

QAM Downing Monthly Income Fund

July 2016



Market Background

The MSCI UK All Cap Total Return Index advanced 3.22% in June while the Fund finished the month down 5.54%. Sectors that had served us well up to the point of the referendum decision, such as Financials and Consumer Discretionary, turned against us following the vote to leave the EU and the perceived market sentiment that these sectors in particular will underperform.

Portfolio

Contributors to performance over the month included our holdings in Premier Farnell, up 41.11%, after the Company announced that it had reached an agreement with Datwyler Holding Inc on terms for a recommended offer for the Group. Energy and Materials stocks also advanced with BP, Royal Dutch Shell and Rio Tinto shares rising by 22.65%, 24.18% and 18.10% respectively.

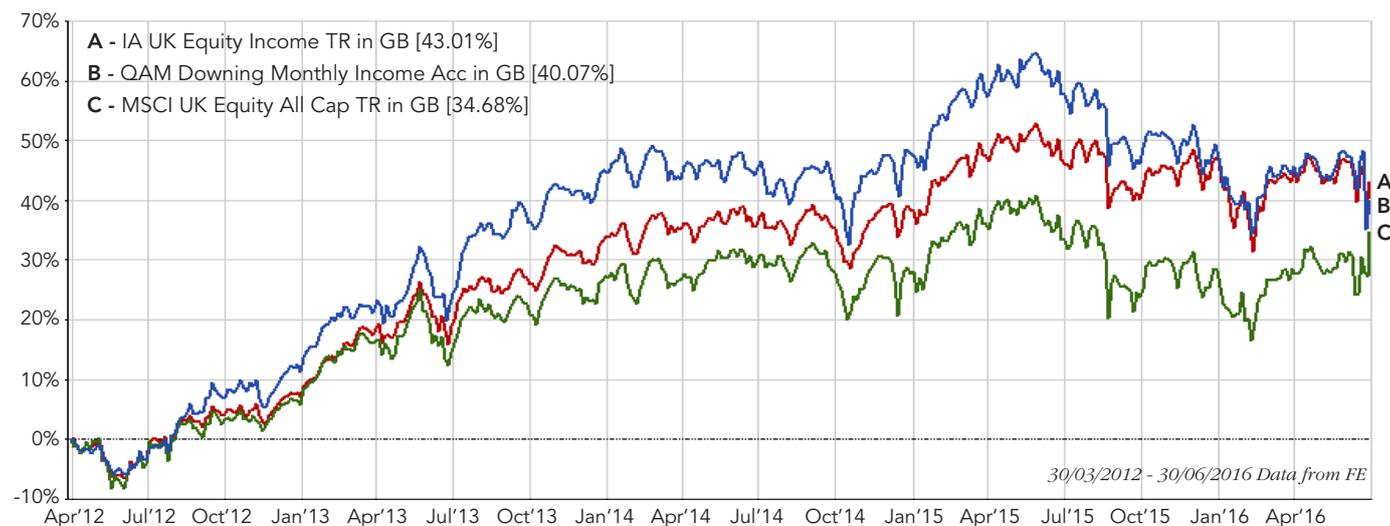
Detractors included Intermediate Capital Group, down 24.48%, which we believe to be due to the general sell off in Financials, rather than any fundamental changes to the business. ICG is well diversified across fundraising channels and revenue streams, has a dividend pay-out ratio of below 55% of earnings, and we consider the levels of debt to be reasonable, making the dividend well protected. Lloyds was also impacted by the Brexit vote and its shares fell 24.94% over the month. The business is largely focused on the UK market, however, we continue to believe that the strength of the business' balance sheet and efficient operations leaves Lloyds best placed of the UK banks. Close Brothers also fared badly towards the end of June with shares falling 15.32% over the month; again, there has not been any news that specifically relates to the business but with operations largely focused in the UK, Close Brothers has suffered during the wave of selling seen in the sector.

Outlook

In our last Factsheet, we mentioned the referendum as a cause for short term uncertainty; the Leave result has now led to a higher degree of uncertainty over the medium term, both within the UK and in respect of the global economy. Many commentators have articulated views on potential outcomes of the negotiations with the EU and how they are likely to impact on UK GDP over the next three to five years, with some being more pessimistic than others. All we can conclude is that there will be a noteworthy impact on businesses within the UK and to a lesser extent outside of it. We remain committed to investing in good value businesses with sensible levels of debt and strong cashflows that will outperform over a long term horizon. We believe that the coming months will feature mis-pricing in the market, and we intend to capitalise on this.

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

Performance



	Cumulative performance			Discrete performance		
	6m	1y	3y	2015	2014	2013
QAM Downing Monthly Income Fund	-5.89%	-10.65%	12.96%	0.84%	1.74%	30.26%
IA UK Equity Income Sector Average	-2.61%	-1.82%	20.18%	6.20%	3.16%	25.20%
MSCI UK Equity All Cap index	4.92%	2.24%	17.68%	0.13%	0.44%	20.62%
Quartile ranking	4th	4th	4th	4th	3rd	1st

Fund Managers

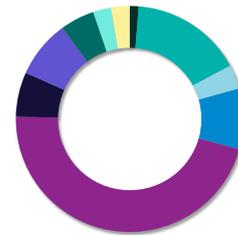


James Lynch
James draws on experience gained in managing a top performing micro-cap fund as well as time spent as a private equity and venture capital investor.



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



1.27%	Cash
15.92%	Consumer discretionary
3.46%	Consumer staples
8.72%	Energy
45.96%	Financials
6.37%	Healthcare
8.24%	Industrials
4.87%	IT
2.54%	Materials
2.65%	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

5.0%¹

Income paid

Monthly

Number of holdings

34

Prices as at 30 June 2016

Accumulation shares: 161.07p

Income shares: 120.23p

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:

Querns Asset Managers LLP
8 Weston Road, Lewknor, Watlington
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
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
30/06/2016	0.5710p

Top 10 Holdings

	% of Fund
BP	4.61
Primary Health Properties	4.35
Connect Group	4.12
Royal Dutch Shell	4.11
Phoenix	3.86
Kier Group	3.78
Close Brothers	3.58
Martin McColl Retail	3.46
Marston's	3.41
Intermediate Capital	3.35
Total	38.63

Source: StatPro

Statistics correct as at 30/06/2016. 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 30/06/2016.

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