Q1 2024 Update

Davy Global Focus Fund

For Investment Professionals Only

Performance	1 month (%)	Q1 2024 (%)	1 year (%)	3 years p.a. (%)	5 years p.a. (%)
Davy Global Focus Fund (net of fees)	1.91	6.83	16.00	5.57	8.51
MSCI World Index[1]	3.42	11.37	25.86	11.71	12.95

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

[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 **Davy Global Focus Fund** (the 'Fund') is to generate absolute returns over the medium term. Absolute returns are specific, consistent positive returns which are not necessarily dependent upon specific asset class exposure or upon continuous rising markets.

Market comment

The recent global equity market rally, which began at the end of October last year, continued uninterrupted through the whole of the first quarter. The MSCI World Index (net) rose by 11.37% in euro terms during the period. Global bond markets were generally weaker during the quarter as investors postponed the timeframe for interest rate reductions.

Of the so-called "Magnificent Seven" shares, Amazon Inc., Meta Inc., Alphabet Inc., Microsoft Inc. and Nvidia Inc. were once again among the strongest contributors to equity market performance in the first quarter, while shares of Apple Inc. and Tesla Inc. underperformed, with the latter falling by almost 28% over the three-month period.

From an equity sector perspective, the outturn for the quarter was somewhat diversified, with Technology and internet-related Communications Services shares performing best, followed closely by the Financials and Energy sectors. The latter two had been poor performers over the previous twelve months.

Utilities and Real Estate, the sectors most impacted by interest rate movements, were the weakest performers during the quarter as hopes for near-term interest rate cuts faded. These two sectors have underperformed since 2022 when global interest rate increases accelerated.

In euro terms, US equities were the best performers among the global developed market regions, driven by the focus on technology and internet shares. Asia-ex-Japan was once again the weakest region – as it has been since 2021 – as investor concerns about a sustainable post-Covid return to grown in the region continue.

Fund Performance

The **Davy Global Focus Fund** gained 6.83% in Q1, net of fees, underperforming the MSCI World Index return of 11.37%. Tailwinds from expected interest rate cuts by Central Banks in 2024 drove markets, but the timetable for the start of these has moved out further into 2024. While commentators have noted that the Federal Reserve has never cut rates with the US economy in such strong shape, output and employment are strong. Over the quarter, quality and growth factors outperformed more value-orientated styles, though in March this trend reversed itself. Within the Fund, sectors making the largest contributions to return were Information Technology (NVIDIA, TSMC, Microsoft), Industrials (Cummins) and Consumer Discretionary (Garmin). On the corresponding regional basis, most of the Fund's gains came from North America, with more mixed results within the other main regions of Western Europe and Asia Pacific. The Fund will continue to focus on quality companies with high levels of profitability and positive ESG momentum when looking for attractive companies.

The top five equity contributors to relative performance during the quarter were: Nvidia Corp., Taiwan Semiconductor Manufacturing Co. Ltd., Cummins Inc., Intuitive Surgical Inc., and Microsoft Corp. The bottom five equity detractors from relative performance during the quarter were: TravelSky Technology Ltd., Adobe Inc., Kuehne + Nagel International AG, Roche Holding AG, and Nestlé S.A.

Nvidia Corp. ("Nvidia") is a high-quality manufacturer of semiconductors used for computer gaming and servers in data centres. Its AAA ESG rating reflects its exposure to Opportunities in Clean Tech. The company is capitalising on the shift towards technologies such as Artificial Intelligence ("AI") and machine learning. Its chips are increasingly in demand for accelerated computing/networking platforms and software solutions, with Nvidia positioned as the one-stop shop. The result is strong profitability and cash generation, making it a 'high-quality' stock and a core holding in the Fund. Nvidia reported another strong quarter as broadening AI adoption is creating a demand imbalance across multiple product areas. This was increasingly evident from management discussions at the recent global electronics trade show CES, and the GTC developer conference.

