

DAVY TRILOGY II FUND

FROM
NEW IRELAND

Q4 2017 UPDATE

This fund is provided by New Ireland Assurance plc and is managed by Davy Asset Management.

PERFORMANCE	1 MONTH (%)	Q4 2017 (%)	1 YEAR (%)	3 YEARS P.A. (%)	5 YEARS P.A. (%)
DAVY TRILOGY II FUND (GROSS OF FEES)	1.3	2.9	4.4	8.6	11.6

Source: New Ireland (Trilogy II Fund Series 6, Performance is quoted gross of taxation and fund management charge) as at 29th December, 2017. 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 Trilogy II Fund** (the 'Fund') is to generate long-term capital growth by investing in three distinct asset classes (equities, bonds and property). The Fund invests only in equities that pay higher than average dividends on a sustained basis, high grade corporate bonds and commercial property.

FUND PERFORMANCE

The Fund rose by 2.9% during the quarter, performing in line with the Rubicon managed fund survey during the period. During the quarter, the Corporate Bonds, High Yield Equities and Property components returned +0.3%, +2.8% and +3.7% respectively.

The Corporate Bond Fund was up 0.30% during the fourth quarter as ECB purchases and investor inflows supported the corporate bond market. Issuer selection contributed positively as issuers such as BNP, BP and Allianz outperformed. However this was offset by the funds short duration position in anticipation of higher yields which have yet to materialise. Despite its underperformance, we continue to maintain our interest rate positioning as we believe yields, particularly at the long end of the curve, will move higher in the coming quarters given the strength of growth in the Eurozone economy and the inevitable end of the ECB's bond buying programme.

The High Yield equities basket rose 2.8% in the quarter. During the quarter, both High Yield and Value factors underperformed. Asset Allocation detracted from relative performance, primarily driven by the Consumer Staples and Information Technology sectors. The Fund tends to be overweight the Consumer Staples sector due to the large number of high quality dividend paying companies in the sector. The Fund has a natural underweight to the Information Technology sector due to the scarcity of available dividend yield. Currency had a positive impact on performance. The Property portfolio managed by State Street Global performed well during the quarter.

SAMPLE PORTFOLIO TRANSACTIONS

The Fund mix currently stands at 41.0% High Yield Equities, 45.7% Property and 13.3% Corporate Bonds. Within the equity basket, the Fund sold out of its holding in AT&T and added to Telus during the quarter. The Fund also reduced its holding in Swedbank.

The decision to sell out of AT&T followed on from the decision to reduce the position size earlier in the year. The US Telco landscape remains intensely competitive with potential for margin improvement low. Having sold out of AT&T the Fund added Canadian telecom provider Telus to the portfolio. The Canadian Telecoms market is more attractive and more mature market than the US. The market is consolidated with three nationwide carriers that control 93% of subscribers. Telus is the market leader in revenue growth and benefits from a favourable business mix and an accelerating free cash flow profile that make it attractive.

The Fund reduced its holding in Swedbank during the quarter. Swedbank has a large exposure to mortgage and real estate lending in Sweden, where there have been early signs of weakness in the property market.

With ongoing event risk and increased volatility on the horizon, we believe that the high yield style will once again benefit from its intrinsic defensive attributes. The underlying equity book generally has lower volatility, lower beta and higher market capitalisation.

CALENDAR YEAR PERFORMANCE	2016 (%)	2015 (%)	2014 (%)	2013 (%)	2012 (%)
Davy Trilogy II Fund	5.9	15.8	24.6	8.5	7.0
MSCI World Index	10.7	10.4	19.5	21.2	14.0
BoA Merrill Lynch AAA-A Euro Corporate	4.2	(0.3)	8.4	1.1	11.2

Source: New Ireland (Trilogy II Fund Series 6, Performance is quoted gross of taxation and fund management charge), MSCI and Bloomberg as at 29th December 2017. The fund management charge and product charges will vary depending on the terms and conditions of your policy. Performance is quoted in local terms unless otherwise stated.

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