Q3 2024 Update

IQ EQ Global Equity Income Fund

For Investment Professionals Only

Performance	1 month (%)	Q3 2024 (%)	1 year (%)	3 years p.a. (%)	5 years p.a. (%)
IQ EQ Global Equity Income Fund[1] (net of fees)	0.92	3.40	20.51	10.37	9.28
MSCI World Index[2]	1.00	2.14	25.63	10.46	12.52

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

[1]The 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.
[2]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 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

Global equity markets rose by 2.14% in the third quarter, taking the year-to-date return to 17.64% in euro terms as measured by the MSCI World Index (net). It was a relatively volatile quarter, with two periods of declines, one in early August, and another in early September. The August rout was sparked by poor earnings outlooks from semiconductor Makers and extreme volatility in financial markets during July and August.

September's downward lurch was due, once again, to disappointing forecasts from large technology companies. However, equity markets recovered into the quarter-end on a 0.5% cut in interest rates from the US Federal Reserve ("the Fed") and hopes that the Fed would engineer a soft landing for the US economy, which had shown weakening labour market conditions during the quarter.

Interest rate-sensitive sectors such as Utilities and Financials were among the best performing sectors during the quarter as US interest rates declined in September. There was some evidence from data released during the month of cooling in the US labour market, which drove the move lower in interest rates. The benchmark US 10-year Treasury yield fell from 4.4% to 3.8% during the quarter.

Large technology shares underperformed during the quarter on those disappointing outlooks. Meanwhile, energy shares also weakened as the price of a barrel of Brent crude oil fell from $85 to $72 on the slowdown in US labour data and a cut in its forecast for global demand from OPEC.

Fund performance

The **IQ EQ Global Equity Income Fund** returned 3.40% in Q3 versus an index return of 2.14%. Stock Selection detracted from performance, while Asset Allocation and Currency both contributed positively during the third quarter. The negative contribution from Stock Selection was due to the performance of companies such as TSMC and Merck, which were laggards during the period. Hong Kong Exchanges and US utility company Public Service Enterprise Group were among the strongest contributors to performance. The positive Asset Allocation outturn was driven primarily by an overweight position in Industrial and Utility companies which outperformed during the quarter, and an underweight position in Energy shares which fell sharply. Currency was a positive contributor to relative performance due to the Fund's underweight position in the US dollar. The dollar weakened against the euro from $1.07 to $1.11 as the US labour market weakened and interest rates were cut.

The ***top five equity contributors*** to relative performance during the quarter were: Public Service Enterprise Group Inc., Hong Kong Exchanges & Clearing Ltd., National Grid plc, Cummins Inc., and Sanofi S.A.

The ***bottom five equity detractors*** to relative performance during the quarter were: Merck and Co. Inc., Taiwan Semiconductor Manufacturing Co. Ltd., Samsung Electronics Co. Ltd., Waste Management Inc., and Intel Corp.

Public Service Enterprise Group Inc. ("PSEG") contributed strongly to returns in the quarter, rising by 17.11%. PSEG is a public utility holding company servicing New Jersey and Pennsylvania in the USA. Almost 70% of revenues come from the utility company Public Service Electric & Gas Company (PSE&G), with the remaining 30% coming from PSEG Power and Other. PSE&G is the utility and gas provider to over two million electricity customers, whereas PSEG Power is divided into PSEG Nuclear, PSEG Fossil, PSEG Energy Resources & Trade, and PSEG Power Ventures. While falling interest rates are regarded as a positive for the sector as a whole, PSEG has some specific attributes that have driven share price performance. It is a strong proponent of more environmentally friendly sources of energy, having set up solar farms around New Jersey, using nuclear energy for 85% of New Jersey's carbon-free power, and advocating for the construction of wind farms. In July, the Wall Street Journal reported that tech companies have been turning to American nuclear power plants as they look to meet the electricity needs of data centres as Artificial Intelligence ("AI") takes off. Management confirmed the interest it was receiving, and the shares sustained the rally into September.

Hong Kong Exchanges and Clearing Limited ("HKEX") was among the strongest contributors to returns during the quarter, returning 28.20%. It is one of the world's largest exchange groups, providing trading, clearing, settlement and depository, and market data services. HKEX also, crucially, provides opportunities for foreign investors to invest into companies from mainland China. 40% of revenues are from the Post Trade segment, which pertains to their clearing houses. The stock underperformed during July as concerns about the strength of the Chinese economy weighed on the region. However, China's large stimulus announcements towards the end of the quarter sparked a rally resulting in the best weekly performance since 2008. China's Central Bank announced cuts in interest rates and the easing of the restrictions on borrowing to invest. The stimulus measures are particularly beneficial to companies such as HKEX.

Merck & Co. Inc. ("Merck"), the US healthcare company, is best known for its cancer drug Keytruda, diabetes drugs Januvia and Janumet, and HPV vaccine Gardasil. Recent earnings results have been beating expectations, with Keytruda dominating the growth of the business. However, the company's Q2 results published at the end of July disappointed and saw the share decline almost 10% on the day as sales of Gardasil faltered. Management is investigating the lower shipments in Q2 to China, which has been a growth market for Gardasil, and suggested that sales had been affected by anti-bribery and corruption moves in the country. Merck continues to lead its peers in initiatives to improve access to healthcare particularly in developing countries where it has pricing policies based on affordability for 40 products in over 120 countries. The company also leads peers in talent management through engagement surveys and is recognised as an employer of choice.

Taiwan Semiconductor Manufacturing Company Ltd. ("TSMC") was a detractor from performance during the third quarter as the share fell by 3.7% compared with the Information Technology return which fell by 2.5%. The company's reports have generally surprised investors positively during 2024, showing continued momentum, particularly in the AI and High-Powered Computing divisions. AI deployment requires the type of chips which TSMC leads the world in producing. TSMC has also entered a strategic alliance with South Korea's SK Hynix Inc. 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. During the third quarter, the company's share price fell on reports of additional measures to limit China's access to advanced technology by the US Government. Comments from US presidential candidate Donald Trump that Taiwan should pay for the protection it receives from the US also weighed on sentiment surrounding the company.

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. However, in the third quarter our quality model underperformed, driven by the Information Technology sector, which underperformed. We noted at the end of the second quarter that investors were paying a premium for steady profit growth as reflected in the strong performance from our Persistence pillar, which has a high allocation to technology shares. We wrote at the time that there was little valuation support for the pillar if preferences changed. This trend went into reverse in the third quarter, with the People pillar performing strongest of the four. This pillar reflects companies that reward shareholders with capital repayments, including dividends. These shares fared well during the third quarter as interest rates fell. The performance of the People pillar is also symptomatic of an increase in market breadth, which is necessary if equity market performance is to be maintained into the end of the year.

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**
Cummins Inc.	1.7	14.1	-1.7	30.5	38.1
Hong Kong Exchanges & Clearing Ltd.	-18.5	-24.2	9.3	71.6	14.6
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
National Grid plc	12.0	-1.4	29.0	-3.4	30.9
Public Service Enterprise Group Inc.	3.6	-5.1	18.3	2.4	17.1
Samsung Electronics Co. Ltd.	44.2	-27.6	-1.6	51.8	48.4
Sanofi S.A.	3.7	5.5	16.8	-9.1	23.4
Taiwan Semiconductor Manufacturing Co. Ltd.	42.3	-36.8	12.1	92.7	64.8
Waste Management Inc.	16.2	-4.5	43.8	5.5	30.5

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

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.

IQEQ

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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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