

DAVY 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 HIGH YIELD FUND* (GROSS OF FEES)	-7.6	-7.5	-3.4	3.1	7.1
MSCI WORLD INDEX	-8.5	-12.0	-4.1	4.5	8.5

Source: New Ireland (*High Yield Fund Series 6, performance is quoted gross of taxation and 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.

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 the final quarter of the year the Fund returned -7.5% versus an index return of -12.0%, outperforming its benchmark by 4.5%. Stock Selection and Asset Allocation made positive contributions to relative performance while Currency detracted. Stock Selection within the Healthcare sector was the largest contributor to performance.

US consumer goods company, **Procter and Gamble** released results during the quarter that suggest the 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.

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.

CALENDAR YEAR PERFORMANCE	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)
Davy High Yield Fund* (Gross of Fees)	-3.4	2.0	11.1	11.3	16.0
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

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

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