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