Taiwan Semiconductor Manufacturing Co. Ltd. ("TSMC") is one of the world's largest semi-conductor foundries and is an enabler of the computing revolution. It offers multiple architectures, chip platforms and design options. The company holds a peer-leading AAA ESG rating from MSCI, reflecting strong talent management and natural resource usage. It is one of the only top five global chip foundries to maintain its sales growth in 2023, and this is set to continue through 2024. Although its exposure to AI in 2023 was limited to 5% of revenues, this is forecast to increase to 21% by 2027. This will be driven mainly by Nvidia's AI chip development (including the new B100/B200), Google, Meta, Amazon and Tesla. One negative is in the smartphone sector, where stocking is currently flat to down for iOS and Android respectively. Overall, however, we expect demand for AI to be sustained, resulting in a revenue upside for TSMC for the coming few years.

TravelSky Technology Ltd. ("TravelSky") is the sole provider of IT solutions and services for China's aviation and travel industry. Its technologies enable airlines, customers, and agents to manage travel information, ticketing, baggage handling, accounting, and settlement. Results released in January met expectations on revenue but showed margin compression because of increased credit losses, salary costs and project maintenance fees. Whilst the recovery in air traffic volumes is still intact, we are particularly concerned that the sharp increase in staffing costs will significantly limit the profitability of the business moving forward. As a result, we have exited the position within the Fund.

Adobe Inc. ("Adobe") helps customers do everything from creating digital content to delivering data-driven marketing campaigns. It uses AI to integrate a customer's workflows which allows it to expand margins and capture a greater share of customers' wallets. This makes Adobe a high-quality business, as the ubiquitous nature of its products means it has a deep moat. It also holds a peer-leading AAA ESG rating from MSCI, with strong data security and talent management. 4Q23 results were solid; however, FY24 guidance was conservative and didn't meet analysts' expectations. Adobe suggested that the issue was a combination of a tough macro environment affecting all competitors, along with the company not having a sufficient pace of new product innovation to drive new user counts. Despite the stock's weakness after the results, we remain positive on Adobe's future as it stands to gain from its position in the AI space."

Sample portfolio transactions

The Fund divested its positions in Cognex Corp. and TravelSky Technology Ltd. over the period with a view to using the proceeds to invest in stocks with better revenue visibility and valuations.

The QQE perspective

At the start of 2024, we observed that investor focus on the so-called "Magnificent Seven" effect on total market performance appeared to be waning and that a broadening in market performance was becoming evident. This phenomenon lasted for a few weeks in 2024 as the degree to which total equity market returns were being driven by these stocks fell. This would certainly be a good thing for the sustainability of the equity market rally. However, the effect was short-lived and, while sectors such as Financials, Energy and Industrials all out-performed, they are just too small within an index such as the MSCI World Index to drive performance.

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 performances of the four pillars continue to reflect investor preferences for steady, consistent profits. But investors are paying a higher price for those profits. Apart from the distortionary effect of the Covid pandemic, equity valuations have not been as high as they are now since the "dotcom" frenzy. A lot is riding on the persistence of the earnings trends of a few large companies as we face into another earnings season.

Calendar year performance	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)
Davy Global Focus Fund (net of fees) (EUR)	14.6	-18.0	22.8	-1.2	20.8
MSCI World Index (EUR)	19.6	-12.8	31.1	6.3	30.0
Adobe Inc.	77.3	-40.7	13.4	51.6	45.8
Cummins Inc.	1.7	14.1	-1.7	30.5	38.1
Intuitive Surgical Inc.	27.1	-26.1	31.8	38.4	23.4
Kuehne + Nagel International AG	41.9	-24.2	49.0	25.9	34.9
Microsoft Corp.	58.2	-28.0	52.5	42.5	57.6
Nestlé S.A.	-6.6	-14.0	25.4	2.1	34.7
Nvidia Corp.	239.0	-50.3	125.5	122.3	76.9
Roche Holding AG	-12.8	-21.4	26.3	1.3	33.1
Taiwan Semiconductor Manufacturing Co. Ltd	42.3	-36.8	12.1	92.7	64.8
TravelSky Technology Ltd.	-17.9	26.4	-29.8	0.5	-3.4

Source: IQ EQ Fund Management (Ireland) Limited (Davy Global Focus Fund Class A Acc EUR) and Bloomberg as at 31 March 2024. Performance is 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.

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