



# April 2022 in review

## Summit Investment Funds

Summit Investment Funds plc is authorised in Ireland  
and regulated by the Central Bank of Ireland

Helping people build  
better futures

# MARKET REVIEW

The market sell-off, which commenced in the first quarter, intensified through April; global equities and bonds are both down mid-single digits since the end of March. Expectations of aggressive central bank policy to fight inflation, global growth concerns and the ongoing war in Ukraine all weighed on investor sentiment in the markets. Inflation readings hit consecutive new highs, interest rate expectations rose and bond yields rocketed. Bondholders have been bitten at both ends so far this year with capital losses added to the negative real yields on their holdings. Expectations for the path of monetary policy have seen a significant shift; markets are now pricing in interest rates of well over 2% in both the US and the UK by year-end. Meanwhile, eurozone rates are expected to move into positive territory as early as the autumn.

## MARKET ROUND-UP

### Equities

The MSCI AC World equity index fell -6.5% (-2.9% in euros) as markets priced in more aggressive monetary policy tightening from global central banks. European equities outperformed, falling -1.1%, as encouraging quarterly earnings partially offset concerns on slowing growth, high inflation and tightening monetary policy. UK equities posted positive returns, rising 1.0% (1.6% in euros), benefitting from their relatively large weight in materials and commodity stocks. Emerging markets fell -3.5% (-0.4% in euros), as markets priced in continued uncertainty from the Russia-Ukraine war, an increasingly hawkish Fed, intensifying lockdowns in China, and further dollar strength. The US fell -9.1% (-4.1% in euros) as growth stocks were hit hard on the back of rising Treasury yields, growth fears and some disappointing earnings reports. Japan fell -2.7% (-3.8% in euros), despite the Bank of Japan remaining extremely dovish.

### Bonds

An ongoing deterioration in the inflation outlook has led to a significant change among investors on their outlook for interest rates and central bank policy over the short to medium term. A sell-off in US Treasuries on the back of a more aggressive Federal Reserve (Fed) has weighed on fixed income returns. Bondholders have been bitten at both ends so far this year with capital losses adding to the negative real yields on their holdings. The Eurozone >5-year bond index returned -5.4% in April, as bond markets continued their sell-off from the first quarter, leaving their year-to-date returns deeply negative at -12.2%. The German 10-year yield rose 39 basis points (bps) to 0.94%, in April, its highest level since 2015. Investment grade corporate bonds fell -2.8%. High yield corporate bonds fell -3.3% as yields rose 84bps to 6.20%. Emerging Market local debt fell -1.3% in euro terms during the month as yields rose to 6.8%.

### Currencies and commodities

The euro fell -4.7% against the dollar to 1.0545 as growth headwinds in Europe and prospects of a rapid pace of Fed rate hikes fuelled dollar strength versus the euro. Commodities rose +5.1% (+10.9% in euros), bringing their year-to-date return to 39.9% (50.9% in euros) as the war in Ukraine dealt a major shock to commodity markets, altering global patterns of trade, production, and consumption. Crude oil was up +4.4% while European gas fell -22.1%. The Russia-Ukraine conflict continues to drive volatility in energy markets, but slowing global growth and rolling lockdowns in China as a result of a Covid-19 outbreak provided some relief on the demand side. Gold fell -2.4% as real yields moved higher on bets of aggressive monetary policy tightening by global central banks.

## MARKET SNAPSHOT

### Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2021 Return (%)
MSCI Ireland	1.2	-17.2	17.1
MSCI United Kingdom	1.6	5.7	27.5
MSCI Europe ex UK	-1.1	-8.8	25.4
MSCI North America	-4.0	-6.5	36.6
MSCI Japan	-3.8	-8.0	9.8
MSCI EM (Emerging Markets)	-0.4	-5.2	5.2
MSCI AC World	-2.9	-6.0	28.1
10-Year Yields	Yield Last Month (%)	2021 Yield (%)	2020 Yield (%)
US	2.93	1.51	0.91
Germany	0.94	-0.18	-0.57
UK	1.91	0.97	0.20
Japan	0.23	0.07	0.02
Ireland	1.61	0.24	-0.30
Italy	2.77	1.17	0.54
Greece	3.34	1.34	0.63
Portugal	2.02	0.47	0.03
Spain	1.97	0.57	0.05
FX Rates	End last month	2021 Rates	2020 Rates
U.S. Dollar per Euro	1.05	1.14	1.22
British Pounds per Euro	0.84	0.84	0.90
U.S. Dollar per British Pounds	1.26	1.35	1.37
Commodities (USD)	MTD Return (%)	YTD Return (%)	2021 Return (%)
Oil (WTI)	4.4	39.2	55.0
Gold (Oz)	-2.4	3.7	-3.4
S&P Goldman Sachs Commodity Index	5.1	39.9	40.4

