

**SHINING A LIGHT ON THE.....  
Davy Discovery Equity Fund**

**AT A GLANCE**

<b>Investment Objective</b>	
<p>The investment objective of the Fund is to provide long term capital growth primarily through investment in equity securities with geographical and sector diversification. There can be no assurance that the Fund will achieve its investment objective. The Fund intends to achieve its investment objective by primarily investing in a basket of 50-70 equity securities issued by medium sized companies listed or quoted throughout the world. The Investment Manager will seek to acquire an interest in companies that have established profitability early in their life cycle with the intention of retaining such holdings as each company grows its earnings (i.e. holding investment as companies grow profitability). The Fund will generally invest in companies with a market capitalisation of greater than €200 million and it may invest in smaller companies.</p>	

<b>Inception Date</b>	22 February 2011
<b>Fund Factsheet Link</b>	<a href="http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000VRLT">http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000VRLT</a>

<b>Management</b>	
<b>Manager Name</b>	<b>Start Date</b>
Chantal Brennan	1 May 2015
Jeremy Humphries	16 November 2015

<b>Investment Style Details</b>	
<b>Equity Style</b>	
<b>Market Capitalisation</b>	<b>% of Equity</b>
Giant	0.00%
Large	12.43%
Medium	78.22%
Small	8.35%
Micro	1.00%

<b>Top 10 Holdings</b>		
<b>Total number of holdings</b>	52	
<b>Assets in Top 10 Holdings</b>	25.50%	
<b>Name</b>	<b>Sector</b>	<b>% of Assets</b>
Moncler SpA	Consumer Cyclical	2.71%
Aristocrat Leisure Ltd	Technology	2.67%
Rational AG	Industrials	2.57%
MSCI Inc	Financial Services	2.54%
Cadence Design Systems Inc	Technology	2.54%
Ansys Inc	Technology	2.53%
ANTA Sports Products Ltd	Consumer Cyclical	2.51%
CoStar Group Inc	Real Estate	2.51%
Cognex Corp	Technology	2.49%
Croda International PLC	Industrials	2.44%

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Volatility Measurements	
3-Yr Std Dev (volatility)	12.60%
3-Yr Mean Return (average)	17.47%

## FUND PERFORMANCE

Performance from 1 January 2013 to 30 April 2019:

	2013	2014	2015	2016	2017	2018	2019
Davy Discovery Equity Fund	23.98%	6.96%	7.77%	27.35%	18.77%	-9.72%	20.97%
iShares MSCI World Hedged ETF	30.32%	10.75%	1.17%	8.13%	17.26%	-8.94%	15.43%

Performance over 12 months, 3 years, 5 years and since launch.

	1 year	3 years	5 years	Since launch
Davy Discovery Equity Fund	8.79%	58.38%	94.15%	149.56%
iShares MSCI World Hedged ETF	5.73%	36.56%	47.05%	96.18%

*You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

## UPDATE....

Davy Asset Management is unlikely to be a name that many know about in the UK. The company itself has been around since 1920 and the funds have been for clients on the financial services group. This fund was taken over by Chantal Brennan in 2015 and she has formalised the investment process. Since taking on the fund has returned 64.99% vs the benchmark of 28.01%. Performance has improved since the team came on board.

They have positioned themselves as a boutique fund manager focusing on quality. The quality part is centred around four pillars; profitability, persistence (profitability over time), protection (low leverage and volatility) and people (how capital is allocated).

Over the last 15 years this approach has shown that quality tends to underperform less and that the different pillars will respond in different ways over time. They scan from a universe of 15,000 and this currently is distilled down to about 52 companies. ESG is a natural part of the process but understanding the company management is often more important than ESG.

The strategy focuses on small to mid-caps, but they won't sell out of a company just because they are successful. This means the turnover is relatively low, and holding periods are 3 to 5 years. They are currently underweight North America, and overweight Europe and Asia. They are benchmark aware rather than agnostic or benchmark huggers. What this means is that they need to be aware of the regional exposure risk.

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Examples of companies they like include Protolabs who develop custom prototypes and production parts, and Rational who develop ovens for the restaurant trade; Travel Sky who process travel tickets, and Anta Sports which is China's answer to Nike. They believe the investable universe is wide and there are many opportunities.

The fund currently has about £56 million in assets. The managers are tied into the business and invest their own money in the fund.

In summary, over the short term there has been an improvement in performance. The managers see themselves as a small boutique and the four pillars are key to their success. The focus is on quality and value and they see their main competitors as Baillie Gifford and Standard Life.

*The source of information in this note has been provided by Davy and is correct as at April 2019. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.*