

Davy Global Focus Fund

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 Focus Fund* (Net of Fees)	1.75	15.37	8.48	10.02	7.04

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

* The Davy Global Focus Fund was launched on 24 November 2017. As the Davy Global Focus Fund is newly established, the past performance chart reflects past performance data relating to the AIF version of this fund, the Focus Global Fund, prior to its merger with the UCITS version of the fund on 24 November 2017 (the "Merger"). Although such past performance data relates to a period prior to the Merger when the AIF version was not authorised as a UCITS, the investment policy, strategy and portfolio composition of original fund were substantially the same as the UCITS Fund's. In the circumstances, the past performance data included in this document is believed to be an appropriate reference for investors.

Fund Overview

The aim of the **Davy Global Focus Fund** (the 'Fund') is to generate absolute returns over the medium term. Absolute returns are specific consistent positive returns which are not necessarily dependent upon specific asset class exposure or upon continuous rising markets.

Fund Performance

The Fund rose by 15.37% on an absolute basis in the first quarter of 2019. The rebound in markets since December has allowed us to lock-in profits on some of our higher growth names, whilst simultaneously recycling it into high quality, more attractively valued ones and raising the cash buffer over the period. Cash and fixed income instruments now stand at 14.79%, giving the Fund additional downside protection. Quality as a style was one of the best performers over the period and this was reflected by the performance of Quality stocks held in the Fund. Analysis also shows our trading activity in 1Q19 contributed positively to performance.

Equity markets have risen by 14.51% year-to-date as the release of strong corporate earnings for 4Q18 coupled with an upbeat outlook for 2019 by many companies positively surprised markets. Nonetheless, Europe remains an area of concern given the uncertain nature of Brexit, the yield for 10-year Bunds falling into negative territory and Germany narrowly avoided delivering two consecutive quarters of negative GDP growth. Fortunately for the global economy, the Federal Reserve is taking a more dovish stance on monetary policy and concerns about Chinese growth are abating.

At the start of the quarter, equity market valuations were back to levels last seen in 2013. Helpfully, markets have rebounded sharply from December's sell-off. The recovery can be attributed to the latest earnings season where corporate earnings reports did not confirm the market's fears of an impending recession. A resolution to the US/Chinese trade conflict would help investor confidence, particularly for investors seeking attractively-valued stocks experiencing secular growth.

One of the top contributors to performance over the quarter was **MSCI Inc**, the leading provider of equity and fixed incomes indices, and portfolio and risk management analytics to investment firms globally with 27% market share. MSCI rose 37% in the first quarter after delivering another quarter of strong subscription growth. The markets were positively surprised by record gross Index sales and no change in client behaviour despite 4Q18 being one of the most volatile quarters in years. This shows the stickiness of the business as demand for its products and solutions, especially in growth areas like factor and ESG, are anticipated to continue to drive double-digit earnings growth for some time. We have trimmed our position in the stock given its strong performance.

CoStar Group, a leading provider of commercial real estate information, analytics, and marketing services in the US and UK, was another top contributor to performance in the first quarter. It has developed market leading positions by providing key data to commercial real estate brokers, managers, investors and other participants. The stock rose by over 40% after posting a solid set of results in which it had its largest revenue beat in more than two years, achieving a 44% EBITDA margin, 4 points above its target of 40%. The Commercial Property and Land segment of the business grew 17.3% during the quarter and is expected to increase to 18-20% in 2019 on the back of strength in the company's "Loopnet" commercial marketplace. We continue to lock-in profits given its strong appreciation.

Sample Portfolio Transactions

The Fund acquired a position in Covetrus Inc¹, an animal health care distributor which was spun-out of Henry Schein. Henry Schein decided to spin-off its animal health care business and merge it with Vets First Choice to create Covetrus Inc. Although performance to date has been weak, reflecting limited analyst coverage and market information on the new business, we expect this to change in coming months as this is a Quality business given its high margins and low leverage. Importantly, the animal health industry is well positioned for sustained growth, with built-in downside protection should markets prove to be volatile.

Calendar Year Performance	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)
Davy Global Focus Fund (Net of Fees)	-7.42	11.23	1.54	12.59	5.09
MSCI World Index NDTR (MSDEWIN)	-4.11	7.51	10.73	10.42	19.50
MSCI Inc	17.93	62.60	10.61	54.00	8.96
CoStar Group	13.60	57.54	-8.81	12.55	-0.51
Henry Schein	12.36	-7.88	-4.10	16.18	19.16
Covetrus Inc.	-	-	-	-	-

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

¹given Covetrus Inc was established in Feb 2019, no performance data is yet available. Data for Henry Schein has been provided for information.

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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