

**DAVY**

# **Davy Master Trust Davy Private Clients**

**Investment Options**

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## What is a Master Trust?

A Master Trust is an occupational pension scheme which consists of one legal trust and a board of trustees which acts as trustee for the whole trust. Each individual who joins as a member of the trust has their own section or 'Plan' within the overall scheme.

## The Davy Select Master Trust

The Davy Master Trust enables individuals in receipt of Schedule E remuneration to set up their own tax-efficient Plan that is tailored to your individual needs and allows both them and their employer to make contributions. In accordance with the terms of the operation of the Davy Master Trust, J&E Davy Unlimited Company or "Davy" has been appointed as investment manager of the assets of the trust.

## Document Purpose

The purpose of this document is to provide a comprehensive guide to the investment options for members of the Davy Master Trust who avail of the Davy Private Clients investment option..

## How your Plan can work for you

### Tax-free investment returns

- No capital gains tax when you sell your assets.
- No exit tax when you exit a third-party investment fund.
- No income tax on dividends or coupon payments.

### Tax relief

- Contributions paid by the company will qualify for corporation tax relief (within certain limits).
- Contributions paid by you will qualify for income tax relief (within certain limits).

### Flexible benefits at retirement

- A once-off lump sum (within certain limits) and one or more of the following:
  - An annuity and/or
  - A transfer to an Approved Retirement Fund and/or
  - A taxable lump sum (subject to PAYE).
- Clients can also avail of a combination of the above.

Further details on this is in the Davy Master Trust Members' Booklet which can be found at [www.davy.ie/legal](http://www.davy.ie/legal) or a copy of which can be posted out on request.

The value of your Plan at retirement will depend on the amount of contributions paid into the Plan, and on the returns earned on these contributions net of any charges applied by the investment managers.

The returns achieved will depend on the investment strategy followed during your working lifetime. Investment returns can change over time. The better your investments perform, the faster your Plan will grow and the higher your benefits will be. It makes sense to play an active role in deciding how your Plan is invested.

Please take the time to read this Investment Guide carefully so that you feel confident about making your investment decisions. Once you have made your selection, make sure that you review your investments regularly to ensure that you are on track to achieving your goals. This Investment Guide should be read in conjunction with your Members' Booklet.

# Understand the different types of Asset Class and key terminology

## Equities

The investment styles listed below, while not a comprehensive list of all investment styles, represent a range of strategies widely applied by equity managers in constructing portfolios.

Managing a portfolio in line with a particular investment style means that portfolios are constructed by selecting stocks with specific characteristics in common.

- Growth
- Value
- Growth at a reasonable price (GARP)
- Income
- Thematic
- Defensive/Low Volatility
- Socially Responsible Investing (SRI)
- Momentum

## Fixed Income

Fixed Income is a broad term for the class of assets which includes most forms of interest-paying debt: loans, bonds and mortgages are all branded under the fixed income umbrella.

A bond, like a mortgage, is a loan between a borrower and a lender which calls for repayment at some date in the future, as well as for regular interest payments in the interim.

The important details of a bond will be agreed upon at the outset: the amount due for repayment ('par value' or 'principal'), any interest payments due on the debt (the 'coupon') and the date when repayment is due ('maturity date'). The borrower or issuer in this arrangement is usually an entity, such as a government or corporation. The investor is known as the lender.

## Cash

Considered by many to be the safest asset class, cash generally refers to money held in a deposit or savings account. Despite usually being the least volatile asset class, cash is exposed to changing rates of inflation, and may incur negative returns during times of negative interest rates.

## Multi-Asset

Multi-asset investing is the process of gaining exposure to a globally diverse mix of asset classes in an investment portfolio. Multi-asset investing may combine traditional securities, such as equities and fixed income, with non-traditional approaches, such as alternative investments e.g. property and commodities. The purpose of combining these asset classes is to reduce the risk of an investor's portfolio exposures and in turn, the unsystematic risk that lies with concentrated investments in one asset class.

## Active Management

An active investment strategy will aim to outperform a specified index or benchmark. The active investment manager will aim to do this by selecting investments which they believe will outperform the broader market. They use a range of qualitative and quantitative tools including idea generation, stock screens, analysts' reports and often engage with company management. Active investment managers also apply varying levels of risk management and techniques to mitigate downside risk. As a result, active managers tend to have higher fees than passive managers.

