

FOR FINANCIAL ADVISORS ONLY

Davy High Yield Fund

from Irish Life



Irish Life

Davy Asset Management is regulated by the Central Bank of Ireland.

A silhouette of a person standing on a rocky cliff, looking out over a vast landscape under a dramatic sunset sky with purple and orange hues. The image is overlaid with a pattern of thin, parallel lines.

Investing in **high quality**
global companies that offer
attractive dividend yields

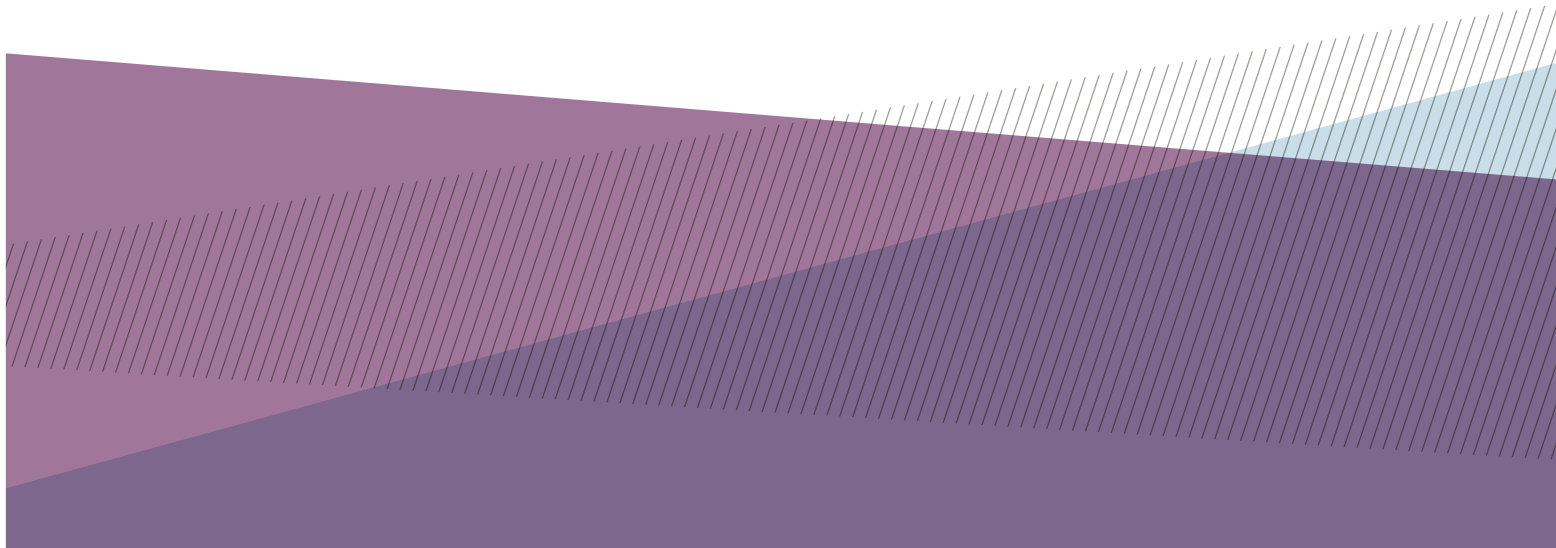
The investment objective of the Davy High Yield Fund from Irish Life is to **achieve long-term capital growth by predominantly making investments in quality global equities** that

are expected to provide a higher than average dividend yield, coupled with an ability to grow these dividends going forward.

The fund invests in 50 to 70 quality global stocks. The fund management team seeks to reduce risk by investing across a broad range of sectors and geographies. Investments are generally made with a medium-term time horizon to fully benefit from sustainable dividends and dividend growth.



Irish Life



Fund Overview

Investment Objective

The investment objective of the Davy High Yield Fund from Irish Life (the 'Fund') is to achieve long-term capital growth by predominantly making long-term investments in quality global equities that are expected to provide a higher than average dividend yield, coupled with an ability to grow these dividends going forward.

