

# Part 2A of Form ADV: Firm Brochure

**Davy Global Fund Management**

March 2021

The background of the lower section is a solid green color. In the bottom right corner, there are several overlapping diagonal bands of varying shades of green, creating a modern, abstract geometric design.

# 1. Davy Global Fund Management Limited

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Davy Global Fund Management Limited, trading as Davy Global Fund Management (“DGFM”) is a management company authorised by the Central Bank of Ireland under the European Union (Alternative Investment Fund Managers) Regulations 2013 (“AIFM Regulations”) as an Alternative Investment Fund Manager and European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (“UCITS Regulations”) as a UCITS Manager and in the United States (“U.S.”) the firm is an investment adviser registered with the Securities and Exchange Commission (“SEC”). Registration with the SEC does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of DGFM. If you have any questions about the contents of this brochure, please contact us for further details. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about DGFM is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## 2. Material Changes

There have been no material changes since DGFM's last brochure dated March 2020.

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#### 4. Advisory Business

Davy Global Fund Management (“DGFM”) is a leading management company in Ireland, which provides management company services for collective investment vehicles (both UCITS and AIFs) and manages individual portfolios for discretionary mandate clients in, among others, the banking, pension, charity, corporate, insurance and fund sectors. DGFM was formed by an internal merger between Davy Investment Fund Services (DIFS) and Davy Asset Management (DAM) in 2019 and is wholly-owned by Green Bay Acquisitions Limited, which in turn is wholly owned by J&E Davy Holdings.

For U.S. clients, DGFM offers global and international equity (world excluding the U.S.) mandates utilising our proprietary quality, Quantamental, ESG (QQE) investment process. We believe high quality companies outperform over the long term. By combining the strengths of both quantitative and fundamental (“Quantamental”) analysis while focusing on our bespoke definition of quality, we aim to improve our insights and provide consistent performance for all of our strategies. The result is an integrated investment philosophy and process, culminating in high-conviction portfolios of high quality stocks held at appropriate valuations.

We view responsible investing as a key part of our fiduciary duty to our clients. Fundamentally, we view a company’s ability to manage its environmental, social and governance (“ESG”) risks as representative of how it manages its long-term business risks and complementary to our quality philosophy. Further information on the investment process can be found in Item 8.

Our equity strategies include Global ESG Equity, Global Equity Income and Global Small and Mid-Cap Equities (“Discovery”).

DGFM also offers management and discretionary investment management services to Alternative Investment Funds (“AIFs”) as well as Undertakings for the Collective Investment of Transferable Securities (“UCITS”) and other pooled investment vehicles, domiciled in Ireland, Luxembourg and Italy which may from time to time be offered and sold to U.S. investors that meet eligibility requirements, and may engage DGFM as management company and / or investment manager pursuant to a Management Agreement.

For U.S. clients, all global and international equity portfolios are managed on a long only basis, with no shorting of securities allowed. Portfolios are typically comprised of 40 to 60 securities.

DGFM has established a U.S. office in Chicago, Illinois from which the current Director, U.S. Institutions operates. The U.S. office does not provide investment advice and all final approval of account opening remains in Dublin.

As of 31 December 2020, total assets under management for DGFM were as follows:

**Discretionary:                      \$10,472,715,346**

Please note that DGFM does not advise any assets on a non-discretionary basis nor does DGFM participate in any wrap fee programs.

#### 5. Fees and Compensation

DGFM employs the following investment management fee structure for U.S. client accounts:

Investment management fee per account:

AUM Amount (\$ million)	Fees %
0 - 10	0.75
11 - 50	0.65
51 - 100	0.55
101 - 250	0.45
500	0.35

Investment management fees are negotiable in some cases. Fees are set out in the relevant investment management contract and are billed and payable quarterly in arrears or as otherwise agreed in the investment management contract. The value of the account is calculated as of the last business day of each calendar quarter and adjusted for time weighting of cash flows in excess of \$15,000. Investment management contracts are terminable upon at least 30 days prior written notice. Upon termination, a client will receive a pro rata invoice for management fees outstanding from the beginning of the billing period up to the date of termination. The client is independently responsible for contracting a custodian to maintain custody of the client’s funds with assets registered in the client’s name and for the costs related to that relationship. The client will also incur brokerage commissions and other

transaction costs as part of regular portfolio trading, where commissions and costs are separate from DGFM's investment management fee. Brokerage practices are discussed in Item 11 of this brochure.

