Q3 2024 Update

IQ EQ Global Bond Fund

For Investment Professionals Only

Performance	1 month (%)	Q3 2024 (%)	1 year (%)	3 years p.a. (%)	5 years p.a. (%)
IQ EQ Global Bond Fund[1] A Acc EUR (net of fees)	0.92	3.67	7.96	-3.67	-2.12
IQ EQ Global Bond Fund[1] D Acc EUR (net of fees)	0.94	3.71	8.12	-	-
JP Morgan Global Bond Index[2]	0.95	3.66	7.29	-3.16	-2.00

Source: IQ EQ Fund Management (Ireland) Limited (IQ EQ Global Bond Fund Class A and Class D Acc EUR) as at 30 September 2024.

[1]The IQ EQ Global Bond Fund is a UCITS fund and was launched on 8 October 2004. On 1 May 2024 the Fund name was changed from Davy Global Bond Fund to IQ EQ Global Bond Fund. The D Acc EUR share class was launched on 28 June 2022.

[2]The 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 **IQ EQ Global Bond Fund** (the 'Fund') is to protect capital against volatility, deflation, and bear markets by investing primarily in global sovereign bonds.

Market comment

Bond markets globally had a very strong third quarter with the JP Morgan Global Bond Index (euro hedged) finishing up 3.66%. This was driven by the US Treasury market, which rallied following data that showed US companies were hiring less workers. This, combined with benign inflation readings, prompted the US Federal Reserve ("the Fed") to finally begin its easing cycle with a relatively large 50 basis points interest rate cut in September. The Fed also signalled more cuts were on the way as it sought to reduce the risk of a recession.

Given the strong influence US money and Treasury markets have on the global bond market, this dovish pivot by the Fed gave a boost to Fixed Income in almost every jurisdiction and sector worldwide. Weakness in Europe was also supportive of the rally, as the rate of inflation continued to fall and German data worryingly deteriorated, which might suggest that the ECB may need to cut interest rates more than expected.

Fund performance

The **IQ EQ Global Bond Fund D Acc share class** was up 3.71% (net) during the third quarter. It outperformed its benchmark, the JP Morgan Global Index (euro hedged), which rose 3.66%.

The Fund's long duration position in Australia outperformed as domestic inflation pressures eased. In addition, overweight positions in non-benchmark government and government agency bonds also contributed positively to performance.

This was partially offset by the underperformance of underweight positions in Japan and Canada which participated in the global bond rally.

Positioning and outlook

Recent data has painted a mixed picture of the global economy. Euro Area growth appears to be faltering, because of more pronounced weakness in Germany. Traditionally Europe's industrial powerhouse, the German manufacturing sector is missing cheap Russian gas and its car makers are facing tough competition from abroad. China has also been struggling, and it is too soon to see if the recently announced stimulus measures will be enough to get growth back on track towards the government's 5% annual target. While most US data has been robust, recent Nonfarm Payroll reports have pointed to a sudden slowdown in hiring. There are fears that the next step could be for companies to begin laying off workers which may trigger a recession.

In summary, there appear to be genuine reasons to be concerned that the world could be slipping into a recession. However, in the absence of an unforeseen shock, our base case is that this will be avoided.

The US, as the largest economy in the world and with the deepest markets, is the main region to watch. Despite the pace of job growth cooling, when we analyse a broader set of data it would appear to us that the US labour market remains strong. Perhaps most importantly, there appears to be little evidence so far to suggest the pace of layoffs is rising to levels that are concerning. In fact, both Jobless Claims and layoff notices under the Worker Adjustment and Retraining Notification ("WARN") Act have been trending lower since June.

In addition, as the largest contributor to GDP, US consumer behaviour will be very important to watch. While there are pockets of weakness in certain consumer sectors (for example, home retail), the overall outlook for consumer spending looks promising when one considers the positive feedback loops between the wealth effects from strong financial market returns this year, positive real wage gains and an easing of inflation and borrowing costs. We also think that the Fed's recent switch in priorities, from fighting inflation to avoiding a recession, should help consumer and business confidence.

However, one cannot be complacent, and incoming data require particularly close scrutiny at the moment. Meanwhile, duration (interest rate) exposure is relatively modest with the Fund's only long position in Australia. We also continue to retain overweight positions in non-benchmark government, government agencies, municipals, supranationals and corporate bonds. However, we stand ready to adjust Fund positioning if data warrant a change in view.

Calendar year performance	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)
IQ EQ 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 (IQ EQ Global Bond Fund Class A Acc EUR) and Bloomberg as at 30 September 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.

This report does not constitute an offer for the purchase or sale of any financial instrument, trading strategy, product or service. No one receiving this report should treat any of its contents as constituting advice or a personal recommendation. It does not take into account the investment objectives or financial situation of any particular person. All investments involve a degree of risk. Equities may involve a high degree of risk and may not be suitable for all investors. Government bonds and cash deposits, although considered the safest assets, are not devoid of risk (e.g. inflation risk, credit risk, currency risk, etc.). There are different reasons why an investor would choose to invest in a particular asset class and each investor must consider the inherent risks therein based on his/her own personal circumstances.

No part of this document is to be reproduced without our written permission. This document has been prepared and issued by IQ EQ Fund Management (Ireland) Limited on the basis of publicly available information, internally developed data and other sources believed to be reliable. While all reasonable care has been given to the preparation of this information, no warranties or representation expressed or implied are given or liability accepted by IQ EQ Fund Management (Ireland) Limited or its affiliates or any directors or employees in relation to the accuracy fairness or completeness of the information contained herein. Any opinion expressed (including estimates and forecasts) may be subject to change without notice. We or any of our connected or affiliated companies or their employees may have a position in, or may have provided within the last twelve months, significant advice or investment services in relation to any of the securities or related investments referred to in this document.

IQ EQ Fund Management (Ireland) Limited, trading as IQ EQ Fund Management, is regulated by the Central Bank of Ireland. In Luxembourg, IQ EQ Fund Management is authorised by the Central Bank of Ireland and is subject to limited regulation by the Commission de Surveillance du Secteur Financier. Details about the extent of our authorisation and regulation by the Central Bank of Ireland and the Commission de Surveillance du Secteur Financier are available from us upon request.

The IQ EQ Global Bond Fund (formerly the Davy Global Bond Fund – name change effective 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.

The JP Morgan Global Bond Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. The J.P. Morgan GBI series provides a comprehensive measure of local currency denominated fixed rate government debt issued in developed markets. The global series tracks 13 countries and the broad series tracks 27 countries. The series is available in a number of different segments and breakouts including - maturity sectors and individual countries as well as hedged and unhedged in over twenty currencies.

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.

Find out more
www.iqeq.com

Follow us