

DAVY TRILOGY II 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 TRILOGY II FUND (GROSS OF FEES)	0.7	2.8	6.4	6.8	11.2

Source: New Ireland (Trilogy II Fund Series 6, Performance is quoted gross of taxation and fund management charge) 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 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 returned +2.8% during the third quarter of 2018. During the quarter, the Corporate Bonds, High Yield Equities and Property components returned 12.4%, 38.2% and 49.4% respectively.

European corporate bonds were slightly negative for the third quarter of 2018 with the **Bank of America ML AAA-A Euro Corporate Index** falling by 0.10%. Yields rose (which caused bond values to fall) as a pickup in inflation saw expectations for an ECB rate hike towards the end of 2019 rise. The Corporate Bond Fund slightly outperformed during the second quarter. The main contributor to performance during the quarter was the Fund's allocation to the Financial sector. The main detractor from performance was the Fund's curve positioning and allocation to Consumer Cyclical sector. Yields are currently at extreme lows, which is leading investors to search for higher yields. We therefore continue to be underweight the AAA-AA category where yields are lowest.

The High Yield Equities basket added 5.7% in the quarter. Stock Selection within the Financials, Technology and Healthcare sectors was the largest contributor to Fund relative performance during the quarter. Currency 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.

The Property portfolio managed by State Street Global performed very well during the quarter.

SAMPLE PORTFOLIO TRANSACTIONS

The Fund mix currently stands at 38.2% High Yield Equities, 49.4% Property and 12.4% Corporate Bonds. Within the equity basket, 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 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
ICE BoAML AAA-A Euro Corporate Index	1.5	4.2	(0.3)	8.4	1.1
Microsoft Corp	40.7	15.1	22.7	27.5	44.3

Source: New Ireland (Trilogy II Fund Series 6, Performance is quoted gross of taxation and fund management charge), MSCI 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. Performance is quoted in local terms unless otherwise stated.

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