Interests in certain funds that are advised by DGFM may from time to time be available to U.S. investors that meet eligibility requirements. A fund pays fees to DGFM which will consist of its management company fee and /or investment management fee where both types of services are being provided. The amount of these fees may vary and will be set out in the relevant management agreement.

## **6. Performance-Based Fees and Side-By-Side Management**

DGFM does not charge any performance-based fees.

## **7. Types of Clients**

DGFM offers management and individual discretionary investment management services to the following types of clients:

- AIFs, UCITS and other pooled investment vehicles
- Retail
- Corporates
- Corporate Pension Plans
- Public Pension Plans
- Charitable Organizations
- Investment Managers and Financial Intermediaries
- Family Offices
- Taft-Hartley Plans
- Endowments and Foundations
- Faith-based Investors
- Insurance Companies

DGFM offers separate account services. The minimum account size for a separate account for a U.S. client is approximately \$10 million.

## **8. Methods of Analysis, Investment Strategies and Risk of Loss**

At Davy Global Fund Management we invest in quality stocks using a Quantamental framework with ESG integrated throughout the process. We believe stocks which exhibit the characteristic of quality will deliver consistent, superior performance over the long term. A stock's quality is assessed by a proprietary multi-factor quality model founded on the four pillars of Profitability, Persistence, Protection and People. The model is supported by extensive back-testing.

The firm's Quantamental investment framework is an innovative approach to investment management. It combines both quantitative and fundamental techniques to integrate its quality philosophy throughout research, portfolio construction and risk, culminating in conviction portfolios of high-quality stocks held at appropriate valuations.

A proprietary database of c.15,000 stocks across all investable markets is the starting point for idea generation. Information is sourced from multiple data feeds; fundamentals, analyst estimates, ESG and market data. This universe is ranked by our definition of quality, ensuring a wide breadth of stocks are covered whilst allowing in-depth analysis at company level, giving scale, insight and consistency.

Bottom-up analysis is performed using a proprietary fundamental research template; each report contains a justification of earnings' estimates, inherent stock risks, and cash flow model with base, bull and bear case valuations. ESG is integrated into the research process. It offers alternative, non-financial data and can help uncover long-term business risks. Expected returns are calculated using a discounted cash flow model, where the cost of equity is adjusted for ESG and other firm specific risks. We engage with companies prior to investment and insights gained from analysis are used to improve the core models.

In terms of risk management, we have an independent, dedicated portfolio risk team whose role is to monitor portfolios in order to ensure client guidelines are being adhered to. Portfolios are reviewed to verify our funds meet performance and risk targets and any inconsistencies are dealt with swiftly and effectively.

Portfolios are monitored in terms of tracking error, beta, active share, concentration risk and liquidity risk on a rolling monthly, quarterly and annual basis at meetings attended by the fund management and portfolio risk teams. In addition, through an independent third-party system, we are able to decompose tracking error according to benchmark risk, sector risk, regional risk, factor risk and stock specific risk.

We use Bloomberg's Asset and Investment Manager ("AIM") system for pre and post-trade compliance to ensure portfolios are consistent with investment guidelines. The AIM system allows us to hardcode rules based on investment guidelines into our trading system. Pre-trade, fund managers are unable to generate trades which are in breach of hardcoded investment guidelines without explicit sign-off from authorised persons.

At a single stock level, we additionally use a "suspect list" to identify poorly or strongly performing stocks across a range of momentum and sentiment metrics. Stocks which appear on the "suspect list" over consecutive months are discussed in greater detail at our review meetings and must have their investment cases justified. This acts as an additional layer to our portfolio construction and sell-discipline.

In terms of risk of loss, all investments involve a degree of risk. Equities may involve a high degree of risk and may not be suitable for all investors. Government bonds and cash deposits, although considered the safest assets, are not devoid of risk (e.g. inflation risk, credit risk, currency risk, etc.). By way of example, loan originating funds may also include specific risks in addition to traditional credit investments (e.g. returns may not be paid entirely in cash lengthening the time before cash is received and increasing the risk exposure to the underlying portfolio company). Investors should review all the offering documentation including any prospectus, master information memorandum or supplement for an additional list of potential risk factors. However, investors should note that the risks as set out above and in the offering documentation are not exhaustive. There are different reasons why an investor would choose to invest in a particular asset class and each investor must consider the inherent risks therein based on his/her own personal circumstances. The value of these investments can rise as well as fall. Neither past experience nor the current situation are necessarily accurate guides to

the future. Investing in securities involves risk of loss that clients should be prepared to bear.