## Passive Management

A passive investment strategy seeks to track a specific market or section of the market by replicating the underlying index using a predetermined strategy. A passive approach does not entail any forecasting, use of market timing or stock picking skills.

## Understanding Risk

The following is a list of some important risk factors, which investors should consider prior to deciding to invest in the Master Trust. The list is not intended to be comprehensive or exhaustive. It is for informational purposes only. Various other risks also apply.

### **Pension Risk**

Each investor is responsible for choosing the investment strategy or making investment decisions in relation to his or her pension. As a result, there is a risk that the pension may be under funded by the investor and/or the value may be insufficient at retirement so that the investor's long-term retirement needs may not be met. It is important that each investor seeks independent professional advice prior to making any decisions which have tax, legal or other financial implications.

### **No Assurance of Investment Return**

The value of the investment(s) may go down as well as up. Investors may lose some or all of the money invested. There is no guarantee that the pension will meet its objectives of long-term capital appreciation, or the level of income required.

### **Market Risk**

Past performance is not a reliable guide to future performance. The pension may be invested securities, such as stocks or bonds, which can fall in value at any time due to the value in global stock markets.

### **Currency Risk**

The pension may have exposure either directly or indirectly to non-euro currencies. Currency movements may impact negatively on the overall performance of the pension product.

### **Credit Risk**

Investments may be adversely affected if any of the institutions with which money is invested suffer insolvency or other financial difficulties (default).

### **Liquidity Risks**

The pension may be invested in securities which cannot be easily sold in the market at a fair value and therefore cash may not be available to the investor when needed.

### **Inflation Risk**

Pensions are a long-term investment, and the effect of inflation can erode nominal investment returns over time.

### **Tax Risks**

Tax laws and regulations are constantly changing, and they may be changed with retrospective effect which may have a negative impact on pensions or underlying investments. No assurance can be given regarding the actual level of taxation that may be imposed upon pension schemes or underlying investments. Any tax information that may be provided for Irish resident clients is based on Davy's current understanding of the tax legislation in Ireland and the Revenue interpretation thereof. It is provided by way of general guidance only and is neither exhaustive nor definitive and is subject to change without notice. It is not a substitute for professional advice. You should consult your tax advisor about the rules that apply in your individual circumstances.

### **Investment Management Risk**

The pension scheme and/ or any underlying investments in funds can be subject to investment management risk, whereby there is a risk that there will be a financial loss due to the investment manager making the wrong investment decisions. The investment manager may choose the wrong asset allocation or specific stock selection or overall investment strategy.

## **Types of Service Level**

The investment management services provided by Davy is dependent on the type of service level, chosen by you (i.e., either a 'Discretionary' or 'Advisory' service, more detail set out below). Under both service levels, Davy will provide initial and ongoing advice to ensure that the strategy and implementation option of your Plan's investment portfolio is line with your specific objectives and preferences.

## **Discretionary Investment Services**

### **Description of Service**

As a Discretionary client, you will be appointed a dedicated Private Client Adviser who will provide you with ongoing financial planning and investment advice. Your Adviser will assist you in choosing an appropriate investment strategy, based on your goals and circumstances.

Where you choose the Discretionary Service, Davy will act as discretionary investment manager of your Davy Portfolio. This means that you grant Davy authority to exercise full discretion over your Portfolio. Davy will manage the investments, enter into transactions and take any other actions, as outlined in your Client Suitability Report (further details on this are below) at its discretion without any obligation to consult with you and provided that the actions are consistent with the investment objectives of your agreed mandate.

A Discretionary Service level frees you from the burden of making day-to-day investment decisions, as your portfolio will be managed by the Davy Investment Team, a dedicated team of investment professionals who draw on a wide range of experience and knowledge.

