DAVY

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Davy **Trilogy II** Fund

from **New Ireland**

Quarterly Update Q2 2019

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

For Investment Professionals Only

Performance	1 Month (%)	Q2 2019 (%)	1 Year (%)	3 Year (P.A.) (%)	5 Year (P.A.) (%)
Davy Trilogy II Fund* (Gross of Fees)	2.1	1.9	8.3	6.0	9.4

Source: New Ireland (*Trilogy II Fund Series 6, Performance is quoted gross of taxation and fund management charge) as at 28th June 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 1.9% during the second quarter of 2019. During the quarter, the Corporate Bonds, High Yield Equities and Property components returned 2.1%, 3.1% and 0.9% respectively.

European corporate bonds were positive for the second quarter of 2019 with the Bank of America AAA-A Euro Corporate Index rising by 1.76%. Credit spreads fell (causing prices to rise) on the back of a more accommodative European Central Bank and Federal Reserve, leading to increased appetite for yield. The Corporate Bond component outperformed its benchmark by 0.30% over the quarter. The outperformance was primarily driven by asset allocation (with a higher allocation towards As versus AAs). Security selection also drove some of the outperformance, with Philip Morris, Electricité de France, and KKR being the main contributors to the outperformance.

The High Yield Equities basket added 3.1% in the quarter. Stock selection within the Technology sector was the largest contributor to relative performance during the quarter.

Microsoft was the strongest contributor to relative performance during the quarter gaining 12.4%. The global software company's market cap passed the $1trn mark during April following an encouraging set of results that showed strength in all divisions. The prospects of sustained cash generation were boosted by a strong growth in the subscription-based Office365 product. There was also a rebound in Windows as PC shipments recovered from a shortage of chips in the prior quarter. Cloud-based revenues also exceeded expectations and allowed the company to forecast double-digit revenues and earnings for FY2020.

In contrast with Microsoft, **Intel** disappointed during the quarter as the worst performer falling 11.6%. Revenues and margins disappointed and guidance for the current quarter was lower than expected. The memory division was particularly weak as prices collapsed in this highly competitive segment. Clearly a solution to profitability is needed here, and new CEO Bob Swan suggested on a call with investors that he would be open to a partnership with another player to address this issue.

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

Sample Portfolio Transactions

The Fund mix currently stands at 38.6% High Yield Equities, 49.6% Property and 11.9% Corporate Bonds.

With ongoing event risk and increased volatility on the horizon, we believe that a diversified portfolio with high yielding equities will once again benefit from its intrinsic defensive attributes.

Calendar Year Performance	**2018 (%)**	**2017 (%)**	**2016 (%)**	**2015 (%)**	**2014 (%)**
Davy Trilogy II Fund* (EUR)	1.3	4.4	5.9	15.8	24.6
ICE BoA Merrill Lynch AAA-A Euro Corporate	-0.4	1.5	4.2	-0.3	8.4
Intel	4.2	30.8	8.8	-2.2	44.3
Microsoft	20.8	40.7	15.1	22.7	27.5

Source: New Ireland (*Trilogy II Fund Series 6, Performance is quoted gross of taxation and fund management charge), MSCI and Bloomberg as at 28th June, 2019. 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.

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

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