

Davy Funds Plc

IQ EQ ESG Multi-Asset Fund

CLASS A Distributing Units

INVESTMENT OBJECTIVE

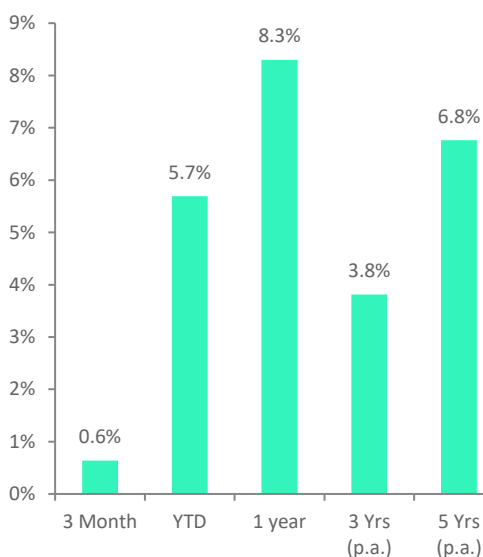
The primary investment objective of the IQ EQ ESG Multi-Asset Fund ('the Fund') is to seek, over time, to achieve capital appreciation in real terms. The Fund may, as a secondary objective, also seek to generate a moderate level of income, from year to year, consistent with the growth objective.

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.

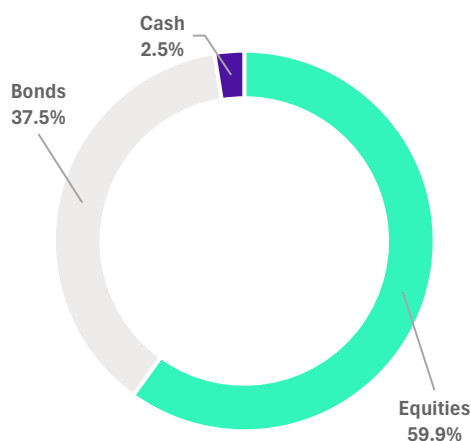
NOTE: All information below is provided as at 30.06.2024

INVESTMENT PERFORMANCE



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

ASSET ALLOCATION (% Fund)



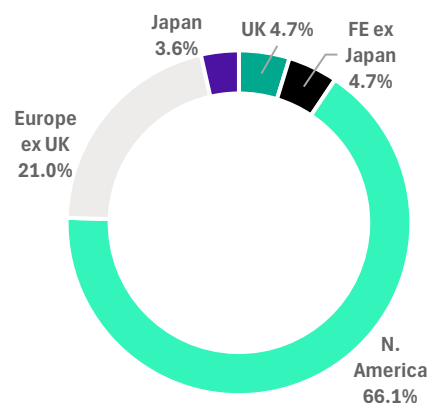
TOP 10 HOLDINGS (%)

10 Largest Equity Holdings (% of Total Fund)

Stock	Country	Weight
Microsoft Corp.	USA	5.3%
Alphabet Inc.	USA	4.3%
Oracle Corp.	USA	2.2%
TSMC Ltd.	Taiwan	2.1%
TJX Companies Inc.	USA	1.7%
Visa Inc.	USA	1.6%
Merck & Co Inc.	USA	1.6%
American Express Co.	USA	1.6%
SAP SE	Germany	1.5%
Iberdrola S.A.	Spain	1.4%
Total		23.2%

GEOGRAPHIC ALLOCATION (%)

Portfolio Geographic Allocation (% Equity)



IQ EQ Fund Management (Ireland) Limited

Quarter 2, 2024

ABOUT THE FUND

Base Currency:

Euro

Fund Size (EUR):

18.34m

No. of Equity Holdings:

51

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

1.05%, 1.80%

Structure:

UCITS*

* On 17 October 2017 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 was named the Davy ESG Multi-Asset Fund. On 01 May 2024, the Fund was renamed the IQ EQ Cash Fund. The same Strategy applies to both sub-funds.

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Davy Funds Plc

IQ EQ ESG Multi-Asset Fund Q2 2024

MARKET COMMENT

Equity markets made further gains in the second quarter, rising by 3.4% in euro terms as measured by the MSCI World Index (net). This brought the total return for the year-to-date to 15.2%. The course of inflation and the timing of future interest rate cuts from the world's central banks were the dominant themes during the quarter. The ECB cut interest rates by 0.25% for the first time since 2016 during the quarter, while the Swiss National Bank and Bank of Canada were also among the central banks easing policy during the period. The US Federal Reserve was a notable holdout, preferring to wait for more evidence of a cooling economy.

