

IQ EQ Defensive Equity Income Fund

For Investment Professionals Only

Performance	1 month (%)	Q4 2024 (%)	1 year (%)	3 years p.a. (%)	5 years p.a. (%)
IQ EQ Defensive Equity Income Fund ¹ (net of fees)	-0.77	4.03	16.70	6.65	8.03
MSCI World Index ²	-0.66	7.61	26.60	9.71	12.98

Source: IQ EQ Fund Management (Ireland) Limited (IQ EQ Defensive Equity Income Fund Class B Acc EUR) as at 31 December 2024.

¹The IQ EQ Defensive Equity Income Fund is a UCITS fund and was launched on 16 December 2011. On 1 May 2024 the name was changed from Davy Defensive Equity Income Fund to IQ EQ Defensive 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 Defensive Equity Income Fund** (the "Fund") is to provide long-term capital growth, with reduced levels of volatility compared to global equity markets.

The Fund aims to reduce risk by investing in large global companies that pay out above-average dividend yields, and employs an options strategy to provide some downside protection against significant market falls.

rates in the US and greater deregulation which could, in turn, be good for corporate profits.

From a geographical perspective, the gains during the quarter were concentrated in the US market, which rose by 10.7% in euro terms while other markets, notably Europe, lagged due to the high likelihood of significant tariff increases from the new US administration. European equities fell by 2.7% during the quarter, weighed down by lower relative economic growth rates and fears over the aforementioned tariffs.

Technology and internet-related shares were strong performers in the quarter, as was the Financials sector which benefited from higher long-term interest rates in the period. Equity returns for the year were, once again, heavily dependent on a relatively small number of companies exposed to the development and implementation of Artificial Intelligence ("AI") systems. The top ten performers within the MSCI World Index during 2024 contributed 41% of the total return. Seven of those companies are directly exposed to the AI theme.

Market comment

Global equity markets rose by 7.6% in the fourth quarter, taking the full-year 2024 return to 26.6% in euro terms as measured by the MSCI World Index. Most fourth quarter gains were made during November following the results of the US elections. The Republican clean sweep at the polls was greeted favourably by equity investors due to expectations of lower corporate and personal tax

This is a marketing communication and NOT a contractually binding document. Please refer to the Prospectus and the KIID of the Fund and do not base any final investment decision on this communication alone. IQ EQ Fund Management (Ireland) Limited is an active fund manager.

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Fund performance

The **IQ EQ Defensive Equity Income Fund** returned 4.03% in Q4, underperforming the MSCI World Index, which rose by 7.61%. Stock Selection, Asset Allocation and Currency detracted from performance during the quarter. The negative contribution from Stock Selection was due to the performance of companies such as Air Liquide and Sanofi, which were laggards during the fourth quarter. Technology companies TSMC and Broadcom were among the strongest contributors to performance. The negative Asset Allocation outturn was driven primarily by an overweight position in Industrial companies, which underperformed during the quarter, and an underweight position in Consumer Discretionary shares, which rose sharply. Currency was a positive contributor to negative performance due to the Fund's underweight position in the US dollar. The dollar strengthened against the euro during the quarter due to the relatively brighter prospects for the US economy.

The **Options Strategy** contributed negatively to relative performance as the put options fell in value as equity markets gained during the quarter.

The **top five equity contributors** to relative performance during the quarter were: Taiwan Semiconductor Manufacturing Co. Ltd., Broadcom Inc., JPMorgan Chase & Co., Cummins Inc., and Sumitomo Mitsui Financial Group Ltd.

The **bottom five equity detractors** from relative performance during the quarter were: L'Air Liquide S.A., Sanofi S.A., Rio Tinto Group, Nestlé S.A., and Samsung Electronics Co. Ltd.

Taiwan Semiconductor Manufacturing Company

Ltd. ("TSMC") was a leading contributor to performance during the quarter. The company's earnings reports generally surprised investors positively during 2024, showing continued momentum, particularly in the AI and High-Powered Computing divisions. TSMC leads the world in the production of the high-powered of chips that are required for the deployment of AI systems. The company's shares rose strongly in October following a strong earnings report. Revenue and margin guidance exceeded expectations, confirming that TSMC is in a very strong position to benefit from the global demand for AI semiconductors. Despite some concerns about tariffs and restrictions on the sale of semiconductors to China in the wake of the US elections, the company confirmed that its investment plans were unchanged. There was further positive news in early December as TSMC began talks with Nvidia to make new chips, while an Arizona fabrication plant began to close in on its original production schedule after initial delays. 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.

