

# Davy Strategic Global Equity 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 Strategic Global Equity Strategy* (Net of Fees)	2.45	13.54	8.37	8.35	6.99

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

\* Investment Management of the Davy Strategic Global Equity Fund was assumed by Davy Asset Management during the month of September 2018.

## Fund Overview

The investment aim of the **Davy Strategic Global Equity Fund** (the 'Fund') is to provide long term capital growth spreading the risk through geographical and sector diversification whilst predominantly taking long only investment positions in mostly UK, European and U.S equity markets with some exposure to Japan, the Far East and emerging markets.

## Fund Performance

The Fund rose 13.54% (net) during the first quarter of 2019 in euro terms. This compares with 13.57% for a 70/30 composite of MSCI ACWI/Euro STOXX and 14.51% for MSCI World. Toward the end of February, the Fund's positioning was brought closer in line with MSCI World Index following in-flows, by increasing exposure to North America which benefited performance in March.

Quality was one of the stronger performing styles for the quarter. Value stocks lagged as the markets were distinctly risk-on in the quarter. Growth stocks and smaller companies had a particularly strong start to the year.

Within MSCI World Index, the best performing sectors for the quarter were Information Technology and Real Estate, while Financials and Health Care lagged. Within Information Technology, initial rallies in the semiconductor names at the start of the year broadened out to the whole sector as the quarter progressed. Within Health Care, the larger value-oriented names lagged the sector, and there were some large idiosyncratic movements from the likes of Biogen which fell 30% after

the company ended the trial of the Alzheimer's drug, Aducanumab. Financials took a hit during March when the 3-month/10-year yield curve inverted.

North America was the best performing region over the quarter benefiting from the broad base rally in tech stocks. Whilst emerging markets posted strong gains in January, they failed to keep up with developed markets as the rally broadened out. European markets, which started well, fell off as the quarter progressed. Continued uncertainty around Brexit and Eurozone growth held the region back. Japan was the worst performing region for the quarter.

The first quarter of 2019 kicked off with a bang with a narrow rally in smaller growth stocks eventually widening out to the broader market. MSCI World Index finished March recovering its losses since October 2018. The index is back to trading on a P/E of 17.5 times which is up from 15.5 times at the start of the year and in-line with valuations seen in October 2018, however this is still below the 5Y average. Geopolitical stories continue to dominate the headlines, however, as we head into the second quarter. Brexit continues to be centre stage and will likely go down to the wire. The US/Chinese trade conflict looks to be improving which should boost market confidence on the other hand. The inversion of the yield curve in March could mean the markets will be looking to see if early warning signs of a recession manifest in other areas of the market – the Federal Reserve remains dovish.

## Sample Portfolio Transactions

During the quarter the Fund started a position in the SPDR S&P 500 ETF.

Calendar Year Performance	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)
Davy Strategic Global Equity Fund (Net of Fees)	-8.60	8.12	7.43	7.58	12.89
MSCI World (Total Return, MSDEWIN)	-4.11	7.51	10.73	10.42	19.50
70/30 MSCI ACWI/Eurostoxx (Total Return Composite)	-7.2	10.0	9.0	9.2	14.3
USA (S&P 500, SPXT)	0.37	6.88	15.35	12.90	29.56
Europe (Euro Stoxx, SXXT)	-12.72	12.55	4.15	10.33	4.14
Asia Ex Japan (MSCI AC Asia Ex Japan, NDLECAJ)	-12.28	35.57	6.12	-5.59	7.40
UK (MSCI UK, NDDUUK)	-9.88	7.29	2.92	2.94	7.82
Ireland (ISEQ, ISEQTR)	-20.78	9.49	-2.68	33.61	16.83
Biogen Inc (USD)	-5.54	21.96	-7.43	-9.75	21.42

Source: Davy Asset Management (Class B Acc Eur) and Bloomberg as at 29th March 2019. Performance is quoted in EUR unless otherwise stated.

**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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