

# GLOBAL BRANDS EQUITY STRATEGY

## Q2 2018 UPDATE

PERFORMANCE	1 MONTH (%)	Q2 2018 (%)	1 YEAR (%)	3 YEARS P.A. (%)	5 YEARS P.A. (%)
GLOBAL BRANDS EQUITY STRATEGY* (NET OF FEES)	0.3	5.3	2.3	4.9	10.9
MSCI WORLD INDEX	(0.1)	7.2	8.5	6.8	12.3

Source: Davy Asset Management (Class A Acc EUR) and Bloomberg as at 29th June 2018.

\*The Global Brands Equity Fund was launched on 12th December 2014. Investors should note the Global Brands Equity Fund (UCITS) is newly established. The past performance reflects past performance data relating to the Global Brands Equity Fund (non-UCITS) which merged with the Global Brands 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 **Global Brands Equity Fund** (the "Fund") is to provide investors with long term capital growth by investing on a global basis in shares of companies which have strong brand characteristics. Such companies are expected to have competitive advantages including dominant market share and/or unique product characteristics that provide the potential for growth globally.

### FUND PERFORMANCE

The Fund returned 5.3% in 2Q18 compared the MSCI World Index return of 7.2%. The Fund underperformed the MSCI World Index by 1.9% in the 2Q18 and outperformed by 0.4% in June. Over the last 12 months the Fund underperformed the Index by 6.2%, returning 2.3% compared to the MSCI World Index return of 8.5%.

Stock Selection (-1.9%) contributed negatively to performance during 2Q18. Significant contributors and detractors to performance during the quarter were **Nike** (+0.5%), **Automatic Data Processing** (+0.4%), **Samsonite** (-0.9%) and **Starbucks** (-0.7%). Nike reported strong FY18 results at the end of June and raised guidance for FY19 on the back of strong momentum behind recently introduced innovation platforms and a return to growth in the US market. Automatic Data Processing held an investor day during the quarter and guided for strong high single digit top-line growth and expanding margins in the coming years driven by the benefits of the company's cloud platform migrations. Samsonite was the subject of a "short attack" by Blue Orca Capital during the quarter which issued a report that made several allegations against the company. The company responded, denying the alleged accounting irregularities, but the CEO resigned following allegations that he made false claims on his resume. Starbucks underperformed after reducing guidance for FY18 driven by lower expectations for comparable sales growth in China, driven by changes to third party delivery operations.

Asset Allocation had a neutral impact on relative performance during the quarter. The performance was driven by our underweight positions in Financials (+0.5%), Industrials (+0.4%) and Energy (-0.7%) and overweight positions in Consumer Discretionary (+0.4%), Technology (+0.1%) and Consumer Staples (-0.5%).

### SAMPLE PORTFOLIO TRANSACTIONS

The Fund was active during the quarter adding a new position in Alibaba, added to existing positions in Medtronic and Samsonite and reduced exposure to UPS.

The Fund remains defensively positioned with the aim of delivering asymmetric risk reward over time. We remain committed to owning high quality companies that exhibit pricing power and generate high operating returns on invested capital, combined with attractive structural growth opportunities. We continue to find attractive investment opportunities in companies with strong fundamentals at reasonable valuations.

CALENDAR YEAR PERFORMANCE	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (%)
Global Brands Equity Strategy (Net of fees)	10.0	1.2	17.7	14.9	19.5
MSCI World Index	7.5	10.7	10.4	19.5	21.2
Nike	24.7	(17.7)	31.4	23.8	54.5
Automatic Data Processing	16.5	24.3	4.1	20.4	45.6
Samsonite	64.9	(2.8)	3.2	(0.8)	49.3
Starbucks Corp	5.4	(6.1)	48.2	6.2	48.1

Source: Davy Asset Management (Class A Acc EUR) and Bloomberg as at 29th June 2018. Performance is quoted in local currency unless otherwise stated.

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

**Warning: Neither past experience nor the current situation are necessarily accurate guides to the future growth in value or rate of return of the Fund. The value of the investment can reduce as well as increase and, therefore, the return on the investment will also be variable. Changes in exchange rates may have an adverse effect on the value price or income of the product.**

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The Global Brands Equity Fund is a sub-fund of Davy Funds plc, an open-ended umbrella investment company with variable capital and segregated liability between sub-funds incorporated with limited liability under the Companies Acts 2014, authorised by the Central Bank of Ireland as a UCITS pursuant to the Regulations. Davy Funds plc is authorised by the Central Bank of Ireland as an Undertaking for Collective Investment in Transferable Securities (UCITS). The Prospectus, Supplement and Key Investor Document for the fund are available in English from Davy, Davy House, 49 Dawson Street, Dublin 2, Ireland or <http://www.davyassetmanagement.com/funds/davy-ucits/important-information.html>. Investors should be aware that some of the Directors of the Company (Davy Funds plc) are also employed by the Investment Manager, Promoter and Distributor. Further information in relation to the management of potential conflicts of interest is available upon request.

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