

DAVY CONSERVATIVE INCOME & GROWTH FUND

FROM
IRISH LIFE

Q4 2018 UPDATE

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

| PERFORMANCE | 1 MONTH (%) | Q4 2018 (%) | 1 YEAR (%) | 3 YEARS P.A. (%) | 5 YEARS P.A. (%) |
|---|-------------|-------------|------------|------------------|------------------|
| DAVY CONSERVATIVE INCOME AND GROWTH FUND* (NET OF FEES) | -1.8 | -1.7 | -2.4 | -0.9 | 2.3 |
| 3M EURIBOR +2% | 0.1 | 0.4 | 1.7 | 1.7 | 1.9 |

Source: Irish Life Investment Managers Ltd. (*Performance is quoted gross of tax and net of fund management charge) and Bloomberg as at 31st December 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 -1.7% for the final quarter of the year. The equity basket contributed -1.5% to performance, while the bond portfolio contributed positively.

Within the Fund's equity portfolio, Healthcare stocks such as **Merck** and **Pfizer** were among the best performers, while aerospace company **Airbus**, was the weakest performer. Merck contributed +0.2% to the Fund return during the quarter. The global health care company released solid earnings during the quarter driven by its key cancer drug Keytruda. The company also announced a 15% rise in its dividend and a \$10bn share repurchase programme, underlining management's commitment to shareholder returns. The stock rose by 10.2% during the quarter.

Airbus contributed -0.4% to fund performance. The stock weakened during the quarter in line with other industrial stocks as concerns about global growth emerged. A report that the US authorities were looking into possible misconduct at the company caused further weakness in December.

The bond position, which consists of short dated (less than three years) **Spanish and Slovenian bonds**, was up 0.16% on the quarter. Eurozone bond yields fell in Q4 (which caused prices to rise) as investors grew increasingly worried about a global economic slowdown. This resulted in reduced market expectations for central bank rate increases in 2019 worldwide. 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 76.3% **cash and short dated government bonds** (max maturity of 3 years) with 23.7% allocated to **high quality equities**.

| CALENDAR YEAR PERFORMANCE | 2018 (%) | 2017 (%) | 2016 (%) | 2015 (%) | 2014 (%) |
|---|----------|----------|----------|----------|----------|
| Davy Conservative Income & Growth Fund* | -2.4 | -0.5 | 0.1 | 6.4 | 8.3 |
| 3m Euribor +2% | 1.7 | 1.7 | 1.8 | 2.0 | 2.2 |
| ICE Bank of America Merrill Lynch Euro Govt Index | 0.8 | 0.6 | 0.4 | 0.7 | 0.8 |
| Merck & Co | 40.0 | -1.5 | 15.1 | -3.9 | 16.9 |
| Pfizer Inc | 24.8 | 15.9 | 4.5 | 7.1 | 5.3 |
| Airbus SE | 2.8 | 34.6 | 3.8 | 52.9 | -24.9 |

Source: Irish Life Investment Managers Ltd. (*Performance is quoted gross of tax and net of fund management charge), Euribor and Bloomberg as at 31st December 2018. The fund management charge and product charges will vary depending on the terms and conditions of your policy. Performance is quoted in local currency unless otherwise stated.

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

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