DAVY SELECT

October 2023

MarketWatch

Acclimatising to higher rates

Editor's note

Welcome to the latest edition of MarketWatch.

We're almost two years into the current cycle of interest rate increases, and the long-expected recession is yet to arrive. The United States' economy is slowing, but thanks to its debt mix, it seems to be acclimatising to higher rates better than the Eurozone or United Kingdom. Further afield, Japan and China are at different stages of their own economic cycles.

Thanks to higher rates, investors now face a different opportunity set. After causing the rout in bonds last year, higher yields mean that TINA (There Is No Alternative) has now given way to TARA (There Are Reasonable Alternatives) and equities are no longer the only game in town. On the downside, asset classes that depend on variable-rate borrowing are vulnerable in this new environment.

In this edition of MarketWatch, we survey the new investment landscape. We look at what higher rates mean for equity earnings, bonds and structured products, and we explore whether there are opportunities in Japan and China. We also explain what it means that we are now signatories to UNPRI (the UN Principles for Responsible Investment) and we lay out two more of our long term investment principles.

Finally, not all of our readers may be aware that Davy is now part of Bank of Ireland Group, and what that means for investments at Davy. We have been able to tap into the expertise in Bank of Ireland and strengthen our team. Mark Caffrey joined us in May to manage our structured product offering and Deirdre Kennedy has moved over in October to manage the Global fundamentals equity fund. Lastly, we are delighted to announce that Paul Nicholson has joined us from the Queensland Investment Corporation to head our Investment Strategy Team.

Donough Kilmurray
Chief Investment Officer

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

Warning: Forecasts are not a reliable indicator of future performance.

About MarketWatch: MarketWatch provides investment analysis from Davy for discussion purposes only. It is not intended to constitute an offer or solicitation for the purchase or sale of any financial instruments, trading strategy, product or service and does not take into account the investment objectives, knowledge and experience or financial situation of any particular person. You should obtain advice based on your own individual circumstances from your own tax, financial, legal and other advisers before making an investment decision, and only make such decisions on the basis of your own objectives, experience and resources.

Donough Kilmurray
Chief Investment Officer

Global outlook - Do rising rates lift all boats?

This time last year, as inflation and interest rates spiked, we were stuck in a bear market for stocks and facing the worst year for bonds in modern financial history. Economic models were flashing red for recession, driven by energy prices and interest rates. A year on, the world has changed, and investors are facing an unexpected and unfamiliar landscape.

First, the recession never came, most notably not in the US, the world's largest economy. Europe came very close, dragged down by Germany. The UK surprised by avoiding a collapse and even revised its data recently to show a better COVID-19 period than previously thought. However inflation still lingers, the economic data is getting weaker, and higher rates may yet take their toll.

TINA becomes TARA

As tempting as it is to try to time the economic cycle, a more useful exercise for investors is to figure out what higher interest rates mean for multi-year investment returns. From the GFC (global financial crisis) through to the COVID-19 period, central banks kept interest rates and bond yields close to zero to stimulate the economy. In this low-growth low-rate world, markets bought into the mantra of TINA (There Is No Alternative) and equities were the runaway winner.

Now from the pain of 2022 has emerged a new world of TARA (There Are Reasonable Alternatives). High-quality government bonds are at yields not seen since before the GFC, and corporate bonds yield even more. With the global economy avoiding recession and artificial intelligence (AI) raising expectations for growth, stocks are still going strong. On the face of it, investors have a much better set of choices now, but it's reasonable to assume that higher rates can still hurt asset prices.

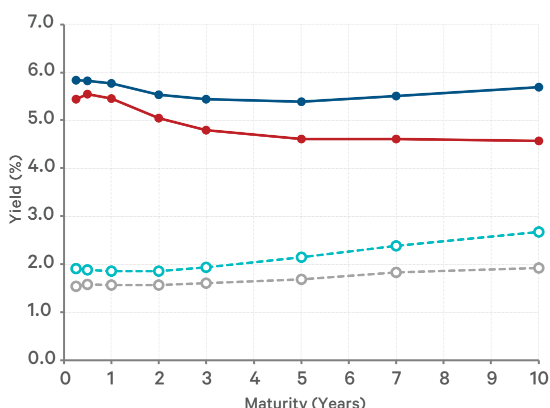
Bonds – never say never

2022 was a traumatic time for bond investors. Now in late 2023 yields have mostly adjusted to the new environment, and sentiment falls into two camps – a cautious group that is so scarred by last year's losses that they never want to own bonds again, and another group who wonders why should they bother with anything else now that returns of 4% (in EUR) or 5% (in GBP) are easily available (as of 30th September). The allocation question is further complicated by the unusual shape of the bond yield curve.

For the first group, it's worth remembering why we own bonds in the first place. High-quality bonds are a lower risk asset that usually brings stability and balance to a portfolio. They act as a hedge against recession and deflation, and ideally, they provide an income. All these historical reasons are still relevant today, and income in particular is more relevant than it has been for some time.

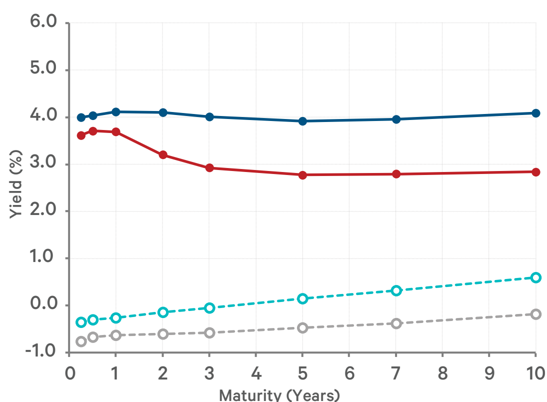
The lingering doubt is whether unexpected inflation, which is like kryptonite for bonds, will continue to dog the asset class. It's not unreasonable to imagine that inflation uncertainty will continue to disrupt bonds' balancing relationship (aka negative correlation) with stocks for much of this decade. However, it's worth noting that, unlike in 2022, bonds now have a yield cushion to soften the blow should further inflation cause central banks to raise rates again.

■ **Figure 1: USD bond yields now and before COVID-19**



Source: Bloomberg. All in USD up to end of September 2023.

■ **Figure 2: EUR bond yields now and before COVID-19**



Source: Bloomberg. All in EUR up to end of September 2023.

A short-term or long-term relationship?

Given what happened last year, and with so much uncertainty around inflation and rates, it's not a surprise that many investors are choosing to park their capital in short-term bonds. Yield curves are inverted, meaning that investors are being paid more to own shorter-term bonds than longer-term bonds. With 3-4% available in EUR, or over 5% in GBP, from high-quality low-risk assets, short-term bonds seem like a sensible investment strategy.

For liquidity capital or investors with a short time horizon, such bonds do indeed make a lot of sense. But longer term investors should not confuse yields with returns. If you buy a 1 or 2-year bond now, your return will be the yield of the bond, assuming you hold to maturity and it doesn't default. When the bond matures this return is no longer available beyond that point.