With respect to Discretionary Investment Services, Davy shall provide to you the following services:

- (a) selection, structuring and management of your portfolio and investments;
- (b) strategic asset allocation and tactical asset allocation;
- (c) rebalancing and other relevant portfolio management requirements;
- (d) risk management services in respect of the investments of the portfolio;
- (e) ongoing assessment and monitoring of your portfolio, including asset allocation;
- (f) monitoring of the performance of your portfolio including monitoring of performance against relevant benchmark(s);

### **Investor Profile**

We will obtain as much investment related information from you as is necessary to enable us to make suitable investments on your behalf and to enable us to act in your best interests. The information we may require includes details of your investment objectives (including your risk tolerance), your ability to financially bear any related investment risks, your financial resources and your investment experience and knowledge. We will collect this information by asking you to complete an Investor Profile document or other similar form. To make sure this information continues to be accurate and up to date we will ask you on an ongoing basis to confirm the accuracy of this information and will we will require you to provide us with updated information on our request. Where you are subject to any legal, regulatory or other restrictions in any asset class(es) or individual investment or instrument you a restricted from investing in, this should be detailed in the Investor Profile.

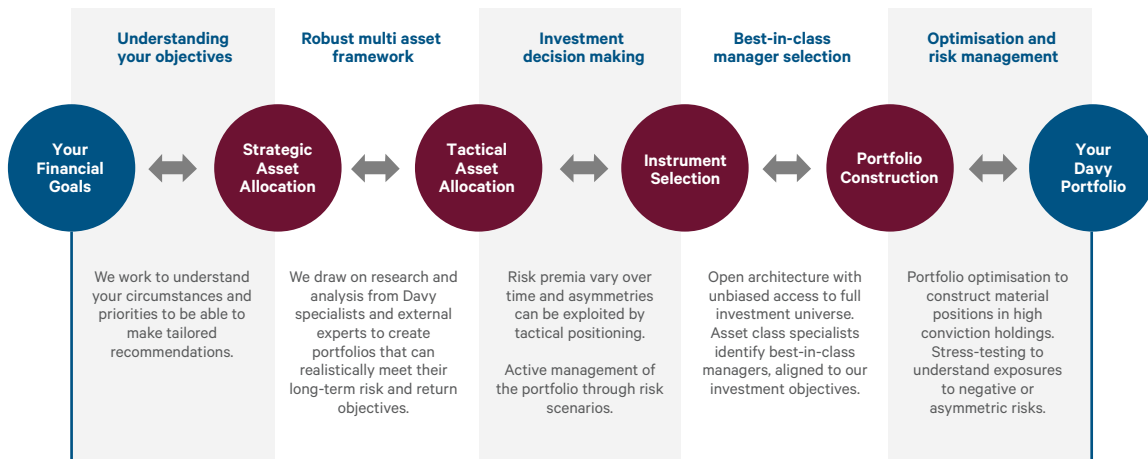
### Client Suitability Report

We will use the information you provided to us in the Investor Profile to formulate a Client Suitability Report. The Client Suitability Report sets out our understanding of your investment requirements, including your risk tolerance, and the means by which we intend to fulfil those requirements. It services to outline the key information upon which we will base the management of your Davy portfolio and details the risks associated with the various asset classes that may be included in your Davy Portfolio.

### Davy Investment Philosophy

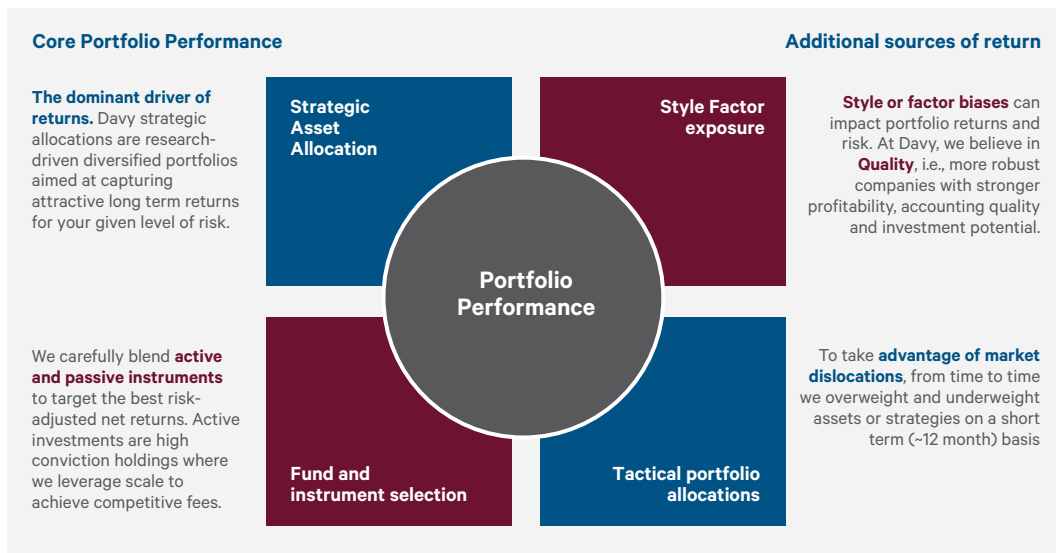
Creating robust portfolios, aligned to your individual goals

