

**Davy Funds p.l.c.**

An open-ended umbrella investment company  
with variable capital and segregated liability between sub-funds  
incorporated with limited liability in Ireland  
under the Companies Act 2014  
with registration number 533779

**SUPPLEMENT**

**Davy Euro Bond Fund**

Dated 17 December 2021

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## 1 IMPORTANT INFORMATION

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The Directors (whose names appear under the heading "Management of the Company – Directors" in the Prospectus), accept responsibility for the information contained in this Supplement and the Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement and in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

Shareholders should note that fees and expenses of the Fund may be charged to the capital of the Fund where insufficient income has been generated by the Fund to cover the fees and expenses. Thus on repurchase of holdings shareholders may not receive back the full amount invested and this will have the effect of lowering the capital value of the shareholders investment. In any such cases, there is a greater risk that capital may be eroded and distribution will be achieved/fees will be paid in a manner that foregoes the potential for future capital growth of your investment. This cycle may continue until all capital is depleted.

Investors should note however that distributions made during the life of the Fund are a form of capital reimbursement.

This Supplement contains information relating specifically to Davy Euro Bond Fund (the "**Fund**"), a Fund of Davy Funds p.l.c. (the "**Company**"), an open-ended umbrella fund with segregated liability between sub-funds authorised by the Central Bank as a UCITS pursuant to the Regulations.

**This Supplement forms part of and should be read in the context of and in conjunction with the Prospectus for the Company dated 17 December 2021 (the "Prospectus").**

**As the price of securities in each Fund may fall as well as rise, the Company shall not be a suitable investment for an investor who cannot sustain a loss on their investment.**

**The Fund is suitable for investors who are prepared to accept a high level of volatility.**

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## 2 DEFINITIONS

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**Base Currency** means Euro;

**Business Day** means any day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in Dublin and/or such other day or days as may be determined by the Directors from time to time and as notified to Shareholders in advance;

**Credit Union Regulations** means the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 (S.I. No. 1 of 2016) as amended by the Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2018 (S.I. No. 32 of 2018) and the Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2019 (S.I. No. 642 of 2019) and as may be further amended from time to time;

**Dealing Day** means every Tuesday, provided that it is a Business Day, and/or such other day or days as the Directors may in their absolute discretion determine and notify in advance to Shareholders provided that there shall be at least two Dealing Days in each Month (with at least one Dealing Day per two week period);

**Dealing Deadline** in respect of subscriptions and repurchases, means 4.00p.m. (Irish time) on the Business Day immediately preceding the relevant Dealing Day, or such other time for the relevant Dealing Day as may be determined by Directors and notified in advance to Shareholders provided always that the Dealing Deadline is no later than the Valuation Point;

**EBITA** means earnings before interest, taxes and amortization;

**EBITDA** means earnings before interest, taxes, depreciation and amortization;

**Investment Grade** means any investment with a rating of at least Baa3 from Moody's, BBB- from Standard & Poor's, BBB- from Fitch, BBB LOW from DBRS or higher;

**Investment Manager** means Davy Global Fund Management Limited;

**Irish and EEA State Securities** means Transferable Securities, specifically bonds, issued by the Irish State and other EEA States and traded on a regulated market;

**Manager** means Davy Global Fund Management Limited or such other person as may be designated, in accordance with the Central Bank Rules, as the Company's fund management company;

**Settlement Date** in respect of subscriptions and repurchase respectively, shall have the meaning outlined in the section entitled "**Key Information for Buying and Selling Shares**" below;

**Supranational Bonds** means bonds issued by Supranational Issuers;

**Supranational Issuers** means entities formed by two or more central governments with the purpose of promoting economic development for the member countries including but not limited to the European Investment Bank and the European Bank for Reconstruction and Development;

**Taxonomy Regulation** means Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, as may be amended;

**Valuation Point** means the close of business in the relevant market where assets are listed or traded on the first Business Day immediately preceding the relevant Dealing Day by reference to which the Net Asset Value per Share of the Fund is determined provided such point will in no case precede the close of business in the relevant market that closes first on the relevant Business Day.

All other defined terms used in this Supplement shall have the same meaning as in the Prospectus.

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### 3 INFORMATION ON THE FUND

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#### 3.1 Investment Objective, Investment Policies and Investment Strategy

##### (a) Investment Objective:

The investment objective of the Fund is to provide investors with returns in excess of cash deposit rates (being overnight or short-term fixed deposit rates that are typically available at Irish Relevant Institutions) over a five to seven year investment horizon.

