

IQ EQ Strategic: Global Quality Equity Fund

For Investment Professionals Only

Performance	1 month (%)	Q3 2024 (%)	1 year (%)	3 years p.a. (%)	5 years p.a. (%)
IQ EQ Strategic: Global Quality Equity Fund ¹ (net of fees)	-0.26	0.38	24.82	9.56	14.57
MSCI World Index ²	1.00	2.14	25.63	10.46	12.52

Source: IQ EQ Fund Management (Ireland) Limited (IQ EQ Strategic: Global Quality Equity Fund Class A Acc EUR) as at 30 September 2024.

¹Investment Management of the IQ EQ Strategic Global Equity Fund was assumed by Davy Asset Management during the month of September 2018 and subsequently by Davy Global Fund Management in November 2019. On 31 May 2019 the IQ EQ Strategic Global Equity Fund implemented its current investment strategy. For more information, please contact IQ EQ Fund Management (Ireland) Limited. On 10 July 2020 the name of the Davy Strategic Global Equity Fund was changed to the Davy Strategic: Global Quality Equity Fund. On 1 May 2024 the name was changed to the IQ EQ Strategic: Global Quality Equity 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 investment objective of the **IQ EQ Strategic: Global Quality Equity Fund** (the "Fund") is to provide long-term capital growth by investing in global quality equities with consideration given to ESG criteria. The Fund adopts a Quantamental (quantitative and fundamental) approach to select and manage the investments.

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.

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

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

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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.

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 Strategic: Global Quality Equity Fund returned 0.38%, net of fees, in Q3 2024, compared to the MSCI World Index which returned 2.14%. The quarter began on a positive as lower inflation prints in the US led the market to believe the Federal Reserve would cut interest rates in September. This led to a broadening of the stock rally away from the hot Technology sector that had led due to the frenzy surrounding Artificial Intelligence (“AI”) development. Assets exposed to quality and growth factors strongly underperformed more value-orientated styles over the quarter. Negative attribution was experienced from all factors: Sector Allocation, Stock Selection and Currency Effects. On a sector basis, the overweight in Information Technology, which had been a leading driver of positive performance, reversed course with companies connected to the Semiconductor industry in particular experiencing relatively poor performance. With oil prices remaining low, the underweight in Energy was the most positive Sector Allocation for the Fund. On the corresponding regional basis, the Fund outperformed in Japan in particular. Looking at Stock Selection, positive attribution came from large-cap Consumer Discretionary names benefitting from lower interest rates. In Communication Services, negative attribution came specifically from not holding Meta Platforms and an overweight in Alphabet Inc. due to the antitrust lawsuit ruling. With the Federal Reserve interest rate move and the Fund's overweight in US stocks, USD weakness explains much of the Fund's currency underperformance.

The **top five equity contributors** to relative performance The bottom five equity during the quarter were: Home Depot Inc., Chugai Pharmaceutical Company Ltd., WW Grainger Inc., Singapore Exchange Ltd., and Mastercard Inc.

The **bottom five detractors** from relative performance during the quarter were: Alphabet Inc., NovoNordisk A/S, Cadence Design Systems Inc., Lam Research Inc., and ASML Holding NV.

Home Depot Inc. (“HD”) is the world’s largest home improvement retailer, with more than 2,335 stores in North America. HD is a high-quality stock which is AA rated by MSCI ESG. In a duopoly / Amazon-resistant position, it offers an assortment of building materials, home improvement products, lawn and garden products, and decor products, as well as home improvement installation services, tool and equipment rental. Even in the face of sluggish demand, HD continues to operate at a high level, illustrated by F2Q’s EPS beat, despite comparable sales coming in below expectations. The Federal Reserve's tight monetary policy constraining consumer interest in remodelling projects is a contributing factor. Home Depot remains a strong long-term retail story given its market position and company-specific sales and margin initiatives.