### 9. Disciplinary Information

Neither DGFM nor any management person of DGFM has been involved in a legal or disciplinary event that DGFM deems material to a client's or prospective client's evaluation of DGFM's advisory business or the integrity of its management.

### 10. Other Financial Industry Activities and Affiliations

DGFM is wholly-owned by Green Bay Acquisitions Limited, which in turn is wholly owned by J&E Davy Holdings, a non-trading Irish holding company.

Presently, the Davy Group consists of many regulated entities, including: J&E Davy, Davy Securities, Davy Corporate Finance, DGFM and J & E Davy (UK), DGFM Luxembourg S.A.

Established in 1926, the Davy Group is one of Ireland's leading providers of wealth and asset management, capital markets and financial advisory services. The Davy Group is headquartered in Dublin, with offices in London, Luxembourg, Belfast, Cork and Galway. Employing over 700 people, the Group offers a broad range of services to private clients, small businesses, corporations and institutional investors and organizes its activities around Davy Group's interrelated business areas including Fund and Asset Management, Capital Markets, Corporate Finance, Private Clients and Research.

With respect to U.S. clients and investors, DGFM acts independently of its affiliates.

Potential conflicts of interest arising from transactions involving DGFM's affiliates are discussed in Item 10 of this brochure.

### 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

DGFM's Code of Ethics sets forth the high ethical standards that DGFM abides by as an investment adviser. The Code of Ethics prohibits activities such as insider trading and establishes procedures to protect against conflicts of interest, including certain restrictions on personal trading, receipt of gifts, and outside employment by DGFM's employees. Any client or prospective client may obtain a copy of DGFM's Code of Ethics upon written request to DGFM.

In relation to conflicts of interest, DGFM has a number of obligations across its regulatory requirements, specifically under both UCITS and AIFM Regulations in relation to the identification, prevention and management of potential and existing conflicts of interests to its clients. DGFM is required to maintain a conflicts of interest policy and ensure compliance with that policy. In terms of its overarching requirements, DGFM shall act honestly, fairly and professionally in accordance with the best interest of its clients. DGFM takes this into account when providing services to its clients. In-line with its requirements, DGFM takes all reasonable steps to prevent conflicts of interests that arise in the course of providing services within the firm, between the firm and third parties, between the firm and its clients and/or between one client and another according to its policy.

Where an actual or potential conflict of interest arises, DGFM evaluates all of the circumstances involved. After identifying and evaluating the nature of the conflict, DGFM bases its investment decision solely on considerations deemed to be in the best interests of its clients and requires that all transactions be conducted on an arm's-length basis.

DGFM notes that its affiliates provide a full range of investment services and other financial services, such as wealth management, stockbroking, research, investment advice, corporate finance and corporate broking services. This involves the provision of a full capital markets service i.e. advice on floatations, secondary offerings, disposals, mergers and acquisitions, share buy backs, refinancing etc. J&E Davy, trading as Davy, also acts as sponsor to a number of companies listed on the Irish (Euronext) and London Stock Exchanges to whom J&E Davy provides transactional and day to day advice on the application of the relevant Listing Rules. As a result of these numerous relationships, DGFM acknowledges that it will encounter actual or potential conflicts of interest periodically. In particular, J&E Davy, the firm's affiliate, has been appointed as an approved broker of the firm and transactions are transmitted to J&E Davy in accordance with DGFM's Order Execution Policy.

The following are some examples of typical potential conflicts of interest that arise within the Davy Group, which are not listed in any particular order of importance:

- Intra-group relationships;
- Dealing as agent for more than one client;
- Client order handling and aggregation of client orders;
- Providing discretionary portfolio management services involving transactions in
  - securities where an affiliate has a business relationship with the issuer of the securities in question;
  - products issued by the firm or an affiliate (or another entity within the Davy Group);
  - a new issue, rights issue, take-over or similar transaction to do with the security where an affiliate is involved in the issue; and / or
  - units in collective investment schemes where an affiliate is the investment manager,
  - alternative investment fund manager, trustee, operator, adviser or some other provider to the scheme;
- Remuneration;
- The receipt or provision of gifts and entertainment;
- Outside business activities;
- Receipt of inside information; and
- Personal account dealing carried out by employees.