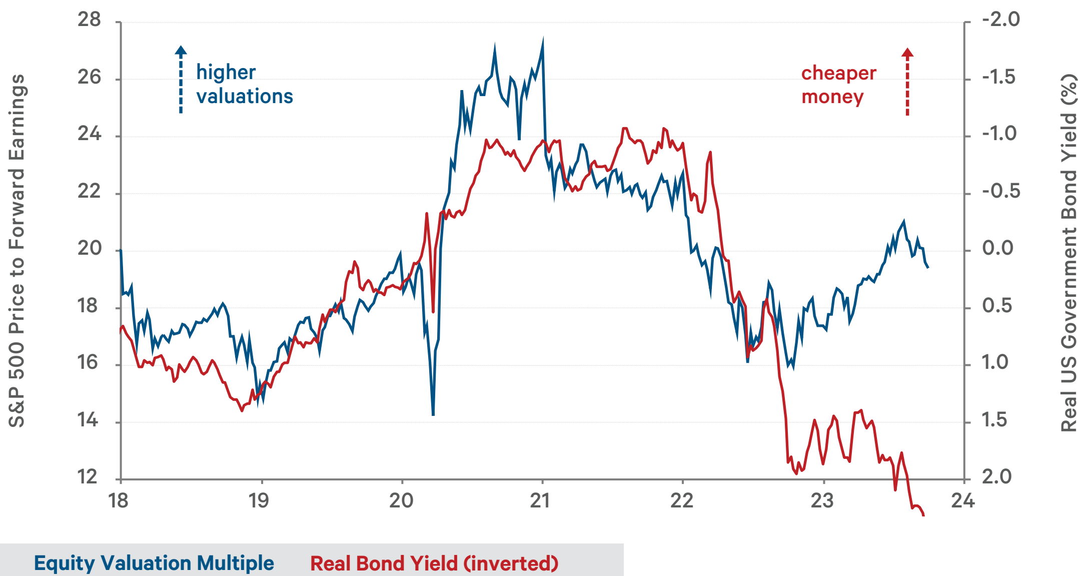
Central banks have made clear that interest rates are being held above their natural levels to quash inflation, and that they will relax once this job is done. While we know neither the timing nor the neutral level, rates will likely be coming down later in 2024 or 2025. The capital gains on mid-to long-term bonds should be comfortably higher than the current yield advantage of short-term bonds, meaning that investors are better off staying at least medium-term in duration.

Some investors are looking at the yield curve and choosing to take this idea further. For example, a long-term UK investor could now buy a 5-10 year corporate bond portfolio for ~5.5% yield in GBP. While this makes more sense than owning short-term bonds, an investor with a 5-10 year horizon would achieve a better risk-return profile by adding equities to their portfolio.

Do higher yields mean lower equity valuations?

What made 2022 doubly painful was the damage that higher rates did to both defensive and growth assets. The impact on bonds is mechanical – higher yields mean lower prices, and vice versa – but the relationship with stocks is more complicated. A famous chart circulated throughout the industry showing how lower real yields (cheaper money) coincided with higher equity valuations during the COVID-19 recovery, implying that higher yields meant lower valuations.

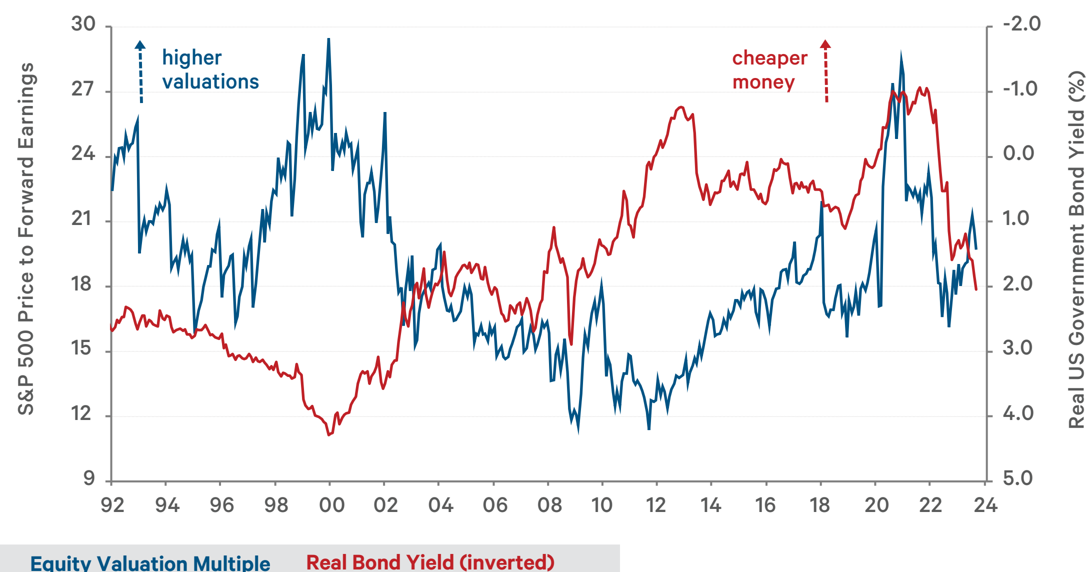
Figure 3: US equity valuation versus real bond yield (2018-2023)



Source: Standard & Poors, Bloomberg. All in USD up to end of September 2023.

This chart neatly fits the narrative from 2018 to 2022, but reality started to go another way in 2023. Is the market valuation wrong, pumped up by AI stocks, or was the relationship not real? Looking back further in time, we find the relationship between yields and valuations is weaker than recent history suggests. Growth and expectations are more important for earnings and valuations, and the global economy and corporate earnings have held up much better than expected in 2023.

Figure 4: US equity valuation vs real bond yield (1992-2023)



Source: Standard & Poors, Bloomberg. All in USD up to end of September 2023.

Of course, higher yields mean higher financing costs for businesses and households, and this will slow growth. More so in Europe, where we finance more via variable-rate bank lending than in the US, where cash levels are still high and mortgages and corporate bonds are at long-term fixed-rates. This doesn't mean that US equities are immune to higher rates, but the impact is not immediate. For example, the economy is softening, and yet earnings forecasts for 2024 are quite positive.

Where does it hurt?

If higher yields have made bonds more attractive, and haven't hurt stocks as much as expected, does that mean investors can relax? Unfortunately not. The solution to the credit crisis of 2008 was even more debt, and a decade of super-low rates encouraged more borrowing throughout the system. Any asset that relies on variable-rate borrowing is now vulnerable.

The obvious place to look for leverage is real estate. In residential property, Europe (including the UK) is far more exposed than the US due to the dominance of variable or short-term fixed mortgages. Constrained supply, the bane of buyers, is preventing a market collapse. Commercial property is funded more by shorter-term fixed debt, and here there is a significant risk of price decline, as cap rates should adjust upwards to reflect higher yields.

Much of the private asset world has long relied on leverage to engineer greater capital efficiency and higher returns. It is noticeable that private equity activity has declined, partly due to uncertain public markets, and partly due to the increased cost of debt. Private debt and levered loan funds, which can now invest at higher yields, are going to have to work hard to protect capital and generate returns from existing investments.

Lastly, liquid alternatives, including hedge fund strategies and commodities futures, are benefitting from higher rates as their underlying capital is held in cash or bonds. However, they both face greater competition now from bonds in the minds of multi-asset investors.

A brave new world

In summary, higher interest rates mean that investors have a different range of choices this decade. Cash and bonds are firmly back in the conversation, although inflation will likely be more corrosive. Slower growth and higher uncertainty should constrain equity earnings and valuations, which are generally modest outside of certain US sectors. This means that while we're unlikely to see a repeat of the 2010s, this should not be a repeat of the 2000s either, which was a lost decade for equity investors. Just beware of any assets that were built on variable-rate borrowing.

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

Warning: Forecasts are not a reliable indicator of future performance.

Aidan Donnelly
Head of Equities, Davy Private Clients

Global equities - What's another dollar?

Many years ago when I was still a novice in the investment industry, I remember being party – or more correctly, an active listener to a conversation between a fund manager and a market strategist. You won't be surprised to hear that the topic of this conversation revolved around who had the more difficult job. At the crux of the fund manager's argument was that; while he had to work through a raft of earnings forecasts depending on the number of companies in the fund or investable universe, the 'top-down' strategist only had to come up with one forecast – the earnings for the stock market index in question.

Now, just to set the record straight, the fund manager was being somewhat disingenuous in assuming the work of the strategist started and ended with just one number. If it was that easy, everyone in the industry would choose to be a strategist, and there would be no fund managers. However, there is no denying the importance of that one number when formulating a view on the relative attractiveness of a stock market at a particular point in time.

Price and earnings!

The reason for this is simple. The only thing that is known for sure is the price of a security today. Therefore, if I have strong confidence in the forecasted earnings number for a market (or a company, for that matter), I can apply what I believe is the appropriate valuation multiple to those earnings and see if the price on the screen is cheap or expensive and make my investment decision.