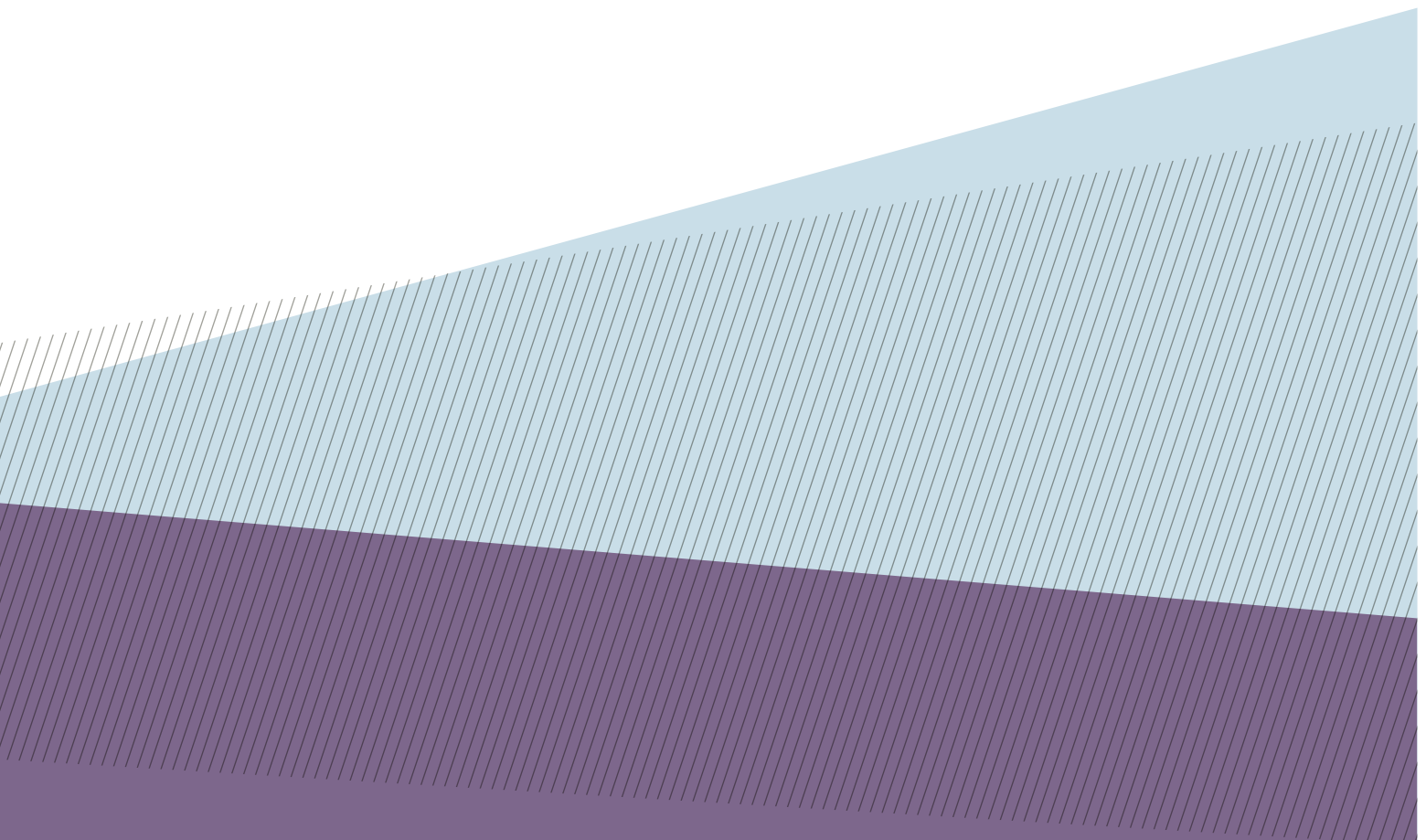
Active Fund Management

The Fund invests in high quality global companies that offer higher than average dividend yields. The fund management team utilises a structured investment process to identify companies with the following characteristics:

- *Large market capitalisations and low levels of leverage*
- *Attractive valuations plus the ability to grow earnings in the future*
- *Companies which adopt a progressive dividend growth policy*

Conviction with Diversification

The Fund invests in 50 to 70 quality global stocks. The fund management team seek to reduce risk by investing across a broad range of sectors and geographies. Investments are generally made with a three to five year time horizon to fully benefit from sustainable dividends and dividend growth.



