

Davy Strategic: Global Quality Equity Fund

Quarterly Update Q3 2020

Summary of Objective

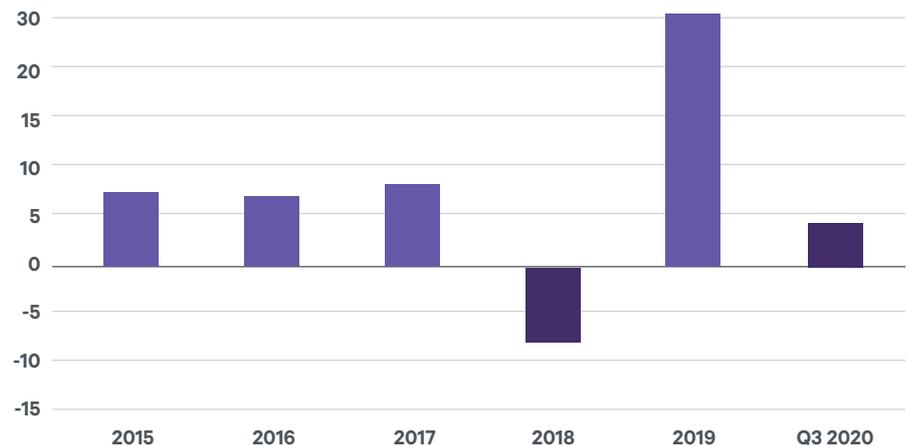
The investment objective of the Davy Strategic: Global Quality Equity Fund (the 'Fund') is to provide long term capital growth by investing in global quality equities with consideration given to ESG criteria. The fund adopts a Quantamental (quantitative and fundamental) approach to select and manage the investments.¹

Key Facts (at 30th September 2020)

| | |
|---|--|
| Fund size | €66.4m |
| 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 | nil (0.0%) |
| Exit charge | nil (0.0%) |
| 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 charge ² | 0.83%, 0.83%, 1.51% |
| Net Asset Value (NAV) (as at 30th September 2020) | €368.3749 per unit* |
| Year-to-date performance | 9.83% |

* Source: Northern Trust as at 30th September 2020. Key facts, NAV and fund performance relate to the Fund's oldest (B Acc) share class. Calculations are NAV to NAV.

Figure 1: Davy Strategic: Global Quality Equity Fund Performance to 30th September 2020



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

Table 1: Davy Strategic: Global Quality Equity Fund Performance to 30th September 2020³

| Q3 2020 (%) | 2019 (%) | 2018 (%) | 2017 (%) | 2016 (%) | 2015 (%) |
|-------------|----------|----------|----------|----------|----------|
| 4.09% | 30.60% | -8.60% | 8.12% | 6.92% | 7.58% |

Source: Davy Global Fund Management

Market Outlook

- Global equities made further gains during Q3
- MSCI World Index rises by 3.37%
- Unprecedented financial market support from governments and central banks continues

Portfolio Update

- The Fund returned 4.09% during the quarter
- Asset Allocation highest contributor to returns
- During the quarter the Fund initiated a position in Illumina, amongst others

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.

In publishing this Quarterly Update, Davy Global Fund 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. On the 10th July 2020 the Davy Strategic Global Equity Fund changed its name to the Davy Strategic: Global Quality Equity Fund.

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

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

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

² Taken over the year.

³ Q3: 01/07/2020 - 30/09/2020
2019: 31/12/2018 - 31/12/2019
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

Market Outlook

Equities made further gains during the third quarter, rising by 3.37%. Although central bankers expressed caution about the strength of the economic recovery underway, investors were cheered by renewed commitments to keep interest rates low for the foreseeable future. At one point early in September, the MSCI World Index was up 7.7% before a correction in Technology and Internet stocks weighed on the index. This correction was driven by rising COVID-19 cases, particularly in Europe, and the lack of agreement on a new US stimulus package. By quarter-end the gap between Republicans and Democrats on the size any new fiscal stimulus had narrowed somewhat, raising hopes that a deal could be decided before year-end. Over the quarter as a whole, Consumer Discretionary and Technology stocks were the strongest performers while Energy stocks and Financials underperformed.