There can be no assurance that the Fund will achieve its investment objective.

##### (b) Investment Policies:

The Fund intends to achieve its investment objective by investing in euro denominated fixed income securities with a maximum maturity of 10 years.

The Fund will only invest in corporate bonds, senior bank bonds, Irish and EEA State Securities, Supranational Bonds and cash accounts in Relevant Institutions. The bonds may be fixed or floating rate. All investments of the Fund shall be euro denominated.

The Fund will only invest in Irish and EEA State Securities, Supranational Bonds or corporate bonds where, at the time of purchase, at least one recognised rating agency has assigned to each such instrument a credit rating of Investment Grade or higher. If one of these instruments falls below Investment Grade with all recognised rating agencies then the Investment Manager shall dispose of it as soon as practicable, in the best interest of the investors.

The Fund is permitted to invest in senior bank bonds regardless of their credit rating but will not invest in subordinated bank debt.

##### (c) Investment Strategy

The Investment Manager will seek to achieve the Fund's investment objective using a process which analyses macroeconomic conditions to assess events and trends that might affect the overall level of interest rates and will analyse particular sectors and issuers. This analysis helps to determine the appropriate tactical and strategic positions for the Fund in specific geographies, sectors and credit ratings.

The process could generally be described as having four stages:

Stage 1: Given that bond yields are intrinsically linked to economic growth and inflation, mainly through the impact on credit quality and the path of interest rates, the Investment Manager believes that robust macro research is crucial. This involves analysing high level, "big picture" events and trends that might affect the general bond market or particular sectors or issuers. This helps to determine the overall strategy of the Fund, such as the level of interest rate and credit risk which is appropriate for the Fund at a particular point in time and potentially where investments should be positioned in specific countries, sectors and maturities.

Current examples of events and trends that have affected the interest rate environment in recent times include: (i) aging populations: aging populations lead to increased savings, which in turn pushes yields lower through more demand for fixed income; (ii) increased regulation of financial entities which consequentially required financial entities to de-risk and hold higher quality bonds pushing the yield on higher quality bonds lower; (iii) secular stagnation: following the global financial crisis, growth and inflation rates did not achieve levels as high as previous cycles and, as a result, there was less of a requirement for higher interest rates from central banks to prevent overheating; (iv) the trade war between the US and China which pushed yields lower given it risked a global recession; and (v) the recent COVID-19 pandemic which has led to a fall in "risk free" government bond yields given the increased risk of a global recession.

Stage 2: The Investment Manager uses screening tools to narrow the investible universe. The first screen intends to remove bonds which do not meet the Fund's investment criteria such as:

permitted investments, maturities and credit ratings. In addition, the Investment Manager may screen out bonds that are not consistent with the "top down" view established in Stage 1, or bonds which they believe do not have sufficient secondary market liquidity.

Within the corporate and bank bond universe the Investment Manager will analyse issuers within the following Bloomberg Industry Classification Systems (BICS) Level 1 sectors: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Materials, Technology and Utilities. The Investment Manager will not focus on any one sector in particular.

A valuation overlay is then applied and the most attractive bonds are selected (an opportunity set) for further analysis. The Investment Manager has built its own proprietary tools to provide a valuation overlay to the search results and find the most attractive bonds/issuers to further analyse. Furthermore, the Investment Manager has proprietary tools to help with its credit analysis; it will input an issuer's ticker into the proprietary tool which will produce the issuer's key ratios versus its peers, examples of such key ratios include but are not limited to the following; EBITA to average assets, net debt to EBITDA, interest coverage ratio and retained cashflow. Such a tool is very valuable as it allows the Investment Manager to determine an issuer's strengths and weaknesses.

Stage 3: All bonds in the opportunity set selected are subject to fundamental credit analysis. For example, in the case of a corporate bond this would involve gaining a deeper understanding of the company and its credit strengths and weaknesses. Fundamental credit analysis is performed by analysing key credit metrics across important areas such as; profitability and cash flow, leverage/indebtedness, coverage (i.e. does a company have adequate financial resources to meet its interest obligations) and liquidity (e.g. assessing the company's ability to access funds to satisfy their short-term obligations).

Stage 4: Applying stages 1 to 3 above in the process produces potential investment opportunities for the Fund which are consistent with the Fund's objective and investment policy. While a bond may look attractive in its own right, the bond also needs to make sense at the portfolio level. This may include an assessment of the bond's prospective contribution to the overall portfolio risk and return of the Fund and a check to ensure it would not breach any of the Fund's investment restrictions. Upon considering all of these aspects, a final decision is then made on whether the bond should be invested in.

