DAVY DEFENSIVE EQUITY INCOME STRATEGY

Q1 2017 UPDATE

PERFORMANCE	1 MONTH (%)	Q1 2017 (%)	1 YEAR (%)	3 YEARS P.A (%)	5 YEARS P.A (%)
DAVY DEFENSIVE EQUITY INCOME STRATEGY* (NET OF FEES)	(0.6)	0.8	11.5	9.3	7.5
MSCI WORLD INDEX	0.4	4.9	22.3	14.8	14.3

Source: Davy Asset Management (Class B Eur) and Bloomberg as at 31st March 2017.

* The Davy Defensive Equity Income Fund was launched on 22nd July 2015. Investors should note the Davy Defensive Equity Income Fund (UCITS) is newly established. The past performance chart reflects past performance data relating to the Davy Defensive High Yield Fund (UCITS) which merged with the Davy Defensive Equity Income Fund (UCITS) (the "Merger"). Prior to the Merger the investment policy, strategy and portfolio composition were largely the same. In the circumstances, the past performance data included in this document is believed to be an appropriate reference for investors.

FUND OVERVIEW

The aim of the **Davy Defensive Equity Income 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

The Fund fell 0.6% in March and rose 0.8% in Q1 2017, underperforming the index by 1.0% and 4.1% (net of fees). During the period Value underperformed Growth by a significant margin. It is not surprising given the strong market in Q1 that the Fund's downside protection detracted from performance.

Stock Selection was a negative contributor during the quarter, particularly as the high yield style underperformed. Within the Information Technology sector alone stock selection detracted 0.4% from performance. Not holding Apple and Facebook, which do not meet the Fund's yield criteria, detracted 0.4% and 0.2% respectively due to their high index weights and strong outperformance during the quarter. The Fund's position in US Financials had a negative impact on performance as the Financial sector advanced 5.5% during the quarter while US Financials only advanced 2.3%. Trump's inability to repeal the Affordable Care Act cast doubt over his ability to push through proposed regulatory changes, taxation reform and an infrastructure investment plan causing the 'Trump Trade' to falter.

The Fund's holding in L Brands detracted 0.4% from performance as the US retailer behind Bath & Body Works and Victoria's Secret brands, fell 27.7% in the quarter versus the Consumer Discretionary sector which was up 5.9%. Declining mall traffic and margin pressures combined to affect sentiment on the company's fortunes. L Brands has a large retail network in the US. Although it is well known bricks and mortar retail had been in decline, the recent acceleration in the trend during the last 6 months was unexpected. We believe that management's evolution of the businesses model should position the company well for the future.

Consumer goods giant Unilever was a positive contributor during the quarter returning +20.7% in local currency terms versus the Staples sector which rose 5.8%. Following a failed bid from the Warren Buffet and 3G backed Kraft-Heinz, Unilever announced a plan to improve margins in the business.

Asset Allocation detracted 0.7% from performance, primarily driven by the underweight to the Information Technology sector, which detracted 0.4%. The Fund has a natural underweight to the IT sector due to the scarcity of available yield. The Fund's overweight to the Telecoms sector also detracted from performance, detracting 0.2% from fund performance. Currency had a negative impact on the Fund detracting 0.2% from performance. This was primarily driven by the Fund's underweight to the Japanese Yen which strengthened during the quarter, detracting 0.1% from performance.

SAMPLE PORTFOLIO TRANSACTIONS

The Fund retains its overweight in US Financials, which we expect to benefit from a rate tightening cycle and the Fed's plan to begin to unwind their balance sheet. We continue to believe that the dividend yields offered by the Utilities, Telecoms and Consumer Staples sectors represent high, safe, real yields in the low yield environment. At the beginning of the period we added French Financial BNP Paribas to the Fund and sold the Fund's remaining holding in Compass Group. BNP Paribas has been a strong performer and has an attractive indicated dividend yield of 4.5%. It offers us exposure to both European Financials which trade at a significant relative discount to the rest of the market and offers exposure to the French economy, the data for which has been steadily improving. We continue to believe that Compass Group, which offers outsourced catering solutions worldwide, is an excellent high quality company however it had become too expensive and the indicated dividend yield had fallen to just 2.3%.

With ongoing event risk and increased volatility on the horizon we believe that the equity income style will once again benefit from its intrinsic defensive attributes. The underlying equity bucket 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	2016 (%)	2015 (%)	2014 (%)	2013 (%)	2012 (%)
Davy Defensive Equity Income Strategy (Net of fees)	6.6	6.9	13.1	7.4	6.6
MSCI World Index	10.7	10.4	19.5	21.2	14.0
Apple	12.5	(3.0)	40.6	8.1	32.6
Facebook	9.9	34.1	42.8	105.3	-
L Brands	(27.3)	15.8	45.7	34.4	29.2

Source: Davy Asset Management (Class B Eur) and Bloomberg as at 31st March 2017. Performance is quoted in local currency unless otherwise stated.

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

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