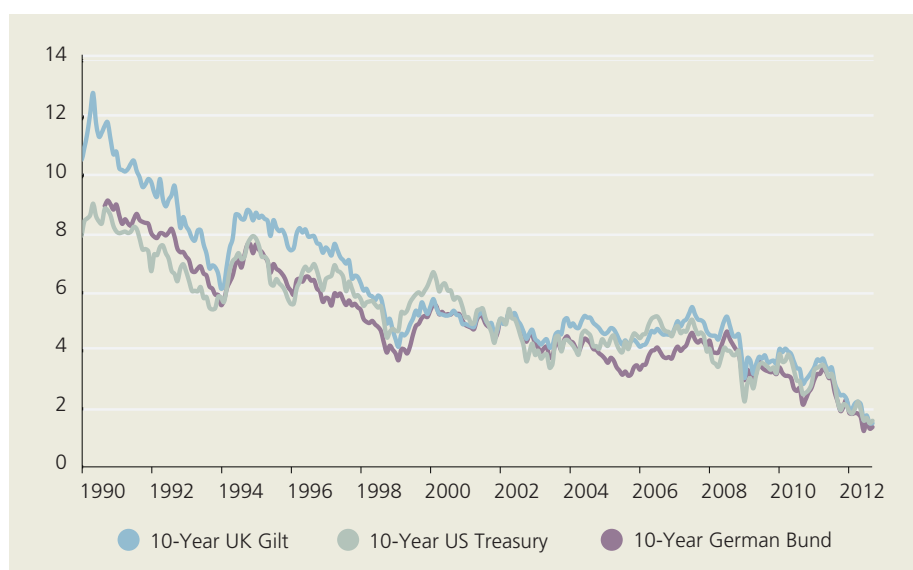
1 Why Invest in High Yield Equities?

1.1 Low Yield World

Since the beginning of this global financial crisis, central banks throughout the world have reduced interest rates to near zero in an effort to boost global liquidity. This additional liquidity has been used by many financial institutions to purchase government bonds, pushing prices to all-time highs and conversely pushing bond yields to all-time lows as shown in Figure 1. Investors are finding it increasingly difficult to source investments which produce reasonable levels of income.

The search for income or yield has resulted in significant inflows to the corporate bond markets in recent years and yields in this area have also fallen.

FIGURE 1: The sharp decline in government bond yields in recent years, 1990-2012



Source: Davy Asset Management with reference to Bloomberg

WARNING: Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. Returns may be affected by currency exchange rates.

1.2 Inflation Protection?

Another concern for bond investors is inflation. As many bonds pay a fixed income, the future spending power of the investment is reduced if inflation rises. For example, if inflation was running at 3.5% per annum, then €100 due in five years' time would be worth just €83.68 today.

Equities on the other hand may reduce the destructive effect of higher inflation on future spending power due to the possibility of increased dividends. For example, Coca-Cola Company has paid a quarterly dividend since 1920 and has increased dividends in each of the last 50 years¹.

¹ Source: The Coca-Cola Company website, www.coca-cola.com.

1.3 Dividends are a Key Component of Total Return

The total return of the World Equity Index from 1999 to 2011, including reinvested dividends, is 37.7% while simple price appreciation was only 2.8%.

The importance of dividend income as a percentage of total returns is highlighted in Figure 2. While the capital return of the index over the period shown was 21%, the dividend return increased by over 48%. During years of negative capital return, dividend return becomes increasingly influential. In 2011 the loss was reduced from -4.7% to -1.9% due to the positive dividend return of 2.9%.

FIGURE 2: World Equity Index Price Return, Total Return and Net Returns from dividends for the period 31st December 2001 - 31st December 2011



Source: Davy Asset Management with reference to Bloomberg

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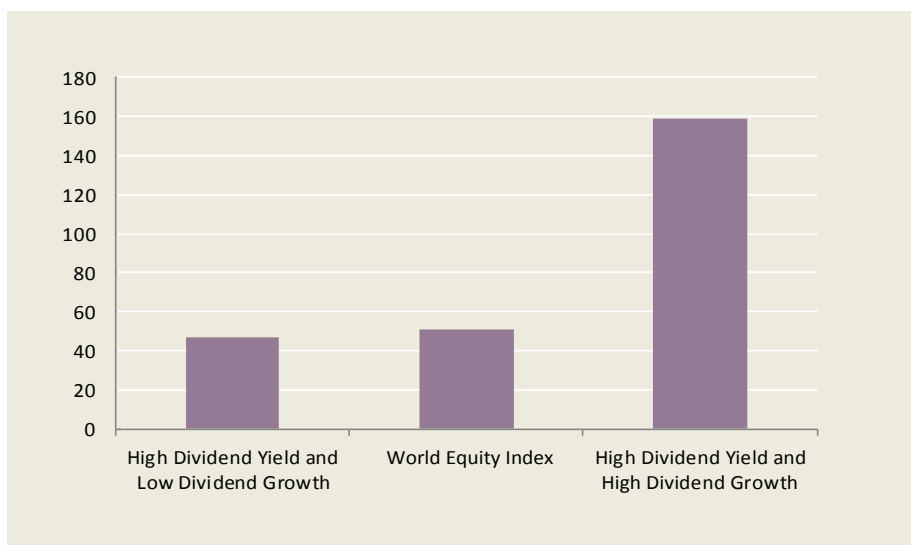
1.4 Dividend Growth

