

# IQ EQ Global Focus Fund

## For Investment Professionals Only

Performance	1 month (%)	Q2 2024 (%)	1 year (%)	3 years p.a. (%)	5 years p.a. (%)
IQ EQ Global Focus Fund <sup>1</sup> (net of fees)	3.16	2.87	14.02	3.77	8.81
MSCI World Index <sup>2</sup>	3.35	3.42	22.35	10.52	13.14

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

<sup>1</sup> The IQ EQ Global Focus Fund is a UCITS fund and was launched on 28 February 2001. On 1 May 2024 the Fund name was changed from Davy Global Focus Fund to IQ EQ Global Focus Fund.

<sup>2</sup> 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 **IQ EQ 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.

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 and Energy fell during the quarter as earnings disappointed.

### 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 ("ECB") cut interest rates by 0.25% for the first time since 2016 during 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 5th Floor, 76 Sir John Rogerson's Quay, Dublin 2, D02 C9D0.**

## Fund Performance

The **IQ EQ Global Focus Fund** gained 2.87% in Q2, net of fees, underperforming the MSCI World Index return of 3.42%. Markets finally received the predicted rate cut from the ECB (25bps on 6 June), and another strong earnings season buoyed stocks. While the main market indices were strong overall, any sign of weakness in earnings led to precipitous falls in price for individual companies. Assets exposed to Quality and Growth factors outperformed more value-orientated styles over the quarter. With bonds underperforming equities during the quarter, our fixed-income allocation detracted from performance but still offered valuable diversification benefits. Within equities, the sectors making the largest contributions to return were Information Technology (NVIDIA, Taiwan Semiconductor, Teradyne), and Healthcare (Intuitive Surgical). 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., Teradyne Inc., Alphabet Inc., and Intuitive Surgical Inc.

**The bottom five equity detractors** from relative performance during the quarter were: Masco Corp., Allegion plc, WD-40 Company, MSCI Inc., and Burberry Group plc.

**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 a strong quarter as broadening AI adoption is creating a demand imbalance across multiple product areas. In May, management's continued confidence in demand was reflected in reported excess inventory purchase obligations, up \$3.3bn quarter-on-quarter, reflecting the popularity of its new Blackwell platform. Further, these commitments are benefitting from "shortening lead times for certain components".

**Taiwan Semiconductor Manufacturing Co. Ltd. ("TSMC")** is one of the world's largest semiconductor 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 revenue upside for TSMC for the coming few years.

**Masco Corporation ("Masco")** manufactures plumbing and decorative architectural products. Its numerous well-known brands include Delta, Peerless, Brizo, Hansgrohe, Behr, Kilz, Liberty Hardware, and Kichler. It focuses its activities on the repair and remodel market, to which it is 90% exposed. This results in below-average exposure to US new residential construction reducing its level of cyclical volatility and vulnerability to new housing volatility. This has resulted in steady operating margins, making it a quality stock. The stock is also supported by its investment-grade balance sheet, dividend payments, and ability to deploy excess free cash flow to repurchase shares or make bolt-on acquisitions. Despite the strong operational performance, the business is facing soft demand for repair and remodelling activity within the US, leading the flat revenue growth guide for 2024.

These offsetting factors explain the volatile share price performance experienced year to date.

**Allegion Plc (“Allegion”)** is a global provider of security products and solutions that protect people and assets in places where they reside and work. Allegion manufactures and distributes a broad range of mechanical and electronic security products from its range of well-known or market-leading brands, which include Austral Lock, AXA, Kryptonite, Locknetics, Steelcraft, Von Duprin, etc. The company holds an AA ESG rating from MSCI, leading its peers in corporate governance. The stock has struggled since reporting Q1 results in April, despite beating consensus on both revenue and earnings. This is because the market has extrapolated slowing topline growth into its forecasts, despite seeing an improvement in margins. We remain convinced by Allegion's long-term strategy of pursuing industry-leading innovation through investment in mechanical and electronic security solutions.

## 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 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
Allegion plc	22.3	-19.2	15.0	-5.4	57.9
Alphabet Inc.	58.3	-39.1	65.3	30.9	28.2
Burberry Group plc	-27.9	15.0	4.4	-18.8	30.0
Intuitive Surgical Inc.	27.1	-26.1	31.8	38.4	23.4
Masco Corp.	46.6	-32.1	29.6	15.8	66.3
MSCI Inc.	22.9	-23.3	38.1	74.4	77.2
Nvidia Corp.	239.0	-50.3	125.5	122.3	76.9
Taiwan Semiconductor Manufacturing Co. Ltd	42.3	-36.8	12.1	92.7	64.8
Teradyne Inc.	24.8	-46.3	36.8	76.7	118.9
WD-40 Co.	50.9	-33.0	-6.9	38.8	7.4

Source: IQ EQ Fund Management (Ireland) Limited (IQ EQ Global Focus Fund Class A Acc EUR) and Bloomberg as at 30 June 2024. Performance is quoted in local currency unless otherwise stated.

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## 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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