

Global Brands Equity Strategy

Quarterly Update Q2 2019

For Investment Professionals Only

| Performance | 1 Month (%) | Q2 2019 (%) | 1 Year (%) | 3 Year (P.A.) (%) | 5 Year (P.A.) (%) |
|--|-------------|-------------|------------|-------------------|-------------------|
| Global Brands Equity Strategy* (Net of Fees) | 5.18 | 2.63 | 10.22 | 8.98 | 10.56 |
| MSCI World Index** | 4.30 | 2.54 | 9.02 | 10.85 | 10.60 |

Source: Davy Asset Management (Class A Acc EUR) and Bloomberg as at 28th June 2019.

*The Global Brands Equity Fund was launched on 12th December 2014. Investors should note the Global Brands Equity Fund (UCITS) is newly established. The past performance reflects past performance data relating to the Global Brands Equity Fund (non-UCITS) which merged with the Global Brands Equity 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 **Global Brands Equity Fund** (the 'Fund') is to provide investors with long term capital growth by investing on a global basis in shares of companies which have strong brand characteristics. Such companies are expected to have competitive advantages including dominant market share and/or unique product characteristics that provide the potential for growth globally.

Fund Performance

The Fund returned 2.6% in 2Q19 net of fees, outperforming the MSCI World Index by 0.1%. This outperformance was driven by Asset Allocation (+0.4%), Stock Selection (+0.1%) and Currency (-0.1%). On a year-to-date basis the Fund outperformed the MSCI World Index by 2.9%, returning 20.3% net of fees compared to the Index return of 17.4%, driven by Stock Selection (+3.3%), Asset Allocation (+0.6%) and Currency (+0.2%).

Stock Selection (+0.1%) contributed slightly to performance during 2Q19. By sector, stock selection was positive in Healthcare (+0.5%), Financials (+0.4%) and Communication Services (+0.3%), partially offset by negative contributions in Consumer Discretionary (-1.0%) and Staples (-0.2%). In terms of stocks significant contributors and detractors to performance during the quarter were **Walt Disney** (+0.4%), **Richemont** (+0.3%) and **Samsonite** (-0.9%).

Walt Disney hosted an investor day during the quarter on its direct-to-consumer businesses encompassing ESPN+, Hulu and soon-to-

be-launched Disney+ streaming platforms. The company's 5-year subscriber targets were notably ahead of market expectations. **Richemont** reported FY18 results with solid operating performance benefitting from management's policy to reduce wholesaler inventories and expand in direct-to-consumer channels over recent years. **Samsonite** reported 1Q19 results confirming a slow start to the year driven by weakness in key markets such as the US, China and Korea. The company is exposed to the risks posed by tariffs, but this is compensated by strong operating returns and valuations at all-time lows.

Asset Allocation had a +0.4% impact on relative performance during the quarter. The performance was driven by our underweight positions in Energy (+0.3%) and Healthcare (+0.3%), partially offset by our overweight position in Consumer Staples (-0.3%).

Sample Portfolio Transactions

The Fund was active during the quarter adding new positions in video gaming company Bandai Namco and Medtech company Becton, Dickinson and Company, while exiting our positions in Prudential plc.

The Fund remains defensively positioned with the aim of delivering asymmetric risk reward over time. We remain committed to our investment philosophy process and invest in companies that exhibit pricing power and generate high operating returns on invested capital, combined with attractive structural growth opportunities. We continue to find attractive investment opportunities in companies with strong fundamentals at reasonable valuations.

| Calendar Year Performance | 2018 (%) | 2017 (%) | 2016 (%) | 2015 (%) | 2014 (%) |
|---|----------|----------|----------|----------|----------|
| Global Brands Equity Strategy (Net of fees) (EUR) | -7.62 | 10.01 | 1.22 | 17.68 | 14.95 |
| MSCI World Index (EUR) | -4.11 | 7.51 | 10.73 | 10.42 | 19.50 |
| Richemont | -26.93 | 33.65 | -3.68 | -17.10 | 1.70 |
| Samsonite | -36.75 | 64.85 | -2.80 | 3.16 | -0.81 |
| Walt Disney | 3.62 | 4.77 | 0.65 | 12.92 | 24.83 |

Source: Davy Asset Management (Class A Acc EUR) and Bloomberg as at 28th June 2019. Performance is quoted in local currency 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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The Global Brands Equity Fund is a sub-fund of Davy Funds plc, an open-ended umbrella investment company with variable capital and segregated liability between sub-funds incorporated with limited liability under the Companies Acts 2014, authorised by the Central Bank of Ireland as a UCITS pursuant to the Regulations. Davy Funds plc is authorised by the Central Bank of Ireland as an Undertaking for Collective Investment in Transferrable Securities (UCITS). The Prospectus, Supplement and Key Investor Document for the fund are available in English from Davy Asset Management, Davy House, 49 Dawson Street, Dublin 2, Ireland or <http://www.davyassetmanagement.com/funds/davy-ucits/important-information.html>. Investors should be aware that some of the Directors of the Company (Davy Funds plc) are also employed by the Investment Manager, Promoter and Distributor. Further information in relation to the management of potential conflicts of interest is available upon request.

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