

Davy High Yield Fund

from New Ireland

Quarterly Update Q1 2019

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

For Investment Professionals Only

Performance	1 Month (%)	Q1 2019 (%)	1 Year (%)	3 Year (P.A.) (%)	5 Year (P.A.) (%)
Davy High Yield Fund* (Gross of Fees)	2.5	12.3	15.3	8.7	9.3
MSCI World Index	2.7	14.5	13.9	11.2	11.3

Source: New Ireland (*High Yield Fund Series 6, performance is quoted gross of taxation and fund management charge) and Bloomberg as at 29th March 2019. 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

The Fund returned 12.3% versus an index return of 14.5% during the first quarter of 2019. The differential was driven by Stock Selection and Asset Allocation, which both contributed -0.9% to relative performance during the quarter, while Currency effects contributed -0.2%.

Aerospace and defence company **Airbus** was the biggest positive contributor to relative performance during the quarter, adding +0.5%. The stock rebounded strongly during the quarter following a better-than-expected set of results in February. The management team also took the opportunity to raise their guidance for profit growth in 2019. In spite of some disappointment regarding the future of the A380, the company has a strong order book for the A320 and is seeking to raise the quarterly deliveries rate for the model. Following some weakness in the fourth quarter of last year, the stock rose by 40.4% during the first quarter of 2019.

Telecoms company **Vodafone** contributed -0.2% to Stock Selection during the quarter. In spite of management reiterating their cash flow targets for 2019, the stock fell on the first quarter earnings release in January. Service revenue growth was weaker than expected and the market is concerned about how the company will deal with the increased debt from the purchase of assets from Liberty Global and upcoming spectrum auctions in Germany. At current valuation levels, we believe that the market is already pricing in a dividend cut from the company and that progress on cost cutting and asset sales will allay fears about the balance sheet.

Sample Portfolio Transactions

During the first quarter of 2019, the Fund exited its position in BMW and added Samsung. Global demand for automobiles is plateauing due to growth from ride-on-demand and an increase in competition from electric vehicles. Samsung is one of the world's largest semiconductor manufacturers. Samsung will benefit from a structural trend of growth from high-power computers, high-end consumer devices and rising semiconductor adoption within the auto sector.

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*	-3.4	2.0	11.1	11.3	16.0
MSCI World Index	-4.1	7.5	10.7	10.4	19.5
Airbus	2.8	34.6	3.8	52.9	-24.9
Vodafone Group	-29.9	24.6	-4.5	4.2	-3.5

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

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