

Global Equity Income Fund

For Investment Professionals Only

Performance	1 Month (%)	Q2 2022 (%)	1 Year (%)	3 Years P.a. (%)	5 Years P.a. (%)
Global Equity Income Fund (Net of Fees)	-5.70	-5.43	5.22	8.33	7.51
MSCI World Index ¹	-6.41	-10.80	-2.83	10.09	9.56

Source: IQ EQ Fund Management (Ireland) Limited (Class A Acc Eur) and Bloomberg as at 30 June 2022

¹ The MSCI World Index shown above does not include fees or operating expenses and you cannot invest in it. 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.

Fund overview

The aim of the **Global Equity Income Fund** (the 'Fund') is to achieve long-term capital growth through investment in companies which expect to generate a higher-than-average dividend yield. The Fund targets a dividend yield 1% greater than the market dividend yield. The concept is that dividends are the foundation of total returns over the long term.

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 are having on consumer and business sentiment as evidenced from surveys in major developed economies. Recession risk resulted in a renewal of the traditional performance relationship between bonds and equities- as equities weakened in response to the rising risk of recession, bonds began to rally.

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.

The war in Ukraine is also exacerbating inflationary pressures, particularly in the areas of food and energy. Nevertheless, most measures of broad commodity prices ended the quarter lower as recession fears grew. Meanwhile, China's zero-Covid strategy was in full effect during the quarter, with extended lockdowns in some major cities such as Shanghai driving down China's GDP growth expectations for 2022.

This is a marketing communication and NOT a contractually binding document. Please refer to the Prospectus and the KIID of the Fund and do not base any final investment decision on this communication alone. IQ EQ Fund Management (Ireland) Limited is an active fund manager.

Warning: Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. This product may be affected by changes in currency exchange rates. The Fund is actively managed. SFDR disclosures are available upon request from Davy House, 49 Dawson Street, Dublin D02 PY05.

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 **Global Equity Income Fund** returned -5.43% during the quarter versus an index return of -10.80%. Asset Allocation and Stock Selection contributed positively whilst Currency contributed negatively. The relative detractor of Currency to performance during the quarter was mainly due to the Fund's underweight to the US dollar, which strengthened during the quarter. Within Asset Allocation the Fund's underweight in the Information Technology and Consumer Discretionary sectors contributed positively to relative performance by +1.32%, while the Fund's overweight in Consumer Staples stocks added +0.44% to relative performance. The underweight in Energy stocks contributed -0.10% to relative performance in the quarter. Currency contributed -0.19% to relative performance, due mainly to the Fund's underweight to the US dollar, which strengthened during the quarter.

The top five equity contributors to relative performance during the quarter were Merck & Co Inc, Johnson & Johnson, Sanofi, Pfizer and Pepsi. The bottom five equity detractors to relative performance during the quarter were Rio Tinto, Intel, Siemens, Cisco and Samsung.

Johnson & Johnson, ("J&J") performed well during the quarter in response to some positive news on its cancer treatment, Imbruvica. The company announced that more than three-quarters of patients with aggressive multiple myeloma responded positively in a Phase 1 trials. Furthermore, the company said that three years of treatment with Imbruvica led to "deep and durable" responses in leukaemia patients. In addition to this, J&J is also working on spinning off its Consumer Health division. Separately, the company has entered a series of settlements for

treatments associated with the opioid crisis. All these pieces of news contributed positively to the performance of the stock for the quarter.

Merck & Co Inc was a top contributor to the Fund in the second quarter. The US healthcare company is best known for its cancer drug Keytruda, diabetes drugs Januvia and Janumet, and HPV vaccine Gardasil. The strong performance during the quarter was largely due to the approval by the European Commission of Keytruda an immunotherapy drug which, in combination with chemotherapy, helps to target certain types of breast cancer. This approval allows marketing of this Keytruda regimen in all 27 EU member states plus Iceland, Lichtenstein and Norway.

Rio Tinto, along with many other metals-related stocks, experienced a fall in its share price during the quarter. There were two main reasons for this: the first relates to the company's production results for Q1 2022- the second was related to China. Rio's production of iron ore and aluminium fell in the first three months of the year. However, on a positive note, the company did not reduce its guidance for the full year despite this. The factor weighing on the share price was due to the rising number of lockdowns in China caused by fears of rising Covid-19 cases. This sparked fears among investors that steel demand would continue to fall as activity in China stalled. Nevertheless, the company remains confident of its current earnings guidance.

Intel executives commented at a conference that the near-term business outlook has been deteriorating. The company has experienced several weak quarters in recent years. Despite this, Intel has committed to investing for future growth. The company also seems to be embracing change. Recently, Chief Executive Officer Pat Gelsinger took the helm and has promised massive restructuring. In fiscal 2022 (and probably fiscal 2023) Intel will raise capital expenditure as it is in an "investment phase". According to management these investments should lead to a double-digit growth in revenue, which is stemming in parts from Intel's traditional business and from the emerging businesses.

Sample portfolio transactions

There were no transactions during the period.

The QQE perspective

Last quarter we noted that, despite falling equity and bond prices and the uncertainty generated by the war in Ukraine, investors, by and large, remained confident in the resilience of the economic cycle. This was reflected in the superior performance of the People pillar of our proprietary Quality model. 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.

