

QAM Downing Monthly Income Fund

April 2016



Market Background

The MSCI Total Return Index advanced 1.95% in March while the Fund finished the month up 2.08%. Global financial conditions and weak commodity prices, particularly oil, remain a concern for major central bankers across the globe. The ECB and Fed surprised the markets with their monetary policy stances. The ECB delivered a number of measures to combat low inflation and sluggish growth, accelerating the pace of quantitative easing and launching a new refinancing programme. Meanwhile, the Fed's doveish stance seemed to have been a result of global financial conditions alongside falling inflation.

Portfolio

In March, the biggest contributors to performance included Martin McColl, up 14.86% after releasing full year results that were slightly ahead of expectations. We continue to believe in management's strategy of profitable space expansion, store conversions, mix improvements and cost control. The shares still offer good value and yield over 6%. Phoenix, up 11.26%, also released full year results confirming good levels of cash generation and a strong solvency ratio. Management reaffirmed their commitment to the dividend, giving comfort that the prospective 6% yield will be delivered. Other risers included Laird (+13.06%), Intermediate Capital (+7.01%) and Connect (+4.78%).

The largest faller was Provident Financial, down 8.74%, we believe this is due to the market pricing in a slower growth environment for the business. Lloyds Bank fell 6.05%, which we believe is due to general negative sentiment towards the sector, rather than any issue with the underlying business. We remain confident in our holding given the strength of the balance sheet, high levels of cash generation and an attractive total shareholder return proposition. Other fallers included AstraZeneca, (-4.98%), Marks & Spencer (-4.47%) and Marston's (-4.16%).

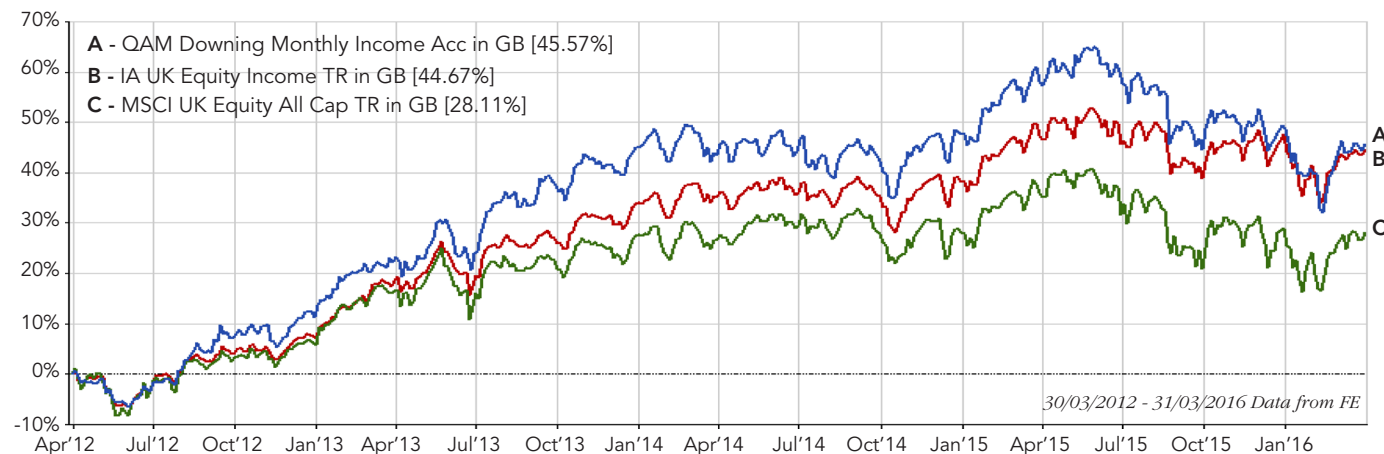
Over the past months we have conducted diligence on a number of businesses with characteristics that are attractive to long term income investors. We have targeted companies with low volatility in cash generation, robust balance sheets and strong management in order to introduce holdings that are at the lower end of the risk spectrum but still offer an attractive yield and the potential for capital growth. A good example of this is Chesnara, the life and pension book manager, which was introduced to the portfolio in the month. The business has increased the dividend every year since its listing in 2004. We have also found the return characteristics of the infrastructure sector to be attractive, with long term contracts (often linked to inflation) enabling good visibility over future cash generation. The asset-backed nature of the investments provides an element of downside protection. Combined with attractive yields and capital growth, this makes for a compelling proposition. We introduced exposure to this sector during the month through HICL and International Public Partnerships. To create space for these new positions we exited HSBC, Marks and Spencer, and De La Rue.

Outlook

The British referendum is now set for 23rd June and we see the associated short term uncertainty as a catalyst for a return to volatility towards the end of Q2. We note that the majority of commentators expect a UK exit to impact domestic growth by up to 1% p.a. for 10 years, and HM Government has said that it could take the same amount of time to negotiate the exit and establish trade agreements with countries both inside and outside the EU. Aside from the associated costs of these negotiations, we see further implications of an exit as a weakening of Sterling, reduced foreign trade, reduced foreign direct investment, and a reduction in the growth of labour supply. These would all hamper growth but perhaps more pertinent is the associated shock that would impact business and consumer confidence at a point in the cycle where some are beginning to question their resilience. Although it is currently too close to call, many pollsters suggest that a remain outcome is marginally the more likely scenario, however due to the inaccuracy of the pollsters' attempts to foresee the outcome of the 2015 General Election we give little credence to their prophecies. Whatever the outcome, increased levels of volatility over the coming months will present opportunities for the Fund and we will continue to position ourselves to capitalise on these events.

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

Performance



	Cumulative performance			Discrete performance		
	6m	1y	3y	2015	2014	2013
QAM Downing Monthly Income Fund	-0.44%	-7.00%	19.04%	0.84%	1.74%	30.26%
IA UK Equity Income sector average	3.22%	-1.21%	22.06%	6.20%	3.16%	25.20%
MSCI UK Equity All Cap index	3.51%	-4.27%	9.95%	0.13%	0.44%	20.62%
Quartile ranking	4th	4th	3rd	4th	3rd	1st

Fund Managers

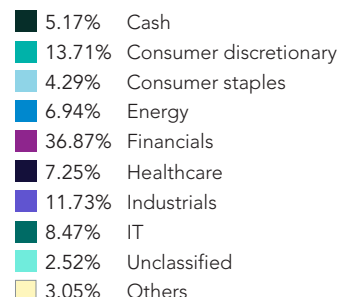
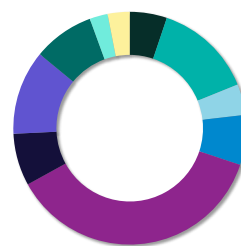


James Lynch
James draws on experience gained in managing a top performing micro-cap fund as well as time spent as a private equity and venture capital investor.



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



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

4.8%¹

Income paid

Monthly

Number of holdings

32

Prices as at 31 March 2016

Accumulation shares: 167.39p

Income shares: 126.51p

Charges

Initial charge 0%

Annual management charge 0.75%

Ongoing charges charged to capital 1.44%²

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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www.querns.co.uk

Sales: 07971 520277

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
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
29/02/2016	0.6342p
31/03/2016	0.4239p

Top 10 Holdings

	% of Fund
GlaxoSmithKline	4.64
Kier Group	4.62
Phoenix	4.47
Connect Group	4.39
Martin McColl Retail	4.36
Intermediate Capital	4.16
Close Brothers	3.92
Marston's	3.81
Aviva	3.77
BP	3.69
Total	41.84

Source: Maitland Institutional Services

Statistics correct as at 31/03/2016. 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 31/03/2016.

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