Irish Life

Life | Pensions | **Investments**

April 2023 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

Global stock markets rallied in April, supported by expectations of a peak in central bank interest rates later this year. Bond markets were somewhat directionless amid mixed economic data. Global macroeconomic data suggested inflation remains sticky while economic activity showed increasing signs of slowing. A divergence in policy paths opened between the US Federal Reserve (Fed) and the European Central Bank (ECB), with the former expected to stop raising interest rates in May and the latter projected to raise rates further in the second half of the year.

MARKET ROUND-UP

Equities

Global stock markets rallied in April, supported by the expected peak in central bank interest rates later this year. The MSCI All Country World index rose by 1.4% (-0.1% in euros) over the month.

Volatility in US equities was muted; a lack of significant economic surprises may have contributed to this. At the same time, the start of the first-quarter earnings season in the US showed companies broadly posting better-than-expected results compared to previously downgraded forecasts, while some of the larger technology companies, like Meta, also gave favourable forward guidance.

The MSCI USA index was up by 1.3% (-0.3% in euros) in April, while European equities rose by 2.3%. Emerging market equities underperformed developed markets, falling by 0.7% (-2.7% in euros); the asset class was weighed down by Chinese equities, which were down by 5.0% over the month.

Bonds

Bond markets were somewhat directionless in April, with the ICE BofA 5+ Year Euro Government bond index down by 0.2% and European investment grade corporate bonds up by 0.7%.

This may have been due to mixed economic data, which was indicative of slowing activity but sticky inflation. Hence, the policy direction taken by central banks may be less certain. While expectations at the end of April were for the Fed to end its rate hiking cycle in May, there may be a need for further interest rate rises in the second half of the year should inflation stay elevated and should growth slow only mildly.

Currencies and commodities

The US dollar fell against the euro in April, as markets expected the Fed to stop hiking interest rates after its May meeting, whereas the ECB is projected to hike twice more after a rise in May. The euro to the dollar ended April at 1.1019, up from 1.0839 at the end of March, a 1.7% rise.

Commodities declined by 0.8% (-2.3% in euros), with Brent crude oil down by 0.3%.

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	QTD Return (%)	YTD Return (%)	2022 Return (%)
MSCI Ireland	1.3	21.1	-21.1
MSCI United Kingdom	3.6	8.0	1.4
MSCI Europe ex UK	2.4	12.8	-11.9
MSCI North America	-0.3	5.4	-13.8
MSCI Japan	-1.2	3.2	-10.8
MSCI EM (Emerging Markets)	-2.7	-0.6	-14.5
MSCI AC World	-0.1	5.4	-12.6
10-Year Yields	**Yield Last Month (%)**	**2022 Yield (%)**	**2021 Yield (%)**
US	3.42	3.87	1.51
Germany	2.31	2.57	-0.18
UK	3.72	3.67	0.97
Japan	0.39	0.42	0.07
Ireland	2.70	3.13	0.24
Italy	4.17	4.70	1.17
Greece	4.18	4.62	1.34
Portugal	3.13	3.59	0.47
Spain	3.36	3.66	0.57
FX Rates	**End last month**	**2022 Rates**	**2021 Rates**
US dollar per euro	1.10	1.07	1.14
British pound per euro	0.88	0.89	0.84
US dollar per British pound	1.26	1.21	1.35
Commodities (USD)	**QTD Return (%)**	**YTD Return (%)**	**2022 Return (%)**
Oil (Brent)	-0.3	-7.4	10.5
Gold (Oz)	1.1	9.1	-0.3
S&P Goldman Sachs Commodity Index	-0.8	-5.7	26.0

Source: ILIM, Bloomberg. Data is accurate as at 30 April 2023.

MARKET OUTLOOK

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

Global equities have proved resilient in the face of mounting headwinds, from lacklustre earnings to continued interest rate rises and banking crises. However, in our view, the asset class has yet to price in an adverse economic scenario like a recession, so volatility is set to stay elevated.

