

QAM Downing Monthly Income Fund

November 2015



Market Background

Having faced a downward trend in the second half of 2015 markets finished October higher with the UK market up 4.77% over the month as measured by the MSCI UK Equity All Cap Total Return Index. The ongoing volatility is a reminder that the current low real growth, low inflation environment combined with high levels of national debt remains fragile and that investor sentiment will continue to influence valuations in the run up to the New Year.

Portfolio

The fund gained 3.38% during October, led by BP whose shares advanced 15.7%*, to recover the lost ground during August and September, on the back of Q3 results. Electrocomponents also performed well following the release of a trading update that announced 4% sales growth for 1H2016 and that details of a cost cutting plan will be announced in November. The shares rose 14.5%. Other noteworthy gains came from Standard Chartered (+12.6%) and Provident Financial (+11.8%).

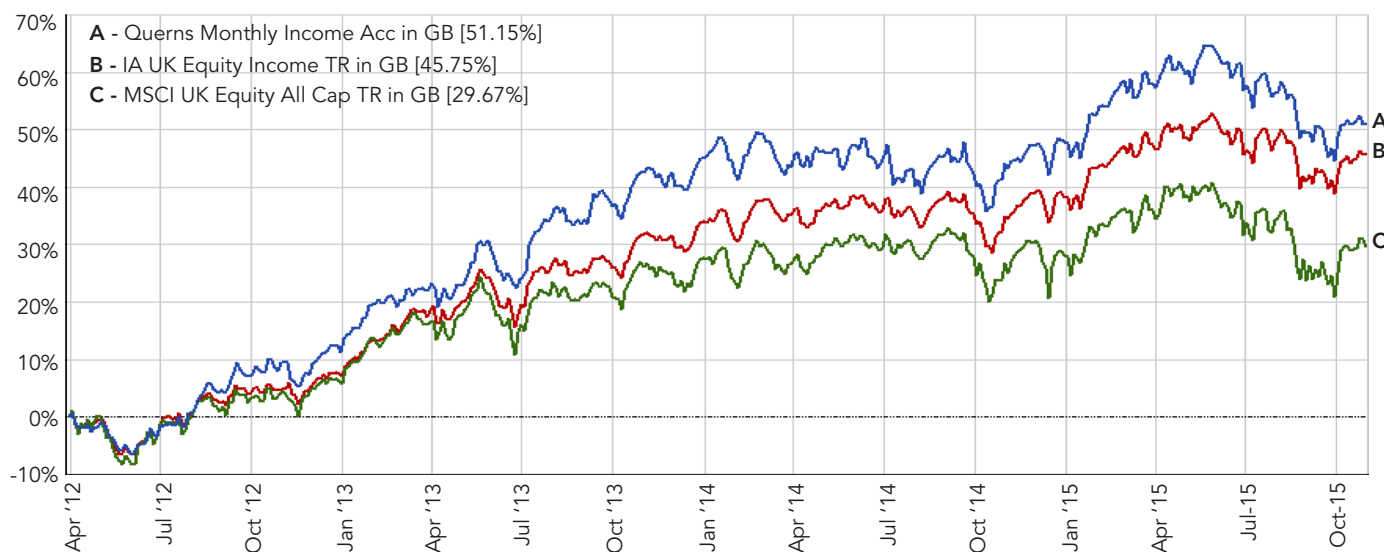
Pearson was the largest faller in the month, down 23.6% on the Q3 announcement that some of the Company's largest markets were weaker than expected. Chemring made a disappointing trading announcement stating that contract delays could result in a 33% fall in operating profit prompting a 22.9% fall in the share price. Our holding in Chemring was reduced in July and we removed the remaining position on the back of this development. Other changes to the portfolio saw the removal of Vodafone and the introduction of 3i Group. Vodafone was removed because of increased margin pressure as a result of an insufficient smaller fibre network. 3i has been through a restructuring of its private equity portfolio over the last three years and we believe the combination of prudent valuation policies, stringent purchasing criteria and diligent portfolio monitoring will enable the Group to continue delivering attractive shareholder returns into the future.

Outlook

From a global perspective the greatest risks to the downside remain a sharply rising interest rate environment and a systemic issue within the financial system, neither of which we see as likely situations given the guidance coming from the Federal Reserve and Bank of England and the recapitalisations and increased regulation being implemented throughout global financial institutions. China will remain a factor for some time to come but, as we have said before, the UK remains well insulated from a slowdown in the region. We therefore remain cautiously positive on the UK economy with households, businesses and services all contributing to modest GDP growth, which stood at 2.3% year on year at the end of September, and we believe the fundamentals are in place for markets to make further progress towards the end of the year.

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

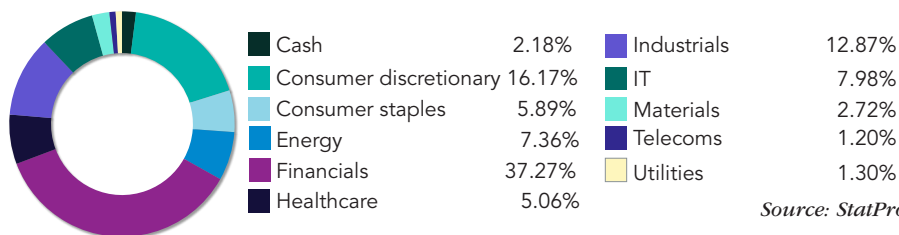
Performance



30/03/2012 - 31/10/2015 Data from FE 2015

	Cumulative performance			Discrete performance	
	6m	1y	3y	2014	2013
Querns Monthly Income Fund	-5.60%	4.81%	38.03%	1.74%	30.26%
IA UK Equity Income sector average	-1.83%	7.98%	38.82%	3.16%	25.20%
MSCI UK Equity All Cap index	-6.14%	2.24%	25.88%	0.44%	20.62%
Quartile ranking	4th	4th	2nd	3rd	1st

Sector Breakdown



Source: StatPro

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 2012

IMA sector

UK Equity Income

Currency

UK Sterling

Types of shares

Income & Accumulation

Yield

4.5%¹

Income paid

Monthly

Number of holdings

34

Prices as at 31 October 2015

Accumulation shares: 173.81p

Income shares: 133.88p

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 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. ²The ongoing charges figure is based on expenses, including annual management charge, for the year ending 31 March 2015. 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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8 Weston Road, Lewknor, Watlington
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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 (Inst)	Nucleus
Fidelity (Inst)	Transact

Income Distribution

Period to	Income
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
31/10/2015	0.4922p

Top 10 Holdings

	% of Fund
Connect Group	4.4
GlaxoSmithKline	4.4
Close Brothers	4.2
Provident Financial	4.2
Electrocomponents	4.1
Kier Group	4.0
Phoenix	3.9
Marston's	3.8
BP	3.8
Aviva	3.8
Total	40.6

Source: Pheonix Fund Services

Statistics correct as at 31/10/2015. 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 31/10/15.

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