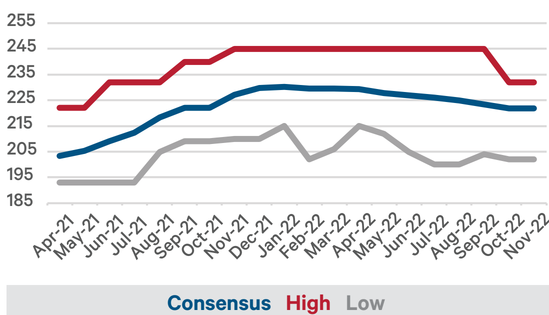
When it comes to forecasting the earnings for a market index, there are two methods – top-down and bottom-up. The former involves a strategist using some form of model with inputs like economic growth, monetary policy, profit margin changes, and currency movements to estimate what will be the year-on-year growth rate for the total profits of the index constituents. Whereas the bottom-up method (as the name suggests) involves aggregating up the profits of each company in the index and calculating the total profits.

Typically, at the start of each year, there is a divergence between these two numbers that slowly gets closed as the year progresses, with the bottom-up version tending to be the more optimistic from the outset. Not surprisingly, because of how the number is calculated, at the start of any year (when all those outlook documents are produced) there can also be a wide range in the top-down forecasts for earnings – different models and different assumptions ultimately mean different numbers!

Home on the range

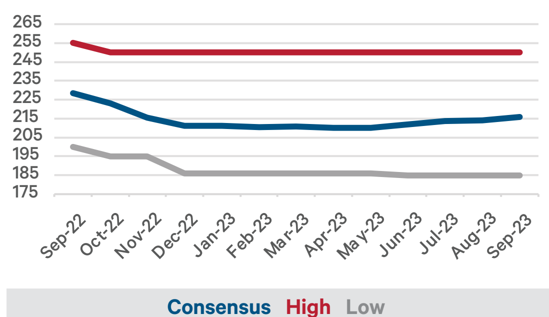
Again, as the year progresses, the models may not change, but greater consensus emerges on the inputs to the models and so the range of forecasts tightens – except that has not been the case so far in 2023. With over three quarters of the year behind us, the range of top-down earnings forecasts remains stubbornly wide, creating a conundrum for investors.

Figure 1: 2022 S&P 500 earnings



Source: Bloomberg as at 30th November 2022

Figure 2: 2023 S&P 500 earnings year to date



Source: Bloomberg as at 30th August 2023

The mean forecast from the top-down strategists is currently pegged at close to $216. The bears are forecasting a number under $200 – with the 'Big Grizzly' at a lowly $185 – while the stomping ground for the bulls is around $250. Top to bottom, that is a $65 range for a forecast with only three months left to run! If this wide range could be justified by the 'quality' of the participants at either extreme, then some solace could be taken, but the fact is that large and venerable Wall Street doyens are present in both camps.

As I said earlier, the problem this creates for investors is that if you can't get comfort on what the 'E' will be, it makes it difficult to apply what you believe is the appropriate valuation multiple and therefore work out whether the market is currently cheap or expensive.

But this underlines one of the difficulties of top-down models. Recession-probability models (read the inverted yield curve for example) have been screaming from the rooftops that things are about to go south in a hurry since late last year. Yet rumours of the global economy's demise have, so far, been very much exaggerated. As the 'forecasted' recession gets pushed out into 2024 by some, and the degree of severity is reduced by others, not everyone on 'The Street' agrees that the glass is half full, and potentially getting fuller.

Counting the cost?

With markets posting decent gains so far in 2023, you might ask the question – what are they waiting for? No one likes to get things wrong, of course, but on a basic level, it's a little easier to accept that you didn't call the market well when your underlying economic premise was also incorrect. But as John Maynard Keynes is often quoted "when the facts change, I change my opinion", and with less than three months to go, the window to make those changes is rapidly closing. While there will be some solace from the fact that those who chose to remain on the equity market side-lines have been 'rewarded' with good returns on their cash, in time, history might have a different view.

For now, spare a thought for those top-down strategists as few things will be more irritating to them while trying to call the economy, monetary policy, and the market, than to be told they only have one number to worry about.

Warning: Forecasts are not a reliable indicator of future performance.

Eileen Rowsome
Senior Investment Selection Analyst

UNPRI: The next step on our responsible investing journey

Regular readers of MarketWatch may recall that when I wrote about Responsible Investing in our Outlook publication this year, I was critical of the Responsible Investing community's overuse of confusing acronyms. I am very conscious of this as I introduce another. However, given this acronym marks a significant milestone in our clients' sustainable investment journey, I hope you will forgive me.

In June 2023, Davy became a signatory to the United Nations sponsored Principles for Responsible Investing, or the PRI for short. The PRI works to understand the investment implications of environmental, social, and governance factors and supports its network of signatories to incorporate these factors into their investment and ownership decisions.

About the PRI

Since its launch in 2006, the PRI has grown from under 100 signatories to over 5,000 signatories in 2023. The PRI is a global initiative with members including asset managers, both in public and private markets, wealth managers, pension funds, and service providers from over 80 countries across the globe. This collective group is responsible for over $120 trillion in investment assets. It is unique in terms of its reach and the depth of resources it provides to signatories.

Its mission is based on the belief that an economically efficient, sustainable global financial system is a necessity for long-term value creation, and that such a system will reward long-term, responsible investment and benefit the environment and society as a whole.

I believe this well describes the essence of responsible investing. The PRI, along with its signatories, understand their fiduciary responsibility to achieve the financial aspirations of investors and savers they represent, and to do so in a way that supports efforts to build a more sustainable and equitable society.

What are the Principles?

There are six Principles for Responsible Investment to which Davy, along with other signatories, commit.

Principle 1:
We will incorporate Environmental, Social, and Corporate Governance (ESG) issues into investment analysis and decision-making processes.

Principle 2:
We will be an active owner and incorporate ESG issues into our ownership policies and practices.

Principle 3:
We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4:
We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5:
We will work together to enhance our effectiveness in implementing the Principles.

Principle 6:
We will report on our activities and progress towards implementing the Principles.

Source: UNPRI

How does commitment turn into action?
In practice, our signatory status has led and will lead to various initiatives across our investment activities at Davy. There will be more debate and discussion at the investment committee around sustainability factors. Our offering includes Socially Responsible Investment options, and we will look to provide more detail and insights to our clients on responsible investing to help promote the cause. We are excited to get involved more with the PRI and its various initiatives in the years to come.

The world of responsible investing is evolving and growing, as indicated by the growth in signatories over the past two decades, but this can also be evidenced by the assets flowing into sustainable investment products. In Europe, funds classified as having sustainability considerations under the Sustainable Finance Disclosure Regulation reached over €5 trillion as at the end of June, as reported by Morningstar. They now make up over 55% of the Morningstar database for funds available in Europe, moving from the minority to the majority in the past year. Progress in other regions like the US is lagging, not least due to the political aspect of the debate around sustainable investing, but interest has grown in recent years.

Sustainability at Davy
Our membership of the PRI as investors, on behalf of our Wealth Management clients, comes at a time when our sustainability ambitions as a firm have also picked up pace. In July this year, we launched our new sustainability website which details what we are doing as a corporate to support our clients' sustainability efforts as well as our own. As part of our commitment, we believe that Davy can play a substantial role in our transition to a green economy, sitting as it does at the heart of wealth and capital in Ireland. We are investing to deliver on this potential, in line with the expectations of our stakeholders, which includes you, our client.

Paul Nicholson
Head of Investment Strategy

The dragon has been wounded!

After a forty year boom in the Chinese economy, many are now calling time on the Chinese Dragon. Gifting stimulus packages with ever larger red envelopes may have worked in 2008, but maybe only structural reform on debt resolution will do this time!

