

DAVY GLOBAL BRANDS FUND

FROM
IRISH LIFE

Q4 2018 UPDATE

This fund is provided by Irish Life Assurance plc and is managed by Davy Asset Management.

PERFORMANCE	1 MONTH (%)	Q4 2018 (%)	1 YEAR (%)	3 YEARS P.A. (%)	5 YEARS P.A. (%)
DAVY GLOBAL BRANDS FUND* (NET OF FEES)	-7.8	-11.2	-8.0	0.5	6.3
MSCI WORLD INDEX	-8.5	-12.0	-4.1	4.5	8.5

Source: Irish Life Investment Managers Ltd. (*Performance is quoted gross of tax and net of fund management charge) and Bloomberg as at 31st December 2018. The fund management charge and product charges will vary depending on the terms and conditions of your policy.

FUND OVERVIEW

The aim of the **Davy Global Brands Fund** (the 'Fund') is to provide investors with long term capital growth by investing on a global basis in shares of companies which have strong brand characteristics. Such companies are expected to have competitive advantages including dominant market share and/or unique product characteristics that provide the potential for growth globally.

FUND PERFORMANCE

The Fund returned -11.2% in the final quarter of 2018 compared with the MSCI World Index return of -12.0% outperforming its benchmark by 0.8% in Q4 and by 0.7% in December.

Stock Selection contributed positively to performance during 4Q18. Significant contributors and detractors to performance during the quarter were **Starbucks** (+0.8%), **Amazon** (+0.5%), **Apple** (+0.3%), **Pernod Ricard** (+0.3%) and **British American Tobacco (BAT)** (-0.5%). Starbucks reported stronger than expected US comparable sales and a return to growth in China in F4Q18. We believe recent deals with Nestle and Alibaba streamline the business to allow management to focus on re-accelerating the core retail operations. Amazon's ranking on our proprietary QUALITY model has improved of late due to improving Profitability metrics, but the company still ranks poorly on the Protection and Payout pillars of our model. In the case of Apple the stock has derated to trade at 13x consensus forward EPS due to concerns over slowing iPhone sales in the coming quarters. BAT contributed negatively after the FDA (US Food and Drug Administration) announced it plans to review the use of menthol cigarettes in the US, in addition to a review of flavours in e-cigarettes that was previously announced. We added to the stock on weakness as we expect tobacco fundamentals to remain robust despite regulatory headwinds.

Asset Allocation had a +1.0% impact on relative performance during the quarter. The performance was driven by our overweight positions in Consumer Staples (+1.6%) and underweight positions in Energy (+0.5%) and Industrials (+0.3%), partially offset by our overweight position in Consumer Discretionary (-0.5%) and underweight positions in Utilities (-0.4%) and Healthcare (-0.3%).

SAMPLE PORTFOLIO TRANSACTIONS

The Fund was active during the quarter adding a new position in **Intercontinental Exchange** and adding to existing positions in **Alibaba** and **British American Tobacco**, while exiting our positions in **WPP**, **Marriott** and **Royal Caribbean**.

The Fund remains defensively positioned with the aim of delivering asymmetric risk reward over time. We remain committed to our investment philosophy process and invest in companies that exhibit pricing power and generate high operating returns on invested capital, combined with attractive structural growth opportunities. We continue to find attractive investment opportunities in companies with strong fundamentals at reasonable valuations.

CALENDAR YEAR PERFORMANCE	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)
Davy Global Brands Fund* (Net of fees)	-8.0	9.3	1.0	16.9	14.5
MSCI World Index	-4.1	7.5	10.7	10.4	19.5
Starbucks	14.8	5.4	-6.1	48.2	6.2
Amazon	28.4	56.0	10.9	117.8	-22.2
Apple Inc	-5.4	48.5	12.5	-3.0	40.6
Pernod Ricard SA	10.5	30.3	-0.2	16.0	13.5
British American Tobacco Plc	-47.2	13.4	27.1	12.2	12.9

Source: Irish Life Investment Managers Ltd. (*Performance is quoted gross of tax and net of fund management charge), MSCI and Bloomberg as at 31st December 2018. The fund management charge and product charges will vary depending on the terms and conditions of your policy. Performance is quoted in local currency unless otherwise stated.

WARNING: Past performance is not a reliable guide to future performance.

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