

QAM Downing Monthly Income Fund

November 2016



Market Background

Equity market performances were mixed over October, with the US slightly down, Europe stable and strong gains experienced in Japan and China. The expectation of a Fed rate hike this year saw the US dollar rally against most currencies while EUR/USD and GBP/USD weakness can be linked to anticipation of more quantitative easing from the ECB and the announcement by Theresa May that Article 50 would be triggered by end March 2017. The MSCI UK All Cap Total Return Index advanced 0.55% in October while the fund finished the month down by 1.73% largely as a result of the Laird profit warning.

Portfolio

Contributors to performance over the month included, Rio Tinto, up 10.29%, which released its Q3 Trading Update that confirmed production was higher for the year to date. This, combined with a number of asset sales that will reinforce the balance sheet, has continued to improve the outlook for the business. BP gained 7.49%, rising early in the month, which we believe was largely as a result of the oil price rally - new highs being reached for the year to date, before sharp declines in both the oil price and the BP share price towards the end of the month. BAE gained 5.17% following the release of its results at the beginning of the month that showed a 2% increase in both the earnings and interim dividend per share. Management commented on a return to growth in US defence budgets, suggesting an improved trading environment. We continue to find the long term government backed contracts and a large order backlog, which is equivalent to two year's of sales, attractive and consider the business a core holding within the portfolio. Kier gained 3.50% following the announcement that its disposal of Mouchel Consulting, acquired in 2015 as part of the larger Mouchel transaction, will result in a one off profit of £40m.

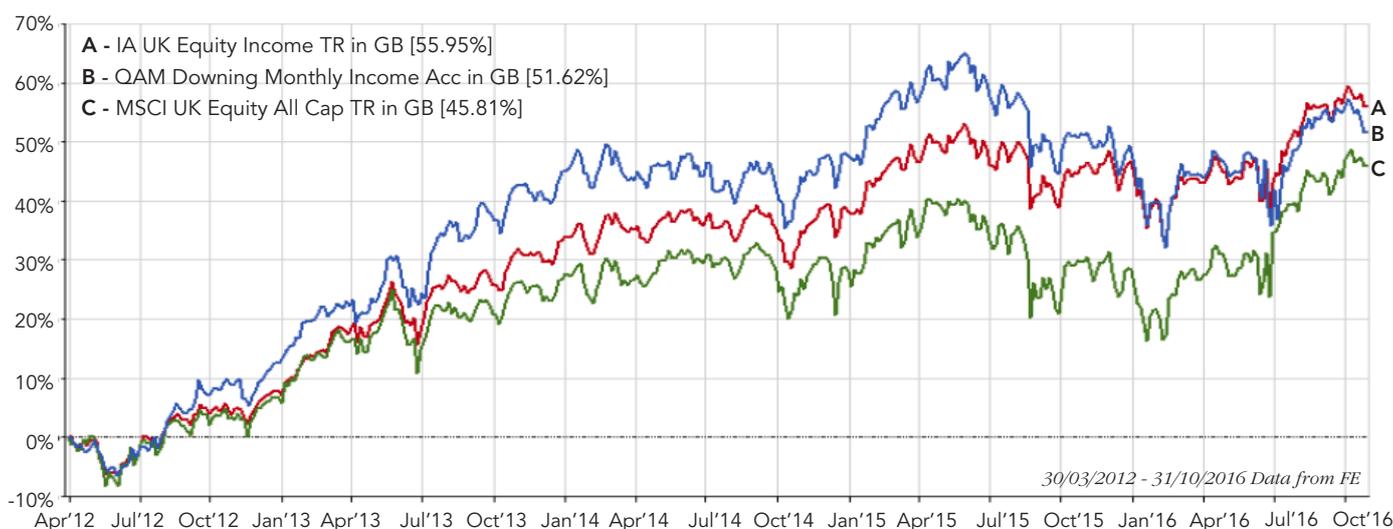
Detractors includes Laird, which fell 54.30% after stating that it had experienced a significant degree of pricing pressure within the performance materials division. Whilst we remain positive on Laird's differentiated product offering it will take some time for the pricing pressure to resolve itself, thus we remain vigilant. Connect fell 9.09% despite releasing results that were in line with market expectations, growing profit before tax by 7%. Card Factory fell 11.97% over the month. In September management highlighted that further sterling depreciation and the national living wage are the largest pressures on the business, however further initiatives will be introduced to mitigate their impact and margins remain best in class.

Outlook

Given the outcome of the US election we now look for further clarity concerning its impact on growth, inflation and currencies over the medium term. During periods of uncertainty there are often increased levels of volatility that can lead to assets being mispriced, creating opportunity for diligent investors. Central bank policy in the US, Europe and the UK will also have an ongoing impact over the medium term, however we see the major catalyst to be the trigger of article 50, now expected to be in March 2017. This is likely to present a number of opportunities and we will ensure we're well placed to capitalise on these.

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	3.82%	0.31%	6.28%	0.84%	1.74%	30.26%
IA UK Equity Income TR index	7.65%	7.00%	18.34%	6.20%	3.16%	25.20%
MSCI UK Equity All Cap TR index	12.42%	12.45%	15.52%	0.13%	0.44%	20.62%
Quartile ranking	4th	4th	4th	4th	3rd	1st

Fund Managers

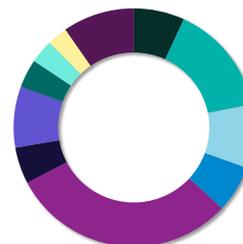


James Lynch
James draws on experience gained in managing a top performing micro-cap fund as well as time spent as a private equity and venture capital investor.



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



6.84%	Cash
15.06%	Consumer discretionary
8.63%	Consumer staples
6.34%	Energy
30.45%	Financials
4.95%	Healthcare
8.28%	Industrials
3.87%	IT
3.20%	Materials
2.75%	Utilities
9.63%	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

4.8%¹

Income paid

Monthly

Number of holdings

32

Prices as at 31 October 2016

Accumulation shares: 174.35p

Income shares: 128.06p

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:

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Sales: 020 3828 0963

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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
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
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

Top 10 Holdings

	% of Fund
Martin McColl Retail	5.24
Kier Group	4.94
Primary Health Properties	4.66
Connect Group	3.88
Aviva	3.76
Intermediate Capital	3.73
3i Group	3.65
Phoenix	3.56
Marston's	3.43
Conviviality	3.39
Total	40.24

Source: StatPro

Statistics correct as at 31/10/2016. 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 31/10/2016.

Important notice

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