The table below highlights our approach to drive an optimal investment portfolio specific to your unique goals and objectives.



### Investment portfolios are structured, targeting deliberate sources of portfolio return:

In particular, our approach consists of 4 key value drivers to driver performance appropriate to your risk profile



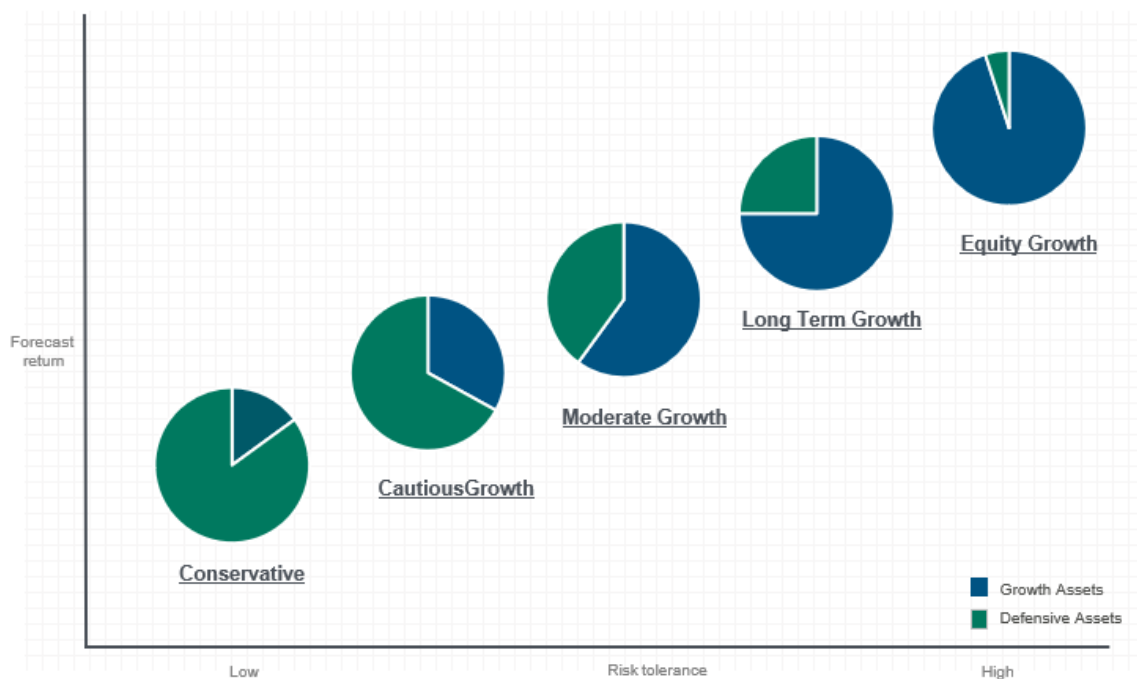
# Choosing an Investment Objective

As noted in the Investor Profile and Philosophy sections, before recommending an appropriate investment portfolio, we must first understand your personal situation and risk tolerance including investment goals, time horizon and time horizon.

In Davy, we have 5 broad investment objectives to choose from, each with a corresponding level of risk and can be broadly defined as follows:

Investment Objective
<b>Conservative</b> - focus on preserving capital with low tolerance for capital losses.
<b>Cautious Growth</b> - focus on growth but with low to moderate risk of capital loss.
<b>Moderate Growth</b> - focus on growth with moderate to high risk of capital loss.
<b>Long Term Growth</b> - focus on higher levels of growth while being comfortable with a high risk of capital loss.
<b>Equity Growth / Capital Appreciation</b> - aim to maximise investment growth and willing to accept significant capital loss.

