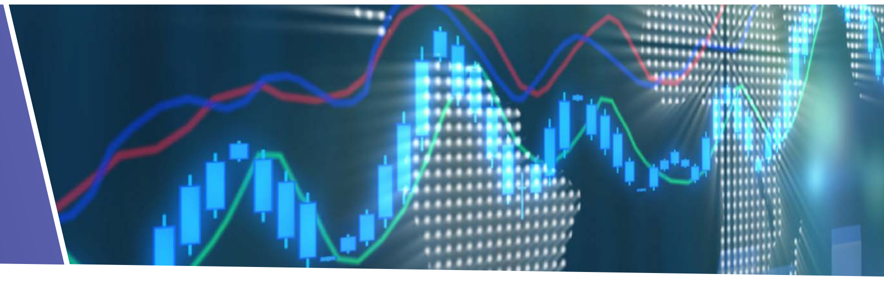
Life \ Pensions \ **Investments**

February 2024 in review
Summit Investment Funds

Helping people build better futures

MARKET REVIEW



MARKET ROUND-UP

Market Review

Numerous global stock markets rallied to new all-time highs in February. Markets were buoyed by several factors, including the expectation of interest rate cuts later in 2024, strong labour markets, a better-than-expected earnings reporting season and the potential for increased profits from the application of artificial intelligence (AI). Global activity data was mixed, with US data generally remaining strong, although there were some indications of slowing household consumption and reaccelerating inflation. Activity in Europe remained subdued, although sentiment surveys mainly showed continued improvement. Major central banks pushed against the notion of interest rate cuts in Q1, suggesting that rate cuts for the US Federal Reserve (Fed) and the European Central Bank (ECB) would start around mid-year or even later. Bond markets fell in response to the central bank commentary. Meanwhile, commodities continued to rise amid ongoing Middle East tensions.

Equities

Several global stock markets rallied to new all-time highs in February, with the MSCI All Country World index up by 4.7% (4.7% in euros) over the month. The MSCI USA rallied by 5.4% (5.8% in euros), while European ex-UK equities were up by 2.8% (2.4% in euros).

Equities were buoyed by likely rate cuts later in 2024, still-strong labour markets and the potential for increased profits from the application of AI. In terms of the latter, Nvidia's Q4 earnings were a key market focus, and the company posted another blockbuster set of figures. Revenue rose by 265% year-on-year in Q4 to $22.1bn, compared to market expectations of $20.4bn. CEO Jensen Huang stated: "Accelerated computing and generative AI have hit the tipping point... Demand is surging worldwide across companies, industries and nations." Nvidia is now the third largest US company by market cap, moving above Amazon and Google and only behind Apple and Microsoft.

Bonds

Global bond markets fell in February, and so yields rose, as the timing of interest rate cuts for 2024 was pushed out and the magnitude of expected cuts was reduced. The ICE BofA 5+ Year Euro Government Bond Index was down by 1.4% over the month.

European investment-grade corporate bonds fell by 0.9% as yields rose by 29 basis points (bps) to 3.94%. Global high-yield bonds eked out a 0.1% gain as the income yield offset the modest capital loss, with yields up by 7bps to 7.03%.

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2023 Return (%)
MSCI Ireland	4.2	11.5	20.6
MSCI United Kingdom	0.4	0.7	10.3
MSCI Europe ex UK	2.4	4.4	18.5
MSCI North America	5.6	8.9	22.3
MSCI Japan	3.4	10.0	16.7
MSCI EM (Emerging Markets)	5.2	2.0	6.5
MSCI AC World	4.7	7.1	18.6

10-Year Yields	Yield last month (%)	2023 Yield (%)	2022 Yield (%)
US	4.25	3.88	3.87
Germany	2.41	2.02	2.57
UK	4.12	3.54	3.67
Japan	0.71	0.61	0.42
Ireland	2.82	2.38	3.13
Italy	3.84	3.69	4.70
Greece	3.46	3.06	4.62
Portugal	3.12	2.66	3.59
Spain	3.29	2.99	3.66

FX Rates	End last month	2023 Rates	2022 Rates
U.S. Dollar per Euro	1.08	1.10	1.07
British Pounds per Euro	0.86	0.87	0.89
U.S. Dollar per British Pounds	1.26	1.27	1.21

Commodities (USD)	MTD Return (%)	YTD Return (%)	2023 Return (%)
Oil (Brent)	2.3	8.5	-10.3
Gold (Oz)	-0.2	-0.8	13.1
S&P Goldman Sachs Commodity Index	0.9	5.4	4.3

Source: ILIM, Bloomberg. Data is accurate as at 1 March 2024.