This relates especially to the fallout from the banking crises and the resultant impact on sentiment and credit creation. While inflation has decelerated from six months ago, price pressures remain elevated; in addition, tighter lending conditions, as a result of the banking crises, could dampen demand. These factors could result in further pressure on corporate earnings and margins.

Even if central banks were to cut interest rates into the slowdown, equity markets have typically fallen during previous periods of monetary easing. This has been due to the reason usually behind monetary easing in the first place: namely, recessionary conditions.

In the event of such a scenario, valuations do not look attractive: the 12-month forward price-to-earnings (P/E) ratio for the MSCI USA is 18.7x against a long-term average of 17.1x. Equities outside the US offer better value; Europe ex-UK equities trade at a multiple of 12.8x against a long-term average of 13.2x, while emerging market equities trade at 11.7x versus a long-term average of 11.6x. On balance, we believe there could be a better entry point for equities later this year.

Outlook dependent on economic and earnings growth. Uncertainty on growth due to policy tightening, squeeze on real incomes, weaker business and consumer sentiment, and slower lending post bank crisis.

Global growth slowed to estimated 2.9% in 2022, and is forecast to slow further to 2.4% in 2023 with slower growth in developed markets and an improvement in emerging markets as China reopens. Recession fears eased at start of year but re-emerged post banking crisis due to concerns over a slowdown in lending.

The impact of monetary policy tightening, inflation developments and China's reopening 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 higher than the long term average. Equities' relative undervaluation against bonds has been removed with the rise in bond yields.

Following lowered growth forecasts, expected downward revisions to earnings and the rise in bond yields, equities are still vulnerable to short-term downside before finding a trough and potentially recovering in H2.

Volatility likely to remain a feature due to uncertainty over growth, the path of inflation, tighter monetary policy, recent banking crisis and geopolitical events.

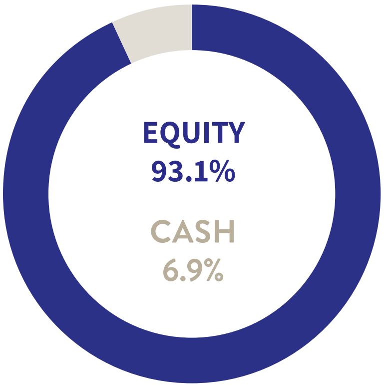
SUMMIT GROWTH FUND

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 0.74%, net of fund management fee, over April. Financials, Consumer Staples and Healthcare were the best performing sectors. The Industrials and Technology sectors lagged over the month. The stocks contributing most to the fund's return were Microsoft, Berkshire Hathaway and Lancashire Holdings. The stocks that detracted the most were Keysight Technologies, Taiwan Semiconductor and Tencent Holdings.

