DAVY TRILOGY II FUND

FROM NEW IRELAND

Q1 2018 UPDATE

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

PERFORMANCE	1 MONTH (%)	Q1 2018 (%)	1 YEAR (%)	3 YEARS P.A. (%)	5 YEARS P.A. (%)
DAVY TRILOGY II FUND (GROSS OF FEES)	-0.7%	-1.7%	1.5%	5.0%	10.5%

Source: New Ireland (Trilogy II Fund Series 6, Performance is quoted gross of taxation and fund management charge) as at 29th March, 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 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 fell by -1.7% during the first quarter of 2018, outperforming the Rubicon managed fund survey during the period. During the quarter, the Corporate Bonds, High Yield Equities and Property components returned -0.3%, -5.9% and +1.4% respectively.

Eurozone corporate bonds had a weak-ish first quarter with the ICE BoA Merrill Lynch AAA-A Euro Corporate down -0.32%. Large supply and better economic fundamentals leading to a rise in short to intermediate dated yields, as the market revised up its outlook for ECB interest rates, were some of the reasons for the weakness. The Corporate Bond Fund was down -0.30% during the first quarter. The main contributor to performance was the Fund's security selection and positioning in the Consumer non-cyclical, Consumer cyclical and Industrial sectors. The main detractor from performance was the Fund's positioning in Financials and its underweight in long dated corporate bonds as the curve flattened. We continue to maintain our curve 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 fell -5.9% in the quarter. During the quarter, both High Yield and Value factors underperformed. Asset Allocation detracted from relative performance, primarily driven by the Consumer Discretionary and Information Technology sectors. The Consumer Staples and Telecommunications sectors, which the Fund is overweight, underperformed. 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 very well during the quarter.

SAMPLE PORTFOLIO TRANSACTIONS

The Fund mix currently stands at 38.0% High Yield Equities, 48.7% Property and 13.3% Corporate Bonds. Within the equity basket, the Fund sold out of its holding in WPP and added Eastman Chemical Company during the quarter.

The decision to sell WPP followed a review of the underlying investment thesis. Advertising agencies face a tough climate at the moment as clients trim spending and companies such as Google and Facebook gather an ever-larger share of corporate marketing budgets. The industry continues to evolve rapidly in response to shifts in consumer viewing habits and media consumption. We added Eastman Chemical Company to the Fund during the quarter. Eastman is a diversified chemicals company. Over the past number of years management has been transitioning the company away from commodity type chemicals towards speciality chemicals. Speciality chemical companies can enjoy greater stability of earnings and cash flows and trade at higher multiples to their commodity exposed peers. Eastman has an excellent management team in place who can continue to lead the company through this transition.

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	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (%)
Davy Trilogy II Fund	4.4	5.9	15.8	24.6	8.5
MSCI World Index	7.5	10.7	10.4	19.5	21.2
BoA Merrill Lynch AAA-A Euro Corporate	1.5	4.2	(0.3)	8.4	1.1

Source: New Ireland (Trilogy II Fund Series 6, Performance is quoted gross of taxation and fund management charge), MSCI and Bloomberg as at 29th March 2018. 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.

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

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