DAVY ASSET MANAGEMENT

FOR INVESTMENT PROFESSIONALS ONLY

DAVY DEFENSIVE EQUITY INCOME STRATEGY

Q2 2017 UPDATE

PERFORMANCE	1 MONTH (%)	Q2 2017 (%)	1 YEAR (%)	3 YEARS P.A (%)	5 YEARS P.A (%)
DAVY DEFENSIVE EQUITY INCOME STRATEGY* (NET OF FEES)	(1.2)	(3.5)	3.5	6.8	6.2
MSCI WORLD INDEX	(1.0)	(2.4)	15.1	11.8	13.8

Source: Davy Asset Management (Class B Eur) and Bloomberg as at 30th June 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 1.2% in June and 3.5% in Q2 2017, underperforming the index during a period when Equity Income factors underperformed. The Fund's risk managed option overlay which protects the Fund during sharp market declines detracted from performance during the period.

Stock Selection was the biggest detractor from relative performance with a negative contribution of 0.7% as the Quality and Equity Income factors lagged the broader market. Asset Allocation detracted 0.3% from relative performance. The Fund's overweight to Telecommunications and underweight to Information Technology having the largest negative impacts. Within the Information Technology sector not holding Alphabet (parent of Google), Facebook and Amazon, which do not meet the Fund's yield criteria detracted 0.2% from performance.

The Fund's holding in US Telecommunications company AT&T detracted 0.2% during the quarter, falling 9.2% in Euro terms. AT&T revealed that it had lost subscribers when it announced it's first quarter results. The competition for subscribers intensified in the US, impacting pricing across the Telco sector. News also emerged that AT&T had lost a bidding war for communications company Straight Path, which holds a number of valuable 5G spectrum licences giving Verizon an early lead in the nascent 5G roll-out.

Global Consumer Goods company Nestle contributed +0.1% to the portfolio returning +9.7% during the quarter in Euro terms. Nestle outperformed the broader Consumer Staples sector during the quarter as they announced sales that were ahead of investor expectations in April. During the period a well known US activist investor disclosed a holding in the company and published a report calling for greater value creation at Nestle. Two days following the disclosure Nestle announced a CHF21bn share buyback programme. It is hoped that this is a signal for greater and more accelerated change at Nestle.

Asset Allocation detracted 0.3% from relative performance primarily driven an overweight to the Telecommunications sector and an underweight to the Information Technology sector. The Fund has a natural underweight to the Information Technology sector due to the scarcity of available dividend yield.

Currency had a positive contribution to Fund performance. The Fund's underweight to US Dollar was the primary contributor to performance along with smaller contributions from underweights to JPY, CAD and AUD as well.

SAMPLE PORTFOLIO TRANSACTIONS

During the quarter the Fund reduced its holdings in Du Pont and General Electric and added Evonik to the portfolio. The holding in global chemicals company Du Pont was reduced on valuation grounds. Du Pont has been a strong performer for the Fund, returning 23.3% over the past year as its merger with fellow chemicals behemoth Dow Chemicals has approached completion. Both companies should benefit from significant cost synergies once merged and Du Pont has been making positive cost savings in anticipation of the combination. The Fund's holding in General Electric was reduced during the quarter as the outlook for cash flows looks challenged in the medium term. GE has been transitioning its portfolio in recent years with investment in this transition likely to have negative cash impact along with core portfolio orders, particularly in Oil & Gas, which have faltered recently. The Fund added a position in German chemicals company Evonik. Evonik has a global leadership position in a number of businesses and produces inputs for a diverse range of end markets including animal feed, baby care, tyre additives and materials used in industrial industries like construction, aerospace & infrastructure. Management at Evonik have a disciplined approach to capital allocation and we believe there is scope for margin improvement as management focuses on areas that offer above average growth and margin potential.

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 book generally has lower volatility, lower beta and higher market capitalisation.

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
AT&T	29.9	8.3	0.6	9.8	17.5
Nestle	1.1	5.2	15.3	13.0	14.2
Facebook	9.9	34.1	42.8	105.3	-
Alphabet/Google	1.9	46.6	(5.4)	58.4	9.5

Source: Davy Asset Management (Class B Eur) and Bloomberg as at 30th June 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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