

QAM Downing Monthly Income Fund

February 2017



Market commentary

In January the MSCI UK All Cap Total Return Index fell 0.32% and the Fund returned 0.07%. Key contributors to the portfolio throughout the month were Conviviality, Rio Tinto, and B&M, which generated returns of 17.03%, 10.53%, and 8.02% respectively. Key detractors were BP and Connect, down 7.21% and 5.77% respectively.

Portfolio

Conviviality's share price benefited from a positive set of half year results that saw revenue increase by 211% following the successful acquisitions of Matthew Clarke and Bibendum. The business has been restructured and the board strengthened with talent being brought in to run the operations of the business and continue to drive growth. Improvements are already being seen with gross profit margins increasing 25%, and the doubling of the interim dividend. We believe the business still has the ability to capture synergies as the acquired businesses are brought closer into alignment. Simultaneously, organic revenue growth is possible due to cross selling initiatives and greater economies of scale being passed through to end customers.

Rio Tinto's share price improved as a result of good fourth quarter production results released during the month in combination with improving commodity prices. Full year results are to be released in February, however we expect to see indications of a broadly improving environment for the business given this month's numbers.

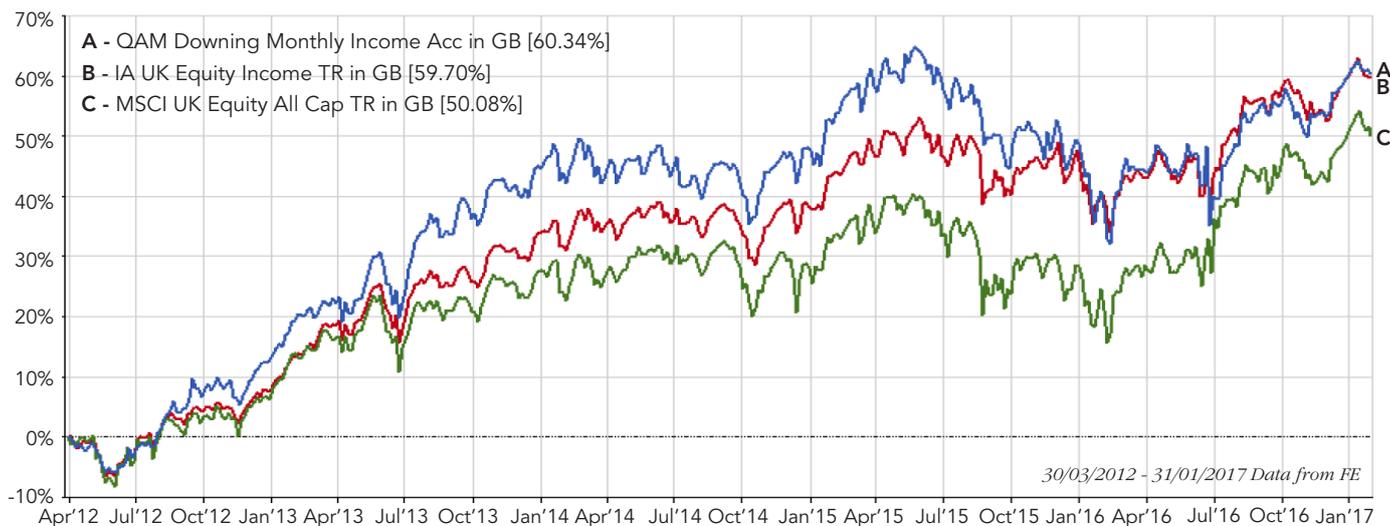
B&M's share price advanced following the release of a trading statement at the beginning of the month that showed that the store roll-out strategy is generating good growth that is supported by robust UK like-for-like sales growth compared with the same period last year. This resulted in an 18.9% group revenue increase in year to date constant currency sales on the prior period. We believe this strategy has much further to run and remain long-term supporters of the business.

BP's share price fell during January, which we believe was a result of the expectation that full year results would be poor.

Connect's share price was affected by the trading update released during the month. This confirmed that the News & Media and Education & Care businesses continued to be in decline, however, this decline is offset by the growth in the Parcels Freight business resulting in broadly flat like-for-like revenues in the same period last year.

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

Performance



	Cumulative performance			Discrete performance			
	6m	1y	3y	2016	2015	2014	2013
QAM Downing Monthly Income Acc	7.76%	13.81%	12.61%	7.65%	0.84%	1.74%	30.26%
IA UK Equity Income TR index	5.56%	13.66%	21.94%	8.84%	6.20%	3.16%	25.20%
MSCI UK Equity All Cap TR index	7.27%	20.44%	21.45%	17.29%	0.13%	0.44%	20.62%
Quartile ranking	2nd	2nd	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



4.20%	Cash
15.44%	Consumer discretionary
9.20%	Consumer staples
6.18%	Energy
30.97%	Financials
4.36%	Healthcare
8.17%	Industrials
3.59%	IT
3.73%	Materials
2.44%	Utilities
11.72%	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

4.7%¹

Income paid

Monthly

Number of holdings

31

Prices as at 31 January 2017

Accumulation shares: 184.37p

Income shares: 133.80p

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 2016. 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:

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
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
31/01/2017	0.5061p

Top 10 Holdings

	% of Fund
Martin McColl Retail	5.24
Kier Group	4.77
Primary Health Properties	4.21
Intermediate Capital	4.05
Conviviality PLC	3.97
Aviva	3.84
Rio Tinto PLC	3.73
Connect Group	3.70
3i Group	3.62
Phoenix	3.48
Total	40.61

Source: StatPro

Statistics correct as at 31/01/2017. 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 31/01/2017.

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.

