Davy Funds Plc
Davy ESG Multi-Asset Fund

CLASS "A Distributing" UNITS
INVESTMENT OBJECTIVE

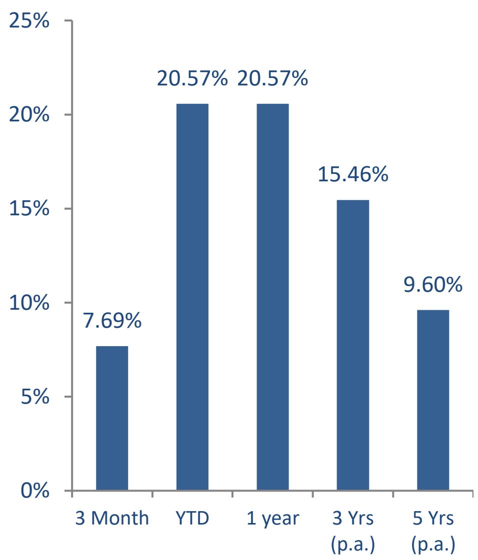
The primary investment objective of the Davy ESG Multi-Asset Fund ('the Fund') is to seek, over time, to achieve capital appreciation in real terms. The Fund may, as a secondary objective, also seek to generate a moderate level of income, from year to year, consistent with the growth objective.

INVESTMENT STRATEGY

The objective of the Fund will be achieved by investing across a range of asset classes including equities, bonds and fixed deposits. The Investment Adviser's ongoing investment policy will be to take due account of the nature of the trading activities carried out by such corporations from an ethical standpoint.

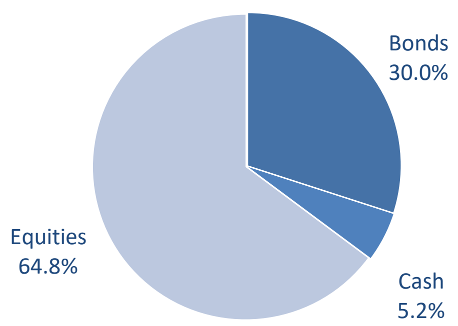
NOTE: All information below is provided as at 31.12.2021

INVESTMENT PERFORMANCE



Source: Stadia Fund Management & Northern Trust, Single Pricing, Net of Fees, Bi-Annual Income Distribution, Total Return in Euro.

ASSET ALLOCATION (% Fund)



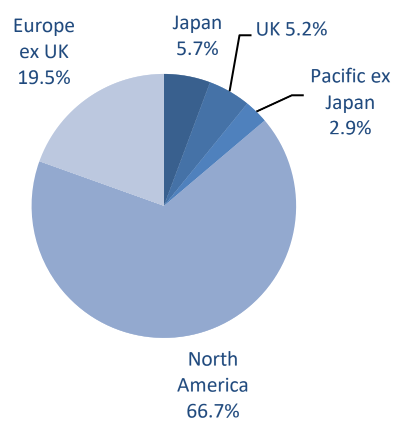
TOP 10 HOLDINGS (%)

10 Largest Equity Holdings (% of Total Fund)

Stock	Country	Weight
Microsoft Corp.	USA	5.4%
Alphabet Inc.	USA	5.1%
Visa Inc.	USA	1.9%
Thermo Fisher Scientific Inc.	USA	1.8%
Home Depot Inc.	USA	1.8%
Tractor Supply Co.	USA	1.6%
TE Connectivity Ltd.	USA	1.6%
Oracle Corp.	USA	1.5%
Nike Inc.	USA	1.5%
Iberdrola SA	Spain	1.5%
Total		**23.7%**

GEOGRAPHIC ALLOCATION (%)

Portfolio Geographic Allocation (% Equity)



Davy Global Fund Management

December 2021

ABOUT THE FUND

Base Currency:
Euro

Fund Size (EUR):
62.06 m

No. of Equity Holdings:
51

Investment Manager:
Davy Global Fund Management

Type of Unit:
Distributing

Valuation Point:
Close of business

Order Cut-Off Point:
Daily – All orders must be received by 16:00 p.m. (Irish time) one Business Day immediately preceding the relevant Dealing Day.

