

Davy Funds Plc

Davy ESG Multi-Asset Fund

CLASS "A Distributing" UNITS

INVESTMENT OBJECTIVE

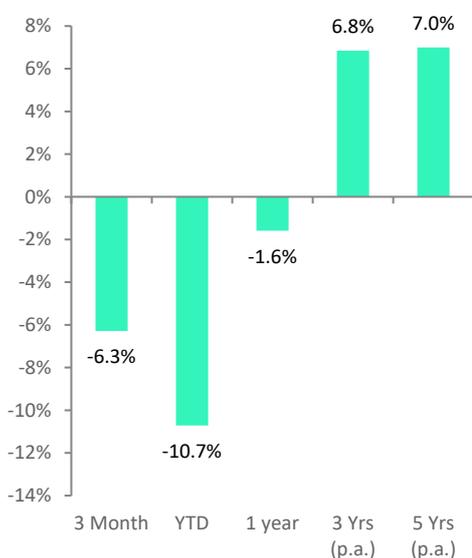
The primary investment objective of the Davy ESG Multi-Asset Fund ('the Fund') is to seek, over time, to achieve capital appreciation in real terms. The Fund may, as a secondary objective, also seek to generate a moderate level of income, from year to year, consistent with the growth objective.

INVESTMENT STRATEGY

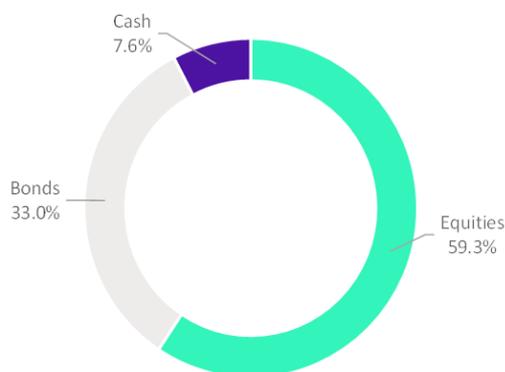
The objective of the Fund will be achieved by investing across a range of asset classes including equities, bonds and fixed deposits. The Investment Adviser's ongoing investment policy will be to take due account of the nature of the trading activities carried out by such corporations from an ethical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

NOTE: All information below is provided as at 30.06.2022

INVESTMENT PERFORMANCE



ASSET ALLOCATION (% Fund)



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

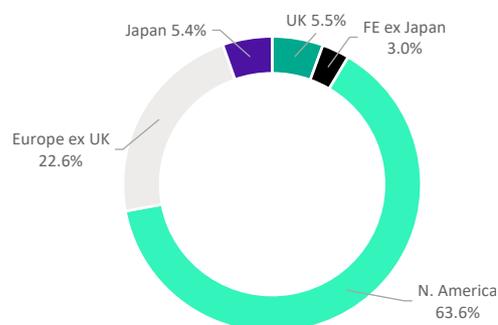
TOP 10 HOLDINGS (%)

10 Largest Equity Holdings (% of Total Fund)

Stock	Country	Weight
Microsoft Corp	US	6.7%
Alphabet Inc	US	6.2%
Thermo Fisher Scientific	US	3.0%
Loblaws Cos Ltd	Canada	2.8%
Visa Inc	US	2.7%
Merck & Co	US	2.5%
Iberdrola S.A.	Spain	2.5%
Equinor Asa	Norway	2.4%
Oracle Corp	US	2.4%
Home Depot Inc	US	2.3%
Total		33.5%

GEOGRAPHIC ALLOCATION (%)

Portfolio Geographic Allocation (% Equity)



IQ EQ Fund Management (Ireland) Limited

June 2022

ABOUT THE FUND

Base Currency:

Euro

Fund Size (EUR):

44.59 m

No. of Equity Holdings:

53

Investment Manager:

IQ EQ Fund Management (Ireland) Limited

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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Davy ESG Multi-Asset Fund

MARKET COMMENT

The equity market correction which began in early January continued through the second quarter, with the MSCI World Index falling by 10.80% in euro terms. This brought the year-to-date return to -13.53%. Euro-based investors benefited somewhat from a rally in the dollar which supported the euro value of US asset prices during the period.

Market direction during the quarter was dictated in large part by inflation data and increasingly hawkish comments from central bankers about the need for higher interest rates. There was also growing evidence towards the end of the quarter of the negative impact that inflation expectations were having on consumer and business sentiment, as evidenced from surveys in major developed economies. The heightened risk of recession resulted in a renewal of the traditional performance relationship between bonds and equities: as equities weakened on earnings fears, bonds began to rally.

Within the equity market, the second quarter pattern followed that of the first as Technology and Consumer Discretionary stocks underperformed while Energy and Consumer Staples outperformed. The Energy sector was alone in producing a positive return during the second quarter, driven higher by energy prices.