Source: ILIM, Bloomberg. Data is accurate as at 1 May 2022.

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## MARKET OUTLOOK

### Irish Life Investment Managers' (ILIM's) view – looking ahead

The outlook for equity markets over the next 12 months is dependent on several factors, including central bank policy, growth, inflation (both expected and realised) and the evolution of the Russia-Ukraine crisis.

While equity markets have fallen year-to-date and, as a result, absolute valuation levels have declined, using more realistic earnings forecasts, price-to-earnings (P/E) multiples are at their long-term average.

Global growth forecasts for 2022 have been revised down to 3.3% but remain well above trend growth of 2.7% and the level of growth generated during most of the recovery from the Global Financial Crisis. Looking into 2023, a further slowdown is expected, particularly when taking account of the war in Ukraine, lockdowns in China and a squeeze on household purchasing power due to continued above-trend inflation.

In recent years, equities have consistently remained attractive on a relative valuation basis against bonds given the historically low level of bond yields. With the recent sharp rise in bond yields, this relative valuation support for equities has been removed and equities are now beginning to look expensive against bonds.

Given the removal of the undervaluation of equities against bonds, the potential for higher bond yields in an environment of high inflation and tighter monetary policy and the possible risks to economic growth looking into 2023, equities appear fair value at current levels with limited upside. If anything, the balance of risks is probably skewed to the downside in an environment of heightened uncertainty and volatility.

While our outlook for equity markets suggests limited upside in the short term, the outlook remains positive over the medium to long term, with an upside of approximately 5% per annum expected on a five to 10-year view.



Outlook dependent on economic and earnings growth. Uncertainty evident post Russia's invasion of Ukraine. Monetary policy support is being removed at a faster pace than expected



Global economy contracted in 2020 by -3.6% due to Covid 19 with an estimated rebound of 5.9% in 2021. Growth of 3.3% expected in 2022 post recent downgrades due to the Russia/Ukraine crisis



Russia/Ukraine, Covid-19, monetary policy tightening, fiscal stimulus, inflation developments, energy prices, supply chain issues will all be key for growth



Equity valuations in absolute terms have fallen below long term averages although when more realistic earnings growth assumptions are used, they are at the long term average of 16.0x. Equities relative undervaluation against bonds has been removed with the recent rise in yields



Following the downgrades to growth forecasts, expected downward revisions to earnings and the recent rise in bond yields, equity markets appear close to fair value with limited upside. Risks appear skewed to the downside



Volatility likely to remain a feature due to uncertainty over impact of Russia/Ukraine crisis, risks around inflation concerns, tighter monetary policy, slower growth, Covid variants and other geopolitical risks

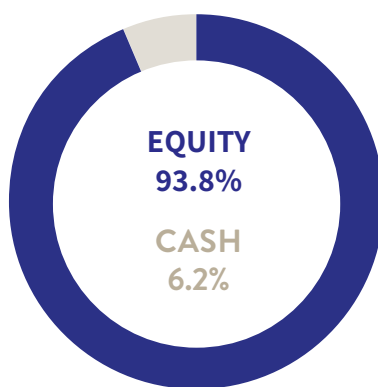
# SUMMIT GROWTH FUND

The Summit Growth fund aims to achieve growth by investing exclusively in global equities. From July 2014, equity management has been sub-advised to Setanta Asset Management. Equities are managed under the Setanta Global Equity Strategy.

