Q1 2025 Update

IQ EQ Global Bond Fund

For Investment Professionals Only

Performance	1 month (%)	Q1 2025 (%)	1 year (%)	3 years p.a. (%)	5 years p.a. (%)
IQ EQ Global Bond Fund[1] A Acc EUR (net of fees)	-0.62	0.80	1.07	-2.22	-2.55
IQ EQ Global Bond Fund[1] D Acc EUR (net of fees)	-0.61	0.84	1.22	-	-
JP Morgan Global Bond Index[2]	-0.56	0.75	1.40	-1.98	-2.65

Source: IQ EQ Fund Management (Ireland) Limited (IQ EQ Global Bond Fund Class A and Class D Acc EUR) as at 31 March 2025.

[1]The 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.

[2]The 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

The JP Morgan Global Bond Index (euro hedged) rose 0.75% during the first quarter. The positive return was mainly due to the strong performance of US Treasuries, which rallied towards the end of the quarter, as concerns about tariffs hurt confidence and the US economy showed signs of slowing. In contrast, returns for most other Developed Markets were negative.

European bonds were particularly weak, as the continent revealed plans to ramp up defence spending. This will require a significant increase in borrowing (bond issuance) at both the European supranational level ('ReArm Europe') and at the country level. Germany's plans were particularly ambitious, given it looks likely to spend as much as €1 trillion on defence and infrastructure over the next 10 years. This saw German Bunds underperform. Elsewhere, Japanese yields rose (prices fell) as wage and inflation data surprised to the upside and led the market to speculate that the Bank of Japan will have to continue raising interest rates.

Most credit spreads were mixed during the quarter. Initially, solid economic data and strong risk appetite saw spreads tighten, as investors sought less of a pickup in yield relative to higher quality bonds to compensate for taking extra credit risk. However, credit spreads widened towards the end of the quarter, as the prospect of tariffs began to weigh on confidence and risk appetite.

Fund performance

The **IQ EQ Global Bond Fund D Acc share class** was up 0.84% (net) during the first quarter, outperforming its benchmark which returned 0.75%.

Positive contributors to relative performance included: long euro duration positions in both January and March; overweight Eurozone bonds relative to Japan; and overweight positions in government agency, supranational and corporate bonds.

These were offset somewhat by our government bond selection, where overweight positions in Lithuania and Poland detracted from performance.

Positioning and outlook

In mid-March, we reduced credit risk in the Fund ahead of US President Donald Trump's tariff announcements on 2nd April ("Liberation Day"). We cut overweight/long duration positions in Spain, Italy, Poland and Lithuania and trimmed our position in Chile. At the same time, we increased our weightings in higher-quality German Bunds and US Treasuries. We still retain overweight positions in higher beta government agency, municipal, supranational and short-dated corporate bonds. However, we are comfortable with their credit quality and holding them through the current volatility.

Regarding interest rate strategy, the Fund moved to a long duration position in mid-March. This was accomplished by purchasing longer-dated German Bunds after they sold off following Germany's plans to increase defence and infrastructure investment. We thought the sell-off had gone too far, and moving the Fund to long duration ahead of Liberation Day made sense.

At the time of writing, US President Trump had just announced reciprocal tariff rates which were broader and larger than many expected. This adds downside risks to US and global growth. Our base case is that these tariff rates can be negotiated to lower and more growth-friendly levels. However, they are unlikely to be negotiated away completely, as Trump needs the revenue gained from tariffs to pay for domestic tax cuts. In addition, he also wants tariffs to remain in place to attract Foreign Direct Investment and grow the US domestic industrial base.

Unfortunately, tariff negotiations may take some time, and, in the meantime, there is a significant risk of tariff retaliation from other countries which could escalate the situation. Therefore, we think this period of uncertainty seems unlikely to be resolved soon, and risk assets and credit may remain under pressure. Depending on how events unfold, this may present an opportunity to add credit exposure back to the Fund, but we need to be patient. We are monitoring the situation carefully and stand ready to adjust Fund positioning if we think it is merited.

Calendar year performance

Fund / Index	2024 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)
IQ EQ Global Bond Fund A Acc (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 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.

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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IQEQ

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