After a brief pause earlier in the year, technology and internet-related shares once again drove equity market performance during the quarter. Market performance was very concentrated, with Nvidia, Apple, Microsoft Alphabet and Amazon essentially accounting for all the return during the three months. Investors are placing a premium on companies that can produce solid earnings growth and these US tech companies delivered during the quarter.

At the other end of the performance spectrum, cyclical sectors such as Industrials, Materials and Energy fell during the quarter as earnings disappointed.

FUND PERFORMANCE

The **IQ EQ ESG Multi-Asset Fund** returned 0.64% in Q2 2024, net of management fees, in euro terms. During the quarter equities within the portfolio returned 2.41% (gross of management fees), while the bond component to the Fund contributed -1.10% (gross of management fees). At the end of the month, the asset breakdown was: 59.93% high-quality Equities; 37.55% Bonds, and 2.52% Cash.

Within the equity portfolio:

The equity component of the strategy, which accounts for ca. 60% of the strategy, gained 2.41% gross. This compares to the MSCI World Index return of 3.42%. Both stock selection and asset allocation took from performance. Stock selection was weakest within Technology (Nvidia, Apple – neither owned, and Capgemini) and Healthcare (IQVIA, Merck). Positive selection within Communication Services (Alphabet) and Materials (IFF, Boliden) only partially offset this. In terms of Asset Allocation, the strategy benefited most by being underweight the Consumer Discretionary and Real Estate sectors which underperformed. However, being overweight the Materials and Industrials sectors took from performance as these sectors also underperformed. Technology was the best-performing sector, in which the strategy is broadly neutral. The impact from Currency was a small positive. The 'Magnificent 7' again detracted from returns with the group outperforming the MSCI World Index, driven by Alphabet, Nvidia and Apple.

The **top five equity contributors** to relative performance during the quarter were: Alphabet Inc., Taiwan Semiconductor Manufacturing Co., Oracle Corp., Microsoft Inc., and TJX Companies Inc.

The **bottom five equity detractors** from relative performance during the quarter were: Vinci S.A., Fortune Brands Innovations Inc., Lululemon Athletica Inc., Capgemini SE, and IQVIA Holdings Inc.

Alphabet Inc. (Alphabet), the global technology giant, gained +21.7% in the second quarter and was the top contributor to returns. Indeed, the shares again hit a new 12-month high towards the end of the quarter. Following blowout quarterly results in April, the market has had to digest product and developer news from the developer conferences held by Apple, Google, Microsoft and OpenAI. The shares responded positively as investors see Alphabet as a driver and beneficiary of an increasingly digital economy and advances in Generative AI. The company has a path across Search and YouTube ads as AI drives higher returns in investment and TV dollars shift online. Already Generative AI is beginning to drive improved user engagement and advertiser return. Efforts to reduce the cost base are also now showing through in higher margins. Alphabet has been carbon-neutral since 2007 with the goal of being carbon-free by 2030. The group continues to roll out features to reduce emissions such as eco-friendly routing in Google Maps, energy efficiency features in its Nest thermostats, and carbon emissions data in flight itineraries from Google Flights. Alphabet is also a leader in many ESG 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.

Vinci S.A. (Vinci), the French concession, construction and contracting group declined by 14.6% over the quarter and was the main detractor of returns within the strategy. The shares slumped on political risk as President Macron dissolved the lower house of the French parliament and called for new elections following his party's defeat in the European elections. With the rise in the far-right parties, markets were rattled by the risky move and questions were raised about stretched public finances and the current pro-business agenda. There are fears that a government under Marine Le Pen, leader of the National Rally party, could raise taxes on transport infrastructure, or even nationalise the assets that Vinci manages, such as the toll roads. Neither outcome is expected in the medium term. Vinci has a quality management team, a large order book and strong balance sheet in which we believe the group can navigate its way successfully through this turmoil. Vinci is also highly rated in terms of ESG. Given the large workforce, labour management is seen as a key business risk. However, Vinci has adopted best practice by linking safety performance to executive pay, thus incentivising continuous improvement in the company's health and safety standards. We added to the position on the recent pullback.

