Q1 2025 Update

IQ EQ ESG Equity Fund

For Investment Professionals Only

Performance	1 month (%)	Q1 2025 (%)	1 year (%)	3 years p.a. (%)	5 years p.a. (%)
IQ EQ ESG Equity Fund[1] (net of fees)	-6.66	-4.93	4.05	6.79	14.55
MSCI World Index[2]	-8.01	-5.86	7.02	8.65	16.49

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

[1]The IQ EQ ESG Equity Fund is a UCITS fund and was launched on 10 May 2011. On 1 May 2024 the Fund name was changed from Davy ESG Equity Fund to IQ EQ ESG Equity 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 ESG Equity Fund** (the "Fund") is to achieve long-term capital growth. We aim to achieve this by using both quantitative and fundamental research that should result in a portfolio of high-quality companies that exhibit strong environmental, social and governance characteristics.

Market comment

Global equity 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 in the US 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 ESG Equity Fund** returned -4.93% net of fees in Q1 outperforming the MSCI World Index which returned -5.86%. The outperformance was driven, in general terms, by an equal split between Stock Selection, Sector Allocation and Currency. Stock Selection was particularly strong within the Technology (SAP, Roper Technologies), Industrials (Vinci, Siemens) and Consumer Discretionary (TJX Cos, Tractor Supply) sectors. This was partially offset by weakness within Communication Services (Alphabet). The contribution from Sector Allocation was most positive by being underweight the Consumer Discretionary sector, the second worst performing sector, and by being overweight the Industrials sector which outperformed. No holding in the best-performing Energy sector took most from performance. Technology was the best-performing sector in the quarter where we have a neutral position. Being underweight a weak US dollar contributed positively to returns. Performance also benefited from the underperformance of the "Magnificent 7", some of which we do not own for ethical or ESG reasons, with notable declines in Nvidia, Apple and Tesla. The top contributors to return were Deutsche Boerse, Iberdrola, Vinci, Siemens, Prudential.

The ***top five equity equity contributors*** to relative performance during the quarter were: Deutsche Boerse AG, Iberdrola SA, Vinci SA, Siemens AG, and Prudential plc.

The ***bottom five equity detractors*** from relative performance during the quarter were: Alphabet Inc., Oracle Corp., Taiwan Semiconductor Manufacturing Co. Ltd., Microsoft Corp., and Lulumenon Athletica Inc.

Deutsche Boerse AG ("DB") was the top contributor to returns in the quarter, as the shares gained 22.3% to hit a new high at the end of the period. Stock exchanges come into their own during periods of market volatility, as happened when we saw heightened market volatility on DeepSeek AI news, and as President Trump ramped up tariff talk. Such volatility typically sees trading volumes, particularly derivatives trading volumes, increase. Mid-quarter DB also posted Q4 results which were solid but also included a surprise €500m share buyback. DB scores highly in terms of governance relative to peers, with a board that is 100% independent of management and with female representation at 41%. The company also operates in regions where corruption levels are thought of as being low. Deutsche Boerse is seen as a leader in sustainability where its role as an organiser of capital markets is particularly important in driving progress in climate change, such as providing liquidity for green bonds or encouraging improved environmental disclosure from exchange participants. Deutsche Boerse also owns International Shareholder Services ("ISS") which provides a proxy voting service.

Iberdrola S.A. ("Iberdrola"), the Spanish utility, is a world-leading wind and solar renewables player. The shares returned 14.3% in the quarter and the company was also a top contributor to returns. Indeed, the shares outperformed both the Utility sector and the market. Iberdrola is considered a safe haven in uncertain times, hence the performance over the three months. The company also reported solid Q4 results towards the end of February where guidance for 2025 and 2026 was above market expectations. Iberdrola remains a high-performing ESG company with strong carbon emissions commitments where it aims to reduce its absolute scope 1,2 & 3 emissions by 65% by 2030. The company also have plans to invest €46bn between 2024-2026 to further increase its renewable energy capacity and modernise its grids. The company expects to be carbon-neutral by 2039. Iberdrola remains a high-conviction investment and a strong ESG performer, particularly in the management of environmental risks.