Bonds which are chosen for investment by the Fund are regularly re-assessed using the above process to ensure that they continue to be consistent with the Fund's objective and investment policies.

The Fund is actively managed, meaning the Investment Manager actively selects and invests in the securities in which the Fund invests with the aim of meeting the investment objective of the Fund and it is not managed with reference to a benchmark.

For the purposes of the Taxonomy Regulation, the investments underlying the Fund do not take into account the EU criteria for environmentally sustainable economic activities (the "**Taxonomy-alignment criteria**"). This means that the Taxonomy-alignment criteria are not taken into account when making investment decisions in respect of the Fund.

### 3.2 Use of Derivatives

The Fund will not use FDI.

### 3.3 Borrowing and Leverage

The Company may only borrow on a temporary basis for the account of the Fund and the aggregate amount of such borrowings may not exceed 10% of the Net Asset Value of the Fund. In accordance with the provisions of the Regulations, the Company may charge the assets of the Fund as security for borrowings of the Fund.

The Fund will not use leverage.

### 3.4 Investment Restrictions

Investors must note that the Company and the Fund adhere to the restrictions and requirements set out under the Regulations, as may be amended from time to time. These are set out in Appendix I to the Prospectus.

It is intended that the Fund will be managed in accordance with the specific requirements for collective investment schemes as a class of investments into which a credit union may invest, as set out in Part 5 of the Credit Union Regulations.

### 3.5 Profile of a Typical Investor

A typical investor will be seeking to achieve a return on their investment in the medium to long term.

### 3.6 Risk Factors

Investors should read and consider the sections of the Prospectus entitled "**RISK FACTORS**" and "**SFDR-related Disclosures (a) Sustainability Risk**" before investing in the Fund. However, not all of the risks disclosed in the **RISK FACTORS** section of the Prospectus will be material to an investment in this particular Fund.

In addition to the above referenced risks, investors should also consider the particular implications of the following risks that are relevant to an investment in the Fund.

Fees and expenses of the Fund may be charged to the capital of the Fund where insufficient income has been generated by the Fund to cover the fees and expenses. Thus, on repurchase of holdings shareholders may not receive back the full amount invested and this will have the effect of lowering the capital value of their investment. There is a greater risk therefore that capital may be eroded and "income" will be achieved by foregoing the potential for future capital growth of your investment and the value of future returns may also be diminished. Investors should note however that distributions made during the life of the Fund are a form of capital reimbursement. Distributions out of capital may have different tax consequences to distributions of income and it is recommended that you seek appropriate advice in this regard.

The risks described in the Prospectus should not be considered to be an exhaustive list of the risks which potential investors should consider before investing in the Fund. Potential investors should be aware that an investment in the Fund may be exposed to other risks from time to time.

### 3.7 Key Information for Buying and Selling Shares

Details of all share classes are set out in the table below.

Class	Class Currency	Initial Offer Period/Offer Period*	Initial Issue Price	Minimum Shareholding**	Minimum Initial Investment Amount**	Minimum Additional Investment Amount**
A Accumulating	Euro	9.00am (Irish time) on 20 December 2021 to 5.00pm (Irish time) on 20 June 2022*	€1.00	€100.00	€100.00	€100.00
A Distributing	Euro	9.00am (Irish time) on 20 December 2021 to 5.00pm (Irish time) on 20 June 2022*	€1.00	€100.00	€100.00	€100.00
B Accumulating	Euro	9.00am (Irish time) on 20 December 2021 to 5.00pm (Irish time) on 20 June 2022*	€1.00	€100.00	€100.00	€100.00
B Distributing	Euro	9.00am (Irish time) on 20 December 2021 to 5.00pm (Irish time) on 20 June 2022*	€1.00	€100.00	€100.00	€100.00
C Accumulating	Euro	9.00am (Irish time) on 20 December 2021 to 5.00pm (Irish time) on 20 June 2022*	€1.00	€100.00	€100.00	€100.00
C Distributing	Euro	9.00am (Irish time) on 20 December 2021 to 5.00pm (Irish time) on 20 June 2022*	€1.00	€100.00	€100.00	€100.00

\*The Initial Offer Period may be shortened or extended by the Directors. The Central Bank will be notified in advance of any such shortening or extension if subscriptions for Shares have been received and otherwise shall be notified subsequently, on an annual basis.

