

DAVY GLOBAL BRANDS FUND

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 GLOBAL BRANDS FUND (NET OF FEES)	0.2	5.3	2.0	4.8	10.4
MSCI WORLD INDEX	-0.1	7.2	8.5	6.8	12.3

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 aim of the **Davy Global Brands Fund** (the 'Fund') is to provide investors with long term capital growth by investing on a global basis in shares of companies which have strong brand characteristics. Such companies are expected to have competitive advantages including dominant market share and/or unique product characteristics that provide the potential for growth globally.

FUND PERFORMANCE

The Fund returned 5.3% in 2Q18 compared to the MSCI World Index return of 7.2%. The Fund underperformed the MSCI World Index by 1.9% in 2Q18 and outperformed by 0.3% in June. Over the last 12 months the Fund underperformed the Index by 6.5%, returning 2.0% compared to the MSCI World Index return of 8.5%.

Stock Selection (-1.9%) contributed negatively to performance during 2Q18. Significant contributors and detractors to performance during the quarter were **Nike** (+0.5%), **Automatic Data Processing** (+0.4%), **Samsonite** (-0.9%) and **Starbucks** (-0.7%). Nike reported strong FY18 results at the end of June and raised guidance for FY19 on the back of strong momentum behind recently introduced innovation platforms and a return to growth in the US market. Automatic Data Processing held an investor day during the quarter and guided for strong high single digit top-line growth and expanding margins in the coming years driven by the benefits of the company's cloud platform migrations. Samsonite was the subject of a "short attack" by Blue Orca Capital during the quarter which issued a report that made several allegations against the company. The company responded, denying the alleged accounting irregularities, but the CEO resigned following allegations that he made false claims on his resume. Starbucks underperformed after reducing guidance for FY18 driven by lower expectations for comparable sales growth in China, driven by changes to third party delivery operations.

Asset Allocation had a neutral impact on relative performance during the quarter. The performance was driven by our underweight positions in Financials (+0.5%), Industrials (+0.4%) and Energy (-0.7%) and overweight positions in Consumer Discretionary (+0.4%), Technology (+0.1%) and Consumer Staples (-0.5%).

SAMPLE PORTFOLIO TRANSACTIONS

The Fund was active during the quarter adding a new position in Alibaba, added to existing positions in Medtronic and Samsonite and reduced exposure to UPS.

The Fund remains defensively positioned with the aim of delivering asymmetric risk reward over time. We remain committed to owning high quality companies that exhibit pricing power and generate high operating returns on invested capital, combined with attractive structural growth opportunities. We continue to find attractive investment opportunities in companies with strong fundamentals at reasonable valuations.

CALENDAR YEAR PERFORMANCE	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (%)
Davy Global Brands Fund (Net of fees)	9.3	1.0	16.9	14.5	16.0
MSCI World Index	7.5	10.7	10.4	19.5	21.2
Nike	24.7	(17.7)	31.4	23.8	54.5
Automatic Data Processing	16.5	24.3	4.1	20.4	45.6
Samsonite	64.9	(2.8)	3.2	(0.8)	49.3
Starbucks Corp	5.4	(6.1)	48.2	6.2	48.1

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

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