A higher return objective generally means a higher level of risk is necessary, assuming this is suitable for you based on your risk tolerance and time horizon:



# Choosing an Implementation Option

Once an investment objective is chosen, you then have a number of options to implement that objective. Each implementation option has defining characteristics specific to that solution. The principal differentiators between the choices relate to ESG, cost and liquidity.

For discretionary Plans, your final investment choice will reflect your requirements and preferences across these factors.

Not every implementation option is available across every investment objective. An overview each of the 4 implementation options is outlined below:



### Active Model

- Reflects full implementation of the Davy House view across asset classes and securities.
- It benefits from active management with full flexibility in the choice of exposures.
- This portfolio includes illiquid hedge funds, property and structured products which we believe will improve its risk and return characteristics.

### GPS Funds

- Diversified, fully liquid fund of funds.
- Actively managed and UCITS regulated. Highly diversified and holds the full range of instruments available across liquid asset classes, including alternatives.
- Flexibility in controlling risk and can tilt towards a particular sector, style or active manager easily within the fund.
- No VAT on Davy's fee.

### Active Model with Direct Equities

- Similar to the Active model, except equity exposure is delivered through direct equities.
- Strong track record and lower cost than the Active model.
- Appropriate for investors with a preference for direct access.

### Passive Model

- Simple equity/bond portfolio with cost the primary consideration.
- Exposure delivered through passive index funds and ETFs. No third party active managers are included.
- Appropriate for cost-conscious investors.

A summary of the main differences between implementation approaches are outlined below:

Portfolio Solution	Active Model Portfolios	GPS Funds (Untitled Fund)	Active model with direct equities	Passive Portfolio
Investment Rationale	Unconstrained portfolio	Simple, gross roll-up structure, no VAT	Direct access preference, CGT and/or cost conscious	Cheapest option. Passive index funds and ETFs.
Available in SRI / ESG	✓	✓	✓	✓
Strategic long-term view	✓	✓	✓	✓
Short-term tactical tilts	✓	✓	✓	✓
Best in class managers	✓	✓	✓	✗
Access to illiquid assets	✓	✗	✓	✗
Access to alternatives	✓	✓	✓	✗
Daily Liquid	✗	✓	✗	✓
Lower Cost	✗	✓	✓	✓

An overview of the portfolio options and third-party costs is below. Note this does not include SRI/ESG options (see next section).

Portfolio Solutions	Risk Profile
Conservative	Low
Cautious Growth	Low to Moderate
Moderate Growth	Moderate
Long Term Growth	Moderate to High
Equity Growth	High
Cautious Growth GPS	Low to Moderate
Moderate Growth GPS	Moderate
Long Term Growth GPS	Moderate to High
Moderate Growth Direct	Moderate
Long Term Growth Direct	Moderate to High
Equity Growth Direct	High
Cautious Growth Passive	Low to Moderate
Moderate Growth Passive	Moderate
Long Term Growth Passive	Moderate to High
Equity Growth Passive	High

**Note: A schedule of costs including a breakdown of third party charges is available from your Adviser upon request. In the case of the GPS funds, costs are provided on the Key Investor Document (KID), which is available on the Davy website <https://www.davy.ie/fund-factsheets/davy-gps-fund/davy-gps-key-information.html>**

## Socially Responsible Investing (SRI)

Socially Responsible Investing (SRI) is a type of investing that keeps in mind the environmental and social effects of investments, while ESG focuses on how Environmental, Social and Governance factors impact an investment’s market performance. Though similar, the two have some major differences. ESG investing considers how a company’s adherence – or lack thereof – to certain standards might affect its performance in the market, while SRI investing can include the practice of actively not investing in certain companies or funds because they don’t meet certain standards. As a result, SRI investing involves a combination of exclusionary screening alongside various ESG approaches. The exclusionary screens focus on values, such as controversial business activities, and on climate related screens, such as fossil fuels.

