

# Davy Smaller Companies Equity Strategy

## Strategy Information March 2020

This Strategy is provided and managed by Davy Global Fund Management

### Davy Global Fund Management ('Firm')

<b>About us</b>	<b>Davy Group Founded:</b> 1926 <b>Headquarters:</b> Dublin, Ireland <b>DGFM AUM<sup>1</sup>:</b> \$7.6bn
<b>Investment Capabilities</b>	Global Equity Strategies: <ul style="list-style-type: none"> <li>ESG Equity</li> <li>Low Carbon Equity</li> <li><b>Smaller Companies Equity</b></li> <li>Custom strategies</li> </ul>
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### Davy Smaller Companies Equity

<b>Inception</b>	May 2013
<b>Strategy AUM<sup>2</sup></b>	\$41.31mn
<b>Benchmark</b>	MSCI World SMID Index

### Portfolio Management Team



**Chantal Brennan:** Research Director  
**Industry start:** 1994  
BA, MA, MSc, ASIP, CEFFAS



**Jeremy Humphries:** Portfolio Manager  
**Industry start:** 2007  
BA, MSc

### Investment Strategy

- The Davy Smaller Companies Equity Strategy, invests in high QUALITY<sup>3</sup> smaller companies with market capitalizations between \$200 million to \$15 billion, using a blend of quantitative and fundamental investment approaches. We call this approach 'Quantamental' investing.
- The strategy aims to capture the beneficial characteristics of smaller companies who tend to be innovative and entrepreneurial, have the potential to grow faster than the broader market and are often overlooked because of their size. This results in a high conviction portfolio of 40+ stocks, which are typically high Growth and high QUALITY.
- Integrating Environmental, Social and Governance (ESG) risks is a powerful complement to the Firm's investment philosophy of QUALITY, helping to identify sustainable smaller companies by marrying leading fundamental characteristics with better long-term business risk management.

### Investment Process

- The strategy follows a firmwide Quantamental investment process. Our proprietary model allows companies to be easily compared to each other, using our definition of QUALITY. This is central to the origination and authentication of all investment ideas.
- The strategy focuses on the highest QUALITY names in the investment universe, Ideas which meet the requisite QUALITY and Growth characteristics are subject to detailed bottom-up fundamental analysis.
- QUALITY and ESG criteria are fully integrated within the investment process including idea generation, fundamental research, stock valuation, risk management and engagement.
- Company engagement is used to support fundamental research and drive improved performance on key ESG issues. All engagements are investor-led.

### Performance

Returns (%) as at March 31st, 2020

Equity Strategies – USD	3M	YTD	1Yrs	3Yrs	5Yrs	7Yrs	Since Inception (May 2013)
Smaller Companies (Gross)	-27.21	-27.21	-19.03	-0.69	2.55	5.38	4.94
Smaller Companies (Net)	-27.33	-27.33	-19.57	-1.36	1.86	4.67	4.23
MSCI World SMID Index (NDTR)	-27.98	-27.98	-19.68	-2.84	0.40	3.89	3.58

Source: Davy Global Fund Management and MSCI. Periods over 1 year are annualized

Net performance for the strategy shown is that of Discovery Equity Class A accumulating which is not available for investment in the United States, but the strategy is available through a separately managed account. Prior to December 2014 the Fund was priced weekly, where no official month end NAV is available an unofficial NAV is used to calculate performance. Fees for such separately managed accounts may vary from the fees assessed by the UCITs funds.

Please see the performance disclosures at the end of the document.

<sup>1</sup> As at December 31st, 2019

<sup>2</sup> As at March 31st, 2020

<sup>3</sup> "Quality Matters" White Paper – Chantal Brennan, Paraic Ryan, Hannah Cooney: 2016: Copy available on request from DGFM

## Risk Metrics

3Yr as at March 31st, 2020

Equity Strategies – USD	Strategy	Benchmark
Information Ratio	0.5	-
Sharpe Ratio <sup>4</sup>	-0.1	-0.3
Sortino Ratio	-0.1	-0.2
Standard Deviation	19.8%	17.8%
Maximum Drawdown	27.2%	28.0%
Beta vs Benchmark <sup>5</sup>	1.02	-
Upside Capture vs Benchmark	125.5%	-
Downside Capture vs Benchmark	108.8%	-
Batting Average	0.67	-

Source: Davy Global Fund Management and MSCI

Product risk metrics based on gross performance.

<sup>4</sup> Risk free instrument used in calculation – 3-month US Treasury Bill.

<sup>5</sup> Sourced Style Analytics based on 5 years.

