

Davy Global Bond Fund

For Investment Professionals Only

Performance	1 month (%)	Q1 2024 (%)	1 year (%)	3 years p.a. (%)	5 years p.a. (%)
Davy Global Bond Fund (net of fees)	0.89	-0.67	0.01	-4.37	-1.58
JP Morgan Global Bond Index ¹	0.69	-0.79	0.26	-3.89	-1.63

Source: IQ EQ Fund Management (Ireland) Limited (Davy Global Bond Fund Class A Acc EUR) as at 31 March 2024.

¹The JPM Global Bond (Euro Hedged) Index shown above does not include fees or operating expenses and you cannot invest in it.

Fund overview

The aim of the **Davy Global Bond Fund** (the 'Fund') is to protect capital against volatility, deflation, and bear markets by investing primarily in global sovereign bonds.

Market comment

The first quarter of 2024 saw global recession risks continue to recede. While US growth may be slowing down from the strong pace set in the second half of 2023, there is little to suggest a recession over the coming months. China saw strong activity in the first few months of the year, while both the euro area and UK economies are showing a modest improvement compared to 2023 when growth was lacklustre.

The combination of a better global growth outlook and firmer inflation readings in the US led the market to upwardly revise the future path of interest rates, resulting in higher bond yields (lower bond prices) during the quarter. This resulted in a

modest loss for Developed Market government bonds during the period, with the JP Morgan Global Bond Index (euro hedged) falling 0.79%.

At the same time, a more resilient global economy helped to increase risk appetite and demand for corporate bonds and other riskier Fixed Income sectors. Similarly, eurozone peripheral government bonds such as Spain, Italy and Greece, which was recently upgraded to investment grade by Standard & Poor's, also outperformed higher rated eurozone countries such as Germany.

Fund performance

The Davy Global Bond Fund was down 0.67% (net) during the first quarter. It outperformed its benchmark, the JP Morgan Global Index (euro hedged), which fell 0.79%.

The Fund's allocations to government agency, corporate, municipal, and supranational bonds were the main source of outperformance. In addition, the Fund's overweight position in Australia also contributed positively.

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 Strategy is actively managed. SFDR disclosures are available upon request from 5th Floor, 76 Sir John Rogerson's Quay, Dublin 2, D02 C9D0.

These gains were partially offset by the underperformance of the Fund’s long duration position in the US, as inflation proved stickier than expected and yields rose. In addition, an underweight in Japan detracted from performance.

Positioning

We became more optimistic on the global economy last November. This led us to become more constructive on issuers and sectors which give a pick-up in yield (“spread”) over benchmark government bonds which traditionally do well when economies are growing.

Accordingly, we have been adding significant exposure to attractively priced municipal and government agency issuers. These have been performing well and we expect to continue to add to these sectors where we see value. We also moved to an overweight position in Spain, given we think it will be supported by an improving eurozone economy and a series of rate cuts by the European Central Bank, which we currently expect to begin in June.

Regarding interest rate strategy, the Fund remains long duration relative to its benchmark so that it would outperform in a falling yield environment. Across markets, the Fund is long duration in

Australia, the euro area and the US; neutral the UK; and short both Canada and Japan.

Australia is the largest position given we view their long-dated bond valuations as attractive, particularly once hedging costs and curve dynamics are taken into consideration. In addition, the Reserve Bank of Australia seems unlikely to announce active Quantitative Tightening (i.e. a programme to sell the Australian Government Bonds it holds on its balance sheet) anytime soon.

We recently switched our long UK duration exposure to an existing long in the euro area, as we think there is a clearer case for disinflation and better valuations relative to fundamentals in Euro Government Bonds.

In the US, the Federal Reserve (Fed) will be happy that it seems to have engineered a soft landing. However, inflation readings for January and February were higher than the Fed would have hoped. Therefore, we think there is a risk it will not be able to cut rates in June as many expect. Despite this, we continue to hold a modest long duration position in US Treasuries as we think longer-dated valuations are attractive.

Calendar year performance	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)
Davy Global Bond Fund (Net of fees) (EUR)	3.0	-14.5	-3.4	6.0	5.2
JPMorgan Global Bond Index (Euro Hedged)	3.5	-14.0	-3.1	4.9	4.6

Source: IQ EQ Fund Management (Ireland) Limited (Davy Global Bond Fund Class A Acc EUR) and Bloomberg as at 31 March 2024. Performance is quoted in local currency unless otherwise stated.

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The Davy Global Bond 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/davy-funds-plc/>. 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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*Information correct as of April 2024

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Reference: NC_24022024_1
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