

QAM Downing Monthly Income Fund

October 2016



Market Background

The FTSE 100 has now broken through the 7,000 barrier and is rapidly approaching the all time highs last seen in April 2015. We believe that this is due to a depreciating pound, a lower interest rate environment, and financial markets putting Brexit concerns to one side. This view is supported by economic data, with both services and manufacturing PMI surveys now higher than they were in June, inflation and retail sales broadly steady, and the RICS housing data showing increasing new buyer enquiries and new vendor instructions. The MSCI UK All Cap Total Return Index advanced 1.82% in September while the fund finished the month up 0.34%.

Portfolio

Contributors to performance over the month included Kier, whose shares advanced 8.66% over the month following the announcement of Preliminary Results, which included an 11% increase in earnings per share (EPS) and a 29% increase in the full year dividend. Rio Tinto announced a debt reduction program that could result in the purchase of up to US\$3 billion of bonds, which we consider a positive move. The share price rose 11.89% in the month. McColl's Retail released their Q3 trading update which confirmed that the business is on track to meet the Board's full year expectations leading to a share price increase of 4.37%. Card Factory released results for the half year to 31 July, which saw revenues up by 4.8%, EPS by 7.1%, and a 12% increase in the interim dividend plus a 15p/share special dividend. This leads us to expect a yield of 7.9% for the full financial year. The shares rose 7.30% over the month.

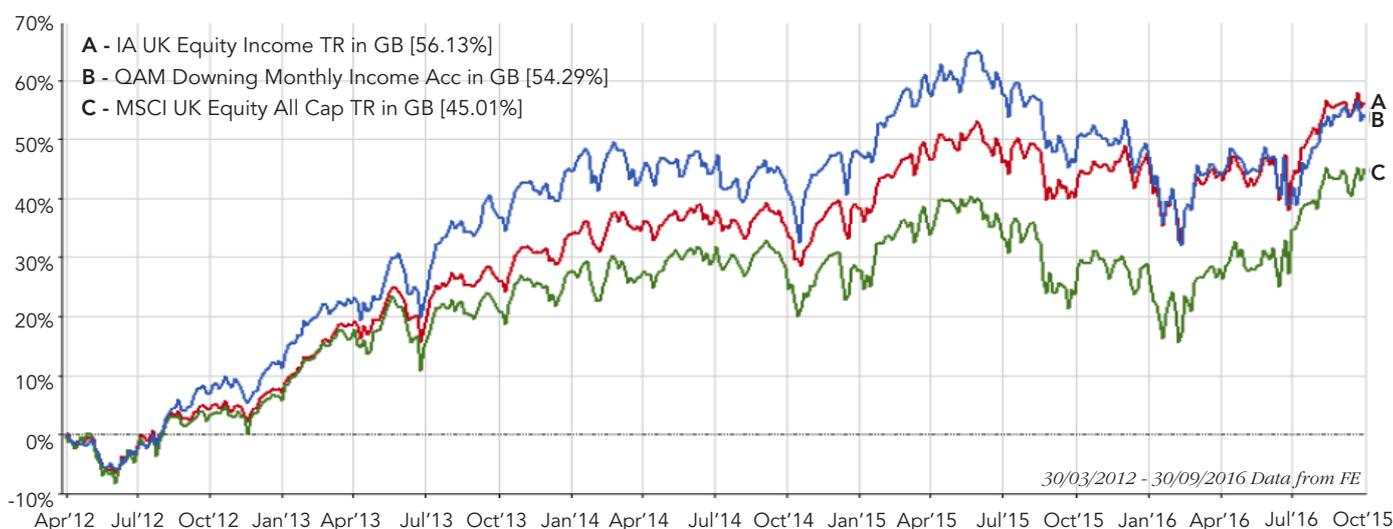
Detractors included Connect Group, whose shares fell 7.49% during the month despite no new information being released. The July trading update read positively and we see no reason why the preliminary results to be released on October 18th should not be in line with market expectations. B&M European Value has suffered in light of perceived challenges from the depreciating pound with shares falling 7.41%, however we do not believe that exchange rate fluctuations present a long term challenge for the business. Lloyds Bank, down 8.09%, has been buffeted by sentiment and concerns over a lower net interest margin, given the reduction in the base rate this is likely to result in an upward movement in impairments. We believe that the market is being too aggressive in its forecasts and that the potential for good capital returns remains intact. We are confident in the economic backdrop for the business given the data discussed in our opening remarks and expect a forward yield in the region of 6.4%.

Outlook

Whilst the UK economy has held up well in the wake of Brexit, we still believe that downside risks are more prevalent. For example, issues such as policy uncertainty in Europe and the United States and a Chinese hard landing have not been removed and in a low growth environment upside scenarios such as stronger levels of capital investment and increased capital easing seem unlikely. As such, we are cautious and have positioned the portfolio accordingly in line with the fund's objective of a high level of income and long-term capital growth.

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 Acc	5.99%	5.52%	13.32%	0.84%	1.74%	30.26%
IA UK Equity Income TR index	7.92%	11.39%	24.10%	6.20%	3.16%	25.20%
MSCI UK Equity All Cap TR index	13.19%	17.16%	19.86%	0.13%	0.44%	20.62%
Quartile ranking	3rd	4th	4th	4th	3rd	1st

Fund Managers

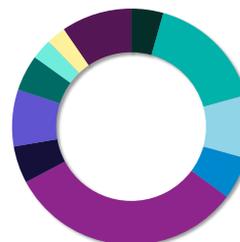


James Lynch
James draws on experience gained in managing a top performing micro-cap fund as well as time spent as a private equity and venture capital investor.



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



4.37%	Cash
16.32%	Consumer discretionary
8.66%	Consumer staples
5.78%	Energy
32.09%	Financials
5.07%	Healthcare
7.78%	Industrials
4.92%	IT
2.82%	Materials
2.64%	Utilities
9.55%	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

4.6%¹

Income paid

Monthly

Number of holdings

31

Prices as at 30 September 2016

Accumulation shares: 177.42p

Income shares: 130.86

Charges

Initial charge 0%

Annual management charge 0.75%

Ongoing charges 1.44%²
charged to capital

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
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
30/09/2016	0.5432p

Top 10 Holdings

	% of Fund
Martin McColl Retail	5.18
Kier Group	4.65
Primary Health Properties	4.55
Phoenix	4.17
Connect Group	4.15
Marston's	3.66
Aviva	3.64
Intermediate Capital	3.53
Conviviality	3.48
3i Group	3.45
Total	40.46

Source: StatPro

Statistics correct as at 30/09/2016. 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 30/09/2016.

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