## Holdings

As at March 31st, 2020

Top 10 Holdings	Strategy <sup>6</sup>	ESG
Steris PLC	3.4%	A
Teleperformance	3.1%	AAA
MSCI Inc	3.0%	-
Xylem Inc	3.0%	AAA
Croda International	3.0%	AAA
Teradyne Inc	2.9%	BB
Ain Holdings Inc	2.9%	BBB
Capcom Inc	2.8%	AA
The Descartes Systems Group	2.8%	A
Masco Corp	2.7%	A
<b>Total</b>	<b>29.5%</b>	

<sup>6</sup> Absolute weights.

## Portfolio Characteristics

As at March 31st, 2020

Characteristics	Strategy	Benchmark
P/E Trailing	18.3	17.2
P/E Forward	15.6	14.9
Dividend Yield	1.9%	2.9%
Price to Book	3.1	1.5
Price to Cash flow	4.1	2.9
Earnings Growth (last 3Yrs)	13.2%	7.9%
Market Cap - Mean (\$Bil)	7.1	2.4
Market Cap - Median (\$Bil)	5.5	1.2
Market Cap - Weighted Average (\$Bil)	7.5	7.0

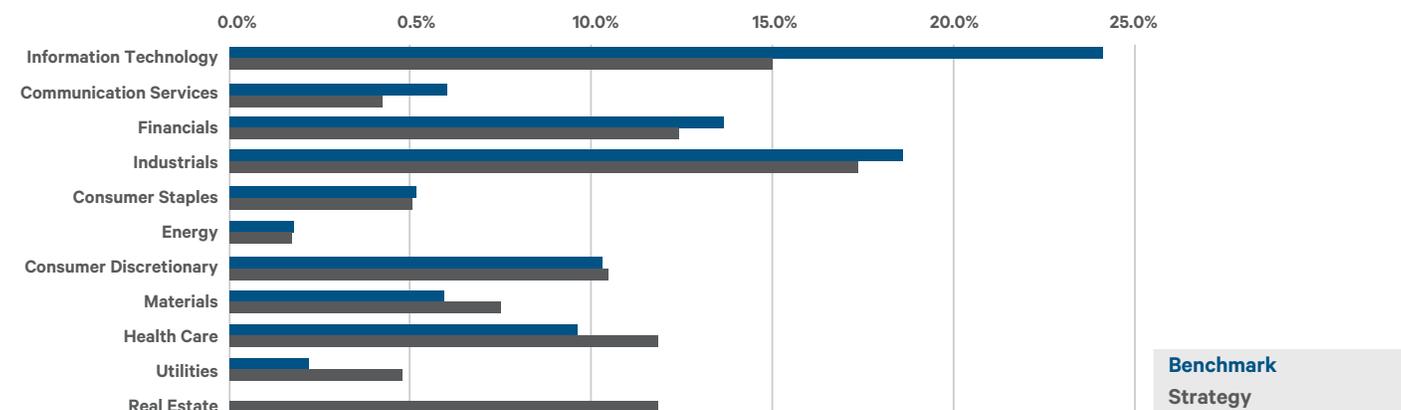
## Regional Characteristics

As at March 31st, 2020

Region	Strategy	Relative
Europe Ex UK	25.7%	6.9%
Asia Ex Japan	9.1%	4.3%
UK	4.1%	-1.9%
Japan	7.7%	-4.9%
North America	50.9%	-7.0%

## Sector Weights

Strategy versus Benchmark as at March 31st, 2020



Please note: Statistics extracted from the UCITS fund format are for illustrative purposes only and are not available for sale in the United States. However, the strategies are available for sale through a segregated mandate.

**Warning: If you invest in this product you may lose some or all of the money you invest. The value of your investment may go down as well as up. This product may be affected by changes in currency exchange rates.**

The holdings of the Strategy and the breakdowns are indicative in nature and have been provided for illustrative purposes only. Please note the Portfolio Management Team has full discretion to change these holdings and weightings at any point in time, as outlined in the Strategy documentation. Indicative information should not be relied on by potential investors to make investment decisions.

Davy Smaller Companies Equity Strategy: Product gross performance is sourced from monthly A Accumulating share class NAV returns (gross of management fees) in US \$ terms. Product net performance is sourced from monthly A Accumulating share class NAV returns and takes into account all charges taken from the Fund over a year. Base currency is Euro. Benchmark is MSCI World SMID Index Net of Dividends (Code MXWOSM Index in Bloomberg), in USD terms.

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

**Please note: Gross returns will be reduced by fees and expenses**

**Please note: Fees for such segregated mandates may vary from the fees assessed by the UCITs funds**

The Strategy Information Sheet is not intended to be comprehensive and is designed to provide summary information to existing investors in the Davy Smaller Companies Equity Strategy. It does not constitute an offer or solicitation for the purchase or sale of any financial instrument, trading strategy, product or service and does not take into account the investment objectives, knowledge and experience or financial situation of any particular person. Investors should obtain advice based on their own individual circumstances before making an investment decision.

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