## Fund update for April

The Summit Growth Fund returned -1.05% in April, net of fund management fee. From a sector perspective, Energy, Utilities and Healthcare were the best performing sectors. The Communication Services, Technology and Consumer Discretionary sectors lagged over the month. The stocks contributing most to the fund’s return during the month were Berkshire Hathaway, Exxon Mobil and Tenaris. The stocks that detracted most from the fund’s return were Microsoft, Keysight Technologies and Johnson Controls.

## Asset allocation

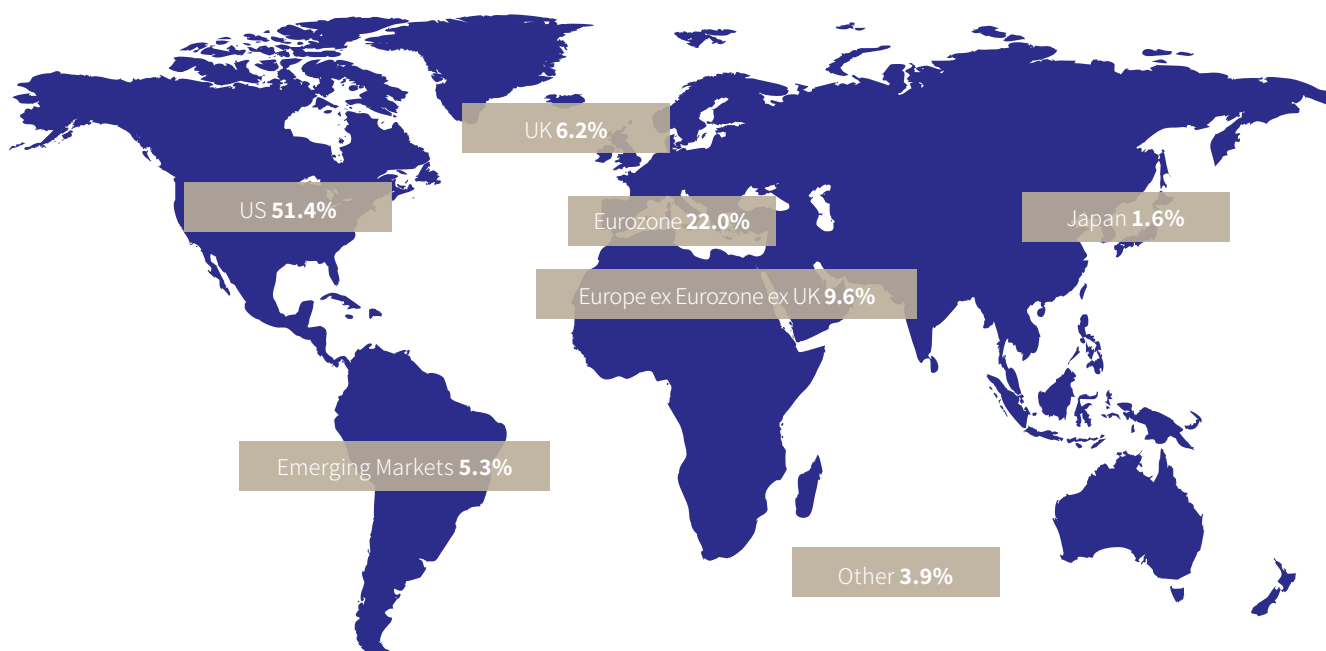


## Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.6
Berkshire Hathaway	3.8
Alphabet	3.0
McDonald’s	2.9
Costco Wholesale	2.9
Oracle	2.7
Samsung Electronics	2.6
Johnson & Johnson	2.6
DCC	2.3
Johnson Controls International	2.2

Source: ILIM, Factset. Data is accurate as at 30 April 2022.

## Share regional distribution



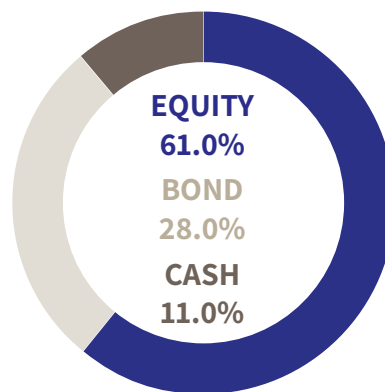
# SUMMIT BALANCED FUND

The objective of the Summit Balanced Fund is to avoid volatility to a large degree, while still providing solid returns over the medium to long term. The fund invests in global equities but also maintains a minimum of 33% invested in a mix of fixed income and cash. From July 2014, equity management has been sub-advised to Setanta Asset Management. Equities are managed under the Setanta Global Equity Strategy.