MARKET OUTLOOK

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

Sovereign bond yields rose through most of 2023 on the back of a slower-than-expected moderation in inflation. However, yields have fallen since the peak in October 2023 as concerns around inflation have abated, with German 10-year yields below their levels from 12 months ago and US 10-year yields only slightly higher. With inflation having clearly peaked and central banks now suggesting rates will be cut in 2024, bond yields are expected to decline over the next 12 months.

On a 12-month view, our base case is that German and US 10-year government bond yields fall from current levels of 2.41% and 4.25% to 1.75% and 3.50% respectively. We believe fixed income offers a strong risk-reward profile at this stage in the cycle, with the potential to offer protection if the economy slows; the asset class is attractive from an income perspective, while also providing potential for capital gains via falling yields. We believe that the risks of materially higher bond yields have reduced and, if the economy falters, major central banks will be able to cut rates to support growth. In that scenario, we would expect bonds to outperform to a greater extent.

Global equities were resilient in 2023 as recession fears receded and a peak in central bank policy rates was likely reached. While global earnings are forecast to have fallen by 0.3% in 2023, they have held up better than feared at the start of the year as sales surprised to the upside in the better economic backdrop, and the margin squeeze for corporates has been less than anticipated. Earnings are expected to grow by 10.2% in 2024.

Global equities valuations are trading above long-term averages, and they remain expensive against both bonds and cash given the high yields currently available on these assets. Despite equities appearing expensive on a relative valuation basis, however, the outlook on a 12-month view is positive. Central banks are likely to pivot towards interest rate cuts in 2024 as inflation continues to fall. An increasing probability of a soft landing for the US economy (inflation coming down without a recession) with a rebound in earnings in 2024 should provide support. An upward bias to growth forecasts is also supportive. Over the medium term, the rollout of AI should boost efficiencies and earnings across the whole market and allow equities to trade at higher valuation levels. The ongoing green-related capex cycle could also boost earnings over the medium term. Any short-term volatility in markets is likely to be offset by the above factors, resulting in positive returns on a 12-month timeframe.

Increasing hopes of a soft landing for the US economy (inflation coming down with the avoidance of a recession) have been supportive of equity markets. A continued fall in inflation, enabling central banks to cut interest rates in 2024, could contribute to additional gains in equity markets.

Global growth surprised positively in 2023, at an estimated 2.7%, led by a resilient US economy. Growth is forecast to decelerate slightly to 2.4% in 2024, although the bias to forecasts is still to the upside. The US economy has been robust, while Europe has struggled as higher interest rates have impacted activity levels and demand. Recent stabilisation in European sentiment indicators suggest an improvement in growth in 2024.

After an initial reopening surge in 2023, Chinese growth stalled. The authorities have announced additional stimulus to boost growth, and recent data has begun to stabilise.

Equities are above long-term average valuation multiples but, with positive economic and earnings growth in 2024, can continue to grind higher.

Structural long-term benefits from the AI theme, and evidence of earnings being boosted by AI-related initiatives, can support higher equity valuation multiples.

Volatility is likely to remain a feature due to uncertainty over the eventual growth outcome, inflation path, monetary policy and geopolitical events. Modest short-term drawdowns in markets are possible, which could provide opportunities to add to exposures.

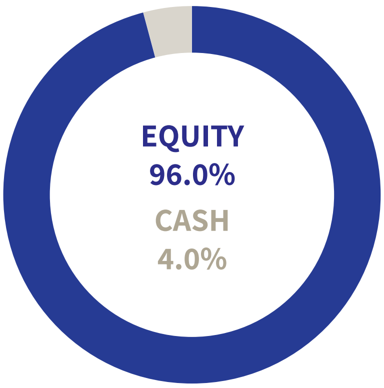
SUMMIT GROWTH FUND

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 February

The Summit Growth Fund returned +1.77%, net of fund management fee, over February. Materials, Industrials and Technology were the best performing sectors, while the Utilities, Communication Services and Consumer Staples sectors lagged over the month. The stocks that contributed the most to the fund's return over the month were CRH Plc, Berkshire Hathaway and Taiwan Semiconductor. The largest detractors from performance were Charter Communications, S&P Global and Nestle.

