

QAM Downing Monthly Income Fund

January 2016



Market Background

Very much a rollercoaster ride in UK equities over the month, with the first half particularly weak though much of the losses were recovered in the second. Overall the MSCI UK All Cap Total Return Index retreated by 1.45% and the fund was down 1.30%. Reasons for the pronounced weakness early in December are somewhat insubstantial, other than the continued weakness in commodity prices and some disappointment in the ECB action to support the European economy which was considered to lack the necessary aggression. Probably of greater relevance is the general mood of investors which has been fairly downbeat for the second half of the year coming to a head at the end of a fairly difficult year for equities. A rally was sparked after the Fed raised rates by 0.25% for the first time in nearly a decade. This was widely anticipated, but comments that this was a gradual tightening, that there was no set path for further increases and inflation (which is below target) would play an important role in future decisions on interest rates raised confidence.

Portfolio

The best performers over the month included TUI AG, up 9.9%. The travel company produced annual earnings which rose 15.4%, beating the top end of its own guidance and stated that growth this year would be at least 10%. Leisure travel has remained strong despite the terror attacks. Dairy Crest gained by 11.5% over the period and late in the month announced the completion of the deal to sell its dairy operations to Müller as expected. Elsewhere, mezzanine finance company Intermediate Capital traded 3.5% higher while construction stock Kier rose 2.7%.

Weakest returns came from Standard Chartered down by 14.5%. The stock has now been disposed of in the belief that it faces challenging headwinds in reorganising its business and has been replaced by Lloyds Bank which in our opinion has a simpler strategy and better prospects for dividend growth in the future. Elsewhere, Pearson traded lower 10.9% and M&S was down 10.0%.

Outlook

Essentially the UK stock market has treaded water for the past two years and valuations have come down as there has been some growth in earnings and dividends overall. We also know that the journey has been far from smooth. The turbulence experienced has been largely generated overseas, whether it be worries about a Chinese slowdown or concerns over Europe, as growth in the domestic economy has been sound. This scenario is unlikely to change anytime soon though China has taken steps to bolster its economy but the effects will take time to manifest. Based on valuations for UK equities we believe current levels offer an attractive entry point for investors who can bear the inevitable short term volatility.

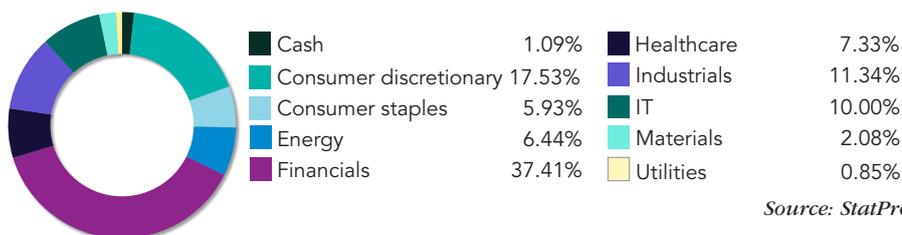
All performance figures for securities include net reinvested income where applicable. Source: StatPro

Performance



	Cumulative performance			Discrete performance	
	6m	1y	3y	2014	2013
Querns Monthly Income Fund	-5.06%	0.84%	33.65%	1.74%	30.26%
IA UK Equity Income sector average	0.81%	6.20%	37.16%	3.16%	25.20%
MSCI UK Equity All Cap index	-2.56%	0.13%	21.30%	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

4.6%¹

Income paid

Monthly

Number of holdings

34

Prices as at 31 December 2015

Accumulation shares: 171.15p

Income shares: 130.93p

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
31/01/2015	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
31/12/2015	0.4847p

Top 10 Holdings

	% of Fund
Electrocomponents	4.82
Connect Group	4.44
GlaxoSmithKline	4.32
Phoenix	4.18
Kier Group	4.14
Aviva	4.09
Close Brothers	4.00
Marston's	3.99
BP	3.53
Intermediate Capital	3.43
Total	40.94

Source: StatPro

Statistics correct as at 31/12/2015. 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 31/12/15.

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