

QAM Downing Monthly Income Fund

June 2016



Market Background

The MSCI UK All Cap Total Return Index advanced 0.60% in May while the Fund finished the month up 1.53%. The leading sectors for the market over the month were Information Technology, Financials and Consumer Discretionary. The Fund outperformed based on holdings in Financials and the Consumer Discretionary.

Portfolio

Contributors to performance in May included our holdings in Close Brothers, up 10.40% after a trading update confirmed an improved performance in the quarter, with good loan book growth, tighter cost control and better market conditions for Winterflood. 3i announced results for the full year to 31 March 2016 that confirmed a 22% total return for the year and a 22p full dividend for a 4.4% yield based on cost to the Fund. The shares advanced 18.56% during the month. Lloyds released first quarter results for 2016 confirming a return on equity of 13.8%, a reduction in impairment and an improvement in asset quality, resulting in a 7.38% increase in the share price.

Detractors included Rio Tinto, down 15.56% as mining stocks fell sharply following disappointing Chinese trade data, which caused a decline in copper and iron ore prices. Royal Dutch Shell fell 3.42% during May despite 1st Quarter results beating consensus by 50% and the oil price breaching \$50 per barrel for the first time since November 2015. ICAP also released results for the year to March 2016 showing revenue down 6% as market conditions remain challenging.

There were two new additions to the portfolio during the month, ITV and SSE. The recent pull back in the ITV share price presents an interesting buying opportunity to gain exposure to a market leader with a protected position within the industry at a good valuation and attractive dividend prospects. We also added a position in SSE to the portfolio during the month given its attractive asset base and ongoing investment in its network division coupled with a 6.3% prospective dividend yield.

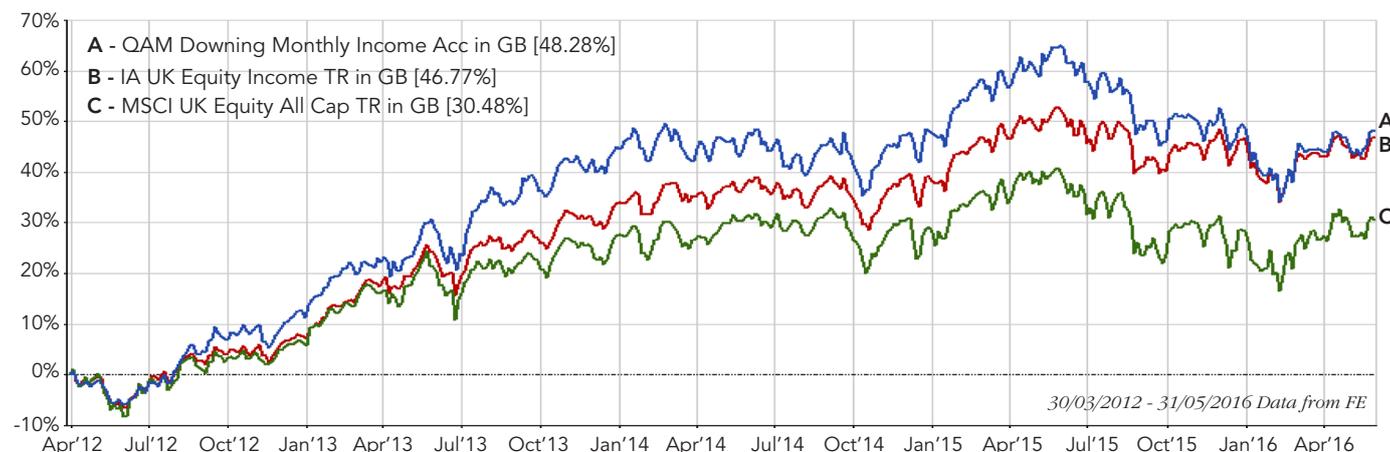
In order to accommodate these new holdings we exited our position in Centrica and reduced our holding in GlaxoSmithKline.

Outlook

The largest cause of uncertainty in the short term remains the outcome of the referendum to be held on 23rd June. As markets pause for breath Ladbrokes have a remain vote as a 69% probability and should this be the result we would expect to see renewed confidence in the equity markets. There are other concerns on the horizon, however, with the oversupply in the oil markets still a factor as is the excess level of debt on the Chinese balance sheet. The only central bank that is hitting inflation targets is the Fed, increasing the chances of interest rate policy uncertainty weighing on markets into 2017. While the attention is very much on the short term in the UK there are other global elements that will impact on the markets in the coming months, however, we remain confident that we have positioned the portfolio well for all market conditions and expect to continue to deliver long term capital growth and a premium yield to investors over the long-term.

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

Performance



	Cumulative performance			Discrete performance		
	6m	1y	3y	2015	2014	2013
QAM Downing Monthly Income Fund	-1.67%	-10.06%	15.34%	0.84%	1.74%	30.26%
IA UK Equity Income Sector Average	-0.44%	-4.17%	19.15%	6.20%	3.16%	25.20%
MSCI UK Equity All Cap index	0.18%	-6.76%	8.26%	0.13%	0.44%	20.62%
Quartile ranking	4th	4th	3rd	4th	3rd	1st

Fund Managers

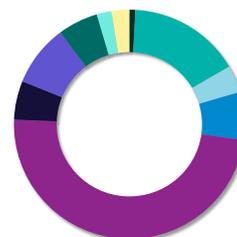


James Lynch
James draws on experience gained in managing a top performing micro-cap fund as well as time spent as a private equity and venture capital investor.



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



0.85%	Cash
15.77%	Consumer discretionary
3.84%	Consumer staples
6.76%	Energy
48.41%	Financials
5.49%	Healthcare
8.66%	Industrials
5.65%	IT
2.07%	Materials
2.50%	Utilities

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

4.8%¹

Income paid

Monthly

Number of holdings

34

Prices as at 31 May 2016

Accumulation shares: 170.51p

Income shares: 127.82p

Charges

Initial charge 0%

Annual management charge 0.75%

Ongoing charges charged to capital 1.44%²

¹The historic yield reflects distributions declared over the previous 12 months net of tax as a percentage of the share price, as at the first business day of the current month. The yield will vary and investors may be subject to tax on their distributions. Fund charges and expenses are charged to capital, effectively increasing the distribution(s) for the year by the amount of the charges and constraining capital performance by the same amount.

²Ongoing charges are based on expenses, including annual management charge, for the year ending 31 March 2016. This figure may vary. It excludes portfolio transaction costs.

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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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
30/06/2015	0.4901p
31/07/2015	0.4319p
31/08/2015	0.6624p
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

Top 10 Holdings

	% of Fund
Intermediate Capital	4.37
Connect Group	4.27
Kier Group	4.24
Primary Health Properties	4.19
Phoenix	4.05
Close Brothers	4.05
Martin McColl Retail	3.84
Marston's	3.70
Aviva	3.61
BP	3.60
Total	39.92

Source: StatPro

Statistics correct as at 31/05/2016. 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 31/05/2016.

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