Asset allocation

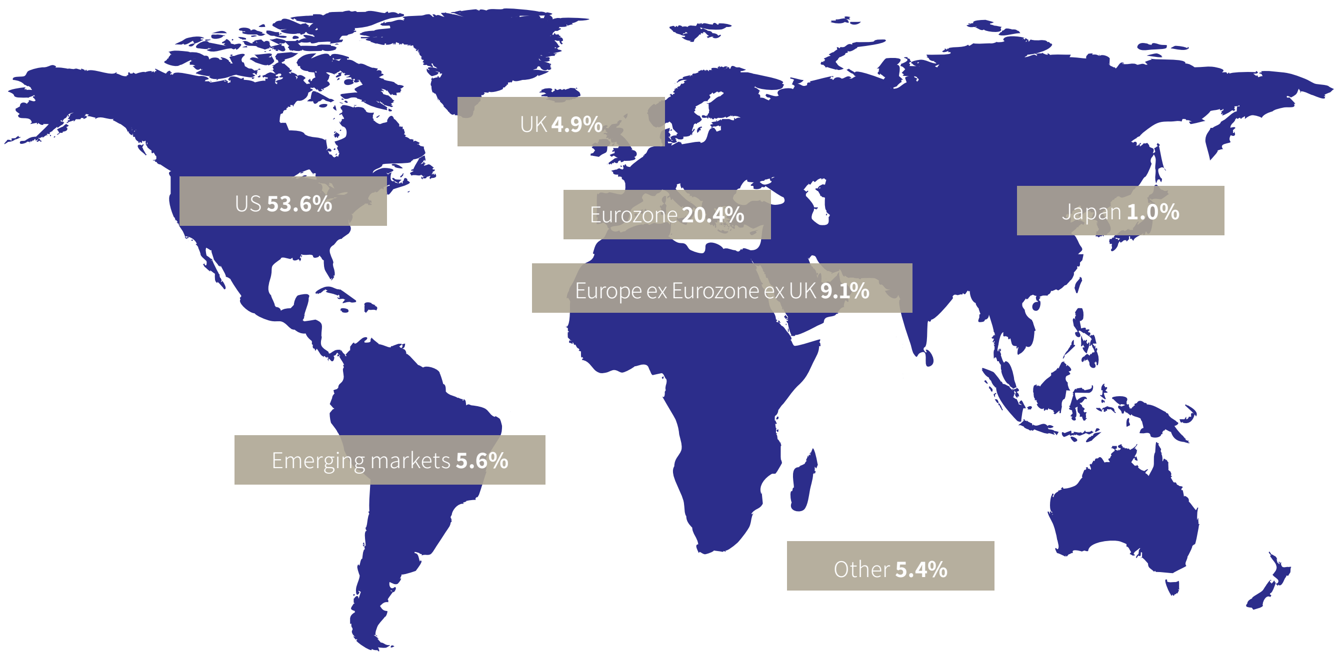


Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.9
Berkshire Hathaway	4.5
Costco Wholesale	3.6
Oracle	3.4
Alphabet	3.1
Booking Holdings	3.1
Samsung Electronics	2.7
S&P Global	2.2
CRH	2.1
Taiwan Semiconductor	2.1

Source: ILIM, Factset. Data is accurate as at 29 February 2024.

Share regional distribution



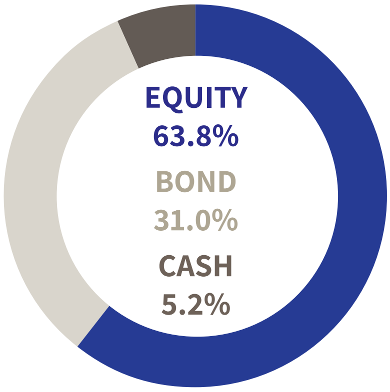
SUMMIT BALANCED FUND

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 February

The Summit Balanced Fund returned +0.80%, net of fund management fee, over February. Materials, Industrials and Technology were the best performing sectors, while the Utilities, Communication Services and Consumer Staples sectors lagged over the month. Numerous global stock markets rallied to new all-time highs in February, buoyed by likely interest rate cuts later in 2024, still strong labour markets, a better-than-expected earnings reporting season, and the potential for increased profits from the application of AI. Bond markets fell as expectations of interest rate cuts were pushed out amid cautious central bank commentary.

