

DAVY CONSERVATIVE INCOME & GROWTH FUND

FROM
IRISH LIFE

Q3 2018 UPDATE

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

PERFORMANCE	1 MONTH (%)	Q3 2018 (%)	1 YEAR (%)	3 YEARS P.A. (%)	5 YEARS P.A. (%)
DAVY CONSERVATIVE INCOME AND GROWTH FUND (NET OF FEES)	(0.1)	0.7	(0.9)	0.1	2.6
3M EURIBOR +2%	0.1	0.4	1.7	1.0	1.9

Source: Irish Life Investment Managers Ltd. (Performance is quoted gross of tax and net of fund management charge) and Bloomberg as at 28th September 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 0.7% for the quarter. The equity basket contributed 101bps to performance, while the bond portfolio contributed 10bps negatively. The short dated bonds had a slight negative impact on absolute performance during a period when global government bond markets were weak.

Within the Fund's equity investments the best performing stocks were in US Healthcare, **Pfizer** and **Merck**, which rose by 23% and 18% respectively. **Pfizer** was the biggest single positive contributor to relative performance during the quarter, contributing +0.4%. The company released Q2 earnings in July that exceeded market expectations. More importantly, management also delivered an upbeat outlook for their current drug pipeline, which will underpin organic growth in the years ahead. The stock rose by over 23% in euro terms during the quarter.

The Fund which remains invested in short dated (less than three years) **Spanish** and **Slovenian** bonds, was down -0.10% on the quarter. Eurozone bond yields rebounded higher in Q3 (which caused prices to fall) after a very dovish ECB meeting in June had caused yields to fall. A pickup in inflation also contributed to the rise. We 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.

CURRENT ASSET ALLOCATION

The current Asset Allocation is 73.9% cash and short dated government bonds (max maturity of 3 years) with 26.1% allocated to high quality equities.

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
Pfizer Inc	15.9	4.5	7.1	5.3	26.2

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