

QAM Downing Monthly Income Fund

January 2017



Market commentary

In December the MSCI UK All Cap Total Return Index returned 5.01%, the Fund returned 3.82%. Key contributors to the portfolio throughout the month were ITV, B&M and BP which generated returns of 22.86%, 11.65% and 10.92% respectively. Key detractors were Playtech and Kier, down 3.84% and 1.51% respectively.

Portfolio

ITV's share price benefited from positive association with the potential 21st Century Fox acquisition of SKY Plc. The shares were buoyed further by the announcement of a joint venture with BBC Worldwide, the commercial arm of the BBC, to launch an ad-free subscription video-on-demand service in the U.S., as well as by the extension of the STV Airtime Sales Agreement.

B&M's share price had recently been under pressure due to concerns over the impact of weaker sterling on the cost of importing many of its product lines. However, we believe the business can offset currency headwinds through changes in product mix and through increasing buying scale. The recently announced interim results were positive and a number of supportive research notes have been released, which have aided in alleviating concerns. We believe the shares are significantly undervalued given the quality of the business and its plan to open a further 50 stores next year.

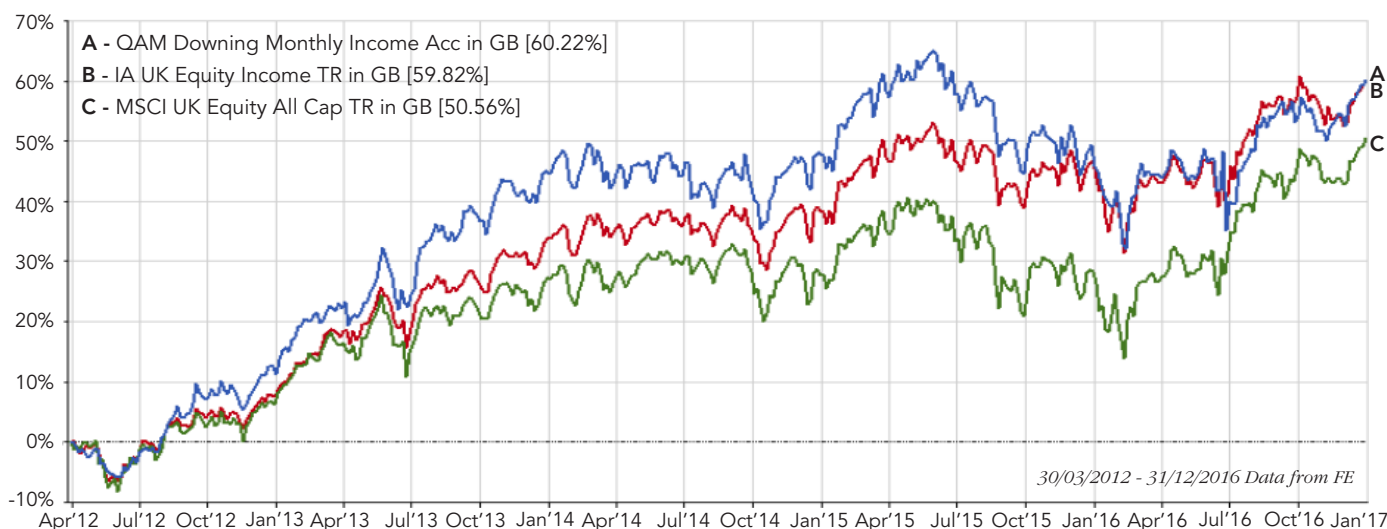
BP's share price advanced following OPEC members' pledge to remove 1.2 million barrels a day from global oil production, prompting a move in the oil price which finished the month 22.51% above its closing price on the day before the announcement. Other positive news included the acquisition of a stake in Repsol's Indonesian liquefied natural gas (LNG) business, the acquisition of Woolworths Ltd fuel business, and the signing of a 20-year agreement to supply Thailand's PTT (a state-owned, listed oil and gas company) with approximately 1 million tonnes of LNG per annum.

Playtech's share price fell after the disposal of 12% of the business by Brickington at 850p. This was further compounded by the FCA imposing stricter legislation on the sector. We expect the latter to only reduce earnings per share by c.1% and consider the reaction in the share price to be overblown. We do not see either of these factors as having a material long-term impact on the business, given trading prospects and its current cash surplus.

Kier's share price fell over the month, which we do not consider to be connected with any fundamental changes in the underlying business. The only new update was the announcement of a 15-year, c.£140 million highways maintenance contract. This is representative of the high level of revenue visibility which is a key element of our investment case. As at year end 30 June 2016, Kier had an order book of £8.7 billion, equivalent to 2.1 years of revenue.

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	14.39%	7.65%	10.45%	0.84%	1.74%	30.26%
IA UK Equity Income TR index	11.76%	8.84%	19.24%	6.20%	3.16%	25.20%
MSCI UK Equity All Cap TR index	11.79%	17.29%	17.96%	0.13%	0.44%	20.62%
Quartile ranking	1st	3rd	4th	4th	3rd	1st

Fund Managers

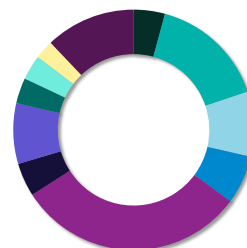


James Lynch
James draws on experience gained in managing a top performing micro-cap fund as well as time spent as a private equity and venture capital investor.



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



4.21%	Cash
15.65%	Consumer discretionary
8.76%	Consumer staples
6.53%	Energy
30.77%	Financials
4.51%	Healthcare
8.14%	Industrials
3.45%	IT
3.35%	Materials
2.53%	Utilities
12.10%	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

4.6%¹

Income paid

Monthly

Number of holdings

31

Prices as at 31 December 2016

Accumulation shares: 184.24p

Income shares: 134.14p

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

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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	Nucleus
Fidelity (Inst)	Transact

Income Distribution

Period to	Income
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
31/12/2016	0.4449p

Top 10 Holdings

	% of Fund
Martin McColl Retail	5.39
Kier Group	4.71
Primary Health Properties	4.38
Connect Group	4.06
Intermediate Capital	4.06
Aviva	3.89
3i Group	3.62
BAE Systems	3.43
Phoenix	3.38
Conviviality PLC	3.37
Total	40.29

Source: StatPro

Statistics correct as at 31/12/2016. 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 31/12/2016.

Important notice

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