

GLOBAL EQUITY INCOME STRATEGY

Q3 2018 UPDATE

| PERFORMANCE | 1 MONTH (%) | Q3 2018 (%) | 1 YEAR (%) | 3 YEARS P.A. (%) | 5 YEARS P.A. (%) |
|--|-------------|-------------|------------|------------------|------------------|
| GLOBAL EQUITY INCOME STRATEGY* (NET OF FEES) | 0.96 | 5.54 | 5.54 | 7.27 | 8.46 |
| MSCI WORLD INDEX | 0.73 | 5.53 | 13.22 | 12.05 | 12.52 |

Source: Davy Asset Management (Class H Acc Eur) and Bloomberg as at 28th September 2018.

* 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.

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

In Q3, the Fund returned 5.54% versus an index return of 5.53%. Stock Selection contributed +0.5% to relative performance while Asset Allocation contributed negatively by -0.3%. Currency was broadly neutral during the quarter. Stock Selection within the Financials, Technology and Healthcare sectors was the largest contributor to Fund relative performance during the quarter. At stock level, **Pfizer** and **Taiwan Semiconductor Manufacturing Company (TSMC)** were the best performers in the portfolio during the third quarter.

Within the Stock Selection return, Pfizer was the biggest single positive contributor to relative performance during the quarter, contributing +0.4%. The company released Q2 earnings in July that exceeded market expectations. More importantly, management also delivered an upbeat outlook for their current drug pipeline, which will underpin organic growth in the years ahead. The stock rose by over 23% in euro terms during the quarter.

At a sector allocation level, the Information Technology sector, which the Fund is underweight, performed strongly during the quarter driven by **Apple**, whereas the Materials sector, which the Fund is overweight lagged the market on trade war concerns. Apple contributed -0.4% to Stock Selection during the quarter. The company announced a sharp uplift in service revenue, driving the stock up 23% in euro terms during the quarter. The Fund does not hold Apple due to its relatively low dividend yield.

Currency exposure was broadly neutral during the quarter. The euro, which had weakened during July and early August, rallied in the second half of Q3 to finish broadly unchanged against the dollar. The pattern was repeated for the euro against sterling.

SAMPLE PORTFOLIO TRANSACTIONS

During the quarter, the Fund reduced its holding in Microsoft somewhat. The stock has been a very strong performer, rising by 40% in euro terms in the first three quarters of 2018. This performance had brought the absolute weighting in the stock to 5% by July and at this stage some profit was realised on the position.

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.

| CALENDAR YEAR PERFORMANCE | 2017 (%) | 2016 (%) | 2015 (%) | 2014 (%) | 2013 (%) |
|---|----------|----------|----------|----------|----------|
| Global Equity Income Strategy (Net of fees) | 0.3 | 9.4 | 9.5 | 13.7 | 17.9 |
| MSCI World Index | 7.5 | 10.7 | 10.4 | 19.5 | 21.2 |
| PFIZER INC | 15.9 | 4.5 | 7.1 | 5.3 | 26.2 |
| TSMC | 42.3 | 31.1 | 4.9 | 31.2 | 4.4 |
| APPLE INC | 48.5 | 12.5 | (3.0) | 40.6 | 8.1 |
| MICROSOFT CORP | 40.7 | 15.1 | 22.7 | 27.5 | 44.3 |

Source: Davy Asset Management (Class H Acc Eur) and Bloomberg as at 28th September 2018.

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 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 Transferable Securities (UCITS). The Prospectus, Supplement and Key Investor Document for the fund are available in English from Davy, 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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