

# Davy Funds Plc

## Davy ESG Multi-Asset Fund

### CLASS "A Distributing" UNITS

### INVESTMENT OBJECTIVE

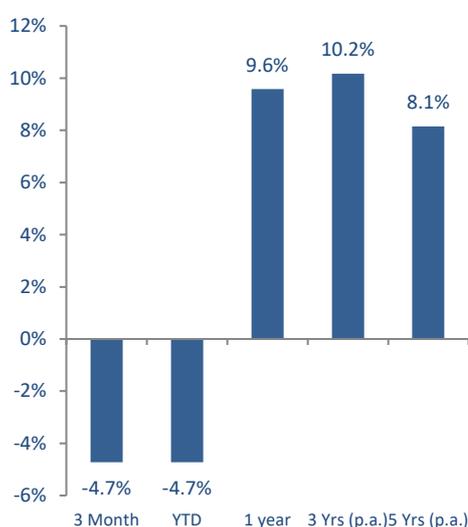
The primary investment objective of the Davy ESG Multi-Asset Fund ('the Fund') is to seek, over time, to achieve capital appreciation in real terms. The Fund may, as a secondary objective, also seek to generate a moderate level of income, from year to year, consistent with the growth objective.

### INVESTMENT STRATEGY

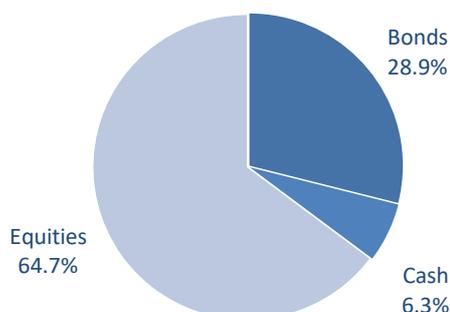
The objective of the Fund will be achieved by investing across a range of asset classes including equities, bonds and fixed deposits. The Investment Adviser's ongoing investment policy will be to take due account of the nature of the trading activities carried out by such corporations from an ethical standpoint.

**NOTE: All information below is provided as at 31.03.2022**

#### INVESTMENT PERFORMANCE



#### ASSET ALLOCATION (% Fund)



Source: Northern Trust  
Single Pricing, Net of Fees, Bi-Annual Income Distribution, Total Return in Euro.

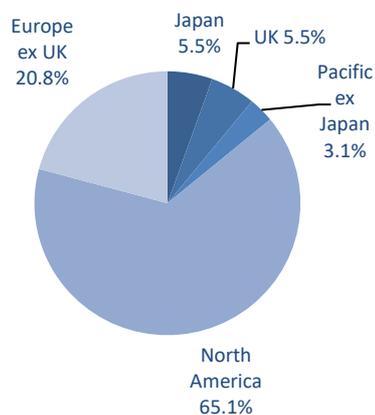
#### TOP 10 HOLDINGS (%)

##### 10 Largest Equity Holdings (% of Total Fund)

Stock	Country	Weight
Alphabet Inc.	US	5.1%
Microsoft Corp.	US	4.5%
American Express Co.	US	1.8%
Thermo Fisher Scientific	US	1.8%
Visa Inc.	US	1.7%
Oracle Corp.	US	1.6%
Iberdrola S.A.	Spain	1.6%
Loblaws Cos.	Canada	1.5%
Vinci	France	1.5%
Home Depot Inc.	US	1.5%
<b>Total</b>		<b>22.4%</b>

#### GEOGRAPHIC ALLOCATION (%)

##### Portfolio Geographic Allocation (% Equity)



## Davy Global Fund Management

March 2022

### ABOUT THE FUND

**Base Currency:**

Euro

**Fund Size (EUR):**

47.86 m

**No. of Equity Holdings:**

52

**Investment Manager:**

Davy Global Fund Management

**Type of Unit:**

Distributing

**Valuation Point:**

Close of business

**Order Cut-Off Point:**

Daily – All orders must be received by 16:00 p.m. (Irish time) one Business Day immediately preceding the relevant Dealing Day.

**Lipper ID:**

65090638

**Share Classes**

A, B

**Ongoing Charges**

0.87%, 0.80%

**Structure:**

UCITS\*

\* The assets of the Prescient Select Ethical Balanced Growth Fund, a sub-fund of the Prescient Select Portfolio (non-UCITS) were transferred to a new sub-fund of Davy Funds plc (UCITS), which is named the Davy ESG Multi-Asset Fund, on 17th October 2017. The same Strategy applies to both sub-funds.

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### MARKET COMMENT

Equity markets recovered some poise in the latter half of March to finish a volatile quarter well above the lows made in February in the days following the Russian invasion of Ukraine. The MSCI World Index returned -3.06% to euro-based investors during the quarter, helped significantly by strength in the dollar, which was driven by a flight to safety.

The quarter was dominated by an increasingly hawkish tone from central banks, particularly the US Federal Reserve (Fed) and the war in Ukraine. Fears of a wage-price spiral due to supply chain disruptions and a tight labour market were at the root of a change in message from the Fed early in the year which pressured bonds and drove a rotation in equity markets. The war between Russia and Ukraine exacerbated inflation fears due to the importance of the two countries in the supply of a broad range of energy and food-related commodities.

There was a wide dispersion of returns among the various sectors of the equity market during the quarter. Energy and commodity-related stocks were the best performers as prices of oil, gas and metals soared in response to the supply disruption caused by the war. Last year's best performers in the technology, internet-related sectors lagged as interest rates rose during the quarter.

