



Quarterly Update Q4 2011

Davy Global Bond Fund

FUND OBJECTIVE

The aim of the Davy Global Bond Fund (the 'Fund') is to provide investors with income and capital appreciation through a combination of interest income, capital appreciation and currency gains by investing in global fixed income securities.

FUND FACTS (at 30th December 2011)

Fund Size	€10.27 million
Initial Purchase Charge	1% on initial purchases and any top-ups
Minimum Subscription	€6,500
Annual Management Fee	0.50%
Dealing Day	Wednesday All orders must be received by 3:00pm on the Friday before the dealing day

NET ASSET VALUE (at 30th December 2011)

NAV	€124.06 per unit
Year-to-date performance	▲ 3.26%

Calculations are NAV to NAV.

OTHER DAVY EQUITY TRUST FUNDS WHICH MIGHT BE OF INTEREST TO YOU

- Davy Equity Fund
- Davy Ethical Equity Fund
- Davy Strategic Global Equity Fund
- Global Brands Equity Fund
- Global High Yield Equity Fund

DAVY FUND ENQUIRIES

Contact your Portfolio Manager or call our Execution Desk on +353 (0)1 614 9000

CHART 1: Davy Global Bond Fund Performance to 30th December 2011

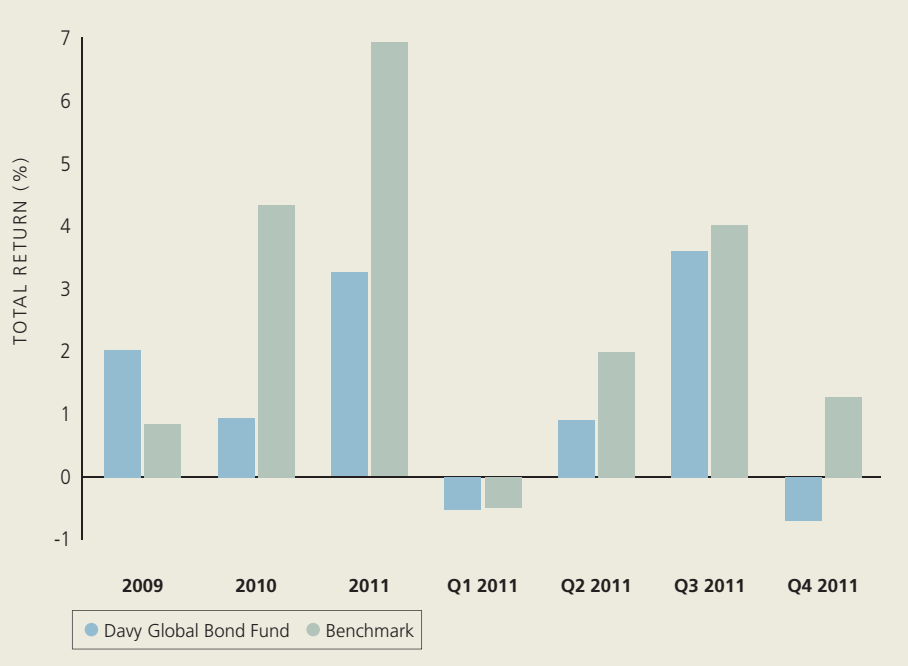


TABLE 1: Davy Global Bond Fund Performance to 30th December 2011

	2009 (%)	2010 (%)	2011 (%)	Q1 2011 (%)	Q2 2011 (%)	Q3 2011 (%)	Q4 2011 (%)
Davy Global Bond Fund	2.01	0.94	3.26	-0.52	0.90	3.58	-0.69
Benchmark	0.84	4.31	6.90	-0.48	1.99	4.00	1.27

MARKET OUTLOOK

- Financial markets were very volatile during the year mainly due to a lowering of global growth expectations and an escalation in the European debt crisis. The crisis remains the main issue for bond markets in 2012.
- Benchmark bond yields are currently at historic lows and could remain low, or go even lower, unless the European authorities take more concerted action.

PORTFOLIO UPDATE

- The Fund was up 3.26% on the year due to the strong performance of benchmark bonds.
- The Fund underperformed its benchmark during the period (see overleaf for further details).
- The Fund is taking on very little risk relative to its benchmark at the moment, awaiting more clarity on the European debt crisis and on the outlook for the global economy.



WARNING: Past performance is not a reliable guide to future performance. The return on investments denominated in non-euro currencies, may be affected by changes in currency exchange rates.

In publishing this Quarterly Update, Davy 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.

MARKET OUTLOOK

Bond markets were very volatile during the year mainly due to a lowering of global growth expectations and an escalation in the European debt crisis. During the last two years, the crisis has spread from the smaller peripheral countries to the larger ones of Italy and Spain. In the fourth quarter, core European countries were affected for the first time. France and other core country's bond spreads widened significantly, while Standard & Poor's threatened to downgrade practically every Eurozone country, including those with the highest 'AAA' rating, if European authorities fail to take decisive action.

Much hope was placed on the European Central Bank ('ECB') and EU Summit meetings in December to bring the crisis to an end. While the ECB decision to give banks cheap three-year loans and reduce collateral requirements is helpful, disappointingly they gave no extra commitment to support peripheral bond markets.

As we face into the New Year, the issue of funding the European sovereign debt markets continues to dominate all other concerns with several hundred billion euro of European debt maturing in the coming year. Italy and Spain combined have approximately €450 billion maturing in 2012, one-third of which matures in the first quarter. Benchmark bond yields are currently at historic lows (clearly already discounting a lot of bad news) and could remain low, or go even lower, unless the European authorities take more concerted action.

PORTFOLIO UPDATE

The Fund was up 3.26% on the year. One of the main reasons for this was the strong performance of benchmark bonds as risk appetite waned.

However, the Fund underperformed its benchmark during the year. There were three main reasons for this: the Fund was short duration¹ for periods during the second and third quarters as yields fell, an overweight Germany versus France strategy in the second half of November when French bonds rallied and the underperformance of a European Investment Bank bond during October and November.

The Fund is currently positioned neutral relative to its benchmark, with the exception of an overweight position in the Australian short end relative to the US short end to lock in the significant yield differential between both (a position which has performed well for the Fund) and an underweight position in Belgium. The Fund is awaiting more clarity on the European debt crisis and the outlook for the global economy before taking on more risk. As always, the Fund will continue to monitor events closely and will adjust asset exposure and risk as events unfold.

TABLE 2: 10-Year Government Bond Yields²


REGION	2007 (%)	2008 (%)	2009 (%)	2010 (%)	2011 (%)
US	4.02	2.21	3.84	3.29	1.88
UK	4.51	3.02	4.02	3.40	1.98
Germany	4.31	2.95	3.39	2.96	1.83
Japan	1.51	1.17	1.30	1.13	0.99
Greece	4.63	5.23	5.77	12.47	34.96
Ireland	4.49	4.27	4.84	9.06	7.64

Source: Bloomberg

¹ Duration is used to infer how sensitive a bond portfolio's performance is to changes in interest rates. If a bond portfolio is short (long) duration it is taking less (more) interest rate risk than its benchmark.

² Yields quoted as at year-end for 2007-2011

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 **WARNING: Past performance is not a reliable guide to future performance. The return on investments denominated in non-euro currencies, may be affected by changes in currency exchanges rates.**

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