

IQ EQ Global Equity Income Fund

For Investment Professionals Only

Performance	1 month (%)	Q2 2024 (%)	1 year (%)	3 years p.a. (%)	5 years p.a. (%)
IQ EQ Global Equity Income Fund ¹ (net of fees)	1.15	0.84	13.99	9.42	9.62
MSCI World Index ²	3.35	3.42	22.35	10.52	13.14

Source: IQ EQ Fund Management (Ireland) limited (IQ EQ Global Equity Income Fund Class A Acc EUR) as at 30 June 2024

¹The IQ EQ Global Equity Income Fund is a UCITS fund and was launched on 1 December 2010. On 1 May 2024 the Fund name was changed from Global Equity Income Fund to IQ EQ Global Equity Income Fund.

²The 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 **IQ EQ 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 markets made further gains in the second quarter, rising by 3.42% in euro terms as measured by the MSCI World Index (net). This brought the total return for the year-to-date to 15.18%. 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

European Central Bank 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 of 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

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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 5th Floor, 76 Sir John Rogerson's Quay, Dublin 2, D02 C9D0.

and Energy fell during the quarter as earnings disappointed.

Fund performance

The **IQ EQ Global Equity Income Fund** returned 0.84% in Q2 versus an index return of 3.42%. Stock Selection and Asset Allocation contributed negatively to relative performance, while Currency was a positive contributor. Stock Selection was impacted by the underperformance of stocks such as Airbus and Fastenal. The Asset Allocation outturn was driven by an underweight position in the Information Technology sector and an overweight position in the Industrials sector. The underweight position in the Information Technology sector is due to the low level of dividends available from some of the largest companies in the sector. The underweight position in the Consumer Discretionary sector contributed positively to relative performance. Currency contributed positively to relative performance, due mainly to the Fund's underweight position in the Japanese yen which fell versus the euro during the quarter despite efforts from the Bank of Japan to support the currency.

The **top five equity contributors** to relative performance during the quarter were: Taiwan Semiconductor Manufacturing Co. Ltd., ABB Ltd., Broadcom Inc., Corning Inc., and Public Service Enterprise Group.

The **bottom five equity detractors** to relative performance during the quarter were: Airbus SE, Fastenal Co., Vinci S.A., Intel Corp., and Merck & Co. Inc.

Taiwan Semiconductor Manufacturing Co. Ltd. ("TSMC"), the semiconductor foundry operator, was a leading contributor to performance during the quarter as the share rose by 29.1% compared with the Information Technology which rose by 12.3%. The company's reports have generally surprised investors positively during 2024, showing continued momentum, particularly in the Artificial Intelligence ("AI") and High-Powered Computing divisions. AI deployment requires the sort of chips that TSMC leads the world in production. TSMC has also entered a strategic alliance with South Korea's

SK Hynix for AI chip development. The company will increase capital spending to meet the new demand forecasts. We believe that the company will maintain its dominance in leading-edge technologies and that AI will be a longer-term driver of future profits. 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.

ABB Ltd. ("ABB"), the power and automation products manufacturer, was among the top contributors to the Fund's performance. The shares rose by 20.4% compared with the Industrials sector which rose by 1.3% during the quarter. The company's shares have risen by 31.7% since the start of the year. As a supplier of process automation, electrification, and efficient power generation products, ABB is among those companies that can make a difference in emissions reduction. At its investor day at the end of November 2023, the company upgraded its forecast for earnings and committed to a 100% reduction in its own Scope 1 and 2 emissions and a 90% reduction in Scope 3 emissions by 2050.

Airbus SE ("Airbus") shares were among the largest detractors from relative performance in the second quarter, after a very strong performance during Q1. While there is no doubt that the fundamental long-term demand for aircraft remains robust, Airbus and other manufacturers are having supply chain difficulties. Towards the end of the quarter, Airbus cut its 2024 delivery target from 800 aircraft to 770 citing supply chain issues in both aerostructures and engines – the latter caught the market by surprise. We do not believe the supply chain issues are structural, and they can be overcome in the near term. This will allow the company to raise delivery forecasts and profitability into next year. To some extent, Airbus will also benefit from the travails at rival Boeing, particularly in the narrow-body passenger aircraft, where growth dynamics are strong. This will support cash generation at the company. Cash flow dynamics at Airbus are strong, allowing management to announce a special dividend at the recent AGM.

Fastenal Company (“Fastenal”) is a distributor of fasteners (nuts, bolts, and screws) as well as maintenance, repair, and operations supply to customers through over 2,400 local branches and 945 onsite operations. The company also offers vending machines and specialised supply-chain management programmes. The stock was among the biggest detractors to relative performance during the quarter, falling by 17.4% compared with the Industrials sector, which fell by 1.3%. The company’s CEO cited “sluggish demand” as the core issue affecting the results. Fasteners tend to be more exposed to industrial production than any of the company’s other products. The company pointed to the length of the current downturn as the leading indicator of manufacturing activity, saying that history suggested that a recovery in demand dynamics may be close. Fastenal has a consistent history of dividend growth and uses special dividend payments to reward shareholders when cash flow growth is strong.

Sample portfolio transactions

There were no significant transactions during the quarter.

The QQE perspective

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 reflect investor preferences which, for most of 2024, have been for steady, consistent profits. We noted at the end of the first quarter that investors were paying a premium for those profits as valuations soared to levels not seen since the “dotcom” frenzy. Persistence was, once again, the standout performing pillar during the second quarter. It is dominated by technology stocks, which have generally had a very strong earnings season and, in many cases, are trading higher still. There is another possible reason for the crowding into technology stocks, and that is the loss of momentum in the US economy, particularly in the manufacturing sector, which has weakened in recent months according to leading indicator data. In such circumstances, it is natural for investors to seek refuge in companies that are delivering persistent profits when all other sectors are struggling. However, at current valuations, any slip in the AI-related bull market could be very painful indeed.

Calendar year performance	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)
IQ EQ Global Equity Income Fund (Net of fees) (EUR)	9.3	-2.8	27.5	-4.2	27.4
MSCI World Index (EUR)	19.6	-12.8	31.1	6.3	30.0
ABB Ltd.	36.7	-14.4	45.2	10.8	30.0
Airbus SE	27.7	0.2	25.2	-31.2	57.6
Broadcom Inc.	104.2	-13.3	56.4	44.9	29.1
Corning Inc.	-1.2	-11.6	5.9	27.7	-1.0
Fastenal Co.	41.3	-24.3	34.0	36.6	45.0
Intel Corp.	94.6	-46.7	6.0	-14.7	30.7
Merck & Co. Inc.	1.0	49.4	1.8	-7.2	22.3
Public Service Enterprise Group Inc.	3.6	-5.1	18.3	2.4	17.1
Taiwan Semiconductor Manufacturing Co. Ltd.	42.3	-36.8	12.1	92.7	64.8
Vinci SA	26.5	3.9	17.7	-16.6	41.5

Source: IQ EQ Fund Management (Ireland) Limited (IQ EQ Global Equity Income Fund Class A Acc EUR) and Bloomberg as at 30 June 2024. 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.

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The IQ EQ Global Equity Income Fund (formerly the Global Equity Income Fund – the name change is effective from 1 May 2024) 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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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 5,000 people across 25 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.

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*Information correct as of April 2024

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Reference: NC_24022024_1
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