

QAM Downing Monthly Income Fund

May 2016



Market Background

In April, the Fund was up 0.33% while MSCI UK All Cap Total Return Index advanced 1.24%. The market return for the month was largely driven by the recovery in the Energy and Materials sectors, as Oil and Commodity prices continued their recovery. The Fund participated in this recovery, however we remain underweight in these sectors compared to the benchmark. This difference largely explains the variance in performance.

Portfolio

The biggest contributors to performance over the month included our holdings in the Energy and Materials space, namely Rio Tinto, up 17.64%, and BP, up 6.74% on the back of renewed pricing confidence. Elsewhere the recently introduced Primary Health Properties was up 5.99% while Premier Farnell and Electrocomponents were up 7.54% and 6.96% respectively. Detractors included Kier, down -7.39%, Laird, down -8.56%, Phoenix, down 6.15% and Marston's down 5.46%. We remain confident in the long term prospects for these businesses.

There were two new additions to the portfolio over April. We believe both have the characteristics of core holdings within the portfolio, namely long term secure income streams that more than cover annual shareholder distributions, and the ability to drive value in the underlying businesses and therefore their value in the market.

The first was the Bluefield Solar Income Fund, which we believe has excellent income visibility as 60% of revenues come from government-backed inflation-linked subsidies based on an initial term of approximately 20 years. We calculate that the holding will distribute a prospective yield in excess of 6.5% over the coming years and has the potential to deliver capital appreciation through the reinvestment of excess income and yield compression on its portfolio.

The second inclusion was Regional REIT, which offers the highest covered prospective yield in the sector at 7.5%. Not only is this yield sustainable but there is the potential for increased distributions as rental increases and latent capacity is filled. This level of distribution is possible due to investing in regional commercial properties away from London and the major cities, which delivers higher initial yields. The regions have not benefited from the price compression that London and other large hubs have experienced over recent years, and therefore the potential for capital appreciation remains.

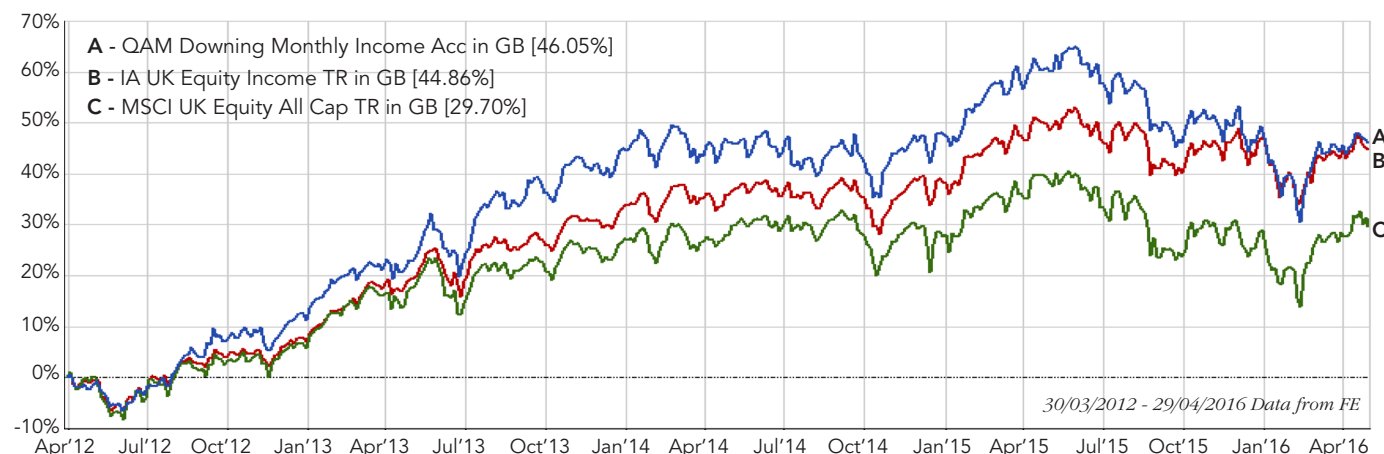
In order to accommodate these new holdings we exited our position in De La Rue.

Outlook

As the British referendum draws ever closer, the arguments for and against have increased in volume but not so in clarity and the close nature of polling suggests that there could be a number of swing voters that may determine the eventual outcome in June. The noteworthy development of President Obama voicing his support for the remain campaign has reinforced views that the possibility of an exit from the EU is diminishing in likelihood. We remain vigilant.

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	-3.38%	-8.79%	18.93%	0.84%	1.74%	30.26%
IA UK Equity Income sector average	-0.60%	-2.42%	21.13%	6.20%	3.16%	25.20%
MSCI UK Equity All Cap index	0.02%	-6.12%	10.78%	0.13%	0.44%	20.62%
Quartile ranking	4th	4th	3rd	4th	3rd	1st

Fund Managers

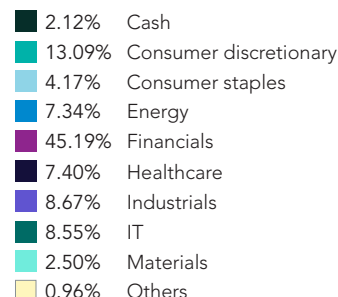
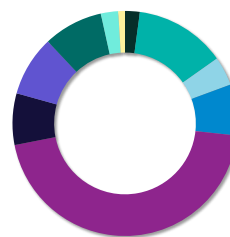


James Lynch
James draws on experience gained in managing a top performing micro-cap fund as well as time spent as a private equity and venture capital investor.



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

33

Prices as at 29 April 2016

Accumulation shares: 167.94p

Income shares: 126.49p

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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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
31/05/2015	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
29/04/2016	0.6078p

Top 10 Holdings

	% of Fund
GlaxoSmithKline	4.75
Primary Health Properties	4.24
Connect Group	4.23
Kier Group	4.19
Martin McColl Retail	4.17
Intermediate Capital	4.11
Phoenix	4.06
BP	3.86
Close Brothers	3.76
Marston's	3.57
Total	40.94

Source: StatPro

Statistics correct as at 29/04/2016. 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 30/04/2016.

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