

QAM Downing Monthly Income Fund

March 2016



Market Background

The MSCI Total Return Index finished February 0.85% ahead while the Fund advanced 1.22%. These movements mask the volatility that continues to be present in the equity markets this year; at one point the benchmark was down 8.60% as the correlation with the Oil price persisted and the commodity revisited \$30/bbl. However, talks around the limiting of supply helped the commodity rally to over \$35/bbl by the end of the month, which helped restore confidence and saw markets retrace their losses for the month. Towards the end of the month the OECD highlighted its concern regarding slowing global growth and the need for reform adding to the concerns surrounding energy, materials and the banking sector that have weighed on market thus far in 2016.

Portfolio

Contributors to performance over the month included Electrocomponents, up 13.39%, following the release of a positive trading statement confirming sales growth and Premier Farnell, up 16.63%, after announcing that the sale of its Akron Brass division is expected to complete by the end of March 2016. Rio Tinto, up 15.65%, announced results, maintained its full year dividend and announced a further round of cost-saving initiatives, reaffirming its commitment to keeping gearing under control. Lloyds shares rose 10.60% following the release of full year results confirming that the balance sheet remains strong, impairments are falling and that a progressive dividend policy will be maintained. Management also gave a further vote of confidence through the announcement of a special dividend of 0.5p per share.

Of the fallers, British Land ended the month 10.95% down. We believe that there continues to be a disconnect between the discount to NAV and the prospects of this business. In the current situation property values would have to fall by almost 20% to justify the current share price, we see this as a low probability scenario at present and believe that the shares offer good upside from here. ICAP fell 10.05% following its Q3 trading update that highlighted challenging market conditions. Aviva suffered along with the general sell off in financials over the month with the shares down 8.86%. HSBC fell 6.63%.

This month, Primary Healthcare Properties (PHP) joined the portfolio with a 2.5% allocation. PHP is a healthcare dedicated REIT that owns freehold or long leasehold interests in modern purpose-built healthcare facilities predominantly let to GP surgeries, NHS organisations, pharmacies and dentists. The property-backed nature of the portfolio underpins the valuation of the business, creating an element of downside protection, and the long term leases with the operators gives government backed income for the next 15 years. The business is currently paying a 4.8% forward yield that is fully covered by earnings and has an acceptable level of debt given the secure nature of its income streams. Management are committed to the dividend, having increased it in each of the last 19 years.

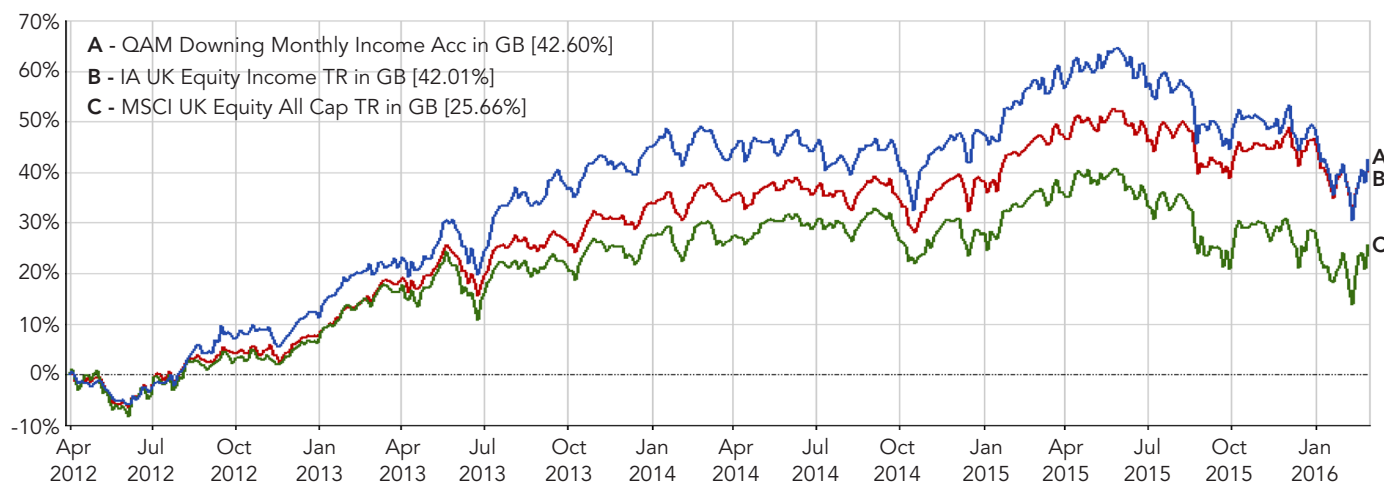
To create space for PHP, Countrywide was removed from the portfolio. As confirmed by numbers released at the end of February, lower transaction volumes in the housing market had a direct impact on the earnings potential of the company. There is also a structural shift in the industry, with new entrants in the online DIY estate agency expected to take an increasing market share. These elements have impacted our valuation of the business; prior to our exit the business was trading at our target price, leaving no margin of safety.

Outlook

The market volatility over the last few months following concerns over a slowing China, Emerging Market withdrawals, Commodities, Global growth revision and a lack of unity of approach within the G20 have highlighted how susceptible investor sentiment is to rapid change - a feature of the markets that is unlikely to change in the immediate future. That said, we believe conditions remain supportive for the consumer with the full impact of a lower oil price still to be felt in combination with lower unemployment, steady growth and a well capitalised banking sector.

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

Performance



	Cumulative performance			Discrete performance		
	6m	1y	3y	2015	2014	2013
Querns Monthly Income Fund	-4.89%	-9.93%	18.32%	0.84%	1.74%	30.26%
IA UK Equity Income sector average	0.07%	-3.34%	22.70%	6.20%	3.16%	25.20%
MSCI UK Equity All Cap index	-1.34%	-7.79%	9.27%	0.13%	0.44%	20.62%
Quartile ranking	4th	4th	3rd	4th	3rd	1st

Fund Managers

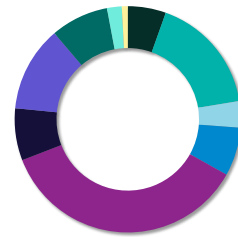


James Lynch
James draws on experience gained in managing a top performing micro-cap fund as well as time spent as a private equity and venture capital investor.



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*



5.45%	Cash
16.95%	Consumer discretionary
3.79%	Consumer staples
6.95%	Energy
35.99%	Financials
7.44%	Healthcare
12.20%	Industrials
8.27%	IT
2.11%	Materials
0.85%	Utilities

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

32

Prices as at 29 February 2016

Accumulation shares: 163.98p

Income shares: 124.56p

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 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

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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
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
30/11/2015	0.4217p
31/12/2015	0.4847p
31/01/2016	0.4100p
29/02/2016	0.6342p

Top 10 Holdings*

	% of Fund
Kier Group	4.75
GlaxoSmithKline	4.63
Connect Group	4.21
Close Brothers	4.17
Phoenix	4.06
Marston's	4.00
Intermediate Capital	3.93
Martin McColl Retail	3.79
BP	3.68
Aviva	3.66
Total	40.88

*Source: StatPro

Statistics correct as at 29/02/2016. 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 29/02/2016.

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