Chugai Pharmaceutical Company Ltd. (“Chugai Pharma”) manufactures and sells pharmaceutical products. The company develops drugs in the fields of cancer, infectious diseases, bone, blood, and circulatory systems. Chugai Pharma also conducts research studies on drugs with private and public medical research institutions globally. It holds an AA ESG rating from MSCI, reflecting peer-leading quality management and business ethics. Q2 results delivered a strong beat over consensus, though the company maintained its conservatism, leaving its FY24 forecast unchanged. Higher-than-expected overseas sales of the company's Hemlibra haemophilia treatment and Actemra rheumatoid arthritis product was the largest contributing factor.

Alphabet Inc. (“Alphabet”) is composed of Google and a collection of businesses called “Other Bets”. Through its subsidiaries it provides web-based search, advertisements, maps, software applications, mobile operating systems, consumer content, enterprise solutions, commerce, and hardware products. Its BBB MSCI ESG rating reflects a mix of strong data security against an entrenched board and workplace controversies. Alphabet shares have gained year to date, despite heightened competition from both GenAI search

(Microsoft, OpenAI) and advertising (Meta and Amazon; social and retail media). The recent sell-off was due to the antitrust lawsuit ruling which the company is appealing. The US Department of Justice is thought to be considering potential breakup solutions, but it is more likely that a less extreme remedy will be found, including changes to practices along with fines. On the positive side, as Alphabet's GenAI model Gemini improves core search and ads, AI should play a greater role in improving search optimization and monetization over time.

Novo Nordisk A/S ("Novo Nordisk") is a high-quality pharmaceutical company specialising in diabetes and obesity. This addresses two of the largest markets in the pharmaceutical space, which are driven by the increased consumption of high-fat foods and the sedentary nature of many forms of work. The company holds an AAA ESG rating from MSCI, reflecting peer-leading product quality and staff management. Novo Nordisk's growth is largely underpinned by its GLP-1 drugs for diabetes and obesity. The company also has a solid pipeline and has the capacity for further M&A. Whilst both 2Q sales and operating profit came in broadly in-line, the focus has been on the 14% miss to Wegovy (a weight loss medication) sales. Overall, the negative price action is a reflection of high investor expectations, and this sales miss is unlikely to result in future material earnings declines.

Sample portfolio transactions

In line with the Fund's strategy of holding high-quality stocks with robust ESG characteristics, we exited positions in companies whose ESG and quality metrics had declined. In this period. This included mostly Technology companies (e.g. Cisco Systems Inc., Texas Instruments Inc.). The resultant raised cash was invested in a wide number of sectors including Financials (e.g. Progressive Corp.), Real Estate (e.g. Public Storage) and Consumer Discretionary (e.g. Chipotle Mexican Grill Inc.).

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 Strategic: Global Quality Equity Fund (net of fees)	21.3	-18.0	36.3	16.0	31.5
MSCI World Index (EUR)	19.6	-12.8	31.1	6.3	30.0
Alphabet Inc.	58.3	-39.1	65.3	30.9	28.2
ASML Holding NV	36.7	-27.8	78.7	52.1	95.3
Cadence Design Systems Inc.	69.6	-13.8	36.6	96.7	59.5
Chipotle Mexican Grill	64.8	-20.6	26.1	65.7	93.9
Chugai Pharmaceutical Co. Ltd.	61.3	-7.8	-30.8	65.4	60.5
Home Depot Inc.	12.8	-22.0	59.5	24.5	30.5
Lam Research Inc.	88.6	-40.7	53.7	64.0	119.3
Mastercard Inc.	23.4	-2.7	1.2	20.2	59.2
Novo Nordisk A/S	50.7	29.6	75.6	12.8	32.9
Progressive Corp.	23.2	26.8	10.8	41.5	25.1
Public Storage	13.6	-20.2	66.6	12.6	9.0
Singapore Exchange Ltd.	13.7	-0.3	3.5	8.4	28.6
WW Grainger Inc.	50.5	8.7	28.8	22.8	22.3

Source: IQ EQ Fund Management (Ireland) Limited (IQ EQ Strategic: Global Quality Equity 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.

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The IQ EQ Strategic: Global Quality Equity Fund (formerly the Davy Strategic: Global Quality Equity Fund – name change 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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