## Fund update for April

The Summit Balanced Fund returned -1.42% in April, net of fund management fee. From a sector perspective, Energy, Utilities and Healthcare were the best performing sectors. The Communication Services, Technology and Consumer Discretionary sectors lagged over the month. Global equities fell on expectations of increasingly aggressive central bank policy tightening, global growth concerns and the ongoing war in Ukraine. Covid-19-related lockdowns in China and a squeeze on household spending power due to persistently high inflation added to growth concerns. Fixed income assets remained under pressure, with yields moving higher as central banks guided towards tighter monetary policy to combat inflation.

## Asset allocation

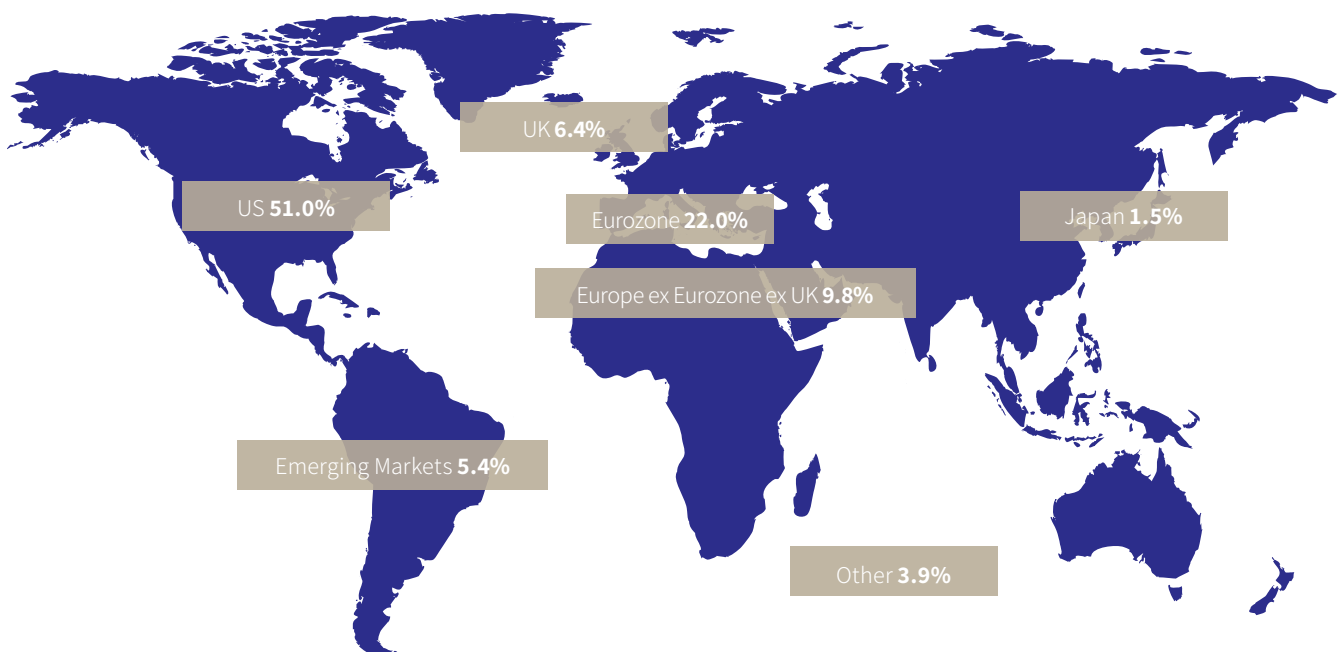


## Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.4
Berkshire Hathaway	3.6
Alphabet	3.0
McDonald's	2.9
Costco Wholesale	2.8
Oracle	2.6
Johnson & Johnson	2.6
Samsung Electronics	2.5
DCC	2.2
Booking	2.1

Source: ILIM, Factset. Data is accurate as at 30 April 2022.