### FUND PERFORMANCE

The **Davy ESG Multi-Asset Fund** returned -4.72% during the first quarter of 2022, net of management fees, in Euro terms. During the quarter equities within the portfolio returned -4.79% (gross of management fees), whilst the bond component to the Fund contributed -4.48% (gross of management fees). At the end of the period the asset breakdown was 64.7% **high-quality equities**, 28.9% **Bonds**, and 6.3% **Cash**.

The top five equity contributors to relative performance during the quarter were Equinor, Boliden, American Express, Rio Tinto and Loblaw's. The bottom five equity detractors to relative performance during the quarter were Home Depot, TE Connectivity, Omron, Xylem and Nike.

**Equinor**, the Norwegian oil and gas company and the second largest natural gas supplier to Europe was a top contributor to returns in Q1 2022, rising over +45%. Indeed, the shares hit a new high on the last day of March. The shares were boosted by strong Q4 results reported in February which were ~20% higher than expected, and by the significantly higher oil and gas prices post the invasion of Ukraine by Russia. Equinor can be thought of as a natural hedge against inflationary pressures and rising geopolitical risks. High free cashflow generation and having hardly any debt has enabled the company to raise the dividend and plan a buyback of shares to the tune of 5bn. The company has ambitious transition plans with a net zero long-term ambition by 2050. They are also active in renewables and were an early mover into offshore wind. Equinor are targeting renewable installation capacity of 12-16GW by 2030 and plan to spend \$23bn on renewables through 2021-26. They are also involved in carbon capture and hydrogen projects. We believe Equinor is the most credible in attaining its 2050 net zero target versus peers.

**Home Depot (HD)**, the world's largest home improvement retailer, was the main detractor of returns in the quarter. The shares declined almost -25% following a c9% fall on publication of their Q4 results in February. Despite a strong set of numbers where pricing power was to the fore, the shares were slammed as investors concluded that their market environment has peaked and will only get tougher going forward. However, HD has a strong track record of executing against its long-term goals and the shares have now derated and look attractive. Home Depot remains a high performing ESG company. Although exposed to lumber products, HD has strict sourcing policies that prevent the purchase of conflict materials and exploitation of the natural resources of developing countries. They also target a reduction in CO<sub>2</sub> emissions of 40% by 2030 and 50% by 2035 which incorporates a target to use 335MW of renewable energy by 2025 by using rooftop solar panels on their stores.

The **bond segment** of the Fund underperformed its benchmark, the JP Morgan Index (unhedged) in euros, by circa 0.3% (net) on the quarter. This was predominantly due to the Fund's corporate bond position, which detracted from performance as risk appetite waned and investors sold them. This selloff was particularly acute during the first couple of weeks of the Russian invasion of Ukraine. Although they staged a comeback in the latter part of March, they still finished down on the quarter. Losses on these positions were offset somewhat by outperformance from the Fund's duration and curve positioning in US Treasuries and Japanese Government bonds.

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### POSITIONING

The war in Ukraine has added a lot of uncertainty to the outlook for growth and inflation, particularly in Europe. At time of writing, there have been some welcome signs of de-escalation (our base case scenario). However, the situation in Ukraine remains serious and we believe tail risks remain considerable. To compound matters, with central banks now guiding much more aggressive monetary policy tightening, at some stage this might call into question the strength of economic growth.

As a result of these uncertainties, we neutralised duration in March. We will remain neutral until there is more clarity on the situation in Ukraine and the global economy, or unless valuations make it more compelling to go long or short duration. However, we believe there is significant bad news already priced into many spread markets and as a result we are comfortable keeping our overweight positions in corporate and Supranational bonds relative to benchmark government bonds.

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## CALENDAR YEAR PERFORMANCE (%)

	2021	2020	2019	2018	2017
Davy ESG Multi-Asset Fund (Eur)	20.6%	5.2%	21.3%	-1.0%	3.8%
MSCI World Index (Eur)	31.1%	6.3%	30.0%	-4.1%	7.5%
JP Morgan Global Bond Index (Eur)	-3.1%	4.9%	4.6%	-0.3%	0.4%
Equinor ASA	67.0%	-13.5%	0.5%	8.8%	16.0%
Home Depot	59.5%	24.5%	30.5%	-7.3%	44.6%
Iberdrola S.A.	-7.5%	32.7%	36.7%	14.0%	8.7%
Home Depot Inc	59.5%	24.5%	30.5%	-7.3%	44.6%
Nike	18.7%	41.0%	38.1%	19.9%	24.7%
Rio Tinto	0.6%	30.6%	35.4%	0.3%	31.5%
Loblaws	67.9%	-4.4%	11.6%	13.5%	-2.2%
TE Connectivity	35.1%	29.0%	29.4%	-18.9%	39.9%
Omron Corp	25.7%	45.1%	62.9%	-39.6%	51.9%
Xylem Inc	18.9%	30.9%	19.6%	-1.0%	39.5%
American Express	36.9%	-1.2%	32.5%	-2.6%	36.2%

Source: Davy Global fund Management, Northern Trust, and Bloomberg as at 31<sup>st</sup> December 2021. Performance is quoted in local currency unless otherwise stated. Davy ESG Multi-Asset Fund Class A Distributing is the total return from single pricing and net of fees, with bi-annual income distribution.

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The Davy ESG Multi-Asset 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 Global Fund Management, Davy House, 49 Dawson Street, Dublin 2, Ireland or <https://www.davygfm.com/funds-factsheets/asset-management>. 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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## Davy Global Fund Management

March 2022

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