We use administrative and organisation arrangements to ensure that our employees act independently and in a manner designed to safeguard the interests of our clients, including but not limited to the following:

- Arms-length management of intra-group relationships;
- Formal conflict check at the point of a potential new business activity, material transaction or product,



- Compliance Department acts as a control room to record material information to assist in the identification and management of conflicts of interest;
- Independent reporting lines and proper segregation of duties;
- Rigorous policies and procedures, including policies in relation to conflicts of interest, personal account transactions relating to Davy staff and their associates, remuneration, code of conduct including gifts, entertainment and hospitality and outside business activities, best execution, and client order handling to ensure investment opportunities are fairly allocated amongst clients;
- All staff members receive regular training on Davy internal rules and their obligations to act in the best interests of clients;
- Where we execute your client orders we will ensure that in doing so you are getting the best possible result;
- We have strict controls and procedures in place to manage the specific conflicts of interest that arise when producing and issuing investment research;
- Reporting lines and remuneration of research analysts and corporate finance personnel are entirely independent;
- We follow best practices and do not allow access to published research ("blackout period") where necessary to manage the conflicts that exist in advance of and after an offering in a company's securities; and
- Information barriers and procedures to restrict the flow of information to certain employees in order to protect client interests and to prevent the improper access to client information.

Lastly, while DGFM believes that its Code of Ethics implements appropriate measures to address conflicts of interest, clients and prospective clients should recognize that no set of rules can possibly anticipate or alleviate every potential conflict.

## 12. Brokerage Practices

DGFM considers the following factors when selecting a broker-dealer and negotiating commissions: (i) the financial standing of the broker-dealer; (ii) whether the broker-dealer provides comprehensive coverage of the particular investment market; (iii) whether the securities prices offered by the broker-dealer represent fair market value; and (iv) the broker-dealer standard of back-office and settlement arrangements. DGFM's dealing arrangements are subject to best execution inclusive of commissions but excluding research. As required under MiFID II / Irish regulation, commission and research have been unbundled, with DGFM now paying for research out of its own resources.

DGFM uses research obtained from carefully selected broker-dealers to supplement its own research where relevant to the particular market and comprehensive in terms of market prospects. DGFM monitors the recommendations of broker-dealers in regard to specific stocks and their views on sector and economic prospects against their outcome, and reviews the composition of its panel of broker-dealers in light of the findings of these ongoing exercises.

In providing discretionary investment management services to clients, DGFM is responsible for decisions to buy and sell securities and the negotiation of commissions paid on such transactions. DGFM effects portfolio transactions for its clients in a manner deemed fair and reasonable. The primary consideration in all portfolio transactions is to ensure transactions are executed most efficiently by the firm's broker-dealers.

DGFM may aggregate portfolio transactions for client accounts. Whenever aggregate decisions are made to purchase or sell securities, DGFM will attempt to allocate portfolio transactions equitably among accounts. All allocation decisions are made prior to the execution of the transactions. In making such allocations, the main factors considered will be the respective investment objectives, the relative size of portfolio holdings of the same or comparable securities, the availability of cash for investment, and the size of investment commitments generally held. In some cases this procedure could have an adverse effect on the price or amount of securities available to a particular account. In the opinion of DGFM, however, the results obtained by

application of the procedures will, on the whole, be in the best interest of its clients. DGFM may, from time to time, sell a security for a client account and simultaneously purchase the security for another client account, or cross trades in whole or in part between client accounts to reduce transaction costs, when the transactions are conducted in accordance with applicable laws and regulations and deemed to be consistent with the investment objectives and policies of each account.

DGFM may aggregate currency transactions for different client accounts. DGFM will equitably rotate the selection of client counterparties and equitably allocate transactions where different clients use the same counterparty. DGFM will not buy a currency from one account and sell it to another account. DGFM currently does not have any directed brokerage arrangements with its U.S. clients.