Asset allocation

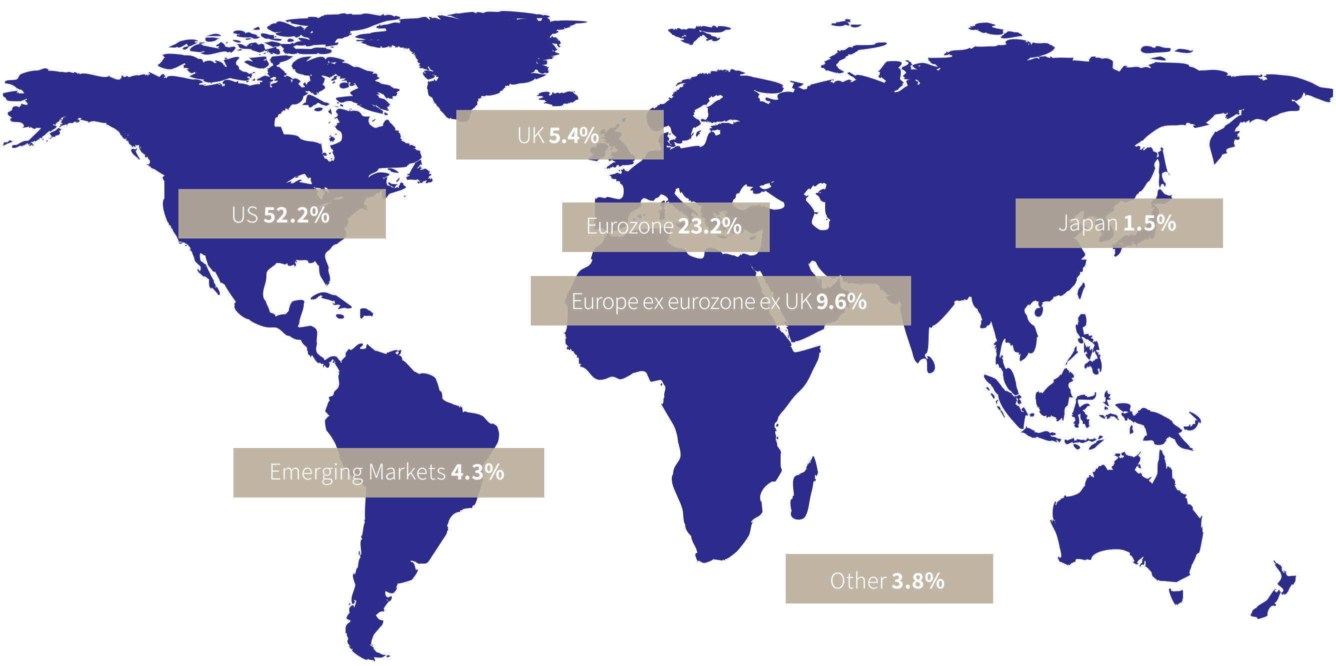


Top Ten Share Holdings

Stock name	% of fund
Microsoft	5.1
Berkshire Hathaway	3.7
Oracle	3.1
McDonald's	2.8
Nike	2.6
Booking Holdings	2.6
Alphabet	2.6
Costco Wholesale	2.6
Samsung Electronics	2.3
Johnson & Johnson	2.3

Source: ILIM, Factset. Data is accurate as at 30 April 2023.

Share regional distribution



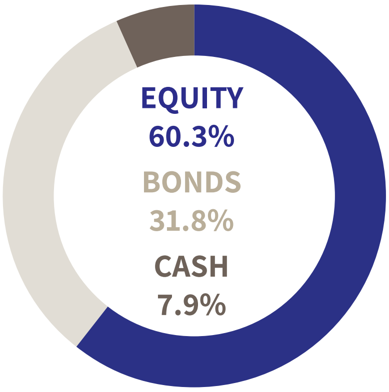
SUMMIT BALANCED FUND

The objective of the Summit Balanced Fund is to avoid excessive volatility 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 0.42%, net of fund management fee, over April. Financials, Consumer Staples and Healthcare were the best performing sectors. The Industrials and Technology sectors lagged over the month. The Summit net Balanced Fund rose by 0.53% compared to the benchmark return of 0.13%. The global macro backdrop in April suggested inflation remains sticky while economic activity showed increasing signs of slowing. Global stock markets rallied in April, supported by the expected peak in central bank rates later this year, while bond markets were somewhat directionless amid mixed economic data.

