DAVY ETHICAL EQUITY STRATEGY

Q4 2017 UPDATE

PERFORMANCE	1 MONTH (%)	Q4 2017 (%)	1 YEAR (%)	3 YEARS P.A. (%)	5 YEARS P.A. (%)
DAVY ETHICAL EQUITY STRATEGY* (NET OF FEES)	0.6	4.8	7.1	7.6	10.6
MSCI WORLD INDEX	0.6	3.9	7.5	9.5	13.7

Source: Davy Asset Management (Class A Acc in EUR) and Bloomberg as at 29th December 2017.

* The Davy Ethical Equity Fund was launched on 12th December 2014. Investors should note the Davy Ethical Equity Fund (UCITS) is newly established. The past performance reflects past performance data relating to the Davy Ethical Equity Fund (non-UCITS) which merged with the Davy Ethical Equity Fund (UCITS) (the "Merger"). Prior to the Merger when the Fund was not authorised as a UCITS, 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 Ethical Equity Fund** (the 'Fund') is to achieve long-term capital growth. The objective will be achieved by investing in a portfolio of "blue chip" global companies chosen on the basis of ethical ('socially responsible') criteria. The Fund favours corporate practices that promote human rights, environmental stewardship, consumer protection and diversity.

FUND PERFORMANCE

The Fund rose 4.8% over the final quarter of 2017. Technology was the best performing sector rising 6.7% followed by the Materials and Consumer Discretionary sectors which both rose over 6%. Utilities (-1.7%) and Healthcare (-0.6%) were the only sectors to remain in negative territory.

Amongst names that contributed most to performance were Blackrock and JPMorgan. Blackrock, the US based fund manager rose over 13% in the period. The group posted a strong set of Q3 results in October which were boosted by higher than expected performance fees. This was a strong quarter with strong sales and margin expansion. Blackrock remains one of the few growth names in asset management. JPMorgan – the diversified banking giant gained 10.9% over the quarter. Strong Q3 results demonstrated their better than peer group balance sheet growth, improving card revenues and solid commercial banking momentum. Credit quality metrics were contained. Market revenues did decline particularly in Fixed Income but that was largely expected given a tough comparable quarter. JPMorgan is also one of the biggest beneficiaries of tax reform and easier regulation in the US. Indeed, the move to get some tax reform approved in the US gathered momentum as the quarter progressed and benefited financials in general.

Home Depot, the US DIY retailer climbed 14.7%. The company posted very strong Q3 results and raised its full year guidance. Like for like sales growth was an impressive +7.9% despite over 230 of their stores being closed for various periods due to hurricanes. The company also indicated that hurricane related sales should be stronger in the last quarter.

On the downside Newell Brands, the housewares, home furnishings and office supplies company posted a weak set of Q3 results and guided lower for the full year. The shares declined 25% in November alone. The company had already warned that they would face a hike in resin prices as a result of the hurricanes. What wasn't appreciated was the time lag in any pricing offset and adjustment to inventories. Category growth was also weaker than expected. Although the earnings visibility and timing of a recovery is poor the valuation now more than reflects the current situation.

SAMPLE PORTFOLIO TRANSACTIONS

We made several active changes to the portfolio over the period. We sold out of Suruga Bank and Royal Dutch Shell for different reasons. Suruga, the Japanese regional bank was sold following a poor set of results and review of the investment case. On fundamentals it became apparent that the high return on equity being earned by the bank was no longer sustainable. The stock was also B rated in terms of ESG and this gave us the opportunity to improve the overall ESG rating of the Fund. We recycled the proceeds mainly into Orix, the Japanese financial services company and Prudential.

Although Royal Dutch Shell has an ESG rating of BBB our ethical criteria rules out any company that faces very severe controversies. The company faces allegations of being responsible for substantial environmental damage to the Niger River Delta in Nigeria where poor maintenance of pipelines has resulted in thousands of spills over the years. Hence a red flag raised late in October meant looking for an alternative holding.

In order to maintain our oil weighting we added Total, the French integrated oil giant. Total is a quality name with production growth set to be at 7% between now and 2020 as 16 major projects ramp. Strong cash flow generation is also expected which in turn will pave a way for the scrip dividend to be removed. Total's ESG A rating is a notch higher than Royal Dutch Shell's BBB and is in keeping with our strategy to improve the overall ESG ranking of our portfolio holdings.

A new holding was established in Assa Abloy. The Swedish based company is the world's leading manufacturer and supplier of locks and locking solutions. The stock is a high quality name that had underperformed in the year. We believe the company is capable of growing its top line at c6-8% and EPS in the low double digits. Margins are good at 16-17%. The stock deservedly trades on a premium with upside to come as emerging markets and China improve. The stock has an ESG rating of AA. The purchase was funded from cash and through the top slicing of names that had performed strongly, namely McDonald's, 3M and Stanley Black & Decker.

CALENDAR YEAR PERFORMANCE	2016 (%)	2015 (%)	2014 (%)	2013 (%)	2012(%)
Davy Ethical Equity Strategy (Net of fees)	4.3	11.5	15.8	14.6	18.7
MSCI World Index	10.7	10.4	19.5	21.2	14.0
Blackrock Inc	14.6	(2.3)	15.7	57.0	19.8
Home Depot Inc	3.5	28.5	30.3	35.9	50.3
JPMorgan	34.6	8.4	9.9	36.7	36.2
Newell Brands	3.0	17.9	19.9	48.9	41.0
Royal Dutch Shell	64.4	(26.3)	2.7	10.4	(7.0)

Source: Davy Asset Management (Class A Acc in EUR) and Bloomberg as at 29th December 2017. Performance is quoted in local currency unless otherwise stated.

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