

QAM Downing Monthly Income Fund

February 2016



Market Background

January saw a turbulent start to 2016 as renewed instability in the Chinese equity market and a further deterioration in the oil price saw global stock markets move sharply into negative territory. The MSCI Total Return Index declined 2.92% while the fund fell 5.35%. The International Monetary Fund cut its world growth outlook as the commodities slump and political gridlock pushed Brazil deeper into recession, declining oil prices put increasing pressure on Middle East crude producers and the rising dollar curbs the outlook in the US. Worries over global growth were exacerbated by questions surrounding the stability of the banks, particularly non-performing loans in the Italian banking sector. Rates remained unchanged in the US and EU while the Bank of Japan announced its monetary easing policy will continue. In the UK Mark Carney reiterated that now is not the time to raise interest rates highlighting steady but stabilising GDP growth of 2%, accelerating household consumption and that unemployment is on a solid downward trend. We believe these factors underpin a positive but slowing environment in the UK.

Portfolio

The biggest contributors to performance over the month included BP, up 6.24% as the oil price found a degree of support at \$26 per barrel before rebounding to \$31 at time of writing. GlaxoSmithKline also fared well up 4.81% in the run up to the announcement that Q4 15 results were in line with consensus following the month end. Having faced challenging markets over the last few months Pearson announced a restructuring and expectations for trading out to 2018, which was received well and saw the shares advance by 7.2% for the month. Halfords is traditionally effected by the weather and given recent conditions expectations were for the Q3 trading update to be disappointing, however the Group announced encouraging figures that supported a share price advance of 13.03%. Martin McColl's also released a positive update confirming that the transformation of the store portfolio is on track. We expect to see advances in sales as this process continues. On a 7.3% forward yield McColl's represents a compelling investment case given the high levels of cash generation and discount to our intrinsic valuation. The shares advanced 2.78% over the month.

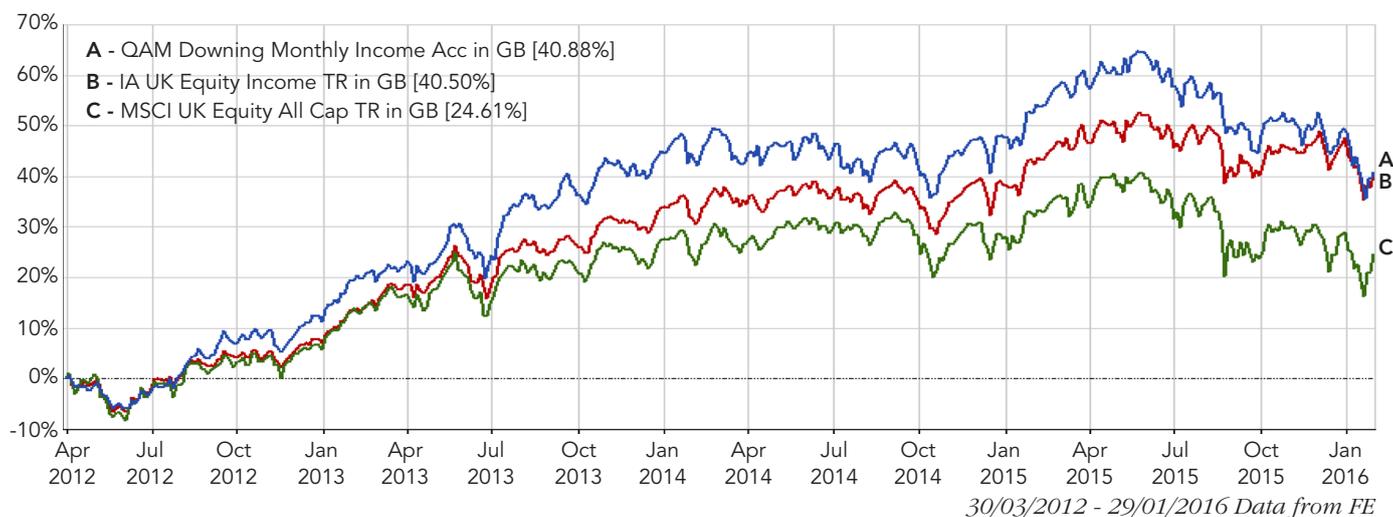
Detractors included Electrocomponents, down 12.25% as markets absorbed the global growth revisions. Provident Financial declined 12.74% following its Q4 trading update, which we believe indicates slower growth may be likely over the coming months. Lloyds has been buffeted by the turmoil in the financial markets since we took our position in December 2015. In January a number of analysts highlighted the potential for an addition £2bn in PPI claims that could fall into the FY15 numbers. This does not undermine our original investment case and we believe that further value is on offer at these prices and that the business is well placed over the long term. The shares fell 10.41% in January.

Outlook

Despite the volatility in the financial markets we believe the underlying fundamentals for the holdings within the portfolio remain robust. In many instances valuations across the equity markets are moving in line with macro sentiment and one only need to look at the correlation of the markets with the movements in oil prices since the beginning of the year to confirm this. As the way the markets value businesses becomes increasingly disconnected with business fundamentals opportunities for the informed investor are more readily available and we continue to be well placed to take advantage of these inefficiencies.

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	-9.78%	-7.61%	18.90%	0.84%	1.74%	30.26%
IA UK Equity Income sector average	-5.17%	-1.87%	24.40%	6.20%	3.16%	25.20%
MSCI UK Equity All Cap index	-7.58%	-5.16%	10.74%	0.13%	0.44%	20.62%
Quartile ranking	4th	4th	3rd	4th	3rd	1st

Fund Managers

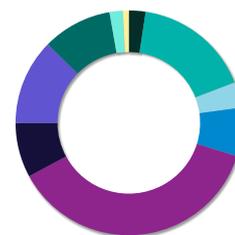


James Lynch
James draws on experience gained in managing a top performing micro-cap fund as well as time spent as a private equity and venture capital investor.



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*



2.39%	Cash
16.78%	Consumer discretionary
3.68%	Consumer staples
6.97%	Energy
37.32%	Financials
7.85%	Healthcare
12.32%	Industrials
9.97%	IT
1.90%	Materials
0.84%	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

4.8%¹

Income paid

Monthly

Number of holdings

32

Prices as at 29 January 2016

Accumulation shares: 162.00p

Income shares: 123.47p

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

Top 10 Holdings*

	% of Fund
Kier Group	4.77
GlaxoSmithKline	4.77
Electrocomponents	4.45
Phoenix	4.15
Close Brothers	4.06
Connect Group	4.06
Aviva	4.02
Marston's	3.98
Intermediate Capital	3.97
BP	3.95
Total	42.18

*Source: StatPro

Statistics correct as at 29/01/2016. 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 29/01/2016.

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