

QAM Downing Monthly Income Fund

August 2016



Market Background

After a volatile period following the Brexit vote the major equity indices posted moderate gains in July. The MSCI UK All Cap Total Return Index advanced 3.88% in the month while the Fund finished up 6.23%. Currencies and the price of gold have been broadly stable, however the price of Brent oil fell by almost 14% to \$42.9 per barrel. Sentiment has been further reinforced by the Bank of England's decision to cut interest rates to 0.25% and initiate a £60bn quantitative easing programme. We expect these actions to keep Sterling weak, which should encourage investment in the economy.

Portfolio

Contributors to performance over the month included our holdings in McColl's Retail, up 26.15% following the Group's interim results and the announcement of the acquisition of 298 Co-op stores. Financials also fared well with Provident Financial releasing interim results showing profit growth of 18% and a 10% increase in the dividend. The shares were up by 17.78% at the end of the month. Intermediate Capital's share price climbed 16.87% following a reassuring first quarter trading update. Another noteworthy event in the portfolio was the bid at 185p by Avnet for Premier Farnell outbidding the previous bid at 165p by Datwyler. The shares were up 17.75% for the month.

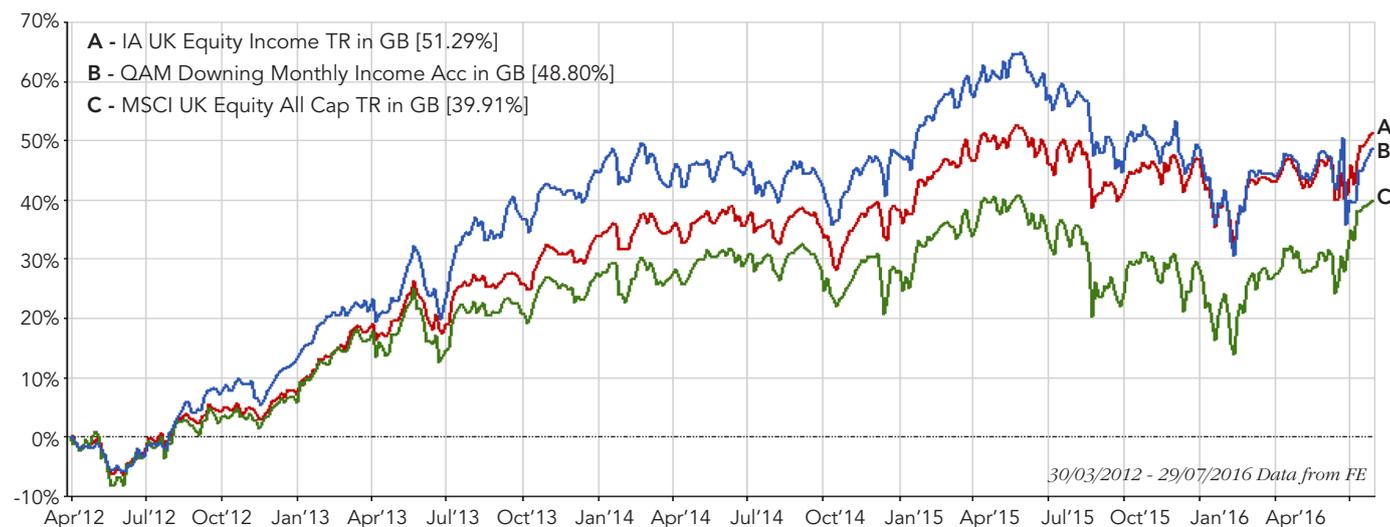
Detractors included Laird, down 10.74%, whose interims showed a sharp drop in demand in the high margin wireless controls business and an operating loss in the recently acquired Novero business leading to a 39% fall in profit before tax. Despite these trading headwinds we remain confident in the longer term prospects for the business. Pearson released interim results that were broadly in line with expectations, however concerns remain over the execution risk surrounding the transition from print to digital. The shares were down 8.79%. The falling oil price also had a knock on effect on the Oil majors with Shell and BP falling 2.91% and 2.58% respectively.

Outlook

Despite the uncertainty surrounding the Brexit vote, growth remained strong with GDP increasing from 0.4% in Q1 to 0.6% in Q2. However, the adverse effects of the Brexit vote are beginning to be seen with Purchasing Managers Index data for both manufacturing and services declining sharply into the third quarter. Additionally, GfK surveys show declines in consumer confidence, the general economic situation, and the personal financial situation of households. Whilst the impact on the economy is beginning to be felt, we do not believe that the data suggests a protracted downturn at this time and remain confident that the work we have undertaken on the portfolio over the last months will allow the Fund to continue to meet its objectives.

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 Fund	5.62%	-4.71%	10.18%	0.84%	1.74%	30.26%
IA UK Equity Income Sector Average	7.68%	2.11%	19.77%	6.20%	3.16%	25.20%
MSCI UK Equity All Cap index	12.27%	3.76%	14.44%	0.13%	0.44%	20.62%
Quartile ranking	3rd	4th	4th	4th	3rd	1st

Fund Managers

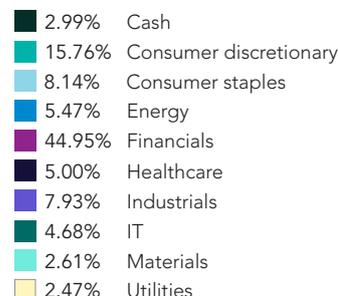
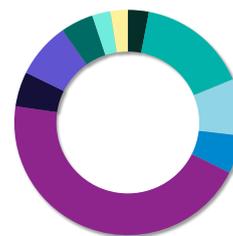


James Lynch
James draws on experience gained in managing a top performing micro-cap fund as well as time spent as a private equity and venture capital investor.



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



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

34

Prices as at 29 July 2016

Accumulation shares: 171.10p

Income shares: 127.11p

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 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

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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
31/08/2015	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
29/04/2016	0.6078p
31/05/2016	0.5360p
30/06/2016	0.5710p
29/07/2016	0.4012p

Top 10 Holdings

	% of Fund
Martin McColl Retail	4.75
Primary Health Properties	4.33
Connect Group	4.17
Close Brothers	3.81
Intermediate Capital	3.74
Kier Group	3.69
Phoenix	3.69
Marston's	3.44
Conviviality	3.39
Segro	3.21
Total	38.22

Source: StatPro

Statistics correct as at 29/07/2016. 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 29/07/2016.

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