It is important not just to focus on the highest dividend yielding stocks. A very high dividend yield can signify that a company is financially distressed and may not be able to pay its dividend in the future. In fact the dividend might be cut to reduce its cash outflows. The Investment Manager looks for stocks with not only above average dividend yields but which are also growing their dividends each year.

Figure 3 shows that \$10,000 invested in world equity markets in January 1989 would have grown to approximately \$50,000 by the end of December 2011. An investment in high dividend yield but low dividend growth stocks would have produced broadly similar results based on the simulations.

However, the opportunity that the Fund is aiming to exploit is shown in the third bar of the graph. As illustrated, an investment in higher than average dividend yield stocks and stocks with high dividend growth would have produced a return of almost \$160,000 in the period.

FIGURE 3: Returns on \$10,000 invested from January 1989 to December 2012 in the World Equity Index



Source: Bank of America, December 2012

WARNING: These figures are estimates only. They are not a reliable guide to the future performance of this investment. Transaction costs, interest and taxation have not been taken into account in these figures.

1.5 Focus on High Quality Companies

High quality companies have a number of common characteristics which can help them to withstand adverse market or economic conditions, generally resulting in less volatility than equity markets.

These include:

- *a strong management team which has the ability to reduce the variability of profits throughout the economic cycle; and/or*
- *good cash management and financial discipline. Companies which have a strong progressive dividend policy must be aware of their cash flows and carefully analyse their capital allocation options, such as paying dividends, increasing capital expenditure or making acquisitions.*