Alphabet Inc. ("Alphabet") went from being the top contributor to returns in January, to being the main detractor to returns in February and March. Indeed, the shares pulled back by 21.6% over the three-month period following fourth quarter results, falling 7% on the announcement as results missed expectations with Cloud revenues seen as disappointing. On a positive note, Search and YouTube saw growth re-accelerate. As with all the major artificial intelligence (AI) players, the company also raised guidance on CapEx by ca. $20bn to $75bn. The concern for the market is that, while Alphabet invests heavily in its GenAI portfolio, the incremental return on the capital invested has yet to be determined. The arrival of DeepSeek, the Chinese AI start-up model which is competitive to western chatbots, is also a threat as lower inferencing costs may accelerate the adoption of search alternatives. Furthermore, the lean operating structure of DeepSeek also reminds the market that the company is overstaffed, which could accelerate a cost-saving plan. Although Alphabet faces some new pressures, it remains a leader in many areas such as Privacy & Data Security and has opportunities in Clean Technology.

Oracle Corp. ("Oracle"), the US software giant, having been a strong performer in 2024 gave back some performance as the shares declined by 19.3%. Oracle began the quarter on a positive note as the company teamed up with Softbank Group and Open AI to form a $100bn joint venture called Stargate which will fund AI infrastructure. However, the celebrations did not last long as the launch of Chinese AI startup DeepSeek's cheaper model raised questions about America's technology dominance. Q3 results in March also disappointed having missed consensus earnings. Of note was the miss from Oracle's cloud infrastructure. However, Oracle management spoke of a surge in bookings which will boost revenue growth over the next few years. Oracle remains a top five holding in the portfolio. In terms of ESG, controversies remain in relation to the Board and ownership issues as former CEO and now Chief Technology Officer Larry Ellison owns 42% of the company. However, the company's ESG performance has improved, driven by workforce management advances as it follows several best practices such as extensive compensation, non-monetary benefits, and stock purchase plans. On the positive side, Oracle excels in terms of Privacy & Data Security.

Sample portfolio transactions

We sold out of UPS Inc. and Fortune Brands Innovations Inc. The proceeds of these sales were used to fund a new position in Cencora Inc., a US medical supply company. We also reduced the Alphabet Inc. weighting in the Fund and added to Merck & Co. Inc. The purpose of these actions was to add some more defensiveness to the strategy.

Calendar year performance

Index / Stock	2024 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)
IQ EQ ESG Equity Fund (Net of fees) (EUR)	**19.22**	**12.4**	**-9.2**	**32.7**	**7.5**
MSCI World Index (EUR)	**26.60**	**19.6**	**-12.8**	**6.3**	**30.0**
Alphabet Inc.	36.0	58.3	-39.1	65.3	30.9
Cencora Inc.	10.4	25.3	26.3	38.0	17.0
Deutsche Boerse AG	21.8	18.1	11.9	7.9	1.3
Fortune Brands Innovations Inc.	-9.1	35.2	-36.5	26.0	33.0
Iberdrola SA	17.4	13.6	9.8	-7.5	32.7
Lulemon Athletica Inc.	-25.2	59.6	-18.2	12.5	50.2
Merck & Co. Inc.	-6.3	1.0	49.4	1.8	-7.2
Microsoft Corp.	12.9	58.2	-28.0	52.5	42.5
Oracle Corp.	60.0	30.9	-4.6	36.9	24.2
Prudential Financial plc	-26.5	-20.1	-10.4	-4.3	-4.9
Siemens AG	14.1	34.9	-12.6	33.3	15.4
Taiwan Semiconductor Manufacturing Co. Ltd.	92.6	42.3	-36.8	12.1	92.7
United Parcel Service Inc.	-16.0	-5.9	-16.3	30.0	48.7
Vinci SA	-8.7	26.5	3.9	17.7	-16.6

Source: IQ EQ Fund Management (Ireland) Limited (IQ EQ ESG Equity Fund Class A Acc in 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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IQ-EQ1239_PolicyAndProcedure_Complaints-Policy_2023_FA_02

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The IQ EQ ESG Equity Fund (previously the Davy ESG Equity Fund and prior to that the Davy Ethical Equity Fund) 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.

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