

# DAVY CONSERVATIVE INCOME & GROWTH

FROM  
IRISH LIFE

## Q2 2018 UPDATE

This fund is provided by Irish Life Assurance plc and is managed by Davy Asset Management.

PERFORMANCE	1 MONTH (%)	Q2 2018 (%)	1 YEAR (%)	3 YEARS P.A. (%)	5 YEARS P.A. (%)
DAVY CONSERVATIVE INCOME AND GROWTH FUND (NET OF FEES)	0.0	0.4	-1.9	-0.4	2.2
3M EURIBOR +2%	0.1	0.4	1.7	1.8	1.9

Source: Irish Life Investment Managers Ltd. (Performance is quoted gross of tax and net of fund management charge) and Bloomberg as at 29th June 2018. The fund management charge and product charges will vary depending on the terms and conditions of your policy.

### FUND OVERVIEW

The **Davy Conservative Income & Growth Fund** (the 'Fund') is a low risk, return seeking fund, ideal for conservative investors. The aim of the Fund is to produce positive returns above cash (3-month Euribor +2.0%) on a rolling 12-month basis in a low risk and opportunistic way. The Fund offers investors exposure to short dated (max three years duration) government bonds, high quality equities and cash.

### FUND PERFORMANCE

The Fund returned +0.4% during the second quarter. The equity basket contributed to performance while the Fund's holdings in short dated government bonds had a slightly negative impact during a period when global government bond markets were weak.

Within the Fund's equity investments the Fund's holdings in **Microsoft** and **Merck** were significant positive contributors to Fund performance. **Microsoft**, the Seattle-based software maker, produced a strong set of earnings in April that showed revenue acceleration across all divisions and steadily increasing annuity revenues. These include revenues from recurrent subscriptions that bode well for future cash flows.

**Merck** contributed 17bps to terms following the publication of a late stage clinical trial. The study showed that combination of Merck's Keytruda immunotherapy drug with chemotherapy made lung cancer patients 51% less likely to die compared with patients receiving chemotherapy alone. The findings mean that from now on, most untreated lung cancer patients will be given an immunotherapy by default and that many patients may be spared chemotherapy altogether.

The Fund remains invested in short dated (less than three years) **Spanish** and **Slovenian** bonds, which were down -0.25% on the quarter. The main reason for this was the general selloff in peripheral bonds, as the market reacted negatively to the proposed policies of the new Italian government comprised of the populist Five Star Movement and the far-right Lega. We believe this selloff was indiscriminate, and continue to have a positive outlook on the credit quality of Spain and Slovenia, which should see material credit rating upgrades in the foreseeable future.

### SAMPLE PORTFOLIO TRANSACTIONS

The current Asset Allocation is 76.1% cash and short dated fixed income (max maturity of 3 years) with 23.9% allocated to high quality equities. During the quarter we took some profits on holdings of French gasses company Air Liquide and Spanish infrastructure operator Ferrovial.

CALENDAR YEAR PERFORMANCE	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (%)
Davy Conservative Income & Growth Fund	(0.5)	0.1	6.4	8.3	0.6
3m Euribor +2%	1.7	1.8	2.0	2.2	2.2
Merck & Co.	(1.5)	15.1	(3.9)	16.9	26.8
Microsoft Corp	40.7	15.1	22.7	27.5	44.3

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**Warning: Past performance is not a reliable guide to future performance.**

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