Davy **Trilogy II Fund** from **New Ireland**

Quarterly update Q1 2022

For Investment Professionals Only

This fund is provided by New Ireland Assurance plc and is managed by Davy Global Fund Management.

Performance	1 Month (%)	Q1 2022 (%)	1 Year (%)	3 Year (P.A.) (%)	5 Year (P.A.) (%)
Davy Trilogy II Fund[1] (Gross Of Fees)	1.52	-0.28	7.75	3.92	4.40

Source: New Ireland ([1]Trilogy II Fund Series 6, Performance is quoted gross of taxation and fund management charge) as at 31st March 2022. The fund management charge and product charges will vary depending on the terms and conditions of your policy.

Fund overview

The aim of the **Davy Trilogy II Fund** (the 'Fund') is to generate long-term capital growth by investing in three distinct asset classes (equities, bonds and property). The Fund invests only in equities that pay higher than average dividends on a sustained basis, high grade corporate bonds and commercial property.

Market comment

Equity markets recovered some poise in the latter half of March to finish a volatile quarter well above the lows of 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 **Trilogy II Fund** returned -0.28% during the first quarter of 2022, in Euro terms. The **Equity, Corporate Bond** and **Property** components returned 0.03%, -5.60% and 0.85% respectively during the quarter. The current asset breakdown is 51.18% Equities, 38.88% Property and 9.95% Bonds.

Rio Tinto PLC (RIO) is a mining company that is made up of four business units based on its primary products: Iron Ore (60% of revenues), Aluminium (20%), Copper & Diamonds (12%), and Energy & Minerals (8%). RIO boasted record 2021 profits due to high commodity prices, which more than offset supply chain issues. Group revenue and cash flow surged 42% and 58% from 2020. This resulted in the stock being able to continue to pay special dividends on top of a strong cash flow yield of 16.8%.

Home Depot Inc. (HD) is the world's largest home improvement retailer, with c2,200 stores in the US, Canada and Mexico. It offers an assortment of building materials, home improvement products, lawn & garden products, and decor products, as well as home improvement installation services, tool and equipment rental. Our view is that is a high-quality stock which scores well on sustainability measures. A typical store is interconnected with its ecommerce business. This integrated business model is expected to insulate the retailer from online competition. HD's latest results were in line with expectations, but management's outlook for 2022 was viewed as being too conservative and the stock weakened somewhat during the quarter after a very strong performance in 2021.

Euro corporate bonds were down on the quarter, with the ICE Bank of America AAA-A Euro Corporate Index falling by -4.69%. Bonds faced selling pressure as European central banks became increasingly uncomfortable about rising inflation and signalled a desire to control it by tightening financial conditions via raising interest rates and ending bond purchase programmes. The Russian invasion of Ukraine in late February added to existing inflation concerns, given its implications for commodity prices, and this contributed further to the bond sell-off. The combination of both the war and less central bank support in the future also hurt risk appetite. The Corporate Bond component underperformed its benchmark by c. 0.91% on the quarter due mainly to an overweight in the insurance sector as well as unfavourable curve positioning.

Sample portfolio transactions

During the quarter we added engine manufacturer and distributor, Cummins, to the portfolio. The company score well on our quality metrics, has an excellent record of cash generation and dividend payments and is an industry pioneer in clean tech and sustainability. We funded the purchase through a sale of Exxon. Exxon's share price has recovered strongly over the past 18 months and the dividend yield premium to the market has largely corrected.

The QQE perspective

The change in tone within the equity market at the start of the year was very much on the side of continued economic expansion and rising rates. The war in Ukraine has cast a shadow on growth prospects, particularly within Europe, and exacerbated what is now seen as the "inflation problem". We saw avoiding deflation as the aim of the zero interest rates and quantitative easing policies of past two years.

Our quality model guides stock selection within our equity portfolios. It assigns a quality rank to each stock in a broad universe based on four pillars of Profitability, Persistence, Protection and People. In the first quarter, the People pillar, which rates companies based on capital allocation, was the best performing of the four pillars. In the past, such outperformance has reflected investor confidence in the economic cycle. This is an important support to markets as we enter another quarterly earnings season during which company managements face heightened risks. Against this uncertain background, we are confident that our quality framework will stand our clients in good stead.

Calendar Year Performance	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)
Davy Trilogy II Fund[3] (EUR)	12.5	-6.7	13.3	1.3	4.4
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
ICE BoA Merrill Lynch AAA-A Euro Corporate[4]	-1.6	2.3	4.9	-0.4	1.5
Chevron Corp	46.3	-26.0	15.3	-9.8	10.6
Rio Tinto Plc	0.6	30.6	35.4	0.3	31.5
Exxon Mobil Corp	57.6	-36.2	7.3	-15.1	-3.8
Zurich Insurances Group AG	12.8	0.3	43.6	4.8	12.5
Telus Corp	23.6	5.2	16.3	-0.6	16.3
Home Depot	59.5	24.5	30.5	-7.3	44.6
Hong Kong Exchanges	9.3	71.6	14.6	-2.9	33.9
JP Morgan Chase & Co	27.7	-5.5	47.3	-6.6	26.7
Pfizer Inc	66.7	3.2	-6.9	24.8	15.9
Taiwan Semiconductor Manufacturer	12.1	92.7	64.8	-3.6	42.3

Source: New Ireland ([3]Trilogy II Fund Series 6, Performance is quoted gross of taxation and fund management charge), MSCI and Bloomberg as at 31st December 2021. The fund management charge and product charges will vary depending on the terms and conditions of your policy. Performance is quoted in local terms unless otherwise stated.

The MSCI World Index captures large and mid-cap representation across 23 Developed Markets (DM) countries. With 1,650 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

[4] ICE BofAML Euro Corporate Index tracks the performance of EUR denominated investment grade corporate debt publicly issued in the eurobond or Euro member domestic markets. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch) and at least 18 months to final maturity at the time of issuance

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The MSCI World Quality Index is based on MSCI World, its parent index, which includes large and mid-cap stocks across 23 Developed Market (DM) countries. The index aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity (ROE), stable year-over-year earnings growth and low financial leverage. The MSCI Quality Indexes complement existing MSCI Factor Indexes and can provide an effective diversification role in a portfolio of factor strategies.

Davy Global Fund Management
Davy House, 49 Dawson Street, Dublin 2, D02 PY05, Ireland.
T +353 1 614 8874 E assetmanagement@davygfm.com

www.davygfm.com

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