

DAVY ETHICAL EQUITY STRATEGY

Q3 2017 UPDATE

| PERFORMANCE | 1 MONTH (%) | Q3 2017 (%) | 1 YEAR (%) | 3 YEARS P.A. (%) | 5 YEARS P.A. (%) |
|---------------------------------------------|-------------|-------------|------------|------------------|------------------|
| DAVY ETHICAL EQUITY STRATEGY* (NET OF FEES) | 3.0 | 0.2 | 8.8 | 8.0 | 10.2 |
| MSCI WORLD INDEX | 2.8 | 1.1 | 12.3 | 10.1 | 12.9 |

Source: Davy Asset Management (Class A Acc in EUR) and Bloomberg as at 30th September 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 chart 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 0.2% over the quarter. After two weak quarters, Energy was the best performing sector returning 5.5% as Brent Oil increased 20% to \$57. The Materials and Technology sectors were also strong returning 5.2% and 4.7% respectively. Consumer Staples was the worst performing sector down 3.8%, followed by Real Estate which was down 1.5%.

Given the strength in the oil price, Statoil, the Norwegian oil major, contributed most to relative performance, rising 18%. The recovery in commodity prices also saw Boliden rise 19% over the period as copper and zinc prices rose. Boliden is a Swedish miner and refiner of base metals with copper and zinc being most important. Indeed, Boliden owns Tara Mines and is the only AAA rated miner in terms of ESG rankings given its strong safety record and low exposure to potential corruption as it operates solely in Europe.

Continental also performed well during the period. The stock rose 14% after rallying sharply in September. The German group is well known for its tyre business and is the fourth largest tyre manufacturer globally. However, the group also has an Automotive division which is geared to the themes of emission reduction, safety (ESC, ABS), the electric vehicle and the connected car (sensors). Results in August saw earnings impacted by higher raw material costs, but these should be recovered as price increases come through in the remainder of the year.

On the downside, Newell Brands and Medtronic detracted most from performance. Newell Brands, the consumer products company, whose portfolio includes Rubbermaid plastic products, was negatively impacted by Hurricane Harvey. The company then followed this up by lowering their earnings guidance by 3% as their supply of resin had been impacted by hurricane Harvey. The company remains an attractive investment. Medtronic, the US medical devices company, saw its share price peak in June. However, at its results in August, it became clear they have a capacity constraint in delivering its new automated insulin pump until early 2018. Medtronic has a two year advantage versus peers in this area and will likely lose part of that edge.

SAMPLE PORTFOLIO TRANSACTIONS

We made several active changes to the portfolio over the period. We sold out of two Healthcare names where we believe the fundamentals have changed. Cardinal Health is essentially a pharmaceutical wholesale business. A profit warning in April led to a review of the investment case. We concluded that in the current drug pricing environment and with a lethargic generics pipeline, the company may struggle. We were also concerned by the lack of transparency in the business from quarter to quarter. We sold prior to a second profit warning in August. Astellas Pharma of Japan was also sold on deteriorating fundamentals. Its key new diabetes drug Xtandi has disappointed and is the largest component of the company's valuation.

We used the proceeds to invest in Essilor, the eye lens manufacturer. The company is a long term structural growth story and an undisputed leader in eyewear with a 25% market share; brands include Varilux, Crizal, Foster Grant and Bolon. Of today's 7.3 bn world population, 2.5bn or 34% require vision correction. Essilor is AAA ESG rated by MSCI.

Dakin was another new holding added to the portfolio, also AAA rated. The company is the world's largest manufacturer and distributor of heating, ventilation and air-conditioning equipment. HVAC accounts for 90% of profits. It is a high quality company, a market leader and highly innovative where innovation is focused on more efficient air conditioning units that use less energy and refrigerants with lower global warming potential.

More recently we sold Intercontinental Exchange (ICE) in the US for Deutsche Boerse in Germany. ICE is a leader in online marketplaces and clearing services for global commodity trading (gas, oil, metals) and financial products whilst Deutsche Boerse provides services and electronic trading systems for buying and selling securities on stock exchanges in Europe. The two exchanges have performed in line with each other year to date (+20%) and we continue to see both companies as good value with upside. However, Deutsche Boerse is more attractive for two reasons; it trades at a significant discount to ICE for the same growth in earnings at 17.2x v 20.5x PE and is more highly ranked in terms of ESG ranking AAA versus B for ICE. Indeed, Deutsche Boerse is the only AAA rated exchange and forms part of our strategy to raise the overall ESG ranking of our portfolio holdings.

| 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 |
| Medtronic | (5.4) | 8.6 | 28.1 | 42.9 | 10.6 |
| Boliden | 71.9 | 15.3 | 29.9 | (16.0) | 26.2 |
| Continental | (15.0) | 29.8 | 11.7 | 86.1 | 85.8 |

Source: Davy Asset Management (Class A Acc in EUR) and Bloomberg as at 30th September 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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