Portfolio Update

The **Fund** returned 4.09% during the third quarter of the year, outperforming the MSCI World Index by 0.72%. Performance was driven by Asset Allocation due to the Fund being underweight Energy and Financials, while Stock Selection and Currency detracted from performance.

Key contributors during the quarter include:

NTT DoCoMo, the Japanese telecoms giant, was a top contributing stock to the Fund during the third quarter. The stock was up over 35%, over the period, in euro terms. Parent company and majority stakeholder NTT bought out the remainder of the company, taking it private, in a deal estimated at \$38bn. The deal is the largest ever seen in Japan, and one of the largest around the globe. Although NTT has the largest share in the market, it has seen a decrease in profits over time. By acquiring NTT DoCoMo, NTT plans to consolidate its current offering and services, and in turn boost its competitiveness against other telecoms players in the Japanese market, SoftBank, and KDDI.

NVIDIA was another top-performing stock in the Fund during the third quarter. The company's share price rose almost 37%, in euro terms, during the period. It was a busy quarter for the graphics processor manufacturer, with the stock achieving record-breaking prices multiple times. The stock was up on the announcement of the release of its next generation of gaming card. It was also noted by analysts that the company is benefitting from large demand for gaming cards at present – news which gave another positive boost to the stock. NVIDIA have also recently announced a proposal to acquire Arm (fabless semi design) for \$40bn.

Intel was one of the largest detractors to performance for the quarter. The stock dropped over 20% in July over news around the outsourcing of its foundry business, raising serious questions as to the company's future direction. Intel reported

strong 2Q20 results during the month but guided lower due to fading demand from the data centre and PC end-markets. Intel also stated its 7nm manufacturing processes are roughly 12 months behind schedule and it is considering using a foundry for CPU manufacturing – a tectonic shift in the semiconductor industry. This delay could create more headwinds to revenue and margins as Intel can either lose share or lower prices to compete. The move to a fabless model could, however, be beneficial by removing uncertainty around manufacturing delays, if Intel can execute efficiently on its plans.

Cisco was one of the largest detractors from performance for the quarter. The company reported a strong quarter with revenue and earnings beating expectations. However, the company lowered its forecast for sales in the next quarter to a drop of 10% versus the same period last year. Investors' concerns about the planned retirement of the CFO also weighed on sentiment during the month. Management is expecting to reduce its expenses by around \$1 billion during the next 12 months. The majority of the cost reductions will come from operating expenditure. The management team has also achieved its target of raising software and services revenues to 50% of total revenue, a transition which has supported the margin and increased the visibility of revenues in recent quarters.

During the third quarter, and in line with its quality philosophy, the Fund initiated positions in Target, Shimano, Logitech, ZOZO (online fashion retailer), Illumina (life sciences products and services), Fortinet (security software), Equinix (real estate investment trust), and Barratt Developments (property developer), and exited positions in McDonalds, Maxim Integrated, Broadcom, Adidas, Cognex, Ulta Beauty, Swire Properties, and Taylor Wimpey.

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 2015 - 2020**

| Index/Stock | Ticker | Ccy | Q3 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--------------------------|---------|-----|---------|-------|--------|-------|--------|-------|
| World (MSCI World Index) | MSDEWIN | EUR | 3.37 | 30.02 | -4.11 | 7.51 | 10.73 | 10.42 |
| Cisco | CSCO US | USD | -14.88 | 13.82 | 16.57 | 31.27 | 15.19 | 0.62 |
| Intel | INTC US | USD | -12.87 | 30.70 | 4.21 | 30.84 | 8.78 | -2.21 |
| NTT Docomo | 9437 JP | JPY | 37.42 | 28.35 | -3.65 | 3.41 | 10.32 | 45.22 |
| Nvidia | NVDA US | USD | 42.50 | 76.95 | -30.82 | 81.98 | 226.94 | 67.10 |

Source: Bloomberg

**Performance as at year end 2015 - 2019 and for the relevant quarter end 2020

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Structure: The Davy Strategic: Global Quality 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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