

Davy Global Bond Strategy

Quarterly Update Q1 2019

For Investment Professionals Only

Performance	1 Month (%)	Q1 2019 (%)	1 Year (%)	3 Year (P.A.) (%)	5 Year (P.A.) (%)
Davy Global Bond Strategy* (Net of Fees)	1.57	2.06	1.52	0.14	1.95
JPM Global Government Bond Index**	1.74	1.99	1.90	0.24	2.31

Source: Davy Asset Management (Class A Acc Eur) and Bloomberg as at 29th March 2019.

* The Davy Global Bond Fund was launched on 12th December 2014. Investors should note the Davy Global Bond Fund (UCITS) is newly established. The past performance reflects past performance data relating to the Davy Global Bond Fund (non-UCITS) which merged with the Davy Global Bond Fund (UCITS) (the "Merger"). Prior to the Merger when the Fund was not authorised as a UCITS, the investment policy, strategy and portfolio composition were largely the same. In the circumstances, the past performance data included in this document is believed to be an appropriate reference for investors.

** The benchmark index shown above does not include fees or operating expenses and you cannot invest in it.

Fund Overview

The aim of the **Davy Global Bond Fund** (the 'Fund') is to protect capital against volatility, deflation and bear markets by investing primarily in global sovereign bonds.

Fund Performance

Global government bonds had a strong first quarter, returning 1.99%, as global slowdown fears led central banks to turn much more dovish. From a relative performance perspective, the Fund materially outperformed its benchmark (net of fees) during the period.

The **main contributors** to performance were: an overweight position in Spain and Portugal as their spreads tightened; an overweight position in US Treasury Inflation Protected Securities (TIPS) which rallied on robust inflation data and a growing belief that a more dovish Fed will allow inflation to run hot over the coming quarters; and a rally in credit positions such as the municipal Transport for London.

The one detractor from performance was the short duration position in UK Gilts. The thesis for implementing this position in December was that a hard Brexit was less likely than the market had been pricing in.

Even though we believe the chances of a hard Brexit have diminished since it was initiated, falling global yields have pushed Gilt yields lower, too. Thankfully we neutralised this position in early March avoiding most of the fall in Gilt yields.

Positioning

We believe that some of the prevailing end-of-cycle fears are excessive. In our opinion, the actions of the US Federal Reserve in particular should help to allay fears that they could raise interest rates too high and choke the US and global economy. However, economic data will need to improve significantly for bond yields to rise materially higher from current depressed levels. Therefore, we are neutral duration for now.

In the meantime, we believe the low yields currently available on benchmark bonds and dovish central bank actions, which are supportive of risk, make the current environment friendly for bonds offering a pickup in yield (spreads). Therefore, we remain overweight Eurozone peripheral bonds and other bonds offering a pickup in yield relative to the "risk free" rate. In addition, we believe US inflation expectations should rise over the coming months and we therefore continue to hold US TIPS.

Calendar Year Performance	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)
Davy Global Bond Strategy (Net of fees)	-0.76	0.38	1.93	0.30	8.59
JPM Global Government Bond Index (Euro Hedged)**	-0.27	0.40	2.25	1.05	8.47

Source: Davy Asset Management and Bloomberg as at 29th March 2019. Performance is quoted in local currency unless otherwise stated.

**The benchmark index shown above does not include fees or operating expenses and you cannot invest in it.

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

WARNING: Neither past experience nor the current situation are necessarily accurate guides to the future growth in value or rate of return of the Fund. The value of the investment can reduce as well as increase and, therefore, the return on the investment will also be variable. Changes in exchange rates may have an adverse effect on the value price or income of the product.

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