## Share regional distribution



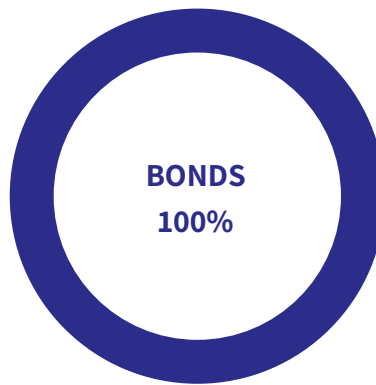
# SUMMIT STABLE FUND

The Stable Fund invests in short-term Eurozone government debt and cash.

## Fund update for April

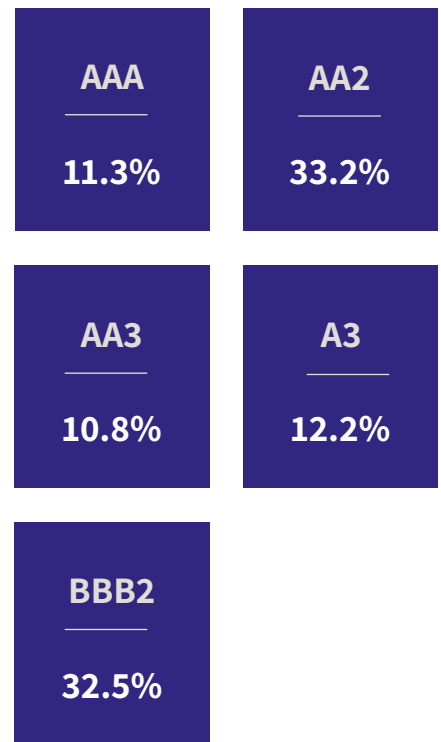
The Summit Stable Fund returned -0.63% over April, net of fund management fee, as core bond yields continued to rise over the course of the month. Two-year German bond yields rose to 0.25% as investors expected rate hikes from the European Central Bank (ECB) to be accelerated and start in July 2022. With core inflation rising to 3.5% in April, the expectation is that the ECB will have to act to tighten monetary policy. The US Federal Reserve has already raised interest rates, and this will increase pressure on the ECB to act in the coming months.

## Asset allocation

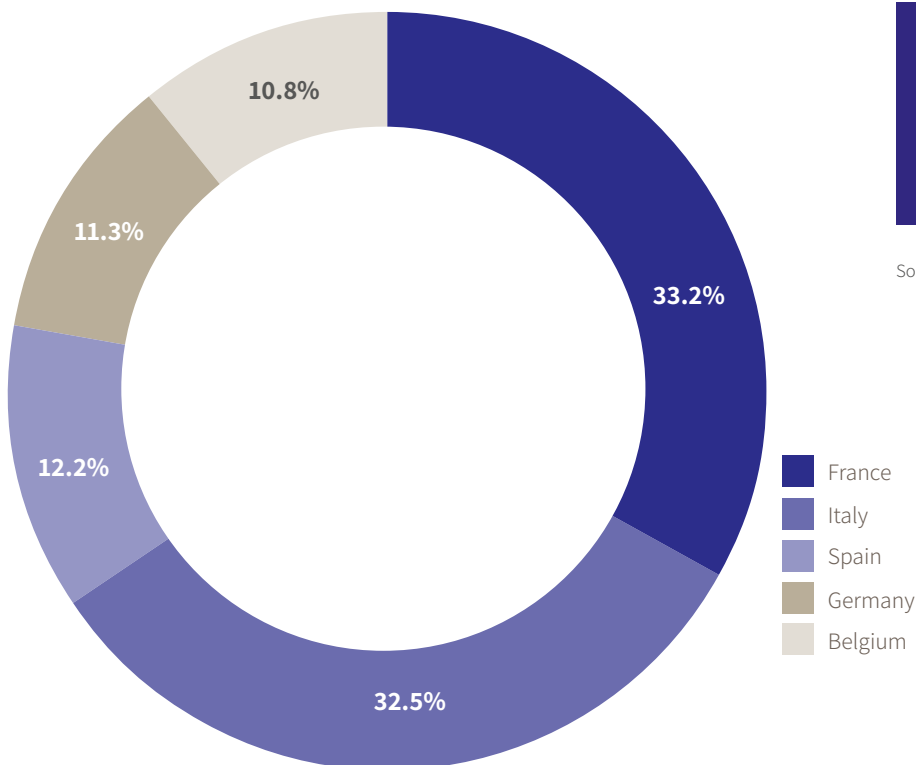


## Bond portfolio credit quality

Rating / percentage of fund



## Bond country distribution



Source: ILIM, Factset. Data is accurate as at 30 April 2022.

