

Davy Global Alpha Fund

from Irish Life

Quarterly Update Q2 2019

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

For Investment Professionals Only

Performance	1 Month (%)	Q2 2019 (%)	1 Year (%)	3 Year (P.A.) (%)	5 Year (P.A.) (%)
Davy Global Alpha Fund* (Net of Fees)	2.8	2.6	2.8	11.1	9.9
MSCI World Index	4.3	2.5	9.0	10.8	10.6

Source: Irish Life Investment Managers Ltd (*Performance is quoted gross of tax and net of fund management charge) and Bloomberg as at 28th June 2019. 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 Alpha Fund** (the 'Fund') is to achieve capital growth through investing in industry leading equity funds. The Fund may be appropriate for conservative equity investors seeking to spread risk while retaining the potential for outperformance. It may be suitable as a core holding due to its regional diversification, style blend and focus on skilled managers.

Fund Performance

The Fund returned 2.6% in the second quarter, marginally outperforming the MSCI World Index, which returned 2.5%. The Fund continues to have a quality growth orientation and relatively low exposure to cyclical businesses. It has low exposure to developed market banks, together with on a global basis little exposure to oil or mining stocks. The second quarter was a volatile one for financial markets with a growth scare hitting equities during May and then a strong recovery in June in which growth stocks continue to outperform value names.

During the second quarter the standout US performer once again was the **Baillie Gifford American Fund** amongst the Funds US holdings. The Long-Term Global Growth team favour disruptive growth businesses which have seen a strong recovery in performance this year after the selloff in the fourth quarter 2018. Over three years the Baillie Gifford American Fund has returned roughly double that of the Index with this year **Wayfair** being a particularly strong performer as this online furniture disrupter continues to gain market share. The **JPM US Select Fund** made a return broadly in line with the US Index, whilst the **Schroder US Mid Cap Fund** lagged the broad market return as this part of the market was out of favour.

In Europe the **BlackRock Continental European Flexible Fund** was a strong performer, delivering around 7% benefitting from strong stock picking in Industrial and Information Technology names and an underweight to Financials. The **Crux European Special Situations Fund** delivered over 6% to investors after a strong rally in a number of its mid cap holdings. The more mainstream **JOHCM Continental European Fund** which has exposure to financial names and is

underweight to growth stocks lagged the market rally in the quarter. Amongst UK holdings the **Standard Life UK Smaller Companies Fund** also performed well, despite currency weakness costing close to 3%, in Euros the fund returned close to 4.5% in the second quarter. The **Merian Mid Cap Fund**, despite outperforming the Mid Cap Index, suffered as this part of the market came under pressure on renewed concerns about the UK pursuing a hard Brexit policy. Over the past three years the Merian UK Mid Cap fund has very significantly outperformed its benchmark index with its strong emphasis on secular and disruptive growth, meaning the Global Alpha portfolio has had low exposure to struggling UK consumer names.

Within Asia, the **First State Asia Focus Fund** has delivered consistent returns ahead of the Index over three years, and has outperformed during the second quarter. The **Stewart Asia Pacific Leaders Fund** also outperformed the market in the second quarter, with this defensive holding performing best in difficult markets such as May, and this was one of the few Asian funds to deliver a positive return in 2018.

Overall there was little change made to the asset mix in the first quarter, although exposure to the Japanese mid and small cap companies was reduced as the Fund here takes a more value-orientated approach with a preference for the **First State Japan Focus Fund** offering with its focus on secular growth names at a time of slowdown in the economic growth rate, both in Japan and globally. The Fund's bias to growth stocks was a positive in during the period.

Conclusion

Thus, in conclusion, while the second quarter of the year proved volatile, equity markets as defined by MSCI generally delivered a positive return. After the setback in May markets enjoyed a strong rebound in June driven both by hopes of a positive outcome for trade relations between the US and China, but in particular the pivot in monetary policy by the US Federal Reserve. This rally occurred despite the fact that economic data has shown a softer tone, especially in Europe, and Germany with its dependence on manufacturing has been a weak spot in the Eurozone. Whilst economic fundamentals have deteriorated to some degree, central banks globally have been well

aware of this and have gone on to the front foot with investors focused on the prospect of further monetary easing.

Overall, considering economic fundamentals together with valuations

there remains the prospect for further gains in 2019, although as has been the case in recent years this is likely to be interspersed with periods of volatility, and market setbacks as and when they occur are likely to be sharp and sudden.

Calendar Year Performance	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)
Davy Global Alpha Fund* (Net of Fees)	-4.7	11.1	4.7	14.8	14.8
MSCI World Index	-4.1	7.5	10.7	10.4	19.5
MSCI Emerging Markets Index	-12.5	17.9	11.9	-7.5	8.7
Baillie Gifford American Fund	13.3	23.6	27.3	13.5	17.6
JPM US Select Fund	-1.7	9.7	32.6	5.2	22.0
Schroder US Mid-Cap	-7.5	4.9	41.0	5.9	17.9
Merian UK MID-CAP Fund	-22.1	27.0	9.2	23.8	7.3
First State Asia Focus Fund	-2.7	22.2	6.8	-	-
First State Japan Focus Fund	-11.0	28.1	5.9	-	-
Stewart Investors GEM Leaders	-8.4	14.1	10.3	0.6	15.1
Stewart Investors Asia Pacific Leaders	5.4	13.5	19.6	1.9	19.9
Standard Life UK Smaller Companies Fund	-10.8	31.3	3.9	29.2	-7.8
JOHCM Continental European Fund	-11.3	9.5	2.0	16.4	7.8
JOHCM Japan Fund	-19.0	11.4	1.0	15.9	5.8
BlackRock Continental European Flexible Fund	-	20.0	3.5	15.3	2.1
Crux European Special Situations Fund	-16.3	16.6	3.7	19.7	8.4
Wayfair	21.8	106.2	-20.9	160.1	-

Source: Irish Life Investment Managers Ltd. (*Performance is quoted gross of tax and net of fund management charge), MSCI and Bloomberg as at 28th June, 2019. The fund management charge and product charges will vary depending on the terms and conditions of your policy. Performance quoted in local currency unless otherwise stated.

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