Davy Asset Management

FOR FINANCIAL ADVISORS ONLY

Davy Defensive High Yield Fund

from New Ireland

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

The Davy Defensive High Yield Fund from New Ireland (the 'Fund') is a life wrapped fund which invests directly in units of the Davy Defensive High Yield Fund (UCITS)[1].

Strategy Overview

The Davy Defensive High Yield Fund from New Ireland (the 'Fund') offers investors exposure to a unique risk managed strategy which adheres to a strict investment process each quarter and aims to provide equity market type returns over the medium term but with reduced levels of volatility. This investment strategy is likely to outperform traditional equity funds in falling markets but could lag in strongly rising markets.

STRUCTURED QUARTERLY INVESTMENT PROCESS

1. **The Investment Manager (Davy Asset Management) invests in approximately 40-45 large global stocks that have historically paid out higher than average sector dividend yields.**
2. **The Investment Manager then sells three-month Call Options on some of the stocks within the portfolio (the UCITS fund) using a simple options strategy which provides additional income.**
3. **The Investment Manager uses this additional income from selling the Call Options to buy some "insurance", which is designed to help protect against significant equity market falls.**

This structured process is repeated each quarter

1 The Davy Defensive High Yield Fund is a sub-fund of Skyline Umbrella Fund plc (UCITS), an umbrella type open-ended investment company with variable capital and segregated liability between sub-funds governed by the laws of Ireland and authorised by the Central Bank of Ireland. Davy Asset Management is the Investment Manager of this UCITS fund.

1 Selecting a broad range of global companies which have historically produced above average sector dividend yields

The investment strategy centres upon the success of investing in companies which have historically produced above average sector dividend yields. The Investment Manager selects equities that pay higher than average sector dividend yields on a sustained basis, known as high dividend yielding equities. The logic behind this investment strategy is that the types of companies that can sustain higher dividends generally provide stable growth opportunities going forward.

Why do Dividends Matter?
Between 1950 and 2010, dividend income accounted for 44% of the total return of the S&P 500[2]. This highlights the importance of incorporating companies with strong dividend income characteristics within a portfolio or fund. Essentially, the payment of dividends is a powerful message by companies to stock markets and investors about the company's future prospects and performance.

WARNING: Dividend income is not guaranteed and may rise or fall in value.

Stock Selection Process
The stock selection process involves a number of stages:

Firstly, the global universe of stocks is quantitatively screened to identify attractive candidates for possible selection by the Investment Manager. These candidates will display the following characteristics:

- *Dividend yields which have historically been above the sector average and are likely to be sustainable over time.*
- *Stable earnings growth expected over the next 12 months.*
- *Financial strength, as reflected in solid balance sheets and cash flow statements.*
- *Attractive valuations.*

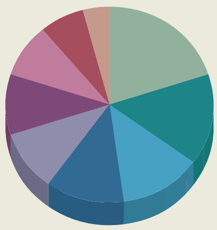
Secondly, the Investment Manager undertakes rigorous fundamental analysis of the candidates that meet the screening criteria and, where possible, meets the company management.

Finally, from the list of these candidates the Investment Manager selects 40-45 stocks, which will be structured to provide broad diversification across both geographic regions and industry sectors. The Investment Manger will seek to build a portfolio which is broadly sector and geographic neutral relative to the benchmark. An indicative portfolio composition is shown in Figure 1 for illustrative purposes. The investment exposure in each of these sectors and geographical regions will vary over time.

2 Source: Davy Asset Management.

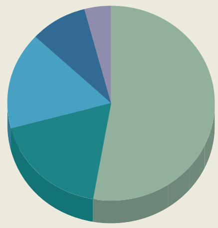
FIGURE 1: Indicative Portfolio Consumption

Indicative Sector Exposure



	%
Financials	20
Technology & Telecoms	15
Consumer Goods	13
Industrials	12
Consumer Services	10
Energy	10
Healthcare	9
Basic Materials	7
Utilities	4

Indicative Geographic Exposure



	%
North America	53
Asia Pacific	18
Europe ex UK	16
UK	9
Other	4

Source: Davy Asset Management

Structured Investment Process

The investment strategy incorporates a highly structured process each quarter. Any changes are typically made at the end of each quarter (which helps to reduce trading).

