

QAM Downing Monthly Income Fund

December 2015



Market Background

The UK market was somewhat benign during November to return 0.45% as per the MSCI UK All Cap Total Return Index. Attention still remains on a US rate rise that now seems likely to be announced on December 16th. In the UK the Bank of England meeting concluded to keep rates on hold for another month with the eight to one vote in favour being consistent with October's result. Consensus now has the first UK interest rate rise as coming in Q2 2016, according to a Thompson Reuters poll. Elsewhere the looser monetary and fiscal policies adopted in China are still to generate any meaningful signs of recovery. As a result expectations of lower demand from the area weighed on commodity prices across the board and had a knock on effect on the miners.

Portfolio

The fund fell 0.23% during the month reflecting a mixed performance across our holdings. Electrocomponents shares advanced 17.9% in the month following a commitment to further cost reductions, improving sales conditions, and a new performance improvement plan. BAE Systems also posted strong gain, rising 17.3% after announcing interim results with rising sales and a strong order book. ICAP, whose shares rose 15.7%, also released its interim results following the agreed (but not completed) disposal of its Global Broking Business to Tullett Prebon, ICAP Newco is now a higher margin business with a higher exposure to structural growth opportunities. H1 highlights included 4% growth in continuing operations including Electronic Markets and Post Trade Risk, which contribute 77% of profits.

Of the fallers Standard Chartered announced trading headwinds and a significant restructuring of its assets combined with a cost cutting regime, which triggered an 18.9% fall in the share price. We have conducted a full review of the sector and consider the execution risk associated with Standard too high to justify the low level of returns highlighted by management. The position was sold post month end. Countrywide also fared badly, down 15.6% for the month following its trading update that highlighted the slow pace of recovery in housing sales transactions as causing volumes for year being anticipated to be at least 5% below 2014.

Outlook

We have commented on the wider risks associated with an abrupt change in monetary and fiscal policy in the past and while these remain unlikely given central bank guidance we would highlight the approaching British EU referendum as a likely cause for further uncertainty throughout 2016.

In the UK domestic momentum remains resilient, consumer confidence is firm, disposable income continues to reach new highs, and GDP growth is projected to pick up next year as a tighter labour market and stronger productivity support real incomes and consumption, and as accommodative credit conditions encourage strong investment and a pickup in the housing market. We see inflation remaining below 1% until at least the second half of next year, reflecting the continuing drag from commodity and other imported goods prices. Beyond that, the dampening influence of sterling's past appreciation on inflation is expected to be persistent. Finally, we would like to take this opportunity to wish all our shareholders a Happy Christmas and a very prosperous New Year.

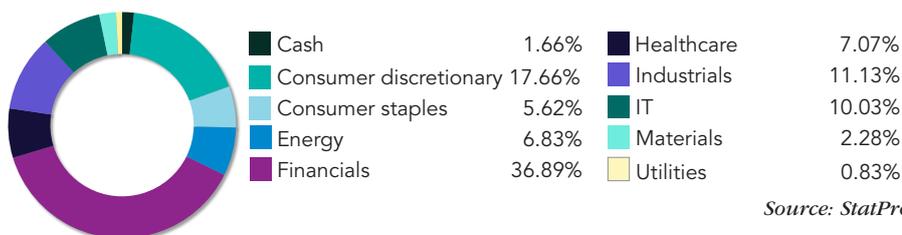
All performance figures for securities include net reinvested income where applicable. Source: StatPro

Performance



	Cumulative performance			Discrete performance	
	6m	1y	3y	2014	2013
Querns Monthly Income Fund	-8.54%	2.46%	37.94%	1.74%	30.26%
IA UK Equity Income sector average	-3.74%	6.18%	39.02%	3.16%	25.20%
MSCI UK Equity All Cap index	-6.92%	-0.12%	24.24%	0.44%	20.62%
Quartile ranking	4th	4th	3rd	3rd	1st

Sector Breakdown



Source: StatPro

Fund Managers



Stephen Whittaker

Stephen has 35 years' experience of managing a variety of UK portfolios, including small companies, special situations, income and growth funds.



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.

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

4.5%¹

Income paid

Monthly

Number of holdings

34

Prices as at 30 November 2015

Accumulation shares: 173.41p

Income shares: 133.08p

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

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 (Inst) Nucleus

Fidelity (Inst) Transact

Income Distribution

Period to	Income
31/12/2014	0.5350p
31/01/2015	0.4263p
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

Top 10 Holdings

	% of Fund
Electrocomponents	4.80
Connect Group	4.33
GlaxoSmithKline	4.19
Close Brothers	4.19
Phoenix	4.10
Marston's	4.05
Aviva	3.99
Kier Group	3.96
BP	3.77
Marks & Spencer	3.46
Total	40.84

Source: StatPro

Statistics correct as at 30/11/2015. 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 30/11/15.

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