Asset allocation

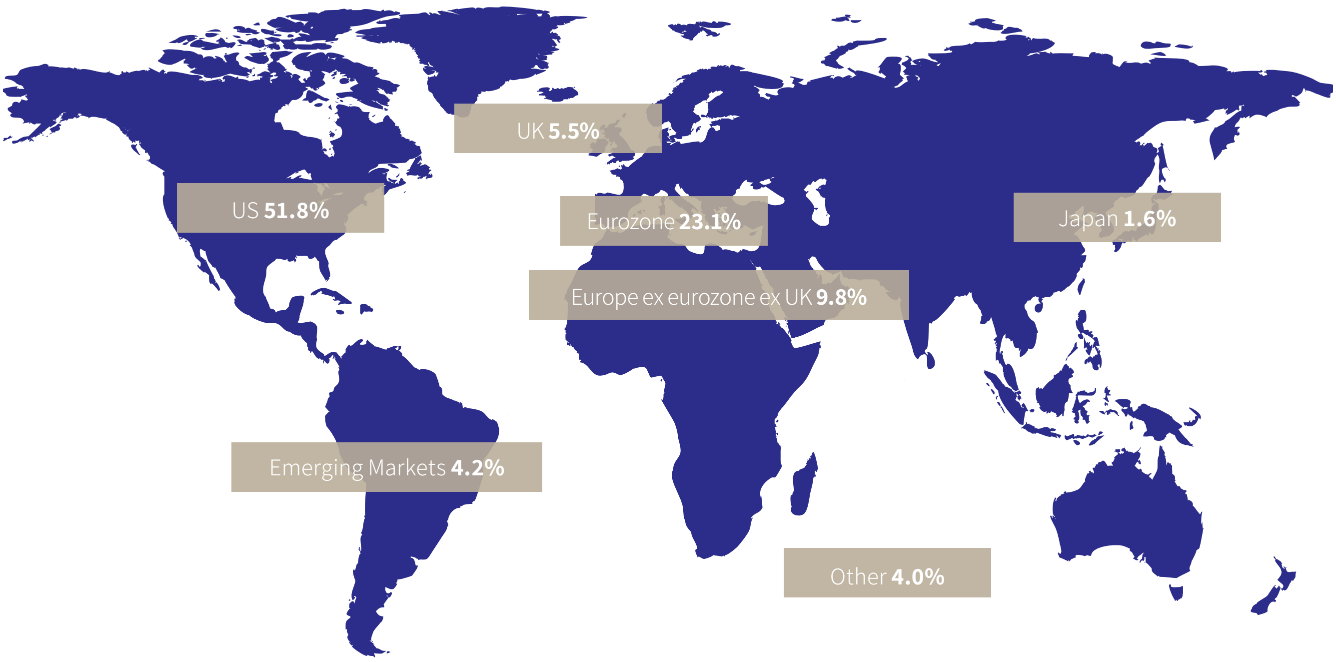


Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.9
Berkshire Hathaway	3.7
Oracle	2.9
McDonald's	2.8
Costco Wholesale	2.7
Booking Holdings	2.6
Alphabet	2.6
Nike	2.5
Johnson & Johnson	2.3
Samsung Electronics	2.2

Source: ILIM, Factset. Data is accurate as at 30 April 2023.

Share regional distribution



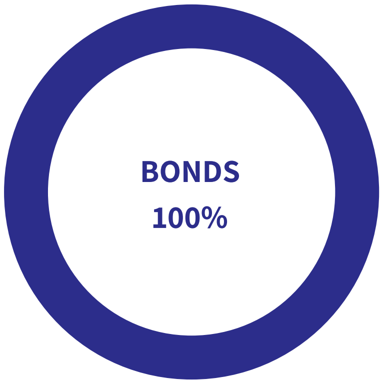
SUMMIT STABLE FUND

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

Fund update for April

The Summit Stable Fund returned 0.00%, net of fund management fee, over April. Core bond yields were broadly unchanged over the month. The 2-year German yield ended April at 2.68%, up 0.01%. Core inflation fell modestly to a rate of 5.6% on a 12-month basis. The ECB was expected to raise interest rates by another 0.25% at its May meeting in the face of continued high inflation. The stress in the US banking sector is unlikely to cause the ECB to deviate from its plan to continue to increase interest rates for the eurozone.

