

QAM Downing Monthly Income Fund

December 2016



Market commentary

In November, the Fund outperformed its sector with a return of 1.79% against the benchmark return of -1.67%. Key contributors to the portfolio throughout November have been Intermediate Capital Group (ICG), BAE Systems and Chesnara plc, which generated returns of 11.97%, 10.69% and 9.30% respectively. Key detractors this month included AstraZeneca and SSE Plc, down -9.56% and -7.29% respectively.

Portfolio

ICG, a specialist asset manager investing in private debt, credit and equity, released positive first half year results in November, demonstrating fundraising performance in line with expectations, as well as a strong pipeline of opportunities to continue the growth of their fund management franchise.

BAE Systems, a multinational defence, security and aerospace company released a positive trading statement in October showing that trading was in line with management expectations. In the UK, they made good progress with their MoD customer on implementing the Strategic Defence and Security Review. In the US, the defence market outlook remains positive and production on a number of BAE's programmes increased according to plan.

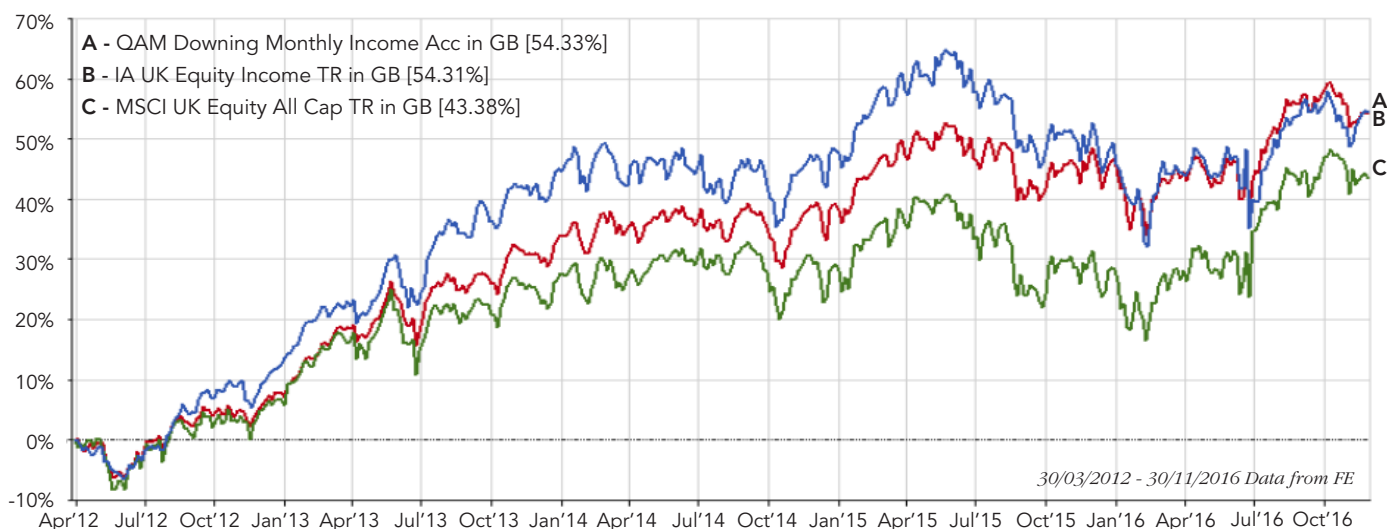
Positive market sentiment has continued for life and pensions company Chesnara following their proposed acquisition of Legal & General's Dutch life and pensions arm, which resulted in a rise in share price. Chesnara's strategy continues to deliver cash and their board recommended an increase in interim dividend owing to their positive interim period financial results.

AstraZeneca, a global pharmaceutical company, reported a 3% decline in revenue in their Q3 2016 results, owing to a fall in product sales driven by the entry of multiple 'Crestor' generic medicines (a drug used to treat high cholesterol) in the US. This was in line with company expectations and they have sharpened their focus on their therapy areas - Oncology, Cardiovascular & Metabolic Diseases and Respiratory.

SSE, one of the UK's 'Big Six' energy companies, reported a reduction in profits across their wholesale and retail channels in their interim results announced in November. The operating environment has presented some challenges, notably with changes to the UK Government and macro-economic uncertainty. However, SSE continue to focus on their core business of providing energy in a reliable and sustainable way. They maintain a strong balance sheet and, encouragingly in October, Moody's Investors Service affirmed and upgraded their ratings for the company.

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	4.08%	2.34%	8.30%	0.84%	1.74%	30.26%
IA UK Equity Income TR index	5.13%	4.67%	17.31%	6.20%	3.16%	25.20%
MSCI UK Equity All Cap TR index	9.89%	10.08%	14.44%	0.13%	0.44%	20.62%
Quartile ranking	3rd	3rd	4th	4th	3rd	1st

Fund Managers

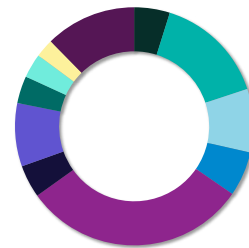


James Lynch
James draws on experience gained in managing a top performing micro-cap fund as well as time spent as a private equity and venture capital investor.



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



4.83%	Cash
15.08%	Consumer discretionary
8.63%	Consumer staples
6.07%	Energy
30.50%	Financials
4.44%	Healthcare
8.60%	Industrials
3.70%	IT
3.30%	Materials
2.50%	Utilities
12.35%	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

4.9%¹

Income paid

Monthly

Number of holdings

31

Prices as at 30 November 2016

Accumulation shares: 177.47p

Income shares: 129.73p

Charges

Initial charge 0%

Annual management charge 0.75%

Ongoing charges 1.44%²
charged to capital

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
31/12/2015	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
31/10/2016	0.6115p
30/11/2016	0.5120p

Top 10 Holdings

	% of Fund
Martin McColl Retail	5.27
Kier Group	4.98
Primary Health Properties	4.55
Intermediate Capital	4.09
Connect Group	3.95
Aviva	3.72
3i Group	3.68
BAE Systems	3.62
Phoenix	3.39
Marston's	3.39
Total	40.64

Source: StatPro

Statistics correct as at 30/11/2016. 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 FE Crown rankings are sourced from Trustnet via www.trustnet.com. All ratings are for the 3 year period ended 30/11/2016.

Important notice

This document is issued by Downing LLP ("Downing") authorised and regulated by the Financial Conduct Authority (Firm Reference No. 545025). Registered in England No. OC341575. The value of your investment, and any income from it, could fall or rise. You may not get back the full amount you invest. Opinions expressed in this document represent the views of the Fund Managers at the time of publication, are subject to change, and should not be interpreted as investment advice. Please refer to the latest Full Prospectus, Key Investor Information Document and Supplementary Information Document before investing; your attention is drawn to the risk factors contained therein. Downing does not offer investment or tax advice.