Since China re-joined the world stage in the 1970s, the Dragon has experienced exponential growth, far outpacing the growth of its envious Western and Asian counterparts alike. Coming from a tenth of the size of the US Gross Domestic Product (GDP) in the 1980s, the Dragon has grown up, and is now three-quarters the size of the US, firmly placing it as the second largest economy in the world.

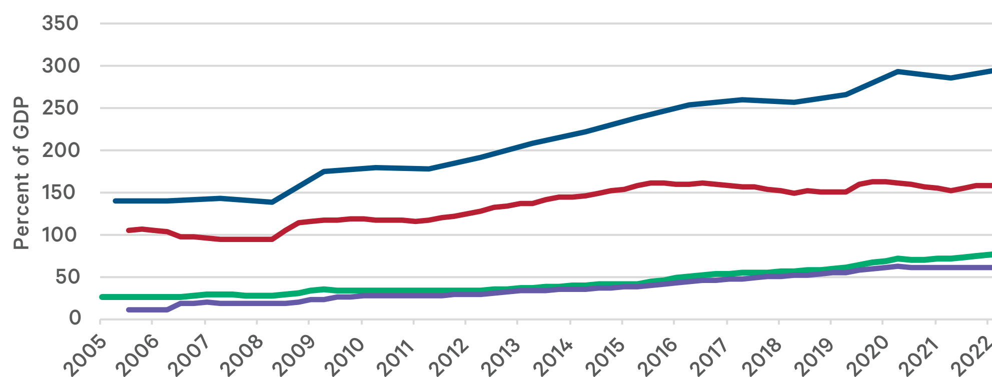
The excitement surrounding the robust consumption in the initial stages of China's 2023 reopening has since receded with growth and inflation disappointing. The recovery has been uneven, with lagging private investment, weak exports, and a stagnant housing market. Expectations of significant support needed from the Chinese authorities are well warranted in light of significant challenges to the growth outlook, missed debt payments from property developer Country Garden, and strains on local government finances.

Debt at the heart of the problem

Debt has added fuel to the Dragon's meteoric growth, but as a double-edged sword, debt today stands at the heart of China's economic problems. China's total debt-to-GDP has surged close to 300%, above an average of 249% for G20 economies. Corporates are facing high debt servicing pressures, with debts rising and profits and cash flows falling. Defaults in the property sector, missed payments in the wealth management industry, and stress in local government financing vehicles (LGFV), are all signs of significant debt stress.

An efficient debt management policy requires economic growth, positive inflation, and an effective debt restructuring process. As growth and inflation have slowed markedly in China, the indebtedness burden has increasingly become a significant headwind for the Dragon. The magnitude of the debt burden will likely require structural change, allowing for a shifting of the burden onto the public balance sheet, more leniency on repayment, and debt restructuring.

Figure 1: Debt-to-GDP ratio keeps rising



China Debt-to-GDP Ratio, BIS | China Non-Financial Corporate Debt, % of GDP
China Government Debt, % of GDP | China Household Debt, % of GDP

Source: Bank for International Settlements (BIS), Bloomberg as at year end 2022

An economy slowing

Although the trajectory of economic growth has been challenging, we do not see these data points as a step down in economic momentum, but rather a continuation of the recent trend. The falling Producer Price Index (PPI) and Consumer Price Indexes (CPI) in July were exasperated by heavy rains and floods, which added to the downturn in economic activity.

Despite growth in home sales and construction activity remaining poor, this shouldn't be surprising. While headline consumption has been disappointing, there are still signs of stability. Other economic sectors with high-frequency indicators on general mobility, road freight deliveries, and electricity consumption, remain stable. Moreover, onshore and global commodity prices do not show a sinking trend.

Furthermore, loan growth has been front-loaded and government bond refinancing has been slow. A broad measure of credit and liquidity in China is the outstanding value of total social financing (TSF), including bank loans, corporate bonds, entrusted loans, and trust loans, which saw its first contraction since January 2009. However, the slowdown in credit demand in July should be taken in context with a record increase in credit in Q1 2023. To align with the reopening, the authorities placed pressure on banks and local government to front-load lending at the start of 2023.

The issuance of government debt has been slower than expected in 2023 so far. The People's Bank of China (PBOC) is now increasing its pipeline of government bonds pending issuance for the remainder of 2023, resulting in a baseline of credit demand for the rest of the year. Net new issuance fell by 25% so far in 2023, which means borrowing would need to increase aggressively in the final few months to even reach 2022 levels. Should the net new issuance of government bond financing reach 2022 levels, the outstanding value of TSF would increase for the whole of 2023 by over 9%. This remains the weakest annual credit growth since 2003 however, and additional monetary and structural change will be required to boost loan growth.

You can't just throw money at the problem

After the four trillion Yuan stimulus package in 2008, the Chinese authorities have undertaken a decade of monetary restraint to fend off a property bubble. However, today's China now needs a policy mix of debt restructuring, infrastructure support, meaningful regulatory relief, targeted support in property construction, and stimulus to boost consumption (particularly the 'bigger ticket' items, like cars, housing, etc.). This leads us to expect ongoing monetary, fiscal, exchange rate, and structural policies to fend off these risks.

The Chinese authorities have introduced various monetary, fiscal and structural stimulus packages in recent months; namely, interest rate cuts, reducing bank reserve requirements, reducing stamp duty on equity trading and refinancing programs for local government debt. These are all important for ensuring an accommodative backdrop to boost growth and inflation, but crucial discussions on debt resolution remain missing. The policy response to date suggests that policymakers are responding to what they see as an ongoing moderation in activity, rather than growth spiralling dangerously out of control.

Long live the dragon

2023 has seen exports to 'Belt and Road' countries surpass exports to the US, Japan and Europe, yet the property sector continues to struggle. Outside of property however, China's bank shares appear healthy, with the local Chinese bank index up on the year. Commodity prices remain robust, and the Chinese Yuan remains strong versus Asian peers. Equity valuations are cheap, and debt yields are increasingly attractive versus global peers. Across debt, equity and real asset investors, most remain bearish on China.

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

Warning: Forecasts are not a reliable indicator of future performance.

Stephen Grissing
Investment Strategist

Stars align for the Japanese Yen

The Japanese Yen has been under relentless pressure over the past eighteen months - depreciating by 17% versus the Euro and reaching levels not seen in fifteen years. Persistently loose monetary policy from the Bank of Japan has resulted in a significant interest rate differential opening up versus global peers, to the detriment of the Yen.

In previous editions of MarketWatch, we've discussed how cheap valuations alone are not a reliable catalyst for the future performance of a currency in the short to medium term. In addition to attractive valuation levels, several stars are aligning that should afford some respite for the Yen over the next 12 to 24 months.

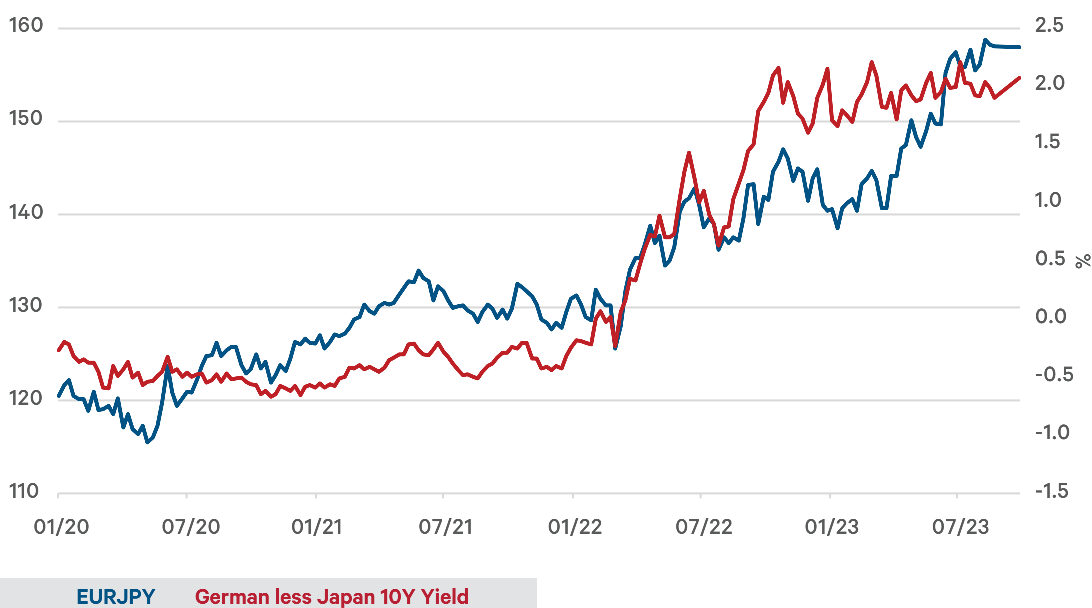
Why is the Yen hurting so badly?

