

# Davy High Yield Fund

from New Ireland

## Quarterly Update Q2 2019

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

For Investment Professionals Only

Performance	1 Month (%)	Q2 2019 (%)	1 Year (%)	3 Year (P.A.) (%)	5 Year (P.A.) (%)
Davy High Yield Fund* (Gross of Fees)	4.0	3.1	13.2	7.9	9.0
MSCI World Index	4.3	2.5	9.0	10.8	10.6

Source: New Ireland (\*High Yield Fund Series 6, performance is quoted gross of taxation and fund management charge) and Bloomberg as at 28th June 2019. 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 High Yield Fund** (the 'Fund') is to achieve long-term capital growth through investments in companies which expect to generate a higher than average dividend yield. The Fund targets a dividend yield 1% greater than the market dividend yield. The concept is that dividends are the foundation of total returns over the long term.

### Fund Performance

The Fund returned 3.1% versus an index return of 2.5% during the quarter. The differential was driven by Stock Selection, which added +0.6% to relative performance. Asset allocation contributed -0.2% to relative performance during the quarter, while currency effects contributed +0.1%.

**Microsoft** was the strongest contributor to relative performance during the quarter, adding +0.3%. The global software company's market cap passed the \$1trn mark during April following an encouraging set of results that showed strength in all divisions. The prospects of sustained cash generation were boosted by a strong growth in the subscription-based Office365 product. There was also a rebound in Windows as PC shipments recovered from a shortage of chips in the prior quarter. Cloud-based revenues also exceeded expectations and allowed the company to forecast double-digit revenues and earnings for FY2020.

In contrast with Microsoft, **Intel** disappointed during the quarter and

contributed -0.2% to relative performance. Revenues and margins disappointed and guidance for the current quarter was lower than expected. The memory division was particularly weak as prices collapsed in this highly competitive segment. Clearly a solution to profitability is needed here, and new CEO Bob Swan suggested on a call with investors that he would be open to a partnership with another player to address this issue.

Asset Allocation contributed -0.2% to relative performance during the quarter. At a sector level, the largest contributors to this effect were the underweights in Consumer Discretionary and Technology stocks. The Fund has tended to be underweight these sectors due to the lack of high dividend yield opportunities.

Currency contributed +0.1% during the quarter. The Fund's underweight the Japanese yen and overweight Swiss franc drove this outcome.

### Sample Portfolio Transactions

During the quarter, the Fund reduced its holding in Microsoft somewhat. Stock price movement had brought the absolute weighting in the stock to 5% during the quarter.

With ongoing event risk and increased volatility, we believe that the high yield style will once again show its intrinsically defensive attributes. The underlying equity book generally has lower volatility, lower beta and higher market capitalisation. This was reflected in May when the Fund outperformed the MSCI World Index by over 1.2%.

Calendar Year Performance	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)
Davy High Yield Fund* (EUR)	-3.4	2.0	11.1	11.3	16.0
MSCI World Index (EUR)	-4.1	7.5	10.7	10.4	19.5
Intel	4.2	30.8	8.8	-2.2	44.3
Microsoft	20.8	40.7	15.1	22.7	27.5

Source: New Ireland (\*High Yield Fund Series 6, performance is quoted gross of taxation and fund management charge) and Bloomberg as at 28th June 2019. 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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