Asset allocation

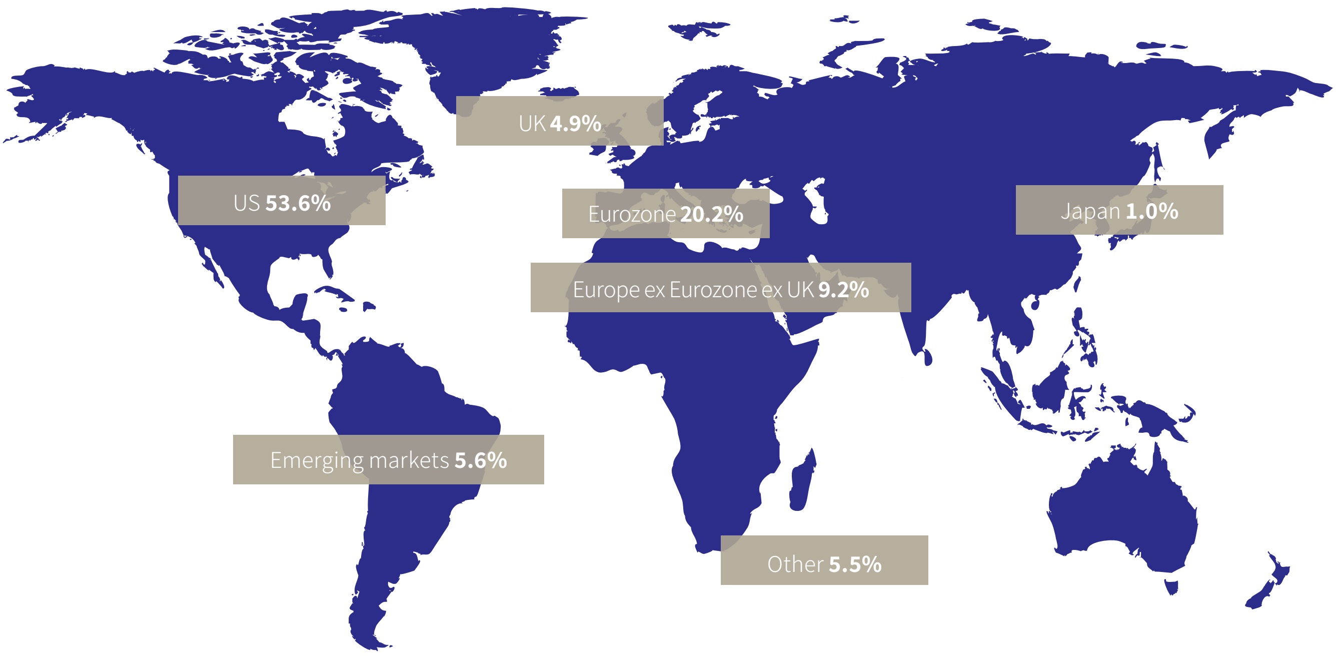


Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.8
Berkshire Hathaway	4.5
Costco Wholesale	3.5
Oracle	3.3
Alphabet	3.1
Booking Holdings	3.1
Samsung Electronics	2.7
S&P Global	2.2
CRH	2.1
McDonald's	2.0

Source: ILIM, Factset. Data is accurate as at 29 February 2024.