The simple answer is that it's due to the Bank of Japan. At a time when central banks in developed economies have been busy fighting levels of inflation not experienced in decades, the Bank of Japan continues to strive for persistent levels of inflation.

In a little over a year, the European Central Bank has increased interest rates aggressively from -0.5% to +4.0%, meanwhile, the Bank of Japan's main interest rate remained unchanged at a mere -0.1%. Foreign investors, who are attracted to currencies of countries that offer a relatively higher interest rate, unsurprisingly have shunned the Yen (see Figure 1).

Compounding the Yen's woes has been Japan's trade deficit. A heavy reliance on fuel imports, which dramatically increased in cost during 2022, resulted in a record annual trade deficit in Japan. When a country is importing (buying) more goods than it is exporting (selling), it weakens the demand for its currency.

Figure 1: EURJPY has moved in line with relative government bond yields



Source: Bloomberg, updated 29th September 2023

A rare opportunity for the Bank of Japan
The Bank of Japan has been running an ultra-loose monetary policy for some time now. Just how loose? For starters, their main interest rate has been at a level of +0.1% or lower since 2008 and currently sits at -0.1%. The central bank also continues to enthusiastically embrace Quantitative Easing – owning a whopping circa 52% of the total amount of Japanese Government Bonds (JGBs) in issuance. Finally, a tool known as Yield Curve Control (YCC) was introduced in 2016 to artificially keep the yield of longer maturity JGBs low – since its introduction the nominal yield on 10-year JGBs has averaged a mere +0.10%.

Today, the Bank of Japan is presented with a rare opportunity to unravel some of these long-standing policy measures. Interest rate differentials which have acted as a headwind for the Yen are likely to become a tailwind over the next 12 to 24 months. The recently appointed governor, Kazuo Ueda, unveiled details of a monetary policy review in an attempt to gain a 'broad perspective' of policy measures over the past 25 years. The review takes place at a time when Japan's core inflation has remained above the central bank's 2% target for seventeen consecutive months.

Strong wage growth and a robust post-COVID-19 economic recovery are two areas that now support the argument for sustained inflation in Japan. In March, the annual Shunto wage negotiations resulted in negotiated wages increasing by 3.6%, the largest increase seen in Japan in 30 years. We continue to expect that any exit from negative interest rates and YCC will be gradual. Some Bank of Japan members still require further evidence that higher wages and strong domestic demand can keep inflation sustainably close to its target.

There are several other reasons why we are positive about the outlook for the Japanese Yen. Firstly, the currency tends to appreciate during episodes of global market stress. Financial markets have performed strongly in 2023, but as higher global interest rates take effect, the likelihood that we will enter into a period of market stress has increased. In this scenario, the Yen should outperform the Euro and Sterling, which are both more cyclical in nature.

Secondly, the future positioning of investors shorting the Yen is at stretched levels. If there was a reversal of some of these short positions even without investors becoming overly bullish on the currency, it should provide support for the Yen.

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

Danielle Flanagan
Senior Associate, Global Investment Selection

The Power of Diversification: Balancing risk and return for a smoother investment journey

Investing is a crucial step toward achieving financial goals and securing a prosperous future. However, the road to successful investing is often paved with uncertainties and risks. In this context, diversification emerges as a key tool to manage risk and improve the balance between risk and return in a portfolio.

Diversification, simply put, is the practice of spreading your investments across a variety of assets to reduce exposure to any single investment's performance. The basic principle behind diversification, albeit slightly cliché, is "don't put all of your eggs in one basket." By not relying on the performance of a single investment, you can reduce the impact of market fluctuations on your overall portfolio. Harry Markowitz, a Nobel Prize winning economist, dubbed diversification "the only free lunch in investing." What he meant when he coined this phrase in 1952 was that diversification is the only tool that allows you to enhance your portfolio returns without taking additional risk. A diversified portfolio typically includes a mix of asset classes, such as equity, fixed income, real estate, commodities, and cash. The idea behind having a diversified portfolio is that each of the asset classes reacts differently to economic and market conditions, which creates a complementary effect on the portfolio's overall performance. As Harry Markowitz calls it, 'the free lunch effect'.

We believe in the importance of having a diversified portfolio. Diversification allows an investor to better weather the ups and downs of the financial markets and can help to smooth the overall investment journey. It helps to avoid the pitfalls of becoming overly concentrated in a specific stock, sector, geography, or asset class. When times are good, and the economy is trending upward, being overly concentrated mightn't look like such a bad idea. But, when times are tough and the market is volatile, the need for having a diversified portfolio becomes more apparent. The idea is that by spreading your investments across a variety of assets, the impact of a single investment's poor performance on your overall portfolio returns can be minimised. In doing so, diversification helps to reduce the volatility of your portfolio returns over the long term.

Volatility is a measure of the price swings of an asset over a specific period. High volatility can be unsettling for investors, leading to emotional decision-making and impulsive actions that can harm long-term financial goals. Diversification reduces portfolio volatility by combining assets with different risk and return profiles. For instance, during a market downturn, if stocks in the portfolio face losses, the impact can be partially offset by the stability of bonds or other assets that have a low level of correlation with each other (i.e., they don't move in tandem very often). Consequently, this cushioning effect lowers the overall portfolio volatility and helps to provide a smoother investment journey. By tempering extreme highs and lows, diversification helps investors stay focused on their long-term objectives and maintain discipline during market turbulence.

Diversification can help to achieve more consistent returns by investing in assets with different risk and return profiles. Figure 1. helps to illustrate this point. For example, if you pick an asset class and follow its returns over the past ten years from 2012 to 2022, you can see that an asset can be a top performer in one year and a bottom performer in another. The diversified portfolio, however, performs more consistently over time, helping you to achieve a smoother investment journey.

Figure 1: Impact of compounding returns of a €1 million investment

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
16.4%	26.7%	28.7%	14.9%	16.1%	20.6%	5.1%	36.1%	22.8%	37.9%	23.8%
15.7%	25.9%	20.9%	12.2%	15.7%	12.4%	3.8%	33.1%	8.5%	36.7%	0.4%
14.3%	21.2%	20.7%	12.0%	15.2%	7.7%	0.4%	30.0%	8.0%	31.2%	-0.4%
14.0%	21.2%	19.5%	11.0%	14.6%	7.5%	-0.2%	28.5%	6.4%	31.1%	-7.3%
13.9%	21.1%	18.1%	10.4%	14.5%	6.4%	-0.4%	24.0%	6.3%	30.4%	-9.0%
13.7%	7.3%	16.0%	7.9%	10.7%	3.0%	-2.0%	20.6%	4.0%	24.5%	-10.8%
13.4%	2.2%	14.5%	6.0%	9.4%	2.9%	-2.0%	18.0%	3.0%	16.8%	-12.8%
11.2%	2.1%	13.8%	4.5%	6.3%	2.9%	-2.7%	10.7%	2.4%	5.9%	-13.2%
9.7%	0.2%	11.4%	1.0%	5.9%	0.7%	-4.1%	9.7%	0.2%	4.9%	-13.4%
2.7%	-6.3%	11.1%	0.0%	5.7%	-0.3%	-6.3%	8.8%	-0.4%	2.5%	-14.9%
2.6%	-6.8%	9.8%	-0.6%	5.1%	-5.7%	-6.8%	8.2%	-1.4%	-0.3%	-17.2%
0.6%	-6.8%	0.2%	-5.2%	3.3%	-9.1%	-9.5%	6.0%	-9.3%	-0.5%	-18.2%
-2.6%	-13.4%	-5.5%	-16.1%	-0.3%	-10.6%	-10.3%	-0.4%	-11.1%	-2.9%	-24.6%

- US Equity
- Commodities
- Value Stocks
- Global Developed Market Equity
- Growth Stocks
- Small cap equity
- US Bonds
- Emerging Market Equity
- Global Bonds
- Real Estate Investment Trusts
- Cash
- Europe Bonds
- Diversified Portfolio

*Source: Morningstar. For illustrative purposes only. Returns are measured in Euro. The Diversified Portfolio is a hypothetical portfolio that is invested in equal allocations of all segments disclosed herein. The Diversified Portfolio is not intended to represent any investment managed by Davy.

