

# IQ EQ Strategic: Global Quality Equity Fund

## For Investment Professionals Only

Performance	1 month (%)	Q1 2025 (%)	1 year (%)	3 years p.a. (%)	5 years p.a. (%)
IQ EQ Strategic: Global Quality Equity Fund <sup>1</sup> (net of fees)	-8.27	-7.30	2.43	7.01	15.25
MSCI World Index <sup>2</sup>	-8.01	-5.86	7.02	8.65	16.49

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

<sup>1</sup>Investment Management of the IQ EQ Strategic Global Equity Fund was assumed by Davy Asset Management during the month of September 2018 and subsequently by Davy Global Fund Management in November 2019. On 31 May 2019 the IQ EQ Strategic Global Equity Fund implemented its current investment strategy. For more information, please contact IQ EQ Fund Management (Ireland) Limited. On 10 July 2020 the name of the Davy Strategic Global Equity Fund was changed to the Davy Strategic: Global Quality Equity Fund. On 1 May 2024 the name was changed to the IQ EQ Strategic: Global Quality Equity Fund.

<sup>2</sup>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 investment objective of the **IQ EQ Strategic: Global Quality Equity Fund** (the “Fund”) is to provide long-term capital growth by investing in global quality equities with consideration given to ESG criteria. The Fund adopts a Quantamental (quantitative and fundamental) approach to select and manage the investments.

However, a disappointing earnings report in February from US consumer bellwether Walmart, 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.

### 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.

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

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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 Strategic: Global Quality Equity Fund** returned -7.30% in Q1, underperforming its benchmark MSCI World Index which returned -5.86%. Asset Allocation, Stock Selection and Currency Effects detracted from relative performance during the period. The negative Asset Allocation outturn was driven primarily by the Fund's overweight position in Information Technology companies which underperformed during the period, as well as the underweight position in the Financials sector where banks outperformed. The Healthcare sector provided the best relative performance for the Fund. The negative contribution from Stock Selection was due to the negative performance of held stocks, especially in the semiconductor and datacentre space such as Broadcom Inc. and Vertiv Holdings Co. This was somewhat balanced by the positive performance of Financial Services name Visa Inc., along with negative performances by unheld "Magnificent 7" companies, Amazon.com Inc. and Tesla Inc. Currency Effects were driven by the Fund's overweight in the US dollar which weakened over the period. The Fund's strategy will continue to be driven by our Quality factor model.

The **top five contributors** to relative performance during the quarter were: Cencora Inc., Roche Holding AG, Wheaton Precious Metals Corp., Novartis AG, and Visa Inc.

The **bottom five detractors** from relative performance during the quarter were: Alphabet Inc., Cadence Design Systems Inc., Adobe Inc., Vertiv Holdings Co., and Broadcom Inc.

**Cencora Inc. ("Cencora")** operates as a global pharmaceutical company. The company offers end-to-end pharmaceutical commercialisation solutions, over-the-counter healthcare products, home healthcare supplies and equipment, and related services to healthcare providers. The company holds an AA ESG rating from MSCI, reflecting peer-leading performance on product safety, carbon emissions and governance practices. During the period, Cencora raised its FY25 adjusted EPS guidance by \$0.05 to \$15.30-\$15.60 (11.2%-13.3% year-on-year growth), reflecting continued momentum in their U.S. Pharma business. Once again, Cencora noted it is seeing broad-based strength, particularly in the lucrative specialty physician and health system channel. Cencora and the wider drug distribution industry have a positive long-term fundamental outlook, driven by an aging US population and increased utilization of prescription drugs.

**Roche Holding AG ("Roche")**, based in Switzerland, is one of the world's largest pharmaceutical and diagnostic companies. Its drugs address important therapeutic areas from cardiology to oncology for example. The company holds an A ESG rating from MSCI, mainly reflecting strong environmental policies balanced against product safety controversies. Roche shares saw strong gains during the period following the announcement of its agreement with Zealand Pharma to co-develop and co-commercialize the Danish company's experimental obesity drug, Petrelintide. The company maintains high operational quality and has outperformed European Pharmaceutical peers over the past year.

**Alphabet Inc. ("Alphabet")** is composed of Google and a collection of businesses called 'Other Bets'. Through its subsidiaries it provides web-based search, advertisements, maps, software

applications, mobile operating systems, consumer content, enterprise solutions, commerce, and hardware products. Its BBB MSCI ESG rating reflects a mix of strong data security against an entrenched board and workplace controversies. After strong gains, the company's share price fell during the period after Q4 revenue missed expectations, with Google Cloud revenue seen as disappointing. Target capital expenditure was also higher than expected, raising concerns regarding the return on invested capital from GenAI projects. That said, advertising revenue remained strong, and increased user engagement in AI products continues to drive customer demand.

**Cadence Design Systems Inc. ("CDS")** is a leader in electronic design. The company helps its clients (smartphones, laptops, 5G, autos, cloud infrastructure, etc) develop complete electronic chips by optimising performance, minimising power consumption and shortening the time to bring products to market. CDS holds a AA ESG rating from MSCI, scoring particularly highly for human capital development and carbon emissions. CY25 growth guidance remained strong but fell below consensus and peers. This outlook was on the back of a more conservative outlook on revenues from Chinese operations. While the chip design environment remains highly competitive, CDS market share is stable. The company's strong offering, along with customer demand especially in AI infrastructure, offsets the cautious view on China, resulting in a record backlog of \$6.8B and a 2024 book-to-bill ratio >1.

## Sample portfolio transactions

In line with the Fund's strategy of holding high-quality stocks with robust ESG characteristics, we exited positions in companies whose ESG and quality metrics had declined in favour of companies that met the Fund's requirements in these same factors.

## Calendar year performance

Fund / Index / Stocks	2024 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)
<b>IQ EQ Strategic: Global Quality Equity Fund (net of fees)</b>	<b>23.3</b>	<b>21.3</b>	<b>-18.0</b>	<b>36.3</b>	<b>16.0</b>
<b>MSCI World Index (EUR)</b>	<b>26.6</b>	<b>19.6</b>	<b>-12.8</b>	<b>31.1</b>	<b>6.3</b>
Adobe Inc.	-25.5	77.3	-40.7	13.4	51.6
Alphabet Inc.	36.0	58.3	-39.1	65.3	30.9
Broadcom Inc.	110.4	104.2	-13.3	56.4	44.9
Cadence Design Systems Inc.	10.3	69.6	-13.8	36.6	96.7
Cencora Inc.	10.4	25.3	26.3	38.0	17.0
Novartis AG	8.4	11.7	8.5	-0.3	-5.7
Roche Holding AG	8.8	-12.8	-21.4	26.3	1.3
Vertiv Holdings Co.	136.8	251.8	-45.3	33.8	69.4
Visa Inc.	22.3	26.3	-3.4	-0.3	17.1
Wheaton Precious Metals Corp.	25.1	25.2	-1.0	3.5	39.1

Source: IQ EQ Fund Management (Ireland) Limited (IQ EQ Strategic: Global Quality 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](http://www.iqeq.com/davy-funds-plc)

Our Summary of Investor Rights can be found at our website at:  
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The IQ EQ Strategic: Global Quality Equity Fund (formerly the Davy Strategic: Global Quality Equity Fund – name change effective from 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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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.

## About us\*

We are IQ-EQ, a leading investor services group employing over 5,800 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 March 2025

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