The investment process also encapsulates a strong sell discipline. For example, if a stock performs strongly in a quarter, as its share price rises then its dividend yield will decline. The next time the Investment Manager screens for stocks with above average sector dividend yields then the stock may have fallen out of the selection universe. Hence, the Investment Manager would have to sell the stock and replace it with a higher yielding stock.

At the end of each quarter, the Investment Manager will rebalance the portfolio to ensure that the 40 stocks are broadly equally weighted.

2 Selling Options to provide income (to purchase protection)

The second part of the investment strategy incorporates the selling of Call Options on the underlying stocks. This essentially exchanges some of the potential upside in share prices with a view to generating additional income on a quarterly basis to purchase protection.

This well-developed technique entails the Investment Manager selling simple short-term options on stocks which are already owned within the portfolio.

So how does this work? (A working example)

This is just an example of how the strategy works. Let us assume a fund owns shares in company ABC plc and the share price of ABC plc is €1.00. At the beginning of the quarter the Investment Manager sells Call Options* on company ABC plc at around 5% above the current share price. The strike level or the share price at which the option can be exercised is €1.05. The Investment Manager sells these three-month options at say 2.5 cent per share.

SCENARIO 1:

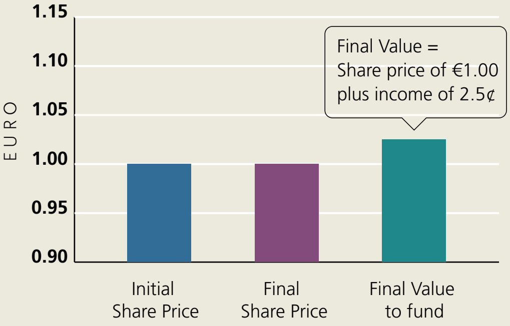
The share price of company ABC plc at the end of the quarter remains at <u>€1.00</u>

If the share price remains at €1.00 at the end of the three months then the buyers of the options will not exercise them, since the shares can be bought cheaper in the market compared to the strike price of €1.05.

The Investment Manager has sold options at the beginning of the quarter and has received the income from these options (2.5 cent per share).

This is a relatively positive outcome. Selling the options generates an income. This income is then used to buy protection (as outlined in Section 3).

Scenario 1: Option Strike Price €1.05



Source: Davy Asset Management

SCENARIO 2:

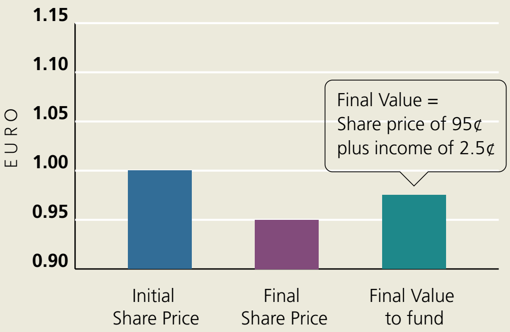
The share price of company ABC plc at the end of the quarter falls to <u>€0.95</u>

If the share price falls to €0.95 at the end of the quarter then the buyers of the options will not exercise them, since the shares can be bought cheaper in the market compared to the strike price of €1.05.

The Investment Manager has sold options at the beginning of the quarter and has received the income from these options (2.5 cent per share).

The fund experiences the same share price decline but the fund generates 2.5 cent in income by selling the options which is then used to purchase protection.

Scenario 2: Option Strike Price €1.05



Source: Davy Asset Management

* Call Options: The holder (buyer) of a Call Option has the right but not the obligation to buy an asset at a predetermined price (exercise price), on or before a fixed date in the future.