While diversification may not shield your portfolio from all market downturns, it is a crucial element in generating consistent long-term growth. Over time, the compounding effect of returns from a diversified portfolio can be powerful, building wealth more steadily compared to concentrated investments. By being exposed to a wide variety of asset classes, investors position themselves to capitalise on various market conditions, including economic expansions and contractions. Diversification not only helps to mitigate risk but opens the door to a broader range of investment opportunities. For instance, investing solely in one sector or industry might yield significant gains if that particular sector performs well. However, if it falters, the entire investment could suffer severe losses. A diversified portfolio, on the other hand, ensures that you participate in multiple industries and sectors, giving you exposure to various growth opportunities. This way, you can benefit from the performance of successful sectors while minimising the potential losses from underperforming sectors.

Overall, diversification is a time-tested and essential investment strategy that improves the balance between risk and return in a portfolio. By spreading investments across various asset classes, diversification reduces exposure to the ups and downs of any single investment, providing a smoother investment journey. Embracing diversification as a guiding principle can help individuals navigate the dynamic and often unpredictable world of investing. If diversification truly is the "only free lunch in investing", as Harry Markowitz suggests, then it should be the foundation of any investor's portfolio to help you to achieve your financial goals.

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

Warning: Forecasts are not a reliable indicator of future performance.

Warning: The information in this article is not a recommendation or investment research. It does not purport to be financial advice and does not take into account the investment objectives, knowledge and experience or financial situation of any particular person. There is no guarantee that by putting a financial or investment plan in place, you will meet your objectives. You should speak to your advisor, in the context of your own personal circumstances, prior to making any financial or investment decision.

Clare Collins
Head of Discretionary Portfolio Management

The power of starting early: Compounding and its benefits

Discover the incredible power of starting your investment journey early. This article explains the concept of compounding, how it works, and how it can significantly boost your savings and investments over time.

Are you familiar with the saying 'time is money'? Well, when it comes to investing, time can be more valuable than money itself. The concept of time is linked to the concept of compounding; a force that has the potential to turn modest investments into substantial wealth over the long term. Understanding and employing the power of compounding can be a game-changer in your financial journey, and the key lies in starting your investment journey early.

What is compounding?

Compounding is the process of generating earnings not only on the initial investment but also on the accumulation of earnings over time. It is the process of putting your money to work, making money from your money's earnings, and creating a ripple effect that can multiply your wealth over time. Let's take a look at an example of this. Consider an initial investment of €1,000 with an annual return of 8%. In the first year, the investment would generate a return of €80, increasing the value of the investment to €1,080. In the second year, the 8% would be applied not only to the initial €1,000 but also to the €80 earned in the first year, bringing the new total to €1,166. Over time, this cycle repeats, and the earnings begin to accumulate at an accelerating pace.

The real magic of compounding comes from starting your investment journey early

One person who understands the importance of investing early is Warren Buffet, one of the world's most successful investors. He has often credited compounding as a tool to build wealth. According to Morgan Housel, Buffett started investing at age 10 and earned his first million by age 30.

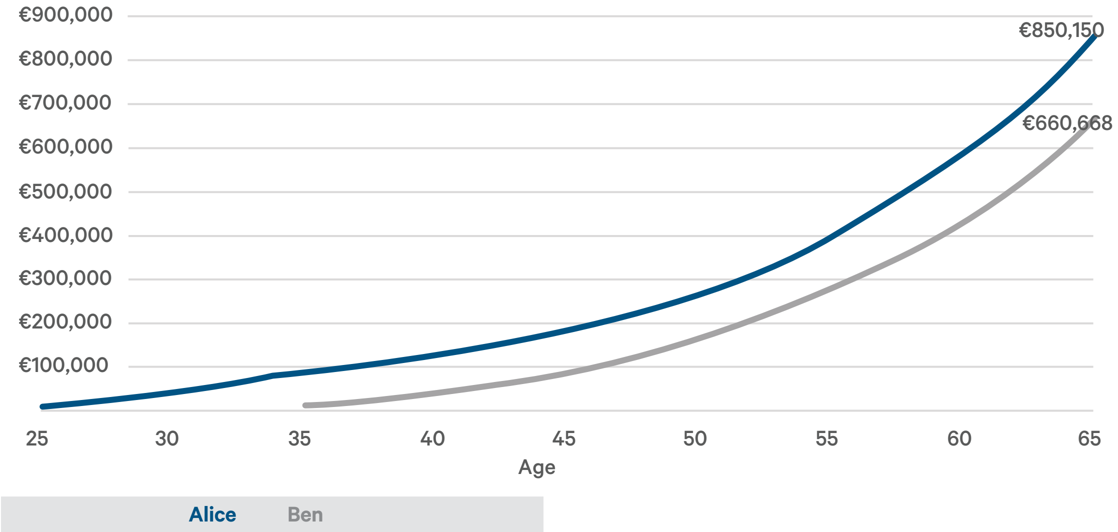
Housel wondered what would have happened if, instead, Buffet was a typical person who spent his money in his teens and early twenties, had a net worth of $25,000 at 30, and retired and stopped investing at 60. He estimated his net worth in this instance would be about $12m today, a staggering 99.99% less than Buffett's current net worth of $120bn.

Time allows your investments to weather the storms of market volatility and take advantage of the power of exponential growth. Even if you start with a relatively small initial investment, the compounding effect can work wonders over several decades.

Let's illustrate this with an example. Take two friends, Alice and Ben, both eager to start their investment journeys with a goal of financial security in retirement. Alice begins investing €5,000 every year from age 25 until she's 35, a total of €50,000. Ben waits until he's 35 and invests €5,000 every year until he's 65, a total of €150,000. Both earn an annual return of 8%.

In Figure 1 below, we can see that at age 65, Alice's wealth has accumulated to €850,150 while Ben's wealth has reached €660,668. Despite contributing less, Alice's investment was able to surpass Ben's due to the power of compounding and the additional time Alice's investments had to grow.

