

# DAVY HIGH YIELD FUND

FROM  
NEW IRELAND

## Q3 2018 UPDATE

This fund is provided by New Ireland 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 HIGH YIELD FUND (GROSS OF FEES)	1.1	5.7	7.4	9.1	10.0
MSCI WORLD INDEX	0.7	5.5	13.2	12.0	12.5

Source: New Ireland (High Yield Fund Series 6, performance is quoted gross of taxation and 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 aim of the **Davy High Yield Fund** (the 'Fund') is to achieve long-term capital growth through investments in companies which expect to generate a higher than average dividend yield. The Fund targets a dividend yield 1% greater than the market dividend yield. The concept is that dividends are the foundation of total returns over the long term.

### FUND PERFORMANCE

In Q3, the Fund returned 5.7% versus an index return of 5.5%. Stock Selection contributed positively to relative performance while Asset Allocation contributed negatively. Currency was broadly neutral during the quarter. Stock Selection within the Financials, Technology and Healthcare sectors was the largest contributor to Fund relative performance during the quarter. At stock level, **Pfizer** and **Taiwan Semiconductor Manufacturing Company (TSMC)** were the best performers in the portfolio during the third quarter.

Within the Stock Selection return, 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.

At a sector allocation level, the Information Technology sector, which the Fund is underweight, performed strongly during the quarter driven by Apple, whereas the Materials sector, which the Fund is overweight lagged the market on trade war concerns. Apple contributed -0.4% to Stock Selection during the quarter. The company announced a sharp uplift in service revenue, driving the stock up 23% in euro terms during the quarter. The Fund does not hold Apple due to its relatively low dividend yield.

Currency exposure was broadly neutral during the quarter. The euro, which had weakened during July and early August, rallied in the second half of Q3 to finish broadly unchanged against the dollar. The pattern was repeated for the euro against sterling.

### SAMPLE PORTFOLIO TRANSACTIONS

During the quarter, the Fund reduced its holding in Microsoft somewhat. The stock has been a very strong performer, rising by 40% in euro terms in the first three quarters of 2018. This performance had brought the absolute weighting in the stock to 5% by July and at this stage some profit was realised on the position.

With ongoing event risk and increased volatility, we believe that the high yield style will once again show its intrinsically 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 High Yield Fund	2.0	11.1	11.3	16.0	17.0
MSCI World Index	7.5	10.7	10.4	19.5	21.2
PFIZER INC	15.9	4.5	7.1	5.3	26.2
TAIWAN SEMICONDUCTOR	42.3	31.1	4.9	31.2	4.4
Apple Inc	48.5	12.5	(3.0)	40.6	8.1
Microsoft Corp	40.7	15.1	22.7	27.5	44.3

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

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