

Global Brands Equity Strategy

Quarterly update Q3 2019

For Investment Professionals Only

Performance	1 Month (%)	Q3 2019 (%)	1 Year (%)	3 Year (P.A.) (%)	5 Year (P.A.) (%)
Global Brands Equity Strategy* (Net of Fees)	0.71	6.82	14.45	10.21	10.96
MSCI World Index**	3.16	5.02	8.49	11.33	10.39

Source: Davy Asset Management (Class A Acc EUR) and Bloomberg as at 30th September 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. The MSCI World Index captures large and mid cap representation across 23 Developed Markets (DM) countries. With 1,650 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

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.

Market comment

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. Some central banks have been active in recent weeks, with the European Central Bank and the Federal Reserve 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 markets.

Fund performance

The Fund returned 6.82% in the third quarter of 2019 outperforming the MSCI World Index by 1.80% net of fees in euro terms. This outperformance was driven by Asset Allocation, Stock Selection and Currency. On a year-to-date basis the Fund has outperformed the MSCI World Index by +5.24%, returning 28.56% net of fees compared to the Index return of 23.32%, driven by Stock Selection.

Stock Selection contributed positively to performance during the third quarter. The top five contributors to relative performance were Bandai

Namco, Nike, S&P Global, Alphabet and Amazon which is not held by the Fund. While Apple (not held), Cie Financiere Richemont, Procter and Gamble (not held), L Brands and AIA Group, were the top five detractors during the period.

Bandai Namco outperformed during the quarter returning +34.42%. The company reported F1Q20 results well ahead of internal forecasts and hosted a roundtable on its Toys and Hobby business where the company is widening distribution in China and the US.

Nike outperformed during the quarter returning +17.16%. The company reported strong F1Q20 results highlighted by 10% constant currency revenue growth and strong gross margin expansion, driven by mix benefits from growth in its direct-to-consumer business.

Cie Financiere Richemont underperformed during the quarter returning -7.31%. The company underperformed as Luxury stocks were weak during the quarter in the face of protests in Hong Kong and the potential impact on Chinese tourist flows.

L Brands underperformed during the quarter returning -20.38%. Comparable sales growth for the company's Victoria's Secret brand continue to decline and the market is adopting a cautious stance ahead of brand revamp led by new management in the second half.

Sample Portfolio Transactions

The Fund was active during the quarter adding to existing position in Becton, Dickinson & Co, British American Tobacco, Facebook and Iqvia while reducing our position in Brown-Forman, Burberry and Starbucks. Most of the transactions during the quarter were share price driven.

For example, we added to British American Tobacco after share price weakness driven by risks presented by possible future changes to the regulation of vaping products in the US. We reduced our position in Brown-Forman and Starbucks following significant share price appreciation.

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.

The QQE Perspective

As noted in the last of our working series, Quality Matters – Asymmetric Returns, outperforming the market during Down markets is favourable to outperforming in Up markets, due to the long-term

effect of compounding returns. If an investment outperforms in a Down market, it has less to recoup and will then be ahead over a longer period, assuming it performs in-line with the market as it rebounds – a simple case of compounding.

During the quarter, we took a deeper dive into the four individual sub-pillars making up the DAM QUALITY model – Profitability, Persistence, Protection, and People – we believe that these four pillars are essential to achieving better positive asymmetric returns. We found that whilst three of the four sub-pillars of QUALITY provide asymmetric returns, none do so to the same extent as QUALITY, highlighting that QUALITY is more than the sum of its parts.

Future analysis of QUALITY and its four sub-pillars will extend to include a wider universe to better understand the nuances.

Details of our analysis can be found in the insights section of our website <http://www.davyassetmanagement.com/insights>

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
Cie Financiere Richemont	-26.93	33.65	-3.68	-17.10	1.70
Alphabet	-0.80	32.93	1.86	46.61	-5.39
Bandai Namco	38.55	16.97	28.31	2.64	11.43
Nike	19.86	24.70	-17.71	31.39	23.76
S&P Global	1.36	59.31	10.55	12.27	15.45
Amazon	28.43	55.96	10.95	117.78	-22.18
Apple	1.36	59.31	10.55	12.27	15.45
Procter and Gamble	3.62	12.69	9.37	-9.96	15.42
L Brands	-54.23	-3.86	-27.27	15.76	45.68
AIA Group	-0.98	54.77	-4.62	9.13	12.17

Source: Davy Asset Management (Class A Acc EUR) and Bloomberg as at 30th September 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.

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 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.

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.