\*\*Subject to the discretion of the Directors (or their delegate) in each case to allow lesser amounts.

Applications for Shares and applications for the repurchase of Shares along with all required anti-money laundering documentation must be received by the Dealing Deadline. Applications for Shares will only be accepted on a cleared funds basis in the Base Currency.

Applications received after the Dealing Deadline for the relevant Dealing Day shall be deemed to have been received by the next Dealing Deadline, save in exceptional circumstances where the Directors may in their absolute discretion (reasons to be documented) determine and provided the Applications are received before the Valuation Point for the relevant Dealing Day. Repurchase requests received after the Dealing Deadline shall be treated as having been received by the following Dealing Deadline, save in exceptional circumstances where the Directors may in their absolute discretion (reasons to be documented) determine and provided they are received before the Valuation Point for the relevant Dealing Day.

**Subscription Settlement Date:** Subscription monies should be paid to the account specified in the Application Form (or such other account specified by the Administrator) so as to be received by no later than three Business Days after the relevant Dealing Day. If payment in full and/or a properly completed Application Form along with all required anti-money laundering documentation have not been received by the relevant times stipulated above, the application may be refused.

**Repurchase Settlement Date:** Payment of Repurchase Proceeds will be made by electronic transfer to the account of the redeeming Shareholder at the risk and expense of the Shareholder normally within three Business Days of the relevant Dealing Day and, in all cases, will be paid within ten Business Days of the Dealing Deadline for the relevant Dealing Day, provided that all the required documentation has been furnished to and received by the Administrator.

Repurchase proceeds may at the discretion of the Directors be paid in specie where the repurchasing Shareholder requests the repurchase of a number of Shares that represents 5% or more of the Net Asset Value of the Fund. Repurchase requests, which represent less than 5% of the Net Asset Value of the Fund may be satisfied by way of in specie transfer where the Depository has approved the transfer and the repurchasing Shareholder has consented to same.

Shares may also be subscribed in specie at the discretion of the Directors.

Please also refer to the section of the Prospectus entitled "**In specie Repurchases**" and "**In Specie Subscriptions**"

### 3.8 **Dividend Policy**

For the Class A Accumulating Shares, the Class B Accumulating Shares and the Class C Accumulating Shares, (the "**Accumulating Share Classes**") (and indicated as such in the table in the section above titled "**Key Information for Buying and Selling Shares**"), it is the present intention of the Directors not to declare or pay dividends, and any income or gains earned by the Fund and these Share Classes, will be reinvested and reflected in the value of the Shares.

For the Class A Distributing Shares, the Class B Distributing Shares and the Class C Distributing Shares (the "**Distributing Share Classes**") (and indicated as such in the table in the section above entitled "**Key Information for Buying and Selling Shares**"), subject to net income being available for distribution, the Directors intend to declare dividends on the Distribution Date and such dividends will be paid on or before the 14<sup>th</sup> Business Day following the Distribution Date to all Shareholders entered on the register of Shareholders at the close of business on the Business Day immediately preceding the Distribution Date and therefore applicants for Shares to be dealt on or after the Distribution Date will not be entitled to the distribution paid in respect of such Distribution Date but Shareholders seeking to repurchase their Shares on or after the Distribution Date will receive the distribution paid in respect of such Distribution Date.

The Directors reserve the right to increase or decrease the frequency of dividend payments, if any, at their discretion for the Distributing Share Classes. In the event of a change of policy full details will be disclosed in an updated Supplement and Shareholders will be notified in advance. Under the Constitution, dividends may be paid out of the profits, being (i) the accumulated revenue (consisting of all revenue accrued including interest and dividends) less expenses and/or (ii) realised and unrealised capital gains on the disposal/valuation of investments and other funds less realised and unrealised accumulated capital losses of the Fund, or (iii) out of capital.

Dividends are paid out of capital to allow the provision of income to shareholders of the Distributing Share Classes, in the event of insufficient income being in the Fund for a particular period.

Dividends will be paid to Shareholders by electronic transfer to the relevant Shareholder's bank account of record on the initial Application Form in the currency of denomination of the relevant Distributing Share Class at the expense of the payee and within the timeframe outlined above. The net income available for distribution in respect of the relevant Distributing Share Class will be determined in accordance with the relevant law and generally accepted accounting principles consistently applied.

Please also refer to the section in the Prospectus entitled "**Dividend Policy**".