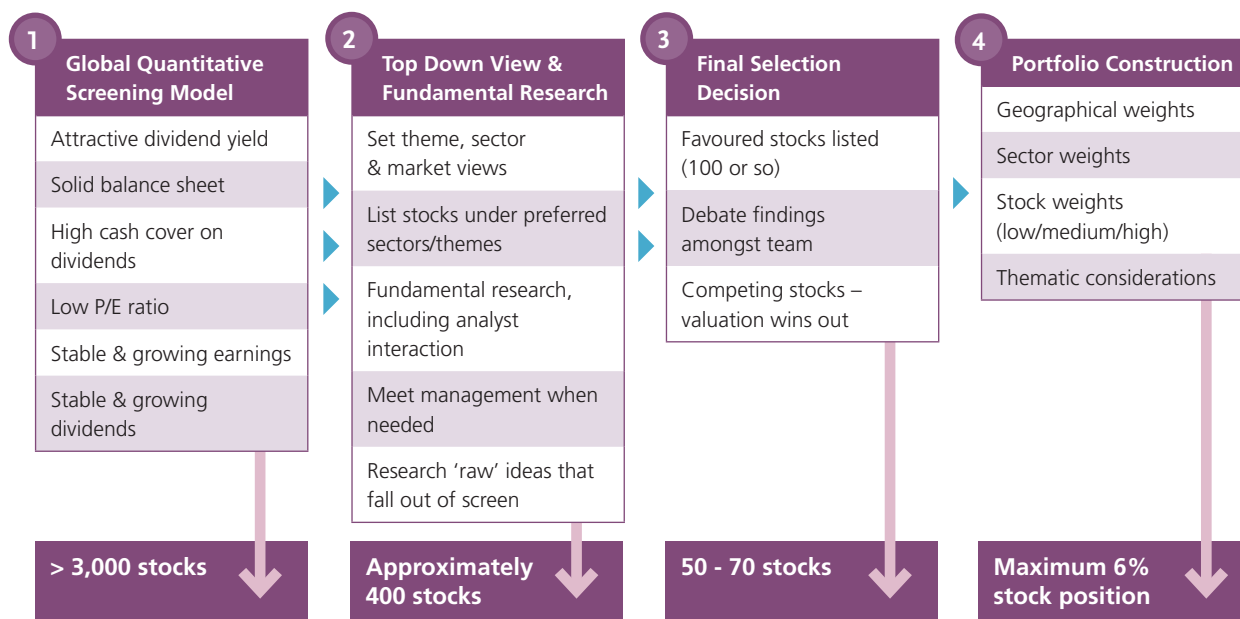
2 The Investment Process

2.1 Investment Management Process

The fund management team consists of five experienced Fund Managers. We believe that focusing on sustainable dividend growth rather than yield alone is significantly better for investors over the medium-term and this is reflected in the investment process.

The Fund is managed using a disciplined, structured and consistent investment process. We use both 'top down' and 'bottom up' analysis as reflected in Figure 4.

FIGURE 4: Davy High Yield Fund Investment Process



WARNING: Please note the factors listed are neither comprehensive nor exhaustive. There may be other factors that influence the investment process.

2.2 Global Quantitative Screening

In this process, we initially consider over 3,000 companies globally for potential inclusion in the Fund. The characteristics which we look for can include:

- **Large market capitalisations** - companies with market caps in excess of €1 billion² tend to be more established with less risk than smaller companies.
- **Financial strength** – companies with low levels of leverage and which are capable of generating cash flows to service interest costs and pay down debt levels.
- **Companies which are growing earnings** – companies which are expected to grow earnings are significantly more likely to offer investors progressive increases to dividend payouts. We also consider the level of dividend payout versus the level of profits.
- **Valuation** – companies which have high dividend yields coupled with attractive earnings valuations.

Companies with these characteristics are generally in a strong position to sustain their dividend returns in the medium-term.

Following this process, we will have an investable universe of 300 to 400 stocks.

² Please note that the Fund may also consider companies below this level of market capitalisation.




2.3 Top Down Investment Analysis and Fundamental Research

We subsequently examine the global economic outlook to identify sectors and industries which are likely to out-perform. We undertake rigorous fundamental research on the stocks which pass through the quantitative screening process. We have regular meetings with the senior management of companies which we own in the Fund. We also interact on a continual basis with equity research analysts based in London, mainland Europe, New York and the Far East.

2.4 Stock Selection & Portfolio Construction

Following the quantitative and fundamental analysis, we construct a global portfolio consisting of between 50 and 70 stocks. The portfolio construction process aims to build a portfolio that is diversified across geographies and industrial sectors.

FIGURE 5: Examples of Quality Global Dividend Stocks

Sector	Stocks
Telecoms	 中国移动通信 CHINA MOBILE  at&t
Basic Materials	 bhpbilliton  DUPONT
Healthcare	 Pfizer  MERCK  Johnson & Johnson
Consumer Services	 sky  CARNIVAL CORPORATION & PLC
Technology	 intel  Microsoft  Capgemini CONSULTING. TECHNOLOGY. OUTSOURCING
Energy	 Shell  EXXON  TOTAL
Industrials	 SIEMENS  United Technologies  ups
Consumer Goods	 Unilever  P&G  PEPSICO
Financials	 PRUDENTIAL  HSBC  BARCLAYS

Source: Davy Asset Management

WARNING: Please note the factors listed are neither comprehensive nor exhaustive. There may be other factors that influence the selection of an individual stock.

About the Team

Bloxham Asset Management was acquired by Davy in May 2012 and was renamed Davy Asset Management. Davy Asset Management is involved in the management of investment funds, with a particular expertise in global equities. Primit Ghose, who leads the fund management team, was one of the first to launch a global high yield equity fund for the Irish and UK retail market over 10 years ago. The team built a strong 10-year track record while at Bloxham and currently manages equity, bond and asset allocation funds.

Brian McKiernan is Chief Executive Officer and Chief Investment Officer of Davy Asset Management.

Fund Management Team

Primit Ghose, Global Strategist

Primit is responsible for developing and managing the Davy Asset Management suite of funds. Primit has a long and successful record in managing investments. His actuarial background gives him particular understanding of matching assets to investors' risk profiles. Previously he headed up the investment operations of both Friends First and Hibernian and won numerous MoneyMate Fund Manager of the Year Awards.

