

QUARTERLY UPDATE Q4 2018

DAVY STRATEGIC GLOBAL EQUITY FUND

FUND 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 markets.¹

FUND FACTS (AS AT 31ST DECEMBER 2018)

FUND SIZE	€37.49m
FUND MANAGER	Jeremy Humphries & Team
LEGAL STATUS	UCITS
NO. OF HOLDINGS	10
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 (AS AT 31ST DECEMBER 2018)

NAV €256.8213 per unit*

YEAR-TO-DATE PERFORMANCE ▼ -8.60%

*Source: Northern Trust as at 31st December 2018
Fund facts, NAV and fund performance relate to the Fund's oldest (B Acc) share class.
Calculations are NAV to NAV.

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 Q4 2018: 30/09/2018 - 31/12/2018

2017: 31/12/2016 - 31/12/2017

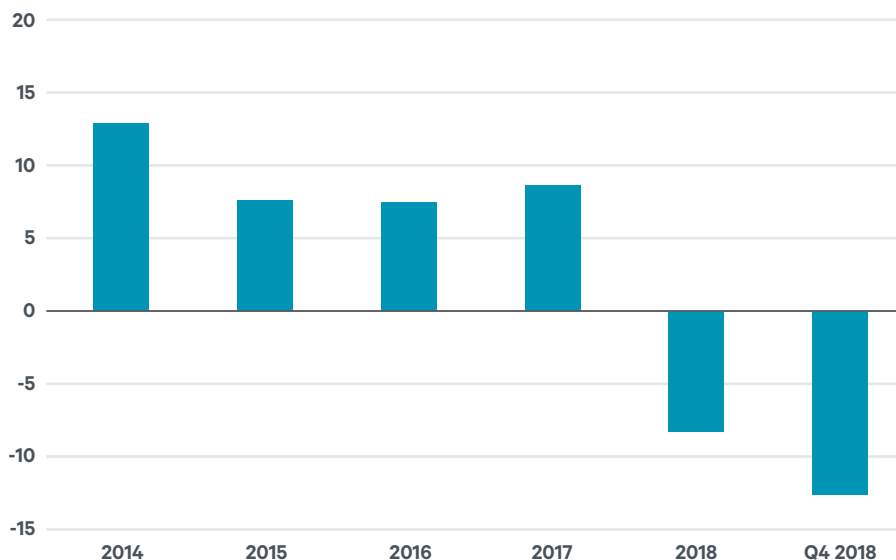
2016: 31/12/2015 - 31/12/2016

2015: 31/12/2014 - 31/12/2015

2014: 31/12/2013 - 31/12/2014

2013: 31/12/2012 - 31/12/2013

FIGURE 1: Davy Strategic Global Equity Fund Performance to 31st December 2018



Davy Strategic Global Equity Fund

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 31st December 2018³

	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	Q4 2018 (%)
Davy Strategic Global Equity Fund	12.89	7.58	7.43	8.12	-8.60	-12.06

Source: Davy Asset Management

MARKET OUTLOOK

- Fed has signalled interest rates are likely to rise but at a more muted pace.
- ECB interest rates on hold until later in 2019.
- Fresh trade tariff talks between US and China agreed for early 2019.

PORTFOLIO UPDATE

- Most equity markets delivered a negative return for 2018.
- Defensive investment styles delivered returns above the MSCI Index over the period.
- MSCI World is the cheapest it has been on a P/E basis since 2013.

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.

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.

MARKET OUTLOOK

The final quarter of 2018 began and ended with markets focused on sentiment not fundamentals. The pace of the sell-off picked up in December, making 4Q18 the worst quarter for MSCI World since the last quarter of the 2008 Global Financial Crisis. Even more significant was that for the US market (S&P 500) it was the worst December since 1931. From a valuation perspective (P/E), MSCI World is now at levels last seen in 2013. The US Federal Reserve's December 19th rate hike caused most of the selloff despite being expected. Although Powell indicated a reduction in the number of potential interest rate rises in 2019 to 2 from 3, the relatively hawkish commentary didn't acknowledge either the disinflationary effect of lower oil prices or the tightening of financial conditions caused by recent financial market turbulence.

PORTFOLIO UPDATE

The Fund declined **-12.06%** during the last quarter of 2018 in euro terms. This compares with -11.83% against a 70/30 composite of MSCI ACWI/Euro STOXX and -12.03% for MSCI World. Structurally the Fund remains underweight the US and overweight Europe reflecting its existing tilt towards the latter composite. This positioning helped performance in December as Europe (Euro Stoxx) largely outperformed the US (S&P 500) during this month.

Over the period more defensive styles (as defined by MSCI) such as High Yield, and Value outperformed MSCI World. Conversely, Growth, Momentum and Smaller Companies (Size) underperformed.

Overall, the weak quarter saw most sectors post negative returns. Utilities was the one bright spot due to its defensive nature. As the market sold off, Energy was the worst performer, in EUR terms. Information Technology, Industrials, and Consumer Discretionary sectors also de-rated largely over the period.

During the quarter the Fund sold its position in iShares MSCI ACWI ETF and replaced it with the SPDR ACWI ETF. The fund also sold out of a residual position in the iShares S&P/TSX 60 Index ETF.

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 - 2018**

Region	Index	Curr	2014	2015	2016	2017	2018	Q4 2018
World (MSCI World)	MSDEWIN	EUR	19.50	10.42	10.73	7.51	-4.11	-12.03
USA (S&P 500)	SPXT	EUR	13.69	1.38	11.96	21.83	0.37	-12.30
Europe (Eurostoxx)	SXXT	EUR	4.14	10.33	4.15	12.55	-12.72	-12.96
Asia ex-Japan (MSCI Asia ex Japan)	MSDEAPFN	EUR	7.41	-5.59	6.12	35.57	-9.58	-7.42
UK (MSCI UK)	MXGB	EUR	0.78	-1.92	19.22	11.73	-13.55	-11.25
Ireland (ISEQ)	ISEQTR	EUR	16.73	33.61	-2.68	9.49	-20.78	-15.91
Consumer Discretionary	MXW00CD	USD	4.4	5.9	3.6	24.2	-5.1	-14.4
Energy	MXW00EN	USD	-11.0	-22.1	27.6	5.9	-15.1	-21.5
Industrial	MXW00IN	USD	0.9	-1.5	13.5	25.9	-14.1	-16.2
Information Technology	MXW00IT	USD	16.6	5.2	12.0	38.7	-2.3	-17.6
Utilities	MXW00UT	USD	16.5	-5.7	7.1	14.8	3.1	-0.7
MSCI Emerging Markets Net Total Return USD	MIEF	USD	-2.19	-14.92	11.19	37.28	-14.57	-7.46
MSCI ACWI Net Total Return USD	NDUEACWF	USD	4.16	-2.36	7.86	23.97	-9.41	-12.75
70/30 MSCI ACWI/Eurostoxx Total Return	NDEEWNR	EUR	14.3	9.2	9.0	10.0	-7.2	-11.8

Source: Bloomberg

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

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.

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.

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