Our SRI offering is constructed in the same manner as the other offerings in Davy Private Clients. We employ a diversified open architecture in our investment approach. All portfolios are diversified across asset classes – Equity, Fixed Income, Alternatives and Cash, diversified across geographies and diversified across investment managers. In addition, we combine active and passive strategies within our portfolios. The difference in approach of our SRI offering is the managers and instruments we allocate to. At Davy Private Clients, for our SRI offering, we typically engage with investment managers who are signatories to the United Nations Principles for Responsible Investment (UNPRI).

### How we screen for SRI criteria

In selecting funds for Davy’s SRI offering our Investment Selection team develops an understanding of the underlying fund managers' investment processes and methodologies. An assessment of the quality of an investment organisation and the resources which it applies to investment management are also important factors in our research process when selecting funds.

In selecting investments for the Fund, consideration is given to the environmental, social and governance ("ESG") profile of a potential investment. This involves an assessment of the ESG ratings of the fund under consideration for investment. In addition, the ESG ratings of the underlying investee companies of the relevant fund (as provided by MSCI or another third-party data provider) are assessed.

Our process also analyses ESG-related data such as information (where available) relating to the ESG policy of the target fund, its underlying holdings and carbon emissions at the overall fund level, this data may be provided by the third-party investment fund managers or third-party data providers such as MSCI.

As a result of this process, investments are primarily in funds whose ESG profiles rank in the higher end of the scale of MSCI ESG Fund Ratings (being a scale of ratings designed to provide greater transparency and understanding of ESG characteristics of fund and ETF (Exchange Traded Fund) components in investor portfolios).

Our SRI investment process will also seek to avoid investing assets in any equity fund or active fixed income fund which (at the time of investment in that fund) invests in any company which produces tobacco products or controversial weapons or any company which is in violation of any of the 10 principles of the UN Global Compact. Where any such fund subsequently, in the SRI Investment Committee's opinion, no longer meets this screening criteria, we will dispose of our investment in the fund.

### SRI Portfolio Options

Portfolio Solutions	Risk Profile
Cautious Growth SRI	Low to Moderate
Moderate Growth SRI	Moderate
Long Term Growth SRI	Moderate to High
Cautious Growth SRI GPS	Low to Moderate
Moderate Growth SRI GPS	Moderate
Long Term Growth SRI GPS	Moderate to High
Moderate Growth SRI Direct	Moderate
Long Term Growth SRI Direct	Moderate to High
Equity Growth SRI Direct	HIGH
Cautious Growth SRI Passive	Low to Moderate
Moderate Growth SRI Passive	Moderate
Long Term Growth SRI Passive	Moderate to High

**Note: A schedule of costs including a breakdown of third party charges is available from your Adviser upon request. In the case of the SRI GPS funds, costs are provided on the Key Investor Document (KID), which is available on the Davy website <https://www.davyselect.ie/investment-choices/sri-gps-funds.html>**

# Advisory Investment Services

## Description of Service

As an Advisory client, you will be appointed a dedicated Private Client Adviser who will provide you with ongoing financial planning and investment advice. Your Adviser will assist you in choosing an appropriate investment strategy, based on your goals and circumstances. You will retain control of, and have responsibility for, the investment strategy, asset allocation, underlying investments and portfolio performance. Your Adviser will offer advice on all aspects of your investments, but you will have control over all investment decisions.

With respect to Advisory Investment Services, Davy shall provide to you the following services:

- (a) advice on the selection, structuring and management of your portfolio and investments;
- (b) advice on strategic asset allocation and tactical asset allocation;
- (c) risk management services in respect of the investments of the portfolio;
- (d) ongoing advice around assessment and monitoring of your portfolio, including asset allocation;
- (e) monitoring of the performance of your portfolio including monitoring of performance against relevant benchmark(s);
- (f) compliance of your pension portfolio

The investment opportunities for your portfolio are the same as outlined in the previous section (pages 10 and 12).

As an advisory client, you may also have access to other investment opportunities from time to time in line with your investment objectives, subject to these meeting the regulatory requirements of Master Trust investing. These will be proactively recommended by your adviser, where suitable to do so.

## Fees & Charges

<https://www.davy.ie/fees-and-charges.html>

## Service Terms

<https://www.davy.ie/legal/terms-and-conditions>



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