Paul O'Brien

Paul joined Davy Asset Management in May 2012 following the purchase of Bloxham Asset Management by Davy. Paul previously worked as a Fund Manager at Bloxham between 2005 and 2012 and as an Equity Analyst at Bloxham between 2003 and 2005. Paul holds both a BBS specialising in Finance and a MSc in Investment & Treasury from DCU. In addition to working on the broader suite of Davy Asset Management funds, Paul has sole responsibility for running the Davy Discovery Fund, Davy Asset Management's mid-cap growth fund. Paul is a CFA charter holder and a member of the CFA Institute.

Bernard Murphy

Bernard has over 30 years of experience in the investment industry and is a qualified accountant. Having started his career in stockbroking, he moved to the investment division of Hibernian in 1981 and was a founding Director of Hibernian Investment Managers in 1989. Over the years Bernard has managed a wide range of equity portfolios and has built up an enviable track record of consistent performance.

Des Flood

Des has 25 years of experience within the fund management industry. Des previously worked for Bloxham Asset Management for over five years and, prior to that, worked as a Senior Fund Manager at Bank of Ireland Asset Management ('BIAM') in Dublin. At BIAM he worked both on European regional and global portfolios. Prior to that Des spent nine years working at Hibernian Investment Managers as Head of Equities and as Eurozone Asset Manager. Des previously worked in the UK between 1987 and 1995 at National Mutual of Australia as a UK Asset Manager and at Paribas Capital Markets as a Capital Goods Analyst. Des has a Masters degree in Economics and is a member of the CFA Institute.

Adam Mac Nulty

Adam joined Davy in 2010 and has 20 years of experience within the investment industry. He previously worked as a Senior Product Specialist for Aviva Investors. Prior to this, Adam worked as a Senior Equity Fund Manager with BIAM where he managed the firm's EAFE (Europe, Australasia and the Far East) portfolio. He began his career with Bank of Ireland, working in Corporate Banking, and Treasury Management before joining the Asset Management division. Adam holds a BA in Economics and an MBS in Financial Services from University College Dublin. He is a CFA charter holder and holds a Professional Diploma in Financial Advice (QFA).

Distribution & Investment Solutions

James Forbes

James has over 20 years of experience within the investment industry having started his career as an Equity Analyst in stockbroking. Over the last decade James has worked in various roles within the fund management industry (Hibernian Investment Managers and Irish Life Investment Managers), managing global equity portfolios, working in asset allocation and as a global equity strategist. More recently James has been involved in providing innovative, bespoke investment management solutions to the trustees and sponsors of defined benefit and defined contribution pension funds.

4 Fund Structure

The Fund is a unit linked fund of the Life Company available through a life assurance policy. The value of an investor's policy is linked to the performance of the Fund.

5 Fees & Charges

Please contact Irish Life for information on all applicable fees and charges.

6 Investor Suitability & Risks

The Irish Life policy documentation will contain information on the relevant risks. Potential investors should read these documents carefully and seek independent financial advice based on their personal circumstances prior to any investment decision.

WARNING: The value of your investment may go down as well as up.

WARNING: If you invest in this product you may lose some or all of the money you invest.

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TABLE 1: Government Bond Yields from 2006-2012

	10-Year UK Gilt	10-Year US Treasury	10-Year German Bund
31st December 2012	1.83	1.76	1.31
30th December 2011	1.98	1.88	1.83
31st December 2010	3.40	3.30	2.96
31st December 2009	4.02	3.84	3.39
31st December 2008	3.02	2.21	2.95
31st December 2007	4.51	4.03	4.31
29th December 2006	4.74	4.70	3.95

Source: Davy Asset Management with reference to Bloomberg

TABLE 2: World Equity Index Price Return, Total Return and Net Returns from Dividends for the period of 31st December 2007 to 31st December 2012

	Net Return from Dividends	Price Return	Total Return For Year
31st December 2012	3.25%	11.91%	15.1%
31st December 2011	2.80%	-4.72%	-1.97%
31st December 2010	2.70%	17.46%	20.11%
31st December 2009	2.90%	23.63%	26.51%
31st December 2008	2.50%	-39.47%	-36.93%
31st December 2007	2.20%	-3.14%	-0.94%

Source: Davy Asset Management with reference to Bloomberg

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There can be no assurances that projections are attainable or will be realised or that unforeseen

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Davy Asset Management

Davy House, 49 Dawson Street, Dublin 2, Ireland.
T +353 1 614 8874 assetmanagement@davy.ie