Figure 1: Illustrative example of the effects of compounding



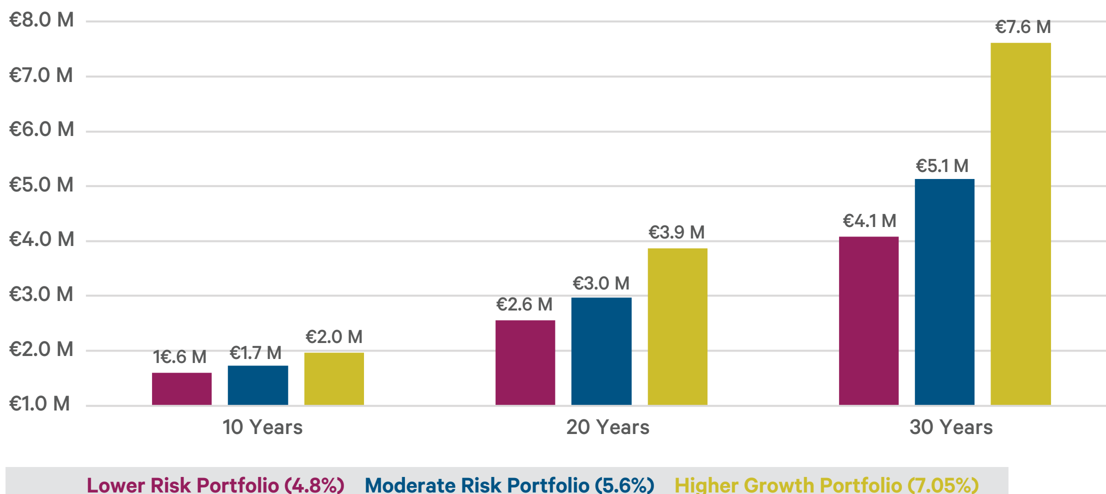
Source: Davy

The power of compounding can further be amplified by leveraging the potential of the stock market and other investment avenues. By consistently investing in a diversified portfolio, individuals can benefit from both compounding and the market's upward trend over the long run.

However, just as compounding can magnify gains it can also magnify losses. Poor investment choices or taking excessive risks can result in a depletion of wealth. Factors like inflation, taxes and market volatility can impact the returns of an investment. It is important to strike a balance between seeking growth through compounding and preserving capital through risk management.

Figure 2 below illustrates the power of compounding over time through the use of a low, medium, or higher risk diversified portfolios, with an initial investment of €1m.

Figure 2: Illustrative example of the effects of compounding



Source: Calculations by Davy, based on JPMorgan Long Term Capital Market Assumptions 2023.

While compounding is a powerful investment tool, it is not a get-rich-quick plan. Patience is key to success with compounding. As seen with Buffet, the most significant gains tend to occur in the latter years of the investment horizon which is why starting early is important. Consistency in contributing to your investments and resisting the urge to withdraw prematurely can help achieve the full benefits of compounding.

This can be particularly useful in achieving our financial goals such as retirement planning and education funding.

By consistently contributing to your pension, you can take advantage of tax-free growth and the power of compounding. Over time, even regular small contributions can lead to a substantial nest egg, providing security in your retirement.

For parents aspiring to fund their children's education, starting an education fund early and allowing it to grow can significantly ease the burden of educational expenses when they arise.

The best time to start investing was yesterday, the second-best time is today.

Whether you're a recent college graduate or approaching retirement, understanding and applying the principles of compounding can significantly impact your financial well-being.

Remember, time is crucial to the compounding equation and when combined with the principles of compounding, it has the ability to transform your financial future. By making a commitment to save and invest consistently, diversifying your portfolio, and giving your investments time to grow, you position yourself to unlock the full potential of compounding.

So, start today, stay patient, and let the power of compounding work its magic over time.

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

Warning: Forecasts are not a reliable indicator of future performance.

Warning: The information refers to simulated past performance. Past performance is not a reliable indicator of future performance.

Warning: The information in this article is not a recommendation or investment research. It does not purport to be financial advice and does not take into account the investment objectives, knowledge and experience or financial situation of any particular person. There is no guarantee that by putting a financial or investment plan in place, you will meet your objectives. You should speak to your advisor, in the context of your own personal circumstances, prior to making any financial or investment decision.

Market data

Total Return (%) in local currency	2018	2019	2020	2021	2022	YTD
Equities						
MSCI All Country Local	-7.7	26.2	14.2	20.9	-16.0	11.2
MSCI World Local	-7.4	27.3	13.5	24.2	-16.0	12.1
MSCI Emerging Markets Local	-10.1	18.0	19.1	-0.2	-15.5	4.0
MSCI World Small Cap	-13.9	26.2	16.0	15.8	-18.8	2.9
MSCI World Growth	-5.4	33.4	31.1	23.6	-27.5	21.8
MSCI World Value	-9.4	21.4	-3.3	24.2	-4.0	3.0
S&P 500	-4.4	31.5	18.4	28.7	-18.1	13.1
MSCI USA	-5.0	30.9	20.7	26.5	-19.8	13.1
MSCI Eurozone	-12.2	25.1	-2.2	23.6	-11.8	11.8
MSCI UK	-8.8	16.4	-13.2	19.6	7.1	5.2
MSCI Ireland	-21.5	40.0	5.6	16.7	-21.4	18.0
MSCI Japan	-15.1	18.5	8.8	13.4	-4.5	25.8
MSCI Germany	-18.2	23.0	2.3	13.3	-17.3	9.7
NASDAQ Composite Index	-3.6	37.8	44.9	22.2	-32.5	27.1
MSCI Hong Kong	-8.5	10.8	5.3	-3.4	-4.6	-17.3
MSCI China A Share	-29.3	39.5	31.5	0.9	-20.2	-4.2
MSCI China	-20.3	20.4	26.7	-22.4	-23.5	-8.9
MSCI World REITs	-5.0	26.1	-5.3	36.0	-25.9	-6.7
Equity Indices (in EUR)						
MSCI All Country Local	-4.8	28.9	6.7	27.5	-13.0	10.9
MSCI World Local	-4.1	30.0	6.3	31.1	-12.8	12.0
MSCI Emerging Markets Local	-10.3	20.6	8.5	4.9	-14.9	2.6
MSCI World Small Cap	-9.5	28.5	6.4	24.5	-13.4	3.7
MSCI World Growth		36.1	22.8	30.4	-24.6	21.8
MSCI World Value	-6.3	24.0	-9.3	31.2	-0.4	2.8
S&P 500	0.4	34.1	8.8	38.2	-13.0	14.5
MSCI USA	-0.6	33.8	10.8	35.9	-14.9	14.5
MSCI Eurozone	-12.2	25.1	-2.2	23.6	-11.8	11.8
MSCI UK	-9.9	23.7	-17.9	27.2	1.8	7.5
MSCI Ireland	-21.5	40.0	5.6	16.7	-21.4	18.0
MSCI Japan	-8.8	22.4	5.0	9.4	-11.0	11.8
MSCI Germany	-18.2	23.0	2.3	13.3	-17.3	9.7
NASDAQ Composite Index	2.0	39.4	33.1	31.2	-28.3	28.7
MSCI Hong Kong	-3.2	12.5	-2.8	3.2	1.3	-16.6
MSCI China A Share	-29.8	40.6	28.5	11.8	-22.7	-7.7
MSCI USA Small Cap	-6.2	29.6	8.6	28.0	-12.4	4.9
MSCI World REITs	-0.6	28.9	-13.0	46.1	-21.3	-5.6
Global Equity Sectors						
MSCI World Energy	-13.4	10.3	-32.9	42.0	51.5	7.1
MSCI World Materials	-14.1	22.7	15.2	19.8	-6.4	3.4
MSCI World Industrials	-13.5	27.6	8.2	20.5	-9.4	10.3
MSCI World Consumer Disc	-4.9	26.4	33.8	20.9	-31.7	23.1
MSCI World Consumer Staples	-8.4	22.3	4.6	15.6	-3.0	-2.3

Warning: Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. If you invest in this product you may lost some or all of the money you invest. These products may be affected by changes in currency exchange rates.