### 3.9 Exchange of Shares

Shareholders may exchange between similar Classes of Shares in accordance with the provisions set out under the heading "**Exchange of Shares**" in the Prospectus. The Directors can refuse an application to exchange between Classes of Shares in accordance with the provisions set out under the heading "**Exchange of Shares**".

### 3.10 Fees and Expenses

The following fees and expenses will be incurred by the Company on behalf of the Fund and will affect the Net Asset Value of the relevant Share Class of the Fund.

Class	A Accumulating	A Distributing	B Accumulating	B Distributing	C Accumulating	C Distributing
Investment Management Fee	0.2%	0.2%	0.3%	0.3%	0.40%	0.40%
Distributor Fee	0%	0%	0%	0%	0%	0%
Administrator Fee	0.055% Per annum of the NAV of the Fund	0.055% Per annum of the NAV of the Fund	0.055% Per annum of the NAV of the Fund	0.055% Per annum of the NAV of the Fund	0.055% Per annum of the NAV of the Fund	0.055% Per annum of the NAV of the Fund
Depository Fee	0.0175% Per annum of the NAV of the Fund	0.0175% Per annum of the NAV of the Fund	0.0175% Per annum of the NAV of the Fund	0.0175% Per annum of the NAV of the Fund	0.0175% Per annum of the NAV of the Fund	0.0175% Per annum of the NAV of the Fund
Performance Fee	0%	0%	0%	0%	0%	0%

#### Investment Management Fee & Expenses

The Investment Manager shall be entitled to the maximum annual Investment Management Fee equal to a percentage of the Net Asset Value of the relevant Class detailed in the above table.

Such fee shall be calculated and accrued at each Valuation Point and payable monthly in arrears.

The Investment Manager is also entitled to its reasonable out-of-pocket expenses out of the assets of the Fund.

#### Distributor Fee & Expenses

The Distributor shall be entitled to the maximum annual Distributor Fee equal to a percentage of the Net Asset Value of the relevant Class detailed in the above table.

Such fee shall be calculated and accrued at each Valuation Point and payable monthly in arrears. The Distributor is also entitled to its reasonable out-of-pocket expenses out of the assets of the Fund.

### **Depositary Fee & Expenses**

The Depositary shall be entitled to an annual Depositary Fee equal to a percentage of the Net Asset Value of the relevant Class, detailed in the above table, subject to a minimum monthly fee of €600 together with reasonable costs and expenses incurred by the Depositary in the performance of its duties as Depositary of the Fund. These fees shall accrue and be calculated on each Dealing Day and shall be payable monthly in arrears.

The Depositary shall also be entitled to be reimbursed out of the assets of the Fund all agreed sub-custodian fees, expenses and transaction charges (which will be charged at normal commercial rates) as agreed with the Directors.

### **Administrator Fee & Expenses**

The Administrator shall be entitled to the maximum annual Administrator Fee equal to a percentage of the Net Asset Value of the relevant Class detailed in the above table. Such fee shall be calculated and accrued at each Valuation Point and payable monthly in arrears. The Administrator shall also be entitled to a minimum annual fee of €30,000 per year.

The Administrator is also entitled to its reasonable out-of-pocket expenses out of the assets of the Fund.

### **Management Fee**

Investors are referred to the Prospectus for details of the Manager's fee.

#### **3.11 Other Fees and Expenses**

This section should be read in conjunction with the section entitled "**Fees and Expenses**" in the Prospectus.

##### **(a) Anti-Dilution Levy**

The Directors reserve the right to impose an Anti-Dilution Levy in the case of net subscriptions and/or net repurchases on a transaction basis as a percentage adjustment (to be communicated to the Administrator) on the value of the relevant subscription/repurchase calculated for the purposes of determining a subscription price or repurchase price to reflect the impact of other dealing costs relating to the acquisition or disposal of assets and to preserve value of the underlying assets of the Fund where they consider such a provision to be in the best interests of a Fund. Such amount will be added to the price at which Shares will be issued in the case of net subscription requests and deducted from the price at which Shares will be repurchased in the case of net repurchase requests. Any such sum will be paid into the account of the Fund.

##### **(b) Establishment Expenses**

The fees and expenses incurred in connection with the establishment of the Fund will not exceed €16,000. These fees and expenses will be paid out assets of the Fund and will be amortised over the first five years.

This section should be read in conjunction with the section entitled "**Fees and Expenses**" in the Prospectus.

#### **3.12 Miscellaneous**

Additional Funds of the Company may be added in the future with the prior approval of the Central Bank. The names of the other Funds are disclosed in the Prospectus.

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