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Davy Funds Plc

IQ EQ ESG Multi-Asset Fund Q2 2024

Within the bond portfolio:

The second quarter saw Developed Market bond yields climb as stickier-than-expected inflation data across many of the larger economies led markets to price fewer interest rate cuts from central banks. These events resulted in a small loss for government bonds globally and led to the bond portfolio's benchmark, the JP Morgan Global Bond Index (unhedged in euros), falling 1.18% during the period.

The bond portfolio was down 1.10% during the second quarter outperforming its benchmark. Overweight positions in non-benchmark sovereign, government agency, supranational and corporate bonds contributed positively to performance. This was partially offset by the portfolio's long-duration position which detracted from performance in April when surprisingly strong US inflation data drove US and global bond yields higher.

POSITIONING

In the **equity portfolio** we bought Bureau Veritas S.A., a global leader in laboratory testing, inspection, and certification (TIC) services. It has leading market positions, protected by high barriers to entry, and a well-diversified business where scale matters. The company is structurally well placed to outgrow the TIC market which typically grows at 4% p.a. Strong cash generation will support future M&A. We like the high and improving returns, as well as the valuation which has derated from 27x to 20x. The company is a strong ESG performer where it is strong on governance and human rights versus peers.

To fund the purchase of Bureau Veritas S.A. we sold our position in Equinor ASA which is the second largest natural gas supplier to Europe. The shares have underperformed as gas prices have been weak, explained by a mild winter, excess liquid natural gas (LNG) in Europe from North America, demand weakness, and the decline in power prices. We believe that near-term gas fundamentals seem to be more bearish with further LNG capacity to come on stream in 2025, geopolitical risks ever present and a wavering European recovery in demand.

With regard to the **bond portfolio**, while inflation has certainly been stickier than many expected, we think that the general direction of inflation is still downward and will continue to move towards central bank targets over time. Therefore, it is unlikely that the large central banks will have to raise rates again in this cycle. Indeed, we think over the coming months central banks, such as the US Federal Reserve, will be able to gain more confidence that inflation is on the right track, and this will allow them to cut interest rates. This could help bond yields globally to move lower.

Regarding France, we think the recent volatility should settle down and that even if a shadow remains over the country's finances and credit ratings over the coming quarters, quite a lot of bad news is priced in. In addition, in our opinion the market is likely to increasingly differentiate between France and other issuers. As such, we think that many of the Fixed Income sectors which underperformed in June should recover.

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CALENDAR YEAR PERFORMANCE (%)

	2023	2022	2021	2020	2019
IQ EQ ESG Multi-Asset Fund (Eur)	4.9%	-10.2%	20.6%	5.2%	21.3%
MSCI World Index (Eur)	19.6%	-12.8%	31.1%	6.3%	30.0%
JP Morgan Global Bond Index (Eur)	3.5%	-14.0%	-3.1%	4.9%	4.6%
Alphabet Inc.	58.3%	-39.1%	65.3%	30.9%	28.2%
Bureau Veritas S.A.	-4.1%	-13.8%	35.9%	-6.4%	34.1%
Capgemini SE	23.6%	-26.6%	72.1%	18.1%	27.6%
Equinor ASA	2.8%	56.4%	67.0%	-13.5%	0.5%
Fortune Brands Innovations Inc.	35.2%	-36.5%	26.0%	33.0%	74.9%
IQVIA Holdings Inc.	12.9%	-27.4%	57.5%	16.0%	33.0%
Lululemon Athletica Inc.	59.6%	-18.2%	12.5%	50.2%	90.5%
Microsoft Corp.	58.2%	-28.0%	52.5%	42.5%	57.6%
Oracle Corp.	30.9%	-4.6%	36.9%	24.2%	19.3%
TJX Companies Inc.	19.7%	6.7%	12.8%	12.2%	38.8%
Taiwan Semiconductor Manufacturing Co.	42.3%	-36.8%	12.1%	92.7%	64.8%
Vinci S.A.	26.5%	3.9%	17.7%	-16.6%	41.5%

Source: IQ EQ Fund Management (Ireland) Limited, Northern Trust, and Bloomberg as at 30 June 2024. Performance is quoted in local currency unless otherwise stated. IQ EQ ESG Multi-Asset Fund Class A Distributing data are the total returns from single pricing and net of fees, with a bi-annual income distribution.

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IQ EQ Fund Management (Ireland) Limited

Quarter 2, 2024

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