Total Return (%) in local currency	2018	2019	2020	2021	2022	YTD
MSCI World Health Care	3.6	22.9	11.0	21.9	-3.5	-1.4
MSCI World Financials	-14.9	24.9	-5.4	30.4	-7.1	3.6
MSCI World Info Tech	-2.4	47.5	42.4	31.2	-30.1	31.1
MSCI World Comms Services	-8.2	27.2	21.6	15.8	-35.9	32.5
MSCI World Utilities	3.8	22.5	1.9	12.3	-2.2	-8.8
Government Bond Yields						
US 10 Year	2.68	1.92	0.91	1.51	3.87	4.57
US 2 Year	2.49	1.57	0.12	0.73	4.43	5.04
German 10 Year	0.24	-0.19	-0.57	-0.18	2.57	2.84
German 2 Year	-0.61	-0.60	-0.70	-0.62	2.76	3.20
UK 10 Year	1.28	0.82	0.20	0.97	3.67	4.44
UK 2 Year	0.75	0.55	-0.16	0.69	3.58	4.90
Ireland 10 Year	0.90	0.12	-0.30	0.25	3.13	3.24
Japan 10 Year	0.00	-0.01	0.02	0.07	0.42	0.77
Bond Indices						
EUR Government Bonds	0.9	6.3	4.7	-3.4	-18.2	0.0
EUR Corporate Bonds	-1.3	6.2	2.8	-1.0	-13.6	2.5
UK Government Bonds	0.5	7.1	8.9	-5.2	-25.1	-4.6
UK Corporate Bonds	-2.7	10.9	7.5	-1.5	-15.4	1.6
US Treasury Bonds	0.9	6.9	8.0	-2.3	-12.5	-1.5
US Corporate Bonds	-2.5	14.5	9.9	-1.0	-15.8	0.0
Central Bank Rates						
European Central Bank	-0.40	-0.50	-0.50	-0.50	2.00	4.00
Bank of England	0.75	0.75	0.10	0.25	3.50	5.25
US Federal Reserve	2.50	1.75	0.25	0.25	4.50	5.50
Interest Rates						
EURIBOR 3 Month	-0.31	-0.38	-0.55	-0.57	2.13	3.95
LIBOR GBP 3 Month	0.91	0.79	0.03	0.26	3.87	5.41
LIBOR USD 3 Month	2.80	1.91	0.24	0.21	4.77	5.66
Currency Exchange Rates						
EUR-USD	1.15	1.12	1.22	1.14	1.07	1.06
EUR-GBP	0.90	0.85	0.89	0.84	0.89	0.87
GBP-USD	1.28	1.33	1.37	1.35	1.21	1.22
GBP-EUR	1.11	1.18	1.12	1.19	1.13	1.15
EUR-JPY	126	122	126	131	140	158
USD-JPY	110	109	103	115	131	149
Commodities						
Bloomberg Commodity Index	-11.2	7.7	-3.1	27.1	16.1	-3.4
Gold	-2.8	18.0	20.9	-4.3	-0.7	1.3
Silver	-10.2	13.9	42.5	-12.3	2.6	-6.9
Platinum	-14.8	21.6	8.5	-11.4	14.0	-13.7
Brent Crude Oil	-15.3	37.7	-35.1	63.0	36.5	15.5
WTI Oil	-20.5	34.1	-60.3	62.2	27.6	18.4
Natural Gas	4.8	-32.3	-45.9	35.1	19.8	-50.7

Source: Data is sourced from Bloomberg at at market close 30th September and returns are based on total indices in local currency terms, unless otherwise stated.

Warning: Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. If you invest in this product you may lost some or all of the money you invest. These products may be affected by changes in currency exchange rates.

Davy. Since 1926.
The Davy Group is Ireland's leading provider of wealth management, capital markets and financial advisory services. We work with private clients, small businesses, corporations and institutional investors.

Dublin Office
Davy House
49 Dawson Street
Dublin 2
D02 PY05
Ireland
+353 1 679 7788
dublin@davy.ie

Belfast Office
Donegall House
7 Donegall Square North
Belfast BT1 5GB
Northern Ireland
+44 28 90 310 655
belfast@davy.ie

Cork Office
Hibernian House
80A South Mall
Cork
T12 ACR7
Ireland
+353 21 425 1420
cork@davy.ie

Galway Office
1 Dockgate
Dock Road
Galway
H91 K205
Ireland
+353 91 530 520
galway@davy.ie

London Office
Dashwood House
69 Old Broad Street
London EC2M 1QS
United Kingdom
+44 207 448 8870
london@davy.ie

www.davy.ie

The information contained in this document does not purport to be comprehensive or all inclusive. It is not investment research or a research recommendation for the purposes of regulations, nor does it constitute an offer for the purchase or sale of any financial instruments, trading strategy, product or service. No one receiving this document should treat any of its contents as constituting advice. It does not take into account the investment objectives or financial situation of any particular person. It is for informational and discussion purposes only. References to past performance are for illustration purposes only. Past performance is not a reliable guide to future performance. Estimates used are for illustration purposes only. Projected returns are estimates only and are not a reliable guide to the future performance of this investment. Forecasted returns depend on assumptions that involve subjective judgment and on analysis that may or may not be correct.

This information is summary in nature and relies heavily on estimated data prepared by Davy as well as other data made available by third parties and used by Davy in preparing these estimates. There can be no assurance that the entities referred to in the document will be able to implement their current or future business plans, or retain key management personnel, or that any potential investment or exit opportunities or other transactions described will be available or consummated. Statements, expected performance and other assumptions are based on current expectations, estimates, projections, opinions and/or beliefs of Davy at the time of publishing. These assumptions and statements may or may not prove to be correct. Actual events and results may differ from those statements, expectations and assumptions. Estimates, projections, opinions or beliefs are not a reliable guide to future performance. In addition, such statements involve known and unknown risks, uncertainties and other factors and undue reliance should not be placed thereon. Certain information contained in this document constitutes 'forward-looking statements', which can be identified by the use of forward-looking terminology, including but not limited to the use of words such as 'may', 'can', 'will', 'would', 'should', 'seek', 'expect', 'anticipate', 'project', 'target', 'estimate', 'intend', 'continue' or 'believe' or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results, the actual outcome may differ materially from those reflected or contemplated in such forward-looking statements. There can be no assurances that projections are attainable or will be realised or that unforeseen developments or events will not occur. Accordingly, actual realised returns may differ materially from any estimates, projections, opinions or beliefs expressed herein.

Economic data, market data and other statements regarding the financial and operating information that are contained in this Update, have been obtained from published sources or prepared by third parties or from the partners, developers, operators and sponsors involved with the properties and entities comprising the Investment. While such sources are believed to be reliable, Davy shall have no liability, contingent or otherwise, to the user or to third parties, for the quality, accuracy, timeliness, continued availability or completeness of same, or for any special, indirect, incidental or consequential damages which may be experienced because of the use of the data or statements made available herein. As a general matter, information set forth herein has not been updated through the date hereof and is subject to change without notice.

The MSCI sourced information is the exclusive property of MSCI Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, redisseminated or used to create any financial products, including any indices. This information is provided on an 'as is' basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI and the MSCI indexes are services marks of MSCI and its affiliates.

"SPDR" is a registered trademark of Standard & Poor's Financial Services LLC ("S&P") and has been licensed for use by State Street Corporation. STANDARD & POOR'S, S&P, S&P 500 and S&P MIDCAP 400 are registered trademarks of Standard & Poor's Financial Services LLC. No financial product offered by State Street Corporation or its affiliates is sponsored, endorsed, sold or promoted by S&P or its Affiliates, and S&P and its affiliates make no representation, warranty or condition regarding the advisability of buying, selling or holding units/shares in such products. Further limitations and important information that could affect investors' rights are described in the prospectus for the applicable product.

While reasonable care has been taken by Davy in the preparation of this document, neither Davy nor any connected company nor their respective directors or employees will be responsible for any loss (whether foreseeable or not) incurred by an investor as a result of the investor acting, or deciding not to act, in reliance on the contents of this document or the information and opinions on which it is based. The investor agrees that Davy, any connected company and their respective directors or employees will not be held liable for any investment decisions made by the investor arising from the use of this document. The terms of this paragraph only apply to the extent permitted by law and do not exclude or restrict any responsibility or liability that Davy has under law and applicable regulation.

If you are a client of Davy, this communication has been sent to you as part of our service offering. If you are not a client of Davy, you can opt out of further similar communications at any stage by emailing optout@davy.ie. The Davy Group Privacy Notice can be found at www.davy.ie.

J & E Davy Unlimited Company, trading as Davy and Davy Select, is regulated by the Central Bank of Ireland.
Davy is a Davy Group company and also a member of the Bank of Ireland Group.

103_830131/10/23