Q1 2023 Update

Global Equity Income Fund

For Investment Professionals Only

This strategy is provided by Irish Life Assurance plc and is managed by IQ EQ Fund Management (Ireland) Limited (formerly Davy Global Fund Management Limited).

Performance	1 Month (%)	Q1 2023 (%)	1 Year (%)	3 Years P.a. (%)	5 Years P.a. (%)
Global Equity Income Fund (Net Of Fees)	0.45	2.14	-0.39	14.78	9.50
MSCI World Index[1]	0.63	5.83	-4.78	16.78	10.72

Source: IQ EQ Fund Management (Ireland) limited (Class A Acc Eur) as at 31 December 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 comment

Equity and bond markets produced positive returns for investors during the first quarter despite elevated levels of financial market volatility. Equity markets made the most of those gains in January before strong inflation and labour market data caused investors to raise their expectations as to where interest rates will peak this cycle. Bond prices tracked equities during January and February before the collapse of Silicon Valley Bank and Signature Bank caused a flight to safety and a rally in bonds into quarter-end.

While the two banks' balance sheets and lending structures were unusual in the context of the broader US banking sector, the Federal Reserve and the Treasury Department took the decision to guarantee their entire deposit bases and institute a new liquidity scheme to support the wider financial sector and prevent contagion. While the intervention had the effect of reducing strains in the system, it came too late for troubled Swiss lender, Credit Suisse, which came under renewed pressure forcing it into a merger with rival UBS in March.

Technology and internet-related shares – last year's laggards – were the standout performers during the quarter, rising by over 20% in the

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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 Strategy is actively managed. SFDR disclosures are available upon request from Davy House, 49 Dawson Street, Dublin D02 PY05.

three months. The shares were boosted in January by falling interest rates and by the flight from cyclical sectors later in the quarter as recession fears grew. Financial shares fell amid the chaos in the US regional banks sector, as did those of oil and gas companies. The latter were treading water for most of the quarter before succumbing to recession fears in March.

At a headline level, there was little to separate European and US equity performance during the quarter. Any discernible differential in performances between the two regions was attributable to the US market's higher weighting in technology shares.

Fund performance

The **Global Equity Income Fund** returned 2.14% during the quarter versus an index return of 5.83%. Stock Selection and Asset Allocation negatively impacted relative performance, while Currency contributed positively during the quarter. Stock Selection was weakest within the Communication Services sector, which contains the large internet-related companies, such as Meta and Alphabet which do not pay dividends. Fund holding Nintendo was one of the weaker performers within this sector. The Asset Allocation underperformance was driven by underweight positions in the Information Technology and Consumer Discretionary sectors and overweight positions in the Industrial and Healthcare sectors. Currency contributed positively to relative performance during the quarter, due mainly to the Fund's underweight to the dollar, which rallied during the quarter. The top five equity contributors to relative performance during the quarter were: Taiwan Semiconduction Manufacturing Co.; Air Liquide; Swisscom; Siemens, and Relx. The bottom five equity detractors to relative performance during the quarter were: Pfizer; MetLife; Johnson & Johnson; Merck & Co, and US Bancorp.

Taiwan Semiconductor Manufacturing Co. ("TSMC"), the semiconductor foundry operator was among the strongest contributors to Fund returns in the quarter. The share price rose by over 23% in the three months, with most of the gains occurring in January and February. The company posted a better-than-expected earnings report during the quarter indicating that the bottom of the current semiconductor cycle may be near. Earnings downgrades across the rest of the sector also suggest we may be close to the bottom of the cycle – hence the strong rally in the stock as earnings forecasts became more realistic. TSMC is a high-quality company with excellent sustainability credentials operating with an exceptionally strong competitive moat. That strength allows the company to pay out 70% of free cash flow to investors in dividends every year.

Air Liquide, the global industrial gasses company, was among the top performers during the quarter, rising by 16.5% during the period. The stock has been a strong performer, rising consistently since announcing better-than-expected results last October. The share price made a new all-time high on the final day of the quarter. Air Liquide operates in a highly concentrated, specialised, global sector with long-term customer contracts, which gives a degree of stability to earnings and consistency in the payment and growth of dividends. The processes involved in producing specialist industrial gases for customers are currently heavily dependent on fossil fuels and may also lead to water stress. Management recognises these risks, and the company has developed plans and targets based around improving the environment and developing healthcare products and processes to enhance quality of life. Progress on these initiatives is communicated regularly to investors and regulators. Moreover, the company's governance structures are strong relative to peers.

