

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

AT A GLANCE

| Investment Objective | |
|---|--|
| <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> | |

| | |
|----------------------------|---|
| Inception Date | 22 February 2011 |
| Fund Factsheet Link | http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000VRLT |

| Management | |
|---------------------|-------------------|
| Manager Name | Start Date |
| Chantal Brennan | 1 May 2015 |
| Jeremy Humphries | 16 November 2015 |

| Investment Style Details | |
|---------------------------------|--------------------|
| Equity Style | |
| Market Capitalisation | % of Equity |
| Giant | 0.00% |
| Large | 16.14% |
| Medium | 74.08% |
| Small | 9.78% |
| Micro | 0.00% |

| Top 10 Holdings | | |
|----------------------------------|--------------------|--------------------|
| Total number of holdings | 50 | |
| Assets in Top 10 Holdings | 27.29% | |
| Name | Sector | % of Assets |
| Aristocrat Leisure Ltd | Technology | 3.03% |
| Rational AG | Industrials | 2.78% |
| Croda International PLC | Basic Materials | 2.74% |
| Xylem Inc | Industrials | 2.72% |
| Steris PLC | Healthcare | 2.70% |
| The Descartes Systems Group Inc | Technology | 2.69% |
| Pinnacle Financial Partners Inc | Financial Services | 2.69% |
| Teradyne Inc | Technology | 2.66% |
| Teleperformance SE | Industrials | 2.65% |
| Alten | Technology | 2.64% |

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| Volatility Measurements | |
|----------------------------|--------|
| 3-Yr Std Dev (volatility) | 5.17% |
| 3-Yr Mean Return (average) | 13.76% |

FUND PERFORMANCE

Performance from 1 January 2014 to 30 April 2019:

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------------------|--------|-------|--------|--------|--------|--------|--------|
| Davy Discovery Equity Fund | 6.96% | 7.77% | 27.35% | 18.77% | -9.72% | 25.50% | -7.52% |
| iShares MSCI World Hedged ETF | 10.75% | 1.17% | 8.13% | 17.26% | -8.94% | 24.33% | -9.63% |

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

| | 1 year | 3 years | 5 years | Since launch |
|-------------------------------|--------|---------|---------|--------------|
| Davy Discovery Equity Fund | 3.54% | 16.32% | 61.71% | 139.42% |
| iShares MSCI World Hedged ETF | 1.99% | 15.42% | 25.77% | 90.97% |

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....

This is the second time we have met the management of the Davy Discovery Equity Fund. Chantal Brennan took over the fund in May 2015 and since then it has returned 58.29% against the benchmark of 24.61%. The model focuses on quality companies often with a strong franchise.

ESG is also part of the process and has been an embedded part of the company for many years. The focus on ESG is to minimise exposure to persistent business risks. Within this they are looking to avoid pollutants and potential litigation.

The quality part is centred around four pillars; profitability, persistence (profitability over time), protection (low leverage and volatility) and people (how capital is allocated).

The fund tends to provide downside protection and they believe the focus in quality assists this part of the process. Although this is not a thematic fund it does invest in those companies which are investing in things that we cannot do without. This will be things like data security, robotics, AI etc.

In terms of liquidity new positions come in around 0.5% and 1%. Over time they increase the position as they become more confident in a company. If the quality drops in a company then they tend to sell slowly as they do not want to remove the wrong company. They do not tend to invest in IPOs or hold large positions in companies. They also restrict holdings to a maximum of 3.5% of the fund. This therefore makes the fund fairly liquid.

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The focus remains on small and mid-cap, but they are happy to hold onto winners if they believe the opportunity set remains. This means turnover is relatively low and holding periods tend to be 3 to 5 years.

Examples of holdings include Bakkafrost who are a premium salmon producer, Protolabs who develop prototypes for companies and Henry Schein who do dental practice software.

Where this fund feels different is around the ESG angle, the focus on quality and downside protection, and it is likely to offer a different opportunity set to many of the global funds in the market.

In summary, not much has changed from the previous meeting and the focus on quality remains a key component. It has under £100 million in assets so remains a relatively small fund. The managers are tied into the business and invest their own money in the fund. Competitors are Baillie Gifford and Standard Life.

The source of information in this note has been provided by Davy and is correct as at February 2020. 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.