Q1 2025 Update

IQ EQ Discovery Equity Fund

For Investment Professionals Only

Performance	1 month %	Q1 2025 %	1 year %	3 years p.a. %	5 years p.a. %
IQ EQ Discovery Equity Fund[1] (net of fees)	-7.04	-7.97	-2.65	-2.86	8.42
MSCI World Small & Mid Cap Index[2] (total return)	-6.93	-5.85	1.78	3.64	13.97

Source: IQ EQ Fund Management (Ireland) Limited (IQ EQ Discovery Equity Fund Class A Acc EUR) as at 31 March 2025.

[1]The IQ EQ Discovery Equity Fund (previously named the Davy Discovery Equity Fund) is a UCITS fund and was launched on 19 April 2013. On 1 May 2024 the Fund name was changed from Davy Discovery Equity Fund to IQ EQ Discovery Equity Fund.
[2]The MSCI World SMID Cap Index shown above does not include fees or operating expenses and you cannot invest in it. The MSCI World SMID Cap Index captures mid and small cap representation across 23 Developed Markets (DM) countries. With 5,250 constituents, the index covers approximately 28% of the free float-adjusted market capitalization in each country.

Fund overview

The investment aim of the **IQ EQ Discovery Equity Fund** (the "Fund") is to achieve long-term capital growth by investing in shares of small and medium-sized companies on a global basis. These companies tend to demonstrate growth potential and represent attractive investment opportunities. Investing during the early stage of a company's life cycle can lead to higher-than-average investment returns.

Market comment

Global equities markets were volatile during the first quarter of 2025, with the MSCI World Index (net) falling by 5.86% in euro terms. Equity markets had made a promising start to the year, rising by almost 5% in the first seven weeks. However, a disappointing earnings report from US consumer bellwether Walmart in February, followed by several weak economic data releases, started a retreat in markets. The move lower gained momentum as the Trump administration announced plans for wide-ranging tariffs on US imports. Canada, Mexico and China, the US's three largest trading partners, were first to experience the effects of the new tariffs. After a brief respite, equities weakened again into the quarter-end as investors awaited President Trump's "reciprocal tariff" announcements.

There was a marked divergence in equity market performance between regions and sectors during the quarter. From a geographical perspective, Europe was the best performing developed market region spurred on by an announcement from the EU Commission of plans to spend up to €800bn to strengthen Europe's defence capabilities. The MSCI Europe index rose by 6.1% during the quarter, led by the Financials and Industrials sectors. The MSCI US index, in contrast, fell by 8.6% in euro terms as artificial intelligence (AI)-related technology giants fell following Chinese startup DeepSeek's release of an AI model in January that purportedly rivalled existing US-developed models at a fraction of the hardware cost. Over two-thirds of the US market fall was attributed to the so-called "Magnificent Seven" stocks during the first quarter.

The Consumer Discretionary and Information Technology sectors were the worst performing sectors during the quarter. The Consumer Discretionary sector was driven lower by a collapse in Tesla's share price, which fell by over 38%. The Information Technology sector experienced a broad-based selloff, with weakness in Nvidia and Apple shares the most impactful.

The Financials, Energy and Consumer Staples sectors were the best performing sectors during the quarter, the latter driven higher by a strong rebound in the relatively defensive food, beverage and tobacco shares.

Fund performance

The **IQ EQ Discovery Equity Fund** returned -7.97% in Q1, underperforming its benchmark MSCI World SMID Index which returned -5.85%. Asset Allocation was the principal contributor to performance with negative contributions from the Information Technology (Teradyne, Endava) and Consumer Discretionary (Yeti) sectors. Overall, markets ended the quarter lower, with softer economic data and concerns regarding the impact of trade tariffs on the global economy. Headlines have been dominated by the US administration's aggressive stance on trade policy and the ramifications it could have on companies that import heavily into the US. Consumer Discretionary and Information Technology stocks appear to be the most exposed to any trade war. There is also the growing risk that tariffs have an inflationary impact on the global economy which could detract rates from their negative trajectory. Whilst this is certainly a challenging environment, it offers the opportunity to invest at attractive valuations, and the Fund will continue to focus on quality companies with high levels of profitability and positive ESG momentum.

The ***top five equity contributors*** to relative performance during the quarter were: Aker BP ASA, JDE Peet's NV, Scout24 SE, Nemetschek SE, and CBOE Global Markets Inc.

The ***bottom five equity detractors*** to relative performance during the quarter were: Endava plc, Teradyne Inc, Tandem Diabetes Care Inc., Yeti Holdings Inc., and Owens Corning.