FUND PERFORMANCE

The **Davy ESG Multi-Asset Fund** returned -6.29% during the first quarter of 2022, net of management fees, in Euro terms. During the quarter equities within the portfolio returned -8.20% (gross of management fees), whilst the bond component to the Fund contributed -2.84% (gross of management fees). At the end of the period the asset breakdown was 59.3% **high-quality equities**, 33.0% **Bonds**, and 7.6% **Cash**.

The top five equity contributors to relative performance during the quarter were: Merck, Loblaw's, Total Energies, PepsiCo, Unilever. The bottom five equity detractors to relative performance during the quarter were: Alphabet, American Express, Boliden, State Street, Nike.

Merck was the top contributor to returns in the quarter rising +19% and outperforming both the market and the Healthcare sector as you would expect in a down market. The US healthcare company is best known for its cancer drug Keytruda, diabetes drugs Januvia and Janumet, and HPV vaccine Gardasil. Q1 results reported in April were better than expected and saw guidance raised for 2022. Merck leads its peers in initiatives to improve access to healthcare particularly in developing countries where they have pricing policies based on affordability for 40 products in over 120 countries. Merck's ESG performance improved last year following a favourable end to alleged tax issues. Product liability remains a major risk for the sector. However, Merck remains a core holding as we see a solid outlook for the company with solid top line and bottom line growth driven by their high margin products Keytruda, Gardasil and animal health.

Alphabet, the global technology giant, is a high-quality stock focused on search, advertising, Android and YouTube. The shares declined over -16% in the quarter and the stock was the main detractor to returns. The shares had held up well in the first 3 months of the year. However, positive results in February were undone by mixed Q2 results in April. Search remained strong driven by a recovery in retail and travel, and Cloud continued to grow by 44%. However, Youtube revenue growth of 14% disappointed investors. Although YouTube was facing a tough comparable period and pressure from rival TikTok, brand advertisers in Europe also reduced spending post the Ukraine invasion. A new share repurchase plan of \$70bn authorised by the company indicates that management remain upbeat and confident. We continue to like the valuation of the business and the long-term growth in their search and cloud businesses. Alphabet is a leader in many areas such as privacy & data security and opportunities in clean technology. However, the company remains under the microscope regarding anti-trust, content integrity and workforce diversity where improvements can be achieved.

The **bond portfolio** underperformed its benchmark, the JP Morgan Index (unhedged in euros), by circa 0.30% on the quarter. The portfolio's corporate and sovereign related credit positions detracted from performance as risk appetite disappeared and they sold off. In addition, the Fund's overweight position in US Treasuries underperformed as yields continued to go higher (prices lower). This was offset somewhat by the positive contribution from the portfolio's UK and Japanese yield curve positioning.

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POSITIONING

In recent months we have become more cautious on the outlook. Central banks will have to be very careful that, in order to try and tame inflation, they don't push their respective economies into recession. Therefore, we see macro and financial market volatility remaining high for the foreseeable future. Given this uncertainty, we have been averaging into a long position in US Treasuries in recent weeks. While we have been early and this has detracted from performance as yields have continued to climb, we believe they offer good value at current levels and think that they will be supported by growing recession risks which will help to dampen inflation expectations.

In addition, in recent weeks we have reduced exposures to more volatile spread positions where we do not believe that risks are sufficiently priced in. At the same time, we have adopted a medium-term mindset in securities where we believe the selloff is overdone and we are comfortable holding them at these elevated premiums through the noise.

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CALENDAR YEAR PERFORMANCE (%)

	2021	2020	2019	2018	2017
Davy ESG Multi-Asset Fund (Eur)	20.60%	5.20%	21.30%	-1.00%	3.80%
MSCI World Index (Eur)	31.10%	6.30%	30.00%	-4.10%	7.50%
JP Morgan Global Bond Index (Eur)	-3.10%	4.90%	4.60%	-0.30%	0.40%
Alphabet	65.30%	30.85%	28.18%	-0.80%	32.93%
American Express	36.90%	-1.20%	32.50%	-2.60%	36.20%
Boliden	25.22%	21.20%	36.54%	-28.46%	20.38%
Loblaws	67.90%	-4.40%	11.60%	13.50%	-2.20%
Merck	1.81%	-7.21%	22.26%	40.00%	-1.47%
Nike	18.70%	41.00%	38.10%	19.90%	24.70%
PepsiCo	20.54%	11.71%	27.37%	-4.81%	17.81%
State Street	31.05%	-4.84%	29.33%	-33.97%	27.83%
Total Energies	35.49%	-22.60%	10.81%	5.44%	-0.30%
Unilever	-1.56%	0.03%	11.52%	3.69%	24.65%

Source: IQ EQ Fund Management (Ireland) Limited, Northern Trust, and Bloomberg as at 31st 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 IQ EQ Fund Management (Ireland) Limited, 49 Dawson Street, Dublin 2, Ireland or <https://www.iqeq.com/ucits>. 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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IQ EQ Fund Management (Ireland) Limited

June 2022

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