

Davy Trilogy II Fund

from New Ireland

Quarterly Update Q1 2019

This fund is provided by New Ireland Assurance plc and is managed by Davy Asset Management.

For Investment Professionals Only

Performance	1 Month (%)	Q1 2019 (%)	1 Year (%)	3 Year (P.A.) (%)	5 Year (P.A.) (%)
Davy Trilogy II Fund* (Gross of Fees)	1.6	5.6	8.9	6.4	10.5

Source: New Ireland (*Trilogy II Fund Series 6, Performance is quoted gross of taxation and fund management charge) as at 29th March 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 Trilogy II Fund** (the 'Fund') is to generate long-term capital growth by investing in three distinct asset classes (equities, bonds and property). The Fund invests only in equities that pay higher than average dividends on a sustained basis, high grade corporate bonds and commercial property.

Fund Performance

The Fund returned 5.6% during the first quarter of 2019. During the quarter, the Corporate Bonds, High Yield Equities and Property components returned 3.0%, 15.3% and 1.2% respectively.

European corporate bonds were positive for the first quarter of 2019 with the Bank of **America AAA-A Euro Corporate Index** rising by 2.68%. Credit spreads fell (causing prices to rise) on the back of a more accommodative European Central Bank and Federal Reserve. The Corporate Bond Fund outperformed by 0.48% over the quarter. The outperformance was primarily driven by asset allocation (with a higher allocation towards A's versus AA's) and security selection.

The High Yield Equities basket added 15.3% in the quarter. Stock selection within the Industrials sector was the largest contributor to fund relative performance during the quarter.

Aerospace and defence company **Airbus** was the biggest positive contributor to relative performance during the quarter. The stock rebounded strongly during the quarter following a better than expected set of results in February. The management team also took the opportunity to raise their guidance for profit growth in 2019. In spite of some disappointment regarding the future of the A380, the company has a strong order book for the A320 and is seeking to raise the quarterly deliveries rate for the model. Following some weakness in

the fourth quarter of last year, the stock rose by 40.4% during the first quarter of 2019.

Telecoms company **Vodafone** was down c 4.8% during the quarter. In spite of management reiterating their cash flow targets for 2019, the stock fell on the first quarter earnings release in January. Service revenue growth was weaker than expected and the market is concerned about how the company will deal with the increased debt from the purchase of assets from Liberty Global and upcoming spectrum auctions in Germany. At current valuation levels, we believe that the market is already pricing in a dividend cut from the company and that progress on cost cutting and asset sales will allay fears about the balance sheet.

The Property portfolio managed by State Street Global once again performed well during the quarter.

Sample Portfolio Transactions

The Fund mix currently stands at 39.1% **High Yield Equities**, 48.9% **Property** and 12.0% **Corporate Bonds**.

Within the equity basket, the Fund exited its position in BMW and added Samsung. Global demand for automobiles is plateauing due to growth from ride on demand and an increase in competition from electric vehicles. Samsung is one of the world's largest semiconductor manufacturers. Samsung will benefit from a structural trend of growth from high power computers, high end consumer devices and rising semiconductor adoption within the auto sector.

With ongoing event risk and increased volatility on the horizon, we believe that the high yield style will once again benefit from its intrinsic defensive attributes. The underlying equity book generally has lower volatility, lower beta and higher market capitalisation.

Calendar Year Performance	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)
Davy Trilogy II Fund (Gross of fees)*	1.3	4.4	5.9	15.8	24.6
ICE BoA Merrill Lynch AAA-A Euro Corporate	-0.4	1.5	4.2	-0.3	8.4
Airbus	2.8	34.6	3.8	52.9	-24.9
Vodafone	-29.9	24.6	-4.5	4.2	-3.5

Source: New Ireland (*Trilogy II Fund Series 6, Performance is quoted gross of taxation and fund management charge), MSCI and Bloomberg as at 29th March, 2019. The fund management charge and product charges will vary depending on the terms and conditions of your policy. Performance is quoted in local terms unless otherwise stated.

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

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