

Global Equity Income 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 Equity Income Strategy* (Net of Fees)	4.02	2.61	11.91	6.28	7.33
MSCI World Index**	4.30	2.54	9.02	10.85	10.60

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

* The Global Equity Income Fund was launched on 18th December 2015. Investors should note the Global Equity Income Fund (UCITS) is newly established. The past performance reflects past performance data relating to the Prescient Select Global Equity Income Fund (non-UCITS) which merged with the Global Equity Income 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 Equity Income 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 2.61% versus the MSCI World Index return of 2.54% 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; 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 equity income 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 (%)
Global Equity Income Strategy (Net of fees) (EUR)	-4.98	0.28	9.38	9.45	13.71
MSCI World Index (EUR)	-4.11	7.51	10.73	10.42	19.50
Intel	4.21	30.84	8.78	-2.21	44.30
Microsoft	20.80	40.72	15.07	22.70	27.54

Source: Davy Asset Management (Class H Acc Eur) and Bloomberg as at 28th June 2019. Performance 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.

This report does not constitute an offer for the purchase or sale of any financial instrument, trading strategy, product or service. No one receiving this report should treat any of its contents as constituting advice or a personal recommendation. It does not take into account the investment objectives or financial situation of any particular person. All investments involve a degree of risk. Equities may involve a high degree of risk and may not be suitable for all investors. Government bonds and cash deposits, although considered the safest assets, are not devoid of risk (e.g. inflation risk, credit risk, currency risk, etc.). There are different reasons why an investor would choose to invest in a particular asset class and each investor must consider the inherent risks therein based on his/her own personal circumstances. The value of these investments can rise as well as fall. There is no guarantee that the investments discussed will achieve results comparable to those achieved in the past or that capital will be returned to investors. Neither past experience nor the current situation are necessarily accurate guides to the future.

MSCI Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, disseminated or used to create any financial products, including any indices. This information is provided on an 'as is' basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI and the MSCI indexes are services marks of MSCI and its affiliates.

'SPDR' is a registered trademark of Standard and Poor's Financial Services LLC ('S&P') and has been licenced for use by State Street Corporation. Standard and Poor's, S&P 500 and S&P MIDCAP 400 are registered trademarks of S&P. No financial product offered by State Street Corporation or its affiliates is sponsored, endorsed, sold or promoted by S&P and its affiliates make no representation, warranty or condition regarding the advisability of buying, selling or holdings units/shares in such products. Further limitations and important information that could affect investors' rights are described in the prospectus for the applicable product.

Davy Asset Management

Davy House, 49 Dawson Street, Dublin 2, D02 PY05, Ireland.
T +353 1 614 8874 E assetmanagement@davy.ie

www.davyassetmanagement.com

Confidential © Davy 2019

As a valued client of Davy Asset Management, this communication has been sent to you as part of our service offering. If you are not a client of Davy Asset Management, you can opt out of further similar communications at any stage by emailing assetmanagement@davy.ie. The Davy Group Privacy Notice can be found at www.davyassetmanagement.com

Davy Asset Management Limited, trading as Davy Asset Management, is regulated by the Central Bank of Ireland. In the UK, Davy Asset Management is authorised by the Central Bank of Ireland and authorised and subject to limited regulation by the Financial Conduct Authority. Details about the extent of our authorisation and regulation by the Financial Conduct Authority are available from us on request.

The Global Equity Income 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.

No part of this document is to be reproduced without our written permission. This document has been prepared and issued by Davy Asset Management on the basis of publicly available information, internally developed data and other sources believed to be reliable. The information contained herein does not purport to be comprehensive and is strictly for information purposes only. It does not constitute an offer or an invitation to invest. No party should treat any of the contents herein as advice in relation to any investment. While all reasonable care has been given to the preparation of this information, no warranties or representation expressed or implied are given or liability accepted by Davy Asset Management or its affiliates or any directors or employees in relation to the accuracy, fairness or completeness of the information contained herein. Any opinion expressed (including estimates and forecasts) may be subject to change without notice. We or any of our connected or affiliated companies or their employees may have a position in, or may have provided within the last twelve months, significant advice or investment services in relation to any of the securities or related investments referred to in this document.