Share regional distribution



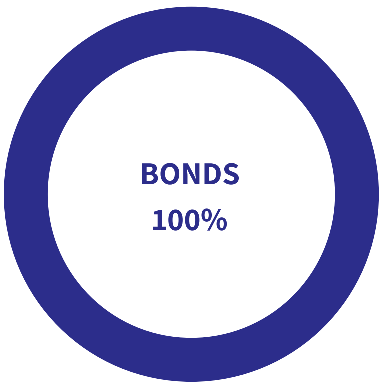
SUMMIT STABLE FUND

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

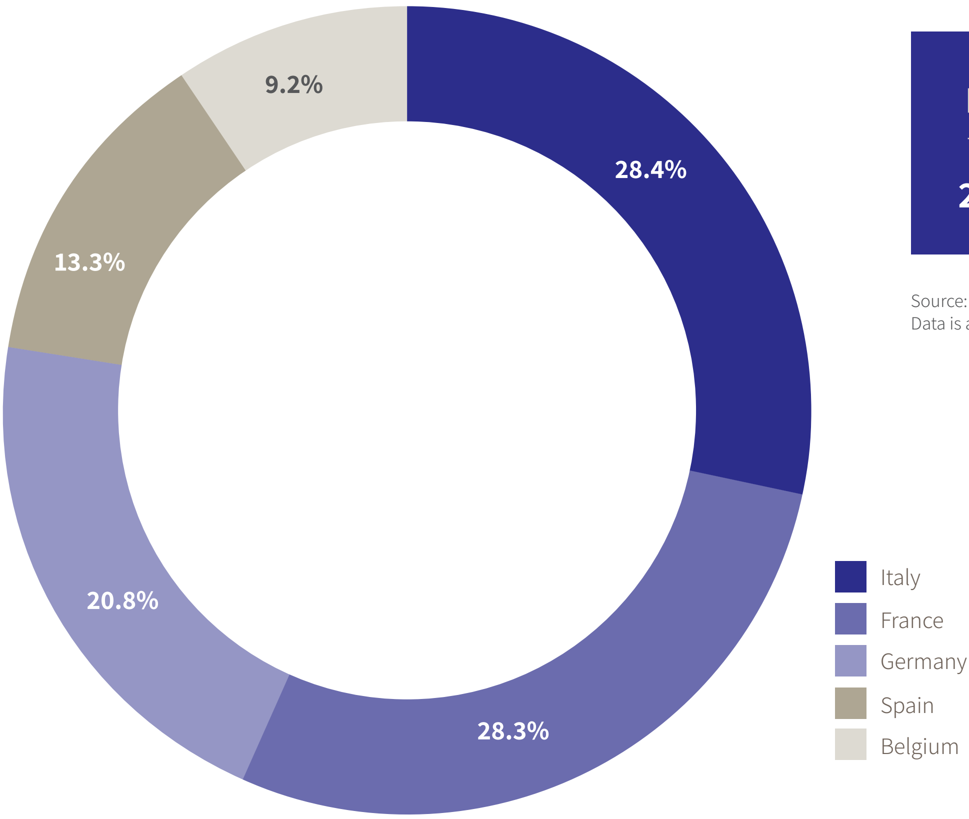
Fund update for February

The Summit Stable Fund returned -0.46%, net of fund management fee, over February. Bond yields rose significantly in the month as two-year German bonds yields rose to 2.9% from 2.4%. Eurozone core inflation continued its decline in the month, to a rate of 3.1% on a 12-month basis. The European Central Bank (ECB) did not have a governing council meeting during the month, and the key deposit rate remained at 4%. Markets now expect 0.85% in interest rate cuts in 2024, beginning during the summer months.

Asset allocation



Bond country distribution



Bond portfolio credit quality

Rating / percentage of fund

Rating	Percentage of fund
AAA	20.8%
AA2	28.3%
AA3	9.2%
A3	13.3%
BBB2	28.4%

Source: ILIM, Factset.
Data is accurate as at 29 February 2024.

SUMMIT FUND PERFORMANCE

At 29 February 2024

Fund returns after fund management fee	Stable	Balanced	Growth
1 Month	-0.46%	0.80%	1.77%
QTD	-0.92%	1.17%	2.74%
3 Month	0.28%	3.42%	4.84%
YTD	-0.92%	1.17%	2.74%
1 Year	0.94%	6.09%	8.54%
2 Years pa	-1.59%	0.34%	3.67%
3 Years pa	-1.68%	2.93%	7.14%
5 Years pa	-1.39%	2.59%	5.25%
10 Years pa	-0.98%	3.91%	6.00%

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

European Pensions AWARDS 2018
WINNER
Passive Manager of the Year

GRESB ★★★★★ 2023

KPMG
Irish Independent
PROPERTY INDUSTRY EXCELLENCE AWARDS
2019
PROPERTY INVESTMENT/

Irish Pensions AWARDS 2019
WINNER
Investment Manager of the Year

Irish Pensions AWARDS 2020
WINNER
Investment Manager of the Year

Irish Pensions AWARDS 2021
WINNER
Risk Management Provider of the Year

Irish Pensions AWARDS 2022
WINNER
Investment Manager of the Year

Irish Pensions AWARDS 2023
WINNER
Property Manager of the Year