

Davy Strategic Global Equity Fund

Quarterly update Q3 2019

Summary of objective

The investment objective of the Davy Strategic 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 US equity markets with some exposure to Japan, the Far East and emerging markets¹.

Key facts (at 30th September 2019)

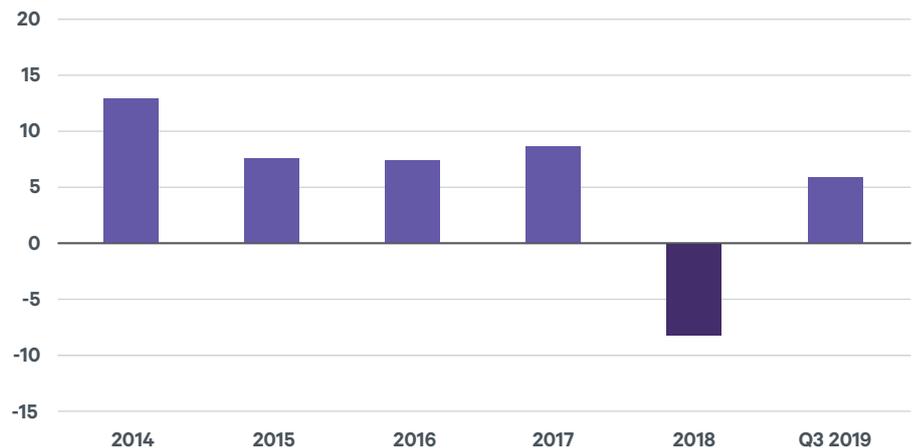
Fund size	€70.1m
Fund manager	Jeremy Humphries and Team
Legal status	UCITS
No. of holdings	137
Regulator	Central Bank of Ireland
Registered for sale	IE
Unit type	Accumulating, Distributing
Share class currencies	EUR
Share classes	A Acc, A Inc, B Acc
Initial purchase charge	Up to 5%
Exit charge	Up to 3%
Minimum subscription	€500
Annual management fee	Up to 1.35%
Dealing day	Daily – All orders must be received by 16.00pm (Irish time) one Business Day immediately preceding the relevant Dealing Day.
Ongoing charge²	0.83%, 0.83%, 1.51%
Net Asset Value (NAV) (as at 30th September 2019)	€313.8043 per unit*
Year-to-date performance	+22.81%

* Source: Northern Trust as at 30th September 2019. Key facts, NAV and fund performance relate to the Fund's oldest (B Acc) share class. Calculations are NAV to NAV.

¹ There is no guarantee the Fund will meet its objective.

² Taken over the year.

Figure 1: Davy Strategic Global Equity Fund Performance to 30th September 2019



Source: Davy Asset Management
Performance chart refers to Davy Strategic Global Equity Fund B Acc (€) net of fees

Table 1: Davy Strategic Global Equity Fund Performance to 30th September 2019³

Q3 2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)
6.24%	-8.60	8.12	7.43	7.58	12.89

Source: Davy Asset Management

Market outlook

- Global equity markets rose by 5.02% in a volatile third quarter
- Central Banks have been active in recent weeks
- Trade war and rate cuts remain the main movers of markets

Portfolio update

- The Fund returned 6.24% during the quarter
- The Fund benefitted from being underweight Energy and overweight Information Technology
- The Fund initiated positions in Amgen, Brown Forman, and Illinois Tool Works.

Warning: Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. This product may be affected by changes in currency exchange rates.

Investment Management of the Davy Strategic Global Equity Fund was assumed by Davy Asset Management during the month of September 2018. In publishing this Quarterly Update, Davy Asset Management aims to provide a summary of the Fund's activity and performance in the previous financial quarter which may be of interest to you. This document is not intended to constitute an offer or solicitation for the purchase or sale of any financial instruments, trading strategy, product or service and does not take into account the investment objectives, knowledge and experience or financial situation of any particular person. Investors should obtain advice based on their own individual circumstances from their own tax, financial, legal and other advisors before making an investment decision, and only make such decisions on the basis of the investor's own objectives, experience and resources.

