

# DAVY DEFENSIVE HIGH YIELD FUND

FROM  
NEW IRELAND

## Q4 2018 UPDATE

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

PERFORMANCE	1 MONTH (%)	Q4 2018 (%)	1 YEAR (%)	3 YEARS P.A. (%)	5 YEARS P.A. (%)
DAVY DEFENSIVE HIGH YIELD FUND (*NET OF FEES)	-5.5	-5.3	-2.9	0.4	4.4
MSCI WORLD INDEX	-8.5	-12.0	-4.1	4.5	8.5

Source: New Ireland (\*Davy Defensive High Yield Fund Series 6, performance is quoted gross of taxation and net of fund management charge) and Bloomberg as at 31st December 2018. The fund management charge and product charges will vary depending on the terms and conditions of your policy.

The performance of the New Ireland Davy Defensive High Yield Fund encompasses both the past performance of the Davy Defensive High Yield Fund, a sub-fund of the Skyline Umbrella Fund plc, from 30th September 2011 to 21 July 2015 and the past performance of the Davy Defensive Equity Income Fund (formerly Defensive Income Fund), a sub-fund of Davy Funds plc, from its launch on 22nd July 2015 to report date.

### FUND OVERVIEW

The aim of the **Davy Defensive High Yield Fund** (the 'Fund') is to provide long-term capital growth, with reduced levels of volatility compared to global equity markets. The Fund reduces risk by investing in large global companies that pay out above average dividend yields and employs an options strategy to provide some downside protection against significant market falls.

### FUND PERFORMANCE

In the final quarter of the year, the Fund returned -5.3% versus an index return of -12.0%, outperforming its benchmark by 6.7%. Stock Selection and Asset Allocation both contributed positively to relative performance while Currency detracted. Stock Selection within the Healthcare sector was the largest contributor to performance. During the period the Fund's risk managed option strategy aided performance.

US consumer goods company, **Procter and Gamble** released results during the quarter that suggests turnaround at the company is on track. Organic sales growth was 4%, ~200bps ahead of market expectations. EPS guidance for the full year was also ahead of expectations.

The Fund's largest holding at the end of the quarter was **Microsoft**. The US software company is transitioning from a PC based packaged software vendor into a cloud-based software and services company with an increasing share of revenue coming from subscription services.

The Fund's overweight positions in Utilities and Consumer Staples were among the biggest contributors to the Asset Allocation outturn. The negative contribution from Currency was primarily attributed to the Fund's underweight exposures to the Japanese yen and US dollar.

The options strategy had a positive impact to performance as global equity markets fell.

### SAMPLE PORTFOLIO TRANSACTIONS

During the quarter, the Fund reduced its holding in **Microsoft** somewhat. Stock price movement had brought the absolute weighting in the stock to 5% during the quarter.

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. The options strategy has, in past times of elevated volatility, demonstrated its ability to provide downside protection.

CALENDAR YEAR PERFORMANCE	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)
Davy Defensive High Yield Fund* (Net of fees)	-2.9	-2.7	7.1	7.3	14.3
MSCI World Index	-4.1	7.5	10.7	10.4	19.5
Microsoft Corp	20.8	40.7	15.1	22.7	27.5
Procter and Gamble	3.6	12.7	9.4	-10.0	15.4

Source: New Ireland (\*Davy Defensive High Yield Fund Series 6, performance is quoted gross of taxation and net of fund management charge), MSCI and Bloomberg as at 31st December 2018. The fund management charge and product charges will vary depending on the terms and conditions of your policy. Performance is quoted in local currency unless otherwise stated.

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

The Davy Defensive High Yield Fund from New Ireland is a life wrapped fund which invests directly in units of the Davy Defensive Equity Income Fund (UCITS), which is managed by Davy Asset Management. Discussions around the Fund herein relate to the UCITS fund. This report does not constitute an offer for the purchase or sale of any financial instrument, trading strategy, product or service. No one receiving this report should treat any of its contents as constituting advice or a personal recommendation. It does not take into account the investment objectives or financial situation of any particular person. All investments involve a degree of risk. Equities may involve a high degree of risk and may not be suitable for all investors. Government bonds and cash deposits, although considered the safest assets, are not devoid of risk (e.g. inflation risk, credit risk, currency risk, etc.). There are different reasons why an investor would choose to invest in a particular asset class and each investor must consider the inherent risks therein based on his/her own personal circumstances. The value of these investments can rise as well as fall. There is no guarantee that the investments discussed will achieve results comparable to those achieved in the past or that capital will be returned to investors. Neither past experience nor the current situation are necessarily accurate guides to the future.

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