### **13. Review of Accounts**

DGFM's Chief Investment Officer and Managing Director oversee the review of client accounts on an on-going basis alongside the portfolio managers and relationship managers. This is supported by our Chief Risk Officer and Head of Portfolio Risk whose roles are to ensure that the investment strategy implemented for each U.S. client is in line with the investment policy determined in accordance with the process outlined in Items 3 and 7 of this brochure.

When a client appoints DGFM as its investment manager, DGFM has discussions with the client or its representatives that establish clear investment objectives which take account of the specific requirements of the client. Thereafter, DGFM meets at least annually (or at such other intervals as the client requests) with its client or the client's representative to examine the progress of the portfolio. A client can arrange with DGFM to include in the investment report special reports are issued tailored for that client. In most cases, clients request and receive quarterly written reports, while in some cases reports can be issued monthly. These periodic written reports typically contain automatically generated information on the portfolio's security holdings and asset values, transaction history and rate of return for the period covered, along with general market and economic commentary.

### **14. Client Referrals and Other Compensation**

DGFM does not compensate any person for client referrals nor does it offer or receive sales awards or prizes for providing investment advice to clients.

### **15. Custody**

DGFM does not provide custody of client assets for its U.S. clients. DGFM's clients typically arrange for their depositaries/custodians to forward records to DGFM and, where applicable, DGFM compares records received from the depositaries/custodians against its own records on a regular basis. Because DGFM does not have custody of client assets, DGFM's authority to direct trades in a client's account is generally documented with a limited trading authority signed by the client.

### **16. Investment Discretion**

DGFM provides discretionary investment management services to its clients. DGFM exercises discretion over the buying and selling of securities in-line with agreed investment strategy/objectives of the collective investment vehicles or the individual client mandates and the negotiation of commissions payable to brokers in connection with those transactions. DGFM's primary considerations when exercising discretion are to seek the most favourable prices and to execute the transactions efficiently.

For U.S. clients, DGFM offers global and international equity mandates, including global (world) and international (world excluding the U.S.) equity income and global and international ethical / ESG equity strategies. DGFM can also offer specialist mandates in the areas of global and international Small/Mid Cap equities, global and international Fixed Income and global brands.

Prior to entering into an advisory agreement with a new client, DGFM and the client discuss and agree upon (a) the client's investment strategies and how those strategies will be implemented, and (b) any desired SRI (Socially Responsible Investment) screening or restrictions, including screening criteria.

### **17. Voting Client Securities**

DGFM may vote proxies on behalf of its clients. At DGFM, we view proxy voting as both a fulfilment of our fiduciary duty to our clients and as a complement to our responsible investment activities. As such, we seek to ensure our clients' best interests are represented with our voting authority. Proxy

voting also allows us to formally implement our ESG views in an objective fashion and ensure the highest possible standards.

We work with a leading third-party service provider to provide research and recommendations on individual ballots, complementing our own fundamental research. We have adopted a set of proxy voting guidelines consistent with our sustainable investment approach, emphasising best practice in environmental and social, as well as governance terms. Our service provider's approach to governance adapts to regional interpretations of best in class governance, offering additional insight to support our own fundamental research.

DGFM is subject to UCITS and AIFMD rules which require it to identify, prevent, manage or disclose conflicts of interest as well as to establish appropriate criteria for determining the types of conflicts of interest whose existence may damage the interests of its clients.

Where a client in an individual discretionary mandate has their own predefined set of proxy voting guidelines, we can facilitate voting in line with these guidelines.

Clients wishing to obtain a copy of DGFM's complete Proxy Voting Policy or those who would like to receive a copy of DGFM's proxy voting records as it relates to their account may contact: [assetmanagement@davygfm.com](mailto:assetmanagement@davygfm.com)

## 18. Financial Information

DGFM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

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Davy Global Fund Management Limited, trading as Davy Global Fund Management, is regulated by the Central Bank of Ireland. In the UK, Davy Global Fund Management Limited, trading as Davy Global Fund Management, is deemed authorised and regulated by the Financial Conduct Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website. In Luxembourg, Davy Global Fund Management Limited is authorised by the Central Bank of Ireland and is subject to limited regulation by the Commission de Surveillance du Secteur Financier. Details about the extent of our authorisation and regulation by the Financial Conduct Authority and Commission de Surveillance du Secteur Financier are available from us upon request.