Aker BP ASA ("Aker") operates as an oil and gas exploration and production company. In particular, the company focuses on the exploration and development of petroleum resources on the Norwegian shelf. Additionally, the company is the second largest oil and gas producer in Norway, with over 200 licenses. The Fund's position in Aker was initiated following Aker's acquisition of our original holding in Lundin Energy. Despite being in the business of oil and gas exploration, the stock holds an AA rating with MSCI ESG as it has industry low emissions intensity. The stock has recovered in the early stages of 2025, following a turbulent 2024 that was induced by declines in the crude oil price. Despite the relative weakness in the oil price, we remain comfortable with the financial viability of Aker's portfolio, given that the portfolio breakeven price is $35-$40 per barrel. This offers a significant margin of safety below the current market price of $70 per barrel. In Q4 2024, Aker reported a very healthy EBITDA of $3bn and operating cash flow of $1bn, which enabled a 5% increased to the dividend payment. Given that asset-quality remains strong, leverage remains low and most future projects are weighted towards the energy-transition friendly natural gas, we remain optimistic on the long-term prospects of the business.

JDE Peet's NV ("JDEP") sells branded coffee (85% revenues) and tea to consumers, restaurants, and businesses in the form of capsules; as Jacobs, L'OR, Senseo, Douwe Egberts, Pickwicks etc. In the US, JDEP owns Peet's, an artisanal coffee business like Starbucks (SBUX). Given the mature nature of the coffee market, it is competitive and sourcing coffee is a significant part of its cost base. JDEP reported FY24 results with sales ad EBIT ahead of consensus with better volumes despite pricing pressure. Management is guiding to high single digit sales growth with a minimal decline in EBIT growth. This was coupled with a multi-year share buyback program of up to €1bn (with €250m in 2025) and raised its DPS to €0.73 (from €0.70). JDEP has also updated on CFO transition, with the new CFO coming from the Straumann Group. We are optimistic on the stock given the secular tailwinds driven by the growth of single serve coffee.

Endava Plc ("Endava") is an outsourced IT solutions company which enables firms to enact digital transformation, AI implementation, and data modernization projects. These projects are run across verticals such as financial services, healthcare and media, among others. Since listing in 2016, Endava has achieved annual revenue growth over 25% per annum, but in 2024, revenues declined by ca. 6.8%. This was primarily due to reduced IT spending, longer planning cycles (especially for AI projects), and a challenging macroeconomic environment. However, despite the downturn in spending, Endava has remained free cash flow positive and has minimal debt, unlike many of its peers, and it is trading at a discount to its own history. We believe that Endava's scale, its specialised knowledge within its verticals, and its ability to integrate AI into clients' projects will help to drive an acceleration in demand for its services.

Teradyne Inc ("Teradyne") is a semiconductor production equipment (SPE) provider used by chip testers, chipmakers, foundries and outsourced semiconductor assembly and testing (OSAT) service providers as clients. Its system probes the functionality of semiconductor chips before the shipment, both for system on chip (SoC) and memory devices. Another focus is collaborative robots (cobots), i.e. robots that work with humans. The market is expecting substantial growth in the Verification Internet Protocol Application-Specific Integrated Circuit ("VIP ASIC"), memory, and mobility markets through 2026, driven by a recovery in smartphone units and increased adoption of leading-edge nodes. While Teradyne's Q4 24 results beat expectations, helped by strong semi-test results, management guided Q1 25 revenue below street expectations, causing the stock to sell-off. The shortfall for Q1 25 seems to be due to concern over visibility in semi-test and weaker results in robotics. That said, execution by management remains otherwise robust, delivering double digit operating and free cash flow margins.

Sample portfolio transactions

There were no significant transactions during the quarter.

Calendar year performance

Fund / Index / Stocks	2023 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)
IQ EQ Discovery Equity Fund (net of fees)	**6.6**	**9.4**	**-26.0**	**27.5**	**9.9**
MSCI World SMID Cap Index (NTR, EUR)	**16.8**	**11.7**	**-13.6**	**25.6**	**6.2**
MSCI World Index (EUR)	**26.6**	**19.6**	**-12.8**	**31.1**	**6.3**
Aker BP ASA	-17.0	5.7	19.0	31.5	-20.7
CBOE Global Markets Inc.	10.7	44.4	-2.2	42.2	-21.2
Endava Plc	-60.3	1.8	-54.4	118.8	64.7
JDE Peet's NV	-29.8	-7.5	2.4	-25.8	-
Nemetschek SE	19.9	65.6	-57.5	87.7	3.2
Owens Corning	16.6	77.1	-4.2	20.9	18.2
Scout24 SE	34.9	39.1	-22.3	-7.3	15.2
Tandem Diabetes Care Inc.	21.8	-34.2	-70.1	57.3	60.5
Teradyne Inc.	16.5	24.8	-46.3	36.8	76.7
Yeti Holdings Inc.	-25.6	25.3	-50.1	21.0	96.9

Source: IQ EQ Fund Management (Ireland) limited (IQ EQ Discovery Equity Fund Class A Acc EUR) and Bloomberg as at 31 March 2025. 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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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 Discovery Equity Fund (formerly the Davy Discovery Equity 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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