Asset allocation



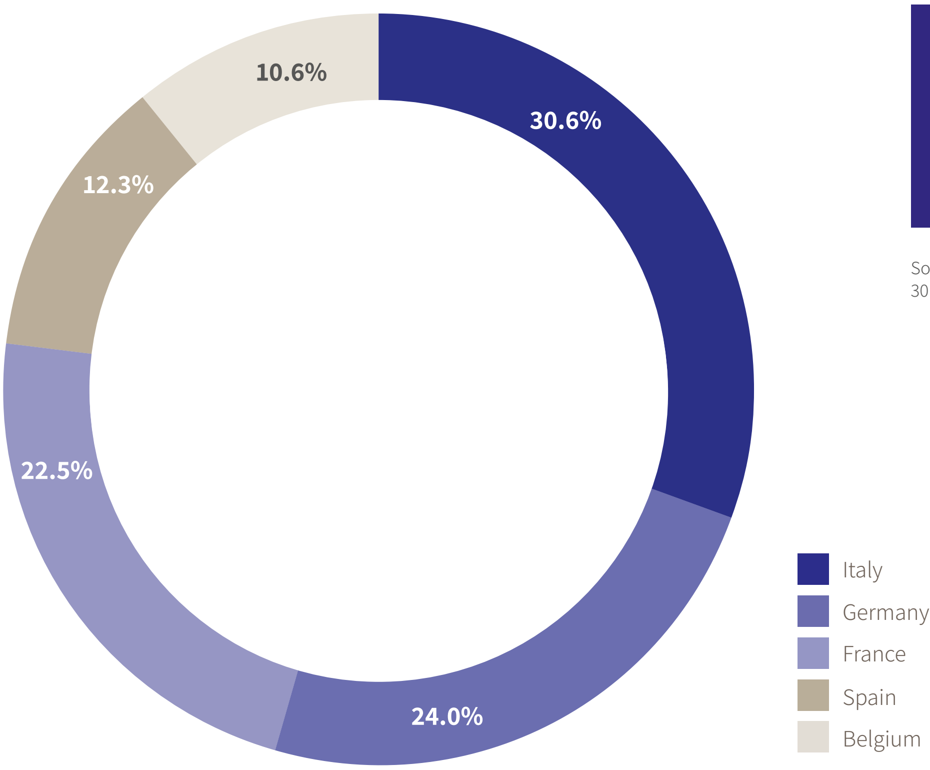
Bond portfolio credit quality

Rating / percentage of fund

Rating	Percentage of fund
AAA	24.0%
AA2	22.5%
AA3	10.6%
A3	12.3%
BBB2	30.6%

Source: ILIM, Factset. Data is accurate as at 30 April 2023.

Bond country distribution



SUMMIT FUND PERFORMANCE

At 30 April 2023

Fund returns after fund management fee	Stable	Balanced	Growtth
1 Month	0.00%	0.42%	0.74%
QTD	0.00%	0.42%	0.74%
3 Month	0.09%	-0.06%	0.21%
YTD	0.37%	2.33%	3.30%
1 Year	-2.37%	-2.74%	-0.09%
2 Years pa	-2.52%	-0.22%	3.41%
3 Years pa	-1.89%	4.11%	9.18%
5 Years pa	-1.57%	2.26%	4.82%
10 years pa	-1.02%	3.85%	6.12%

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) is recognised internationally for its expertise, innovation and track record:

European Pensions AWARDS 2019
WINNER
Passive Manager of the Year

GRESB ★★★★★ 2022

Irish Pensions AWARDS 2019
WINNER
Investment Manager of the Year

Irish Pensions AWARDS 2020
WINNER
Investment Manager of the Year

European Pensions AWARDS 2018
WINNER
Passive Manager of the Year

KPMG Irish Independent PROPERTY INDUSTRY EXCELLENCE AWARDS
2019
PROPERTY INVESTMENT/

Irish Pensions AWARDS 2021
WINNER
Risk Management Provider of the Year

Irish Pensions AWARDS 2022
WINNER
Investment Manager of the Year

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The author cannot make a personal recommendation for any person and you should seek personal investment advice as to the suitability of any investment decision or strategy to your own needs and circumstances. Any comments on specific stocks are intended as an objective, independent view in relation to that stock generally, and not in relation to its suitability to any specific person.

ILIM may manage investment funds which may have holdings in stocks commented on in this document. Past performance may not be a reliable guide to future performance. Investments may go down as well as up. Funds may be affected by changes in currency exchange rates. Irish Life Investment Managers Limited is regulated by the Central Bank of Ireland.

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.