SCENARIO 3:

The share price of company ABC plc at the end of the quarter rises to <u>€1.15</u>

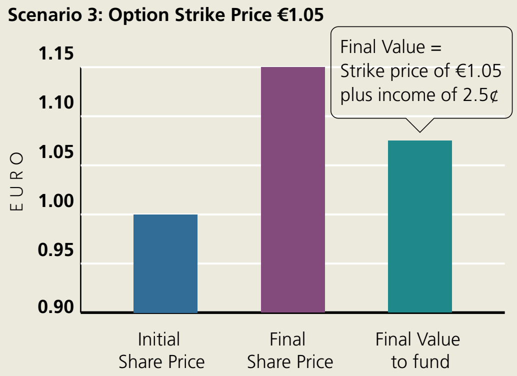
If the share price of company ABC plc rises to €1.15 then the options will be exercised by the buyers of the option (note: the fund sold the option and received the income).

The fund will benefit from the share price rising from €1.00 at the start of the quarter until it reaches €1.05, so the fund makes 5% on share price appreciation.

The fund will also receive the option income of 2.5 cent per share at the beginning of the quarter which is used to purchase protection.

But then the fund transfers its shares in company ABC plc to the buyers of the option at a price level of €1.05, i.e. the fund forfeits the 10 cent difference in the closing share price (€1.15) and the option strike level (€1.05).

So essentially, if there were to be a very strong run up in the share price of company ABC plc then the fund would not reap the full benefits and would under-perform against traditional equity funds.



Source: Davy Asset Management

How will the Investment Manager decide when to sell the Call Options?
The price of the Call Options will change as the price of the stocks move and as levels of volatility change. At certain times the value of the options will be more attractive than others. The Investment Manager will use an options valuation matrix to seek to time the selling of the calls each quarter in order to achieve the best possible price.

3 Focus on Added Protection

One of the key features of this investment strategy is to use the income from the sale of calls on the stocks in the portfolio to buy some "insurance" against significant market falls. The protection strategy centres on purchasing Put Options* on major stock market indices, such as the S&P 500 and the EURO STOXX 50®. When markets rise, the value of Put Options fall but when markets fall, the value of Put Options rise.

Davy Asset Management will buy Put Options on indices with strike prices around 5% below the index level at the start of the quarter. For example, if the index is trading at 100 then the Investment Manager would look to buy Put Options at a level of 95.

In the event of a market sell-off, the Put Options rise in value and this would help to compensate for some of the loss of value in the stocks in the portfolio. The percentage of the portfolio protected against market falls will vary from quarter to quarter and depends upon the amount of income generated from selling the Call Options. It is important to note that this investment strategy does not offer a capital guarantee.

* The owner of a Put Option has the right but is not obliged to sell an asset at a predetermined price (exercise price) on a fixed date in the future (expiry).

Will the Investment Manager use all the income from selling options to buy "insurance"?
The decision to purchase protection against significant market falls will remain at the discretion of the Investment Manager. This will depend upon the cost of purchasing such protection. Nevertheless, it is envisaged that, in normal circumstances, the total income from options selling will be used to purchase some protection against significant market declines.

4 Fees & Charges

Please contact New Ireland for information on all applicable fees and charges.

5 Fund Availability

The Davy Defensive High Yield Fund from New Ireland is available to investors through the following:

- **SmartFunds**
- **FutureSave**
- **Trustee Investment Plan**
- **Personal Retirement Bond**
- **Personal Retirement Plan**
- **Executive Retirement Plan**
- **Approved Retirement Fund ('ARF')**
- **Approved Minimum Retirement Fund ('AMRF')**

6 Contact Details

For further information please contact your New Ireland Broker Consultant or Davy Asset Management at:

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7 Investor Suitability & Risks

The New Ireland 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.

WARNING: Past performance is not a reliable guide to future performance.

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