Broadcom Inc. ("Broadcom") is a semiconductor designer and developer based in the USA. Its two primary divisions are Semiconductor Solutions and Infrastructure Software, while the US (25%), China (20%), and Singapore (18%) are its largest revenue geographies. At the 2024 Open Compute Project ("OCP") Global Summit in October, Broadcom touted its competitive advantages in the AI space, causing upward revisions to earnings estimates. In early November, Broadcom unveiled its VeloRAIN architecture to enhance AI network performance and security. The company's shares jumped as much as 22% on 13th December after a strong fourth quarter earnings report which beat investors' expectations. Broadcom's impressive Q4 earnings solidified its performance contribution to the Fund. Well positioned as an alternative to Nvidia's product range within the implementation of AI systems, Broadcom's earnings are likely to be revised upward in 2025. Broadcom's impressive cash generation has sustained consistently strong dividend growth over the long term.

L’Air Liquide S.A. (“Air Liquide”) is a global producer and seller of industrial gases, including liquid nitrogen, argon, carbon dioxide, and oxygen. Approximately 37% of revenues are from Europe, 32% from the USA, and 20% from Asia. Air Liquide detracted from performance over the quarter. The company’s third quarter revenue report, released in October, showed revenues fell year-on-year. The company also announced “record” project investments, totalling €1.4bn, according to CEO François Jackow. These upfront investments are critical in securing future profitable growth for the company. Nevertheless, in the short term, investors are concerned about the generally weak macroeconomic environment in Europe. The shares have also been impacted by fears that the incoming Trump administration will reduce clean energy subsidies which were enacted by President Biden – although Air Liquide has limited exposure here. The company continues to invest in many projects that are tied to the carbon transition. Air Liquide has an impressive record of cash generation and the deployment of resources to the benefit of shareholders. At the end of December the company announced further share buybacks on top of consistently high single-digit dividend growth.

Sanofi S.A. (“Sanofi”) is a global pharmaceutical company based in France which manufactures prescription drugs, vaccines, and drugs for oncology as well as other health disorders. Although 40% of its revenues are from the USA, its products are sold in more than 170 countries worldwide. After a very strong performance in the third quarter, Sanofi was one of the top detractors to performance during the fourth quarter. During the quarter, the company announced plans to sell 50% of its consumer business to a US private equity firm. While the move would generate value for investors, there was some concern that the price achieved would be affected by potential lawsuits related to talcum powder products sold by one of the consumer companies in the portfolio. In November, the announcement that US President-Elect Donald Trump was nominating Robert F. Kennedy Jr. to run the Department of Health and Human Services caused further weakness in Sanofi’s share price, along with other vaccine manufacturers, due to the perception that Kennedy is a vaccine sceptic. The share price began to rally in mid-December after an experimental

drug for inflammatory bowel disease saw better-than-expected results in a mid-stage trial. Sanofi continues to restructure to focus the company on the high value-added areas of innovation such as oncology, diabetes and cardiovascular disease. The shares are attractively priced with a dividend yield of 4.1% and mid-single-digit dividend growth.

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. A slight dip in the performance of the Persistence pillar in the third quarter turned out to be short-lived as investors rushed back into technology-related stocks in December. Relatively low volatility companies with consistent payouts, as represented by our Protection and People pillars, were left behind in the rush into mainly AI-related shares. Valuation is clearly not a priority for investors at the moment, otherwise, the level of concentration in market performance would not be as high as it has been in the past two years. For the moment at least, investors have no doubt that a small group of mainly large-cap companies will be able to monetise the opportunity that AI is presenting. The upcoming earnings season, where company managements will report on progress and give year-ahead forecasts, will be of critical importance to investors that have already placed their bets on the success of the AI trend.

Calendar year performance	2024 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)
IQ EQ Defensive Equity Income Fund (net of fees) (EUR)	16.70	5.9	-1.9	22.8	-1.2
MSCI World Index (EUR)	26.60	19.6	-12.8	31.1	6.3
L’Air Liquide S.A.	-0.3	35.5	-3.3	16.5	8.8
Broadcom Inc.	110.4	104.2	-13.3	56.4	44.9
Cummins Inc.	48.9	1.7	14.1	-1.7	30.5
JPMorgan Chase & Co.	25.9	20.2	-11.2	30.7	21.3
Nestlé S.A.	-20.8	-6.6	-14.0	25.4	2.1
Rio Tinto Group	-13.5	7.0	31.9	0.6	30.6
Samsung Electronics Ltd.	-31.2	44.2	-27.6	-1.6	51.8
Sanofi S.A.	8.7	3.7	5.5	16.8	-9.1
Sumitomo Mitsui Financial Group Inc.	70.0	35.4	41.7	29.8	-15.6
Taiwan Semiconductor Manufacturing Co. Ltd.	92.6	42.3	-36.8	12.1	92.7

Source: IQ EQ Fund Management (Ireland) Limited (IQ EQ Defensive Equity Income Fund Class B Acc EUR) and Bloomberg as at 31 December 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 Defensive Equity Income Fund (formerly the Davy Defensive Equity Income 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.

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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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