That confidence was evident through the second quarter as the People pillar continued to perform strongly at a time when Quality, as a style, was out of favour. Towards the end of the quarter, there was some evidence that investors were starting to lose faith in the economic cycle and starting to price in a recession. The most obvious sign was the rally in bonds late in the quarter while equities remained under pressure.

It will be interesting to follow the relative performances of the four pillars of our model in the months ahead as we go through another earnings season in which company managements will describe the current and future business environment. Uncertainty about future economic growth often tempts investors back into Quality companies that can deliver profitable growth for investors. It is this area of the market that we, as bottom-up investors, focus our attention.

Calendar year performance	2021	2020	2019	2018	2017
	(%)	(%)	(%)	(%)	(%)
Global Equity Income Fund (Net of fees) (EUR)	27.5	-4.2	27.4	-4.4	0.9
MSCI World Index (EUR)	31.1	6.3	30.0	-4.1	7.5
Merck & Co Inc	1.8	-7.2	22.3	40.0	-1.5
Johnson & Johnson	11.4	10.9	16.2	-5.1	24.4
Sanofi	16.8	-9.1	23.4	10.3	-3.5
Pfizer Inc	66.7	3.2	-6.9	24.8	15.9
Pepsi Co Inc	20.54	11.71	27.37	-4.81	17.81
Rio Tinto plc	0.6	30.6	35.4	0.3	31.5
Intel Corp	6.0	-14.7	30.7	4.2	30.8
Siemens AG	33.3	15.4	24.4	-13.5	2.4
Cisco Systems	45.8	-3.5	13.8	16.6	31.3
Samsung	-2.0	51.8	48.4	-21.6	43.9

Source: IQ EQ Fund Management (Ireland) Limited (Class A Acc EUR) and Bloomberg as at 31st December 2021. Performance quoted in local currency unless otherwise stated.

Warning: Past performance is not a reliable guide to future performance. The value of the investment can reduce as well as increase and, therefore, the return on the investment will also be variable. Changes in exchange rates may have an adverse effect on the value price or income of the product.

This report does not constitute an offer for the purchase or sale of any financial instrument, trading strategy, product or service. No one receiving this report should treat any of its contents as constituting advice or a personal recommendation. It does not take into account the investment objectives or financial situation of any particular person. All investments involve a degree of risk. Equities may involve a high degree of risk and may not be suitable for all investors. Government bonds and cash deposits, although considered the safest assets, are not devoid of risk (e.g. inflation risk, credit risk, currency risk, etc.). There are different reasons why an investor would choose to invest in a particular asset class and each investor must consider the inherent risks therein based on his/her own personal circumstances.

No part of this document is to be reproduced without our written permission. This document has been prepared and issued by IQ EQ Fund Management (Ireland) Limited on the basis of publicly available information, internally developed data and other sources believed to be reliable. While all reasonable care has been given to the preparation of this information, no warranties or representation expressed or implied are given or liability accepted by IQ EQ Fund Management (Ireland) Limited or its affiliates or any directors or employees in relation to the accuracy fairness or completeness of the information contained herein. Any opinion expressed (including estimates and forecasts) may be subject to change without notice. We or any of our connected or affiliated companies or their employees may have a position in, or may have provided within the last twelve months, significant advice or investment services in relation to any of the securities or related investments referred to in this document.

IQ EQ Fund Management (Ireland) Limited is regulated by the Central Bank of Ireland. In the UK, IQ EQ Fund Management (Ireland) Limited is deemed authorised and regulated by the Financial Conduct Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website. In Luxembourg, IQ EQ Fund Management (Ireland) Limited is authorised by the Central Bank of Ireland and is subject to limited regulation by the Commission de Surveillance du Secteur Financier. Details about the extent of our authorisation and regulation by the Central Bank of Ireland, the Financial Conduct Authority and Commission de Surveillance du Secteur Financier are available from us upon request.

The Davy Global Equity Income 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 an Undertaking for Collective Investment in Transferrable Securities (UCITS). The Prospectus, Supplement and Key Investor Information Document for the fund are available in English from IQ EQ Fund Management (Ireland) Limited, Davy House, 49 Dawson Street, Dublin 2 or <https://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.

MSCI Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, disseminated or used to create any financial products, including any indices. This information is provided on an 'as is' basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI and the MSCI indexes are services marks of MSCI and its affiliates.

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.

About us*

We are IQ-EQ, a leading investor services group employing over 4,000 people across 24 jurisdictions worldwide. We bring together that rare combination of global expertise with a deep understanding of the needs of our clients. We have the know how and the know you to support fund managers, global companies, family offices and private clients.

IQ EQ Fund Management (Ireland) Limited is regulated by the Central Bank of Ireland. In the UK, IQ EQ Fund Management (Ireland) Limited is deemed authorised and regulated by the Financial Conduct Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website. In Luxembourg, IQ EQ Fund Management (Ireland) Limited is authorised by the Central Bank of Ireland and is subject to limited regulation by the Commission de Surveillance du Secteur Financier. Details about the extent of our authorisation and regulation by the Central Bank of Ireland, the Financial Conduct Authority and Commission de Surveillance du Secteur Financier are available from us upon request.

*Information correct as of 3 February 2022

This document is provided for information purposes only and does not constitute legal, tax, investment, regulatory, accounting or other professional advice. For more information on the legal and regulatory status of IQ-EQ companies please visit www.iqeq.com/legal-and-compliance

Reference: TC362_18072022_1
© IQ-EQ 2022

Find out more
www.iqeq.com

Follow us