# SUMMIT FUND PERFORMANCE



## At 30 April 2022

Fund returns after fund management fee	Stable	Balanced	Growth
1 Month	-0.63%	-1.42%	-1.05%
QTD	-0.63%	-1.42%	-1.05%
3 Month	-1.44%	-2.61%	-1.36%
YTD	-1.61%	-4.09%	-3.16%
1 Year	-2.66%	2.36%	7.04%
2 Years pa	-1.64%	7.71%	14.14%
3 Years pa	-1.59%	3.06%	5.51%
5 Years pa	-1.35%	2.90%	4.90%
10 years pa	-0.63%	5.09%	7.74%

Source: ILIM Performance Team

Warning: If you invest in these funds you may lose some or all of the money you invest.

Warning: These funds may be affected by changes in currency exchange rates.

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

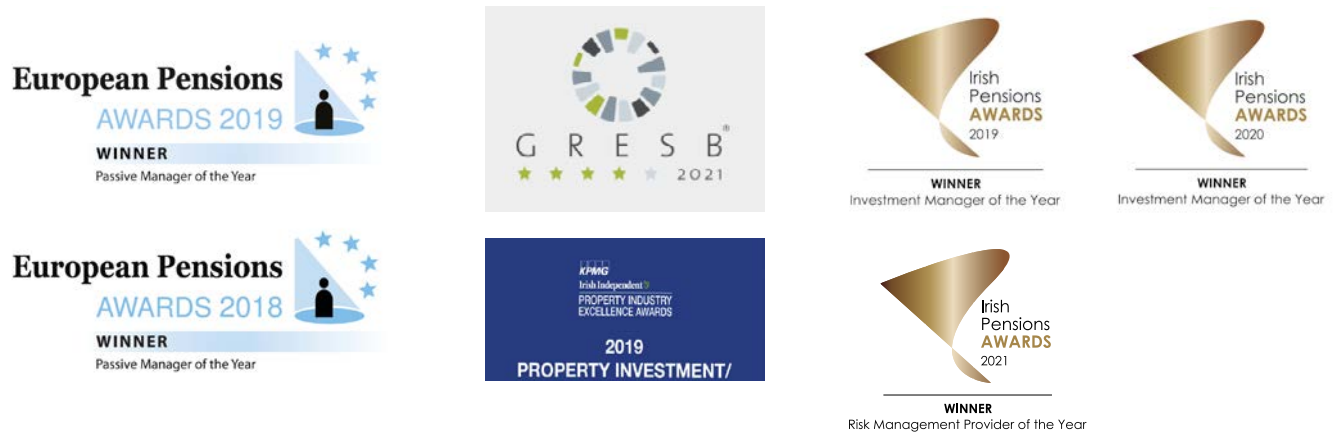
Warning: Past performance is not a reliable guide to future performance.



# ILIM'S CREDENTIALS



Irish Life Investment Managers (ILIM) are recognised internationally for their expertise, innovation and track record:



Summit Investment Funds plc is managed by Summit Asset Managers Limited. The Investment Manager is Irish Life Investment Managers Limited. Summit Asset Managers Limited and Irish Life Investment Managers Limited are both part of the Great-West Lifeco group of companies, global leaders in financial services.

This is intended as a general review of investment market conditions. It does not constitute investment advice and has not been prepared based on the financial needs or objectives of any particular person, and does not take account of the specific needs or circumstances of any person.

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Figures referenced herein have been sourced from ILIM and Bloomberg. Forecast figures have been prepared by ILIM based on reasonable assumptions, internal data and data sourced from Bloomberg.