Lipper ID:
65090638

Share Classes
A, B

Ongoing Charges
0.87%, 0.80%

Structure:
UCITS*

* The assets of the Prescient Select Ethical Balanced Growth Fund, a sub-fund of the Prescient Select Portfolio (non-UCITS) were transferred to a new sub-fund of Davy Funds plc (UCITS), which is named the Davy ESG Multi-Asset Fund, on 17th October 2017.The same Strategy applies to both sub-funds.

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MARKET COMMENT

Equity markets performed strongly during the fourth quarter of 2021, adding 9.9% (gross return in Euro terms) and taking the outturn for the year to 31.6% (gross return in Euro terms). Most of the quarterly return was made during October and November before the emergence on the Omicron variant and a more hawkish tone from the Federal Reserve about the course of monetary policy put pressure on markets in early December.

The quarter began with a relatively upbeat earnings season in which companies delivered profits and outlooks that were, on balance, ahead of expectations. There was much comment from company managements about ongoing supply chain problems and increasing costs, particularly in shipping and commodities. Many companies, such as those in hospitality and retail, were also having to deal with shortages of staff. The effects of increased costs were reflected in the inflation data issued during the quarter with both producer and consumer prices rising rapidly in many major economies.

The backdrop of rising inflation was no doubt behind comments from Federal Reserve Chairman Powell at the end of November that the Fed would halt its bond purchase programme “a few months earlier” than originally indicated. Bond yields rose while equities retreated following the remarks. However, news of the increased transmissibility of the new Omicron variant caused bond yields to move back down and for equities to mark time before rallying into the New Year.

Much as it had done for most of 2021, the Technology sector once again produced the strongest performance during the quarter, rising by 15.5% in euro terms. The Communications Services sector, on the other hand, returned just 2.5% during the quarter, held back by a lacklustre performance from telecoms shares.

Global government bond returns were relatively flat on the quarter, as measured by the JP Morgan Global Bond Index (euro hedged) which finished down circa 0.02% for period.

However, this masks what proved to be a very volatile quarter. Bonds initially fell in value as many large central banks communicated a desire to reduce monetary stimulus. Then in late November bonds rallied back sharply as news of the new Omicron variant broke and a flight to safety ensued.

FUND PERFORMANCE

The **Davy ESG Multi-Asset Fund** rose by 7.69% during the quarter, net of management fees, in Euro terms. During the quarter equities within the portfolio returned 11.68% (gross of management fees), whilst the bond component of the Fund contributed 0.83% (gross of management fees). At the end of the period the asset breakdown was 64.8% **high-quality equities**, 30.0**% Bonds**, and 5.2**% Cash**.

The top five equity contributors to relative performance during the quarter were Microsoft Corporation, Alphabet, Home Depot, Thermo Fisher and TE Connectivity. The bottom five equity detractors to relative performance during the quarter were Prudential, Takeda, Shimadzu, Singapore Exchanges and Visa.

Microsoft**,** the software giant, rose over 21% and was the top contributor to returns during the quarter. Momentum in the share price continued into November, and hit a new high mid-month, following a strong set of quarterly results reported in October which led to earnings upgrades. The four main product areas included Azure, Server Products, Office and Windows which all came in better than expected, and next quarter’s guidance is also projected to be strong. The margin outlook has also improved since the last quarter. Microsoft is a high-quality name and is well positioned for the accelerated digital transformation of businesses and the home. Their aim is to deliver platforms, tools and solutions in a sustainable way to help organisations around the world to build their own technology intensity. They want to be the leading platform provider of technology solutions focused on carbon, water, waste, and ecosystems. Microsoft is a high performing ESG name and is particularly strong in terms of privacy and data security.

Prudential, the UK-quoted life company, though now with a significant exposure to Asia and Africa post the demerger of their US business in September, was the main detractor to returns in the quarter. The shares declined over -10% in the period with c. 8% of the decline occurring on the day the new strain of coronavirus, Omicron, was announced in November. The more focused business creates an opportunity for the company and its newly disclosed net-zero asset owner ambitions to adopt a more unified approach to ESG integration in its investment process. In May 2021 they announced their aim to be net zero by 2050 by (1) a 25% reduction in carbon emissions for all shareholder and policyholder assets held, (2) divestment from all direct investments in businesses that derive more than 30% of income from coal by 2021 for equity holdings and 2022 for fixed income holdings, and (3) through engagement to help accelerate the transition to a low-carbon economy.

