

IQ EQ Global Bond Fund

For Investment Professionals Only

Performance	1 month (%)	Q4 2024 (%)	1 year (%)	3 years p.a. (%)	5 years p.a. (%)
IQ EQ Global Bond Fund ¹ A Acc EUR (net of fees)	-1.23	-2.12	-0.40	-4.28	-2.12
IQ EQ Global Bond Fund ¹ D Acc EUR (net of fees)	-1.22	-2.08	-0.25	-	-
JP Morgan Global Bond Index ²	-1.31	-2.10	-0.16	-3.84	-2.01

Source: IQ EQ Fund Management (Ireland) Limited (IQ EQ Global Bond Fund Class A and Class D Acc EUR) as at 31 December 2024.

¹The 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.

²The 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 had a weak fourth quarter which saw the JP Morgan Global Bond Index (euro hedged) fall 2.10% during the period. This was primarily driven by weakness in US Treasuries. We think most of this move can be attributed to the "clean sweep" victory of Donald Trump and the Republican party in the US elections. This was seen as the worst outcome for US Treasuries given most of his policies are inflationary in nature and may also require increased borrowing (more US Treasury issuance) in the future. In addition, a hawkish US Federal Reserve (Fed) meeting in December also

saw US Treasury yields climb higher (prices lower) towards year end. Given the enduring influence of US Treasuries on global bond markets, this also put upward pressure on yields elsewhere, although not to the same extent.

Most credit spreads tightened during the quarter, as investors sought less of a pickup in yield relative to higher quality bonds to compensate for holding extra credit risk. This was aided by an improvement in labour market data in the US, which allayed concerns that the US was on the verge of a recession. In addition, the prospect of a second term in office for pro-business Donald Trump helped to spur risk appetite.

Fund performance

The **IQ EQ Global Bond Fund D Acc share class** was down 2.08% (net) during the fourth quarter,

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slightly better than its benchmark which fell 2.10%. The Fund's overweight positions in non-benchmark government, government agency, municipal, supranational and corporate bonds outperformed as spreads tightened on better economic data and Trump's victory. This was offset somewhat by curve positioning in the US and Japan. In addition, a long duration position in Australia, which was held earlier in the quarter, also detracted from performance.

Positioning and outlook

The Fund is currently neutral duration relative to its benchmark. We were predisposed to taking a long duration position in US Treasuries if there was a significant sell off. However, recent data and the hawkish Fed meeting in mid-December has made us more cautious.

The Fed indicated that they are likely to make just two interest rate cuts in 2025, having originally indicated four cuts in September. However, we would not be surprised if there are no cuts in 2025 given the US economy is growing above its potential growth rate, inflation is likely to linger above the Fed's 2.0% target rate, and Trump's policies may risk fuelling inflation expectations. We think many at the Fed may be of a similar view, however they were perhaps not ready to

communicate this in December for fear of spooking the market.

If it turns out that December was the last rate cut by the Fed in this mini cycle then, all other things equal, yields are more likely to be rangebound, rather than downward trending in our opinion. Therefore, there is little reason to take a strong duration view for now.

The largest position in the Fund is an overweight Eurozone bonds versus an underweight in Japanese Government Bonds (JGB). We think the Bank of Japan (BoJ) should raise interest rates in 2025 more than the market is currently pricing. The BoJ have so far been reluctant to raise rates, but with inflation firm, real wages rising and an excessively weak Yen, they run the risk of having to make disruptive emergency hikes at a later point in time if they do not act more decisively. In contrast, with the war on inflation almost won, the European Central Bank can continue cutting rates to try and support lacklustre Eurozone growth.

We continue to retain overweight positions in non-benchmark government, government agency, municipal, supranational and corporate bonds. We think a global recession is unlikely for the foreseeable future and therefore we would be inclined to use any selloff in these sectors to add further exposure to the Fund.

Calendar year performance	2024 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)
IQ EQ Global Bond Fund (Net of fees) (EUR)	-0.4	3.0	-14.5	-3.4	6.0
JPMorgan Global Bond Index (Euro Hedged)	-0.2	3.5	-14.0	-3.1	4.9

Source: IQ EQ Fund Management (Ireland) Limited (IQ EQ Global Bond Fund Class A 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.

SFDR disclosures and fund documents can be found on our website at: www.iqeq.com/davy-funds-plc

Our Summary of Investor Rights can be found at our website at: [IQ-EQ1239_PolicyAndProcedure_Complaints-Policy_2023_FA_02](#)

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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.

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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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Reference: NC_24022024_1
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