Other Davy Funds PLC funds which might be of interest to you

- Davy Global Bond Fund
- Davy Discovery Equity Fund
- Davy ESG Equity Fund

³ Q3 2019: 28/06/2019 - 30/09/2019
 2018: 31/12/2017 - 31/12/2018
 2017: 31/12/2016 - 31/12/2017
 2016: 31/12/2015 - 31/12/2016
 2015: 31/12/2014 - 31/12/2015
 2014: 31/12/2013 - 31/12/2014

Market outlook

Global equity markets rose by 5.02% in a volatile third quarter dominated by slowing growth, tumbling bond yields, political drama in the UK and rising trade tensions. The MSCI World Index has now risen by an impressive 23.32% in euro terms in the first three quarters of 2019. The ECB and Fed have been active in recent weeks, cutting rates in the face of weakening sentiment. While the initiation of impeachment process against the US president grabbed the headlines late in the quarter, the trade war and rate cuts remain the main movers of global equity markets.

Global government bonds also had a very strong quarter, with the JP Morgan Global Bond Index (euro hedged) up 2.4%. Alongside the trade war developments, economic data disappointed, particularly in Europe and China. We believe a sustainable rise in yields is unlikely until there is a deal, or at least a truce, in the US/China trade war. We believe US and China will want to do a deal as, the longer the trade war lasts, the riskier it becomes for the global economy and financial markets.

Portfolio update

The Fund returned 6.24% during the quarter, outperforming the MSCI World Index and MSCI World Quality Index by 1.22% and 0.43% respectively in euro terms net of fees.

Stock Selection, Asset Allocation and Currency were all positive contributors to relative performance during the quarter. The Fund benefitted from being underweight Energy and overweight Information Technology, while an underweight to Utilities provided marginal headwinds.

Alphabet, the US parent company of Google, was the top contributing stock in the Fund for the quarter. Alphabet rose over the period, buoyed by Q2 earnings toward the end of July, beating analysts' expectations. The result was well received following their Q1 miss on revenue earlier in the year. The company's beat was driven by Google Properties (e.g. Search/YouTube) which had healthy growth year-on-year. In addition, Google Cloud reached an \$8bn run rate (up from \$4bn in 4Q17) driven by strength in its computer and analytics product.

Boeing, the US manufacturer of airplanes, was the largest detractor from performance during the quarter. The stock had steadily declined since March as a result of the Ethiopian Airlines 737 Max crash. Following Q2 results at the end of July, Boeing no longer fit the Fund's Quality style owing to a decline in profitability, and the Fund's position in the stock was exited at the start of August.

Over the quarter, the Fund initiated positions in Amgen, Brown Forman, Illinois Tool Works, Waste Management Inc., Canadian National Railway and Regency Centers. The Fund exited positions in the following declining quality names: Celgene, Lowes, Boeing, Vonovia, Deutsche Wohnen and Recruit Holdings.

Please note the factors listed above are neither comprehensive nor exhaustive. Investors should note that there is no guarantee the Fund will meet its objectives. There is no assurance of investment return. The value of the investment may fall as well as rise.

Table 2: Equity/Bond Market Performance 2014 - 2019**

Region	Index	Curr	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	Q3 2019 (%)
World (MSCI World Index)	MSDEWIN	EUR	19.50	10.42	10.73	7.51	-4.11	5.02
JP Morgan Global Bond Index	JHUCGBIG	EUR	8.47	1.05	2.25	0.40	-0.26	2.43
MSCI Quality index	M1WOQU	USD	8.45	3.71	4.55	25.96	-5.50	1.56
Alphabet	GOOG US	USD	-	44.56	1.71	35.58	-1.03	12.78
Boeing	BA US	USD	-2.53	14.05	11.32	94.77	11.53	5.16

Source: Bloomberg

**Performance as at year end 2014 - 2018 and for the relevant quarter end 2019

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Structure: The Davy Strategic Global 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, Davy House, 49 Dawson Street, Dublin 2, Ireland or <https://www.davy.ie/fund-fact-sheets/davy-funds-plc.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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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

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