The **bond segment** of the Fund underperformed its benchmark, the JP Morgan Global Bond Index (unhedged in Euros), by circa 0.2% on the quarter. The main detractor from performance was the Fund’s short duration position – this basically means that the Fund would outperform its benchmark in a rising yield environment. However, when news of the Omicron variant broke in late November a flight to safety sent yields falling, hurting relative Fund performance.

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POSITIONING

The two opposing forces of Omicron/COVID-19 and hawkish central banks suggest that uncertainty and volatility are likely to be high in the near term. On the one hand, Omicron is resulting in downside risk for global growth in the first few months of 2022, which is bullish for bonds. On the other hand, central banks seem increasingly uncomfortable with inflation and would like to reduce crisis level monetary stimulus, which is bearish for bonds.

Given this uncertainty we reduced risk in the Fund, primarily by neutralising its short duration position in late November as news on the emergence of Omicron broke. We also neutralised the overweight in Italian euro bonds ahead of political event risk in January.

While we are cautious in the short term, perhaps paradoxically we think there is less uncertainty further out as we make our way through 2022. Regarding COVID-19, we think that the road back to normality will be bumpy and there will continue to be a risk of newer and more sinister mutations. However, we continue to believe that a return to severe lockdowns and a sudden stop in global growth akin to March 2020 is very unlikely. There is very little appetite for this and the vast quantity of vaccines and anti-viral drugs in the pipeline for 2022, which dwarf the amount produced in 2021, are likely to mean that it will be unnecessary.

Although central banks are uncomfortable with inflation and/or want to withdraw from crisis level monetary stimulus, this is unlikely to throw the world into recession in our view. If base interest rates and yields rise, they are coming from extremely low levels and they are therefore unlikely to become so restrictive that they materially hurt growth. Therefore, excluding a much more sinister variant of Covid 19 emerging, we continue to believe in the recovery and that yields can move higher over the course of 2022.

Within the equity portfolio we sold out of Takeda. Takeda, the Japanese pharmaceutical company, was sold in October after they announced the suspension of one of their key pipeline drugs for narcolepsy. The drug was seen as critical to the long-term growth of the business. The proceeds were used to add to higher conviction names.

CALENDAR YEAR PERFORMANCE (%)

	2021	2020	2019	2018	2017
Davy ESG Multi-Asset Fund (Eur)	20.6%	5.2%	21.3%	-1.0%	3.8%
MSCI World Index (Eur)	31.1%	6.3%	30.0%	-4.1%	7.5%
JP Morgan Global Bond Index (Eur)	-3.1%	4.9%	4.6%	-0.3%	0.4%
Alphabet Inc.	65.2%	31.0%	29.1%	-1.0%	35.6%
Home Depot	59.5%	24.5%	30.5%	-7.3%	44.6%
Iberdrola S.A.	-7.5%	32.7%	36.7%	14.0%	8.7%
Microsoft	52.5%	42.5%	57.6%	20.8%	40.7%
Nike	18.7%	41.0%	38.1%	19.9%	24.7%
Oracle	36.9%	24.2%	19.3%	-3.0%	24.9%
Prudential	-4.3%	-4.9%	24.7%	-24.4%	20.2%
TE Connectivity	35.1%	29.0%	29.4%	-18.9%	39.9%
Thermo Fisher	43.5%	43.7%	45.5%	18.2%	35.0%
Tractor Supply Co.	71.6%	52.3%	13.5%	13.3%	0.3%
Visa Inc.	-0.3%	17.1%	43.3%	16.5%	47.2%

Source: Davy Global fund Management, Northern Trust, and Bloomberg as at 31st December 2021. Performance is quoted in local currency unless otherwise stated. Davy ESG Multi-Asset Fund Class A Distributing is the total return from single pricing and net of fees, with bi-annual income distribution,

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The Davy ESG Multi-Asset 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 Transferrable Securities (UCITS). The Prospectus, Supplement and Key Investor Document for the fund are available in English from Davy Global Fund Management, Davy House, 49 Dawson Street, Dublin 2, Ireland or https://www.davygfm.com/funds-factsheets/asset-management. 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.

 The J.P. Morgan GBI series provides a comprehensive measure of local currency denominated fixed rate government debt issued in developed markets. The global series tracks 13 countries and the broad series tracks 27 countries. The series is available in a number of different segments and breakouts including - maturity sectors and individual countries as well as hedged and unhedged in over twenty currencies.

Davy Global Fund Management

December 2021

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