Pfizer detracted from performance during the quarter. The company's Covid vaccine, Comirnaty, and its retroviral Covid treatment, Paxlovid, face uncertainty, which the company had been alerting investors about in 2022. Nevertheless, the shares reacted with a lag, culminating in poor performance particularly in January, the worst monthly return for the stock since 2009. The shares consolidated at lower levels during March. Paxlovid should continue to benefit from a US government purchase programme and exceptionally strong demand in China where the re-opening has resulted in surging Covid cases. Investor-focus is now turning to the core, non-Covid product portfolio and the long-term opportunities for the company.

MetLife Inc ("Metlife") is a US-based global insurer and financial services company. The share price fell by over 20% during the quarter as the US financial sector experienced turmoil following the collapse of Silicon Valley Bank (SVB) and Signature Bank. The financial sector was subject to intense scrutiny in the wake of the official interventions to shore up the system. MetLife updated investors on the quality of its asset book, particularly its exposure to the commercial real estate sector. In a demonstration of its capital strength the company does not intend to scrap its share buyback programme in the current environment. The share price recovered somewhat following the update. Metlife's diversified model and strong capital position allowed the insurer to maintain its dividend right through the global financial crisis and dividend growth at the company has been consistently in mid-single digits for the past ten years.

Sample portfolio transactions

During the quarter we switched out of US oil conglomerate Chevron into optical fibre and glass specialist Corning.

The QQE perspective

The performance of global equities in the first quarter of 2023 was a mirror-image of the outturn for 2022. Outperformance was concentrated in those sectors that had underperformed last year – Technology, Consumer Discretionary and Communication Services. Quality as a factor recovered some ground during the quarter.

Our Quality model is comprised of four sub-pillars reflecting the attributes that we believe will drive long-term performance for our clients: Profitability, Persistence, Protection and People. The quality model has outperformed in 2023. In Q4 2022 we noted that recession later this year was becoming a consensus and that "in such circumstances, investors should start to place a premium on earnings consistency again. This will be reflected in better performance from the Persistence pillar". That has indeed been the case in Q1 2023. When investors are concerned about profitability, they pay a premium for Persistence of profits. Our Persistence pillar was the standout winner in this quarter.

Digging a little deeper, we find that the Protection pillar - which reflects low beta, low volatility, and stable return companies - was a laggard. This underperformance was driven by an overweight allocation to Financial stocks within that pillar. As we enter the Q1 earnings reporting season, this sector is now clearly front-of-mind for investors. Over the coming weeks, we will be watching the Protection pillar for early signs of a recovery in sentiment within Financials or whether a new bout of volatility is in the offing.

Calendar year performance	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)
Global Equity Income Fund (Net of fees) (EUR)	-2.8	27.5	-4.2	27.4	-4.4
MSCI World Index (EUR)	-12.8	31.1	6.3	30.0	-4.1
Air Liquide S.A.	-3.3	16.5	8.8	31.0	5.8
Johnson & Johnson	6.0	11.4	10.9	16.2	-5.1
Merck & Co.	49.4	1.8	-7.2	22.3	40.0
MetLife Inc.	19.2	37.3	-3.5	28.8	-15.8
Pfizer Inc.	-10.4	66.7	3.2	-6.9	24.8
Relx plc	-2.7	37.3	-3.4	20.8	-4.7
Siemens AG	-12.6	33.3	15.4	24.4	-13.5
Swisscom AG	2.5	12.8	-3.0	14.3	-5.0
Taiwan Semiconductor Manufacturing Co.	-36.8	12.1	92.7	64.8	-3.6
US Bancorp	-19.1	24.3	-17.9	33.6	-12.4

Source: IQ EQ Fund Management (Ireland) Limited (Class A Acc in EUR) and Bloomberg as at 31 December 2022. Performance quoted in local currency unless otherwise stated.

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The 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 Document for the fund are available in English from IQ EQ Fund Management (Ireland) Limited, 5th Floor, 76 Sir John Rogerson's Quay, Dublin Docklands, Dublin 2, D02 C9D0, 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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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*

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*Information correct as of 26 May 2023

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