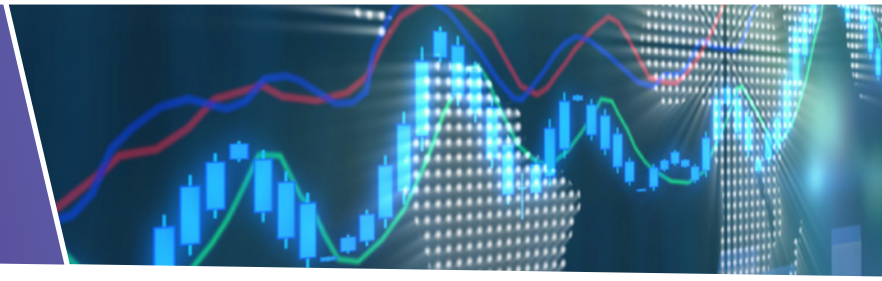
Irish Life

Life | Pensions | **Investments**

January 2024 in review
Summit Investment Funds

Helping people build better futures

MARKET REVIEW



MARKET ROUND-UP

Market Review

Global stock markets continued to rally in January amid robust US economic data and expectations of interest-rate cuts. Bond markets fell, however, giving back some of their strong gains from December as expectations of rate cuts were pushed out somewhat. Global activity data in January was indicative of continued economic health: US numbers were robust, while Eurozone data was mixed, with some improvements in the labour market and manufacturing. The US dollar rose against the euro, and commodities rallied as an escalating Middle East conflict pushed up oil prices.

Equities

Global stock markets continued to rally in January amid expectations of rate cuts in Q2 2024. The theme of artificial intelligence (AI) was also supportive for US technology stocks, but some of these gains reversed towards the end of the month as earnings guidance for some companies disappointed.

The MSCI All Country World index rose by 1.3% (2.3% in euros) over the month. The MSCI USA rallied by 1.6% (3.3% in euros), while European ex-UK equities were up by 2.1% (2.0% in euros).

Emerging market (EM) equities underperformed developed markets in January, falling by 3.5% (-3.0% in euros). The asset class was dragged lower by China (-10.4%) amid concerns over the country's growth, with the Chinese authorities introducing limits on short selling towards the end of the month in an attempt to reduce selling pressure.

Small-cap equities fell by 1.9% (-1.1% in euros), underperforming large caps and giving back some gains from December as higher rates acted as a headwind for the asset class.

Bonds

Global bond markets fell in January, giving back some of their strong gains from December, as expectations of rate cuts were pushed further out.

The ICE BofA 5+ Year Euro Government bond index was down by 0.9% over the month.

European investment grade (IG) corporate bonds eked out a 0.1% gain, as the income yield offset the modest capital loss. Similarly, global high yield bonds returned 0.2%, despite yields being up by 9 basis points (bps) to 6.96%.

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2023 Return (%)
MSCI Ireland	7.0	7.0	20.6
MSCI United Kingdom	0.3	0.3	10.3
MSCI Europe ex UK	2.0	2.0	18.5
MSCI North America	3.2	3.2	22.3
MSCI Japan	6.4	6.4	16.7
MSCI EM (Emerging Markets)	-3.0	-3.0	6.5
MSCI AC World	2.3	2.3	18.6
10-Year Yields	**Yield last month (%)**	**2023 Yield (%)**	**2022 Yield (%)**
US	3.91	3.88	3.87
Germany	2.17	2.02	2.57
UK	3.79	3.54	3.67
Japan	0.73	0.61	0.42
Ireland	2.60	2.38	3.13
Italy	3.72	3.69	4.70
Greece	3.22	3.06	4.62
Portugal	2.97	2.66	3.59
Spain	3.09	2.99	3.66
FX Rates	**End last month**	**2023 Rates**	**2022 Rates**
U.S. Dollar per Euro	1.09	1.10	1.07
British Pounds per Euro	0.85	0.87	0.89
U.S. Dollar per British Pounds	1.27	1.27	1.21
Commodities (USD)	**MTD Return (%)**	**YTD Return (%)**	**2023 Return (%)**
Oil (Brent)	6.1	6.1	-10.3
Gold (Oz)	-0.6	-0.6	13.1
S&P Goldman Sachs Commodity Index	4.5	4.5	4.3

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

MARKET OUTLOOK

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

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 modestly from current levels of 2.17% and 3.91% 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. It 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 we have increased confidence that, if economies falter, 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 valuations are slightly above long-term averages, and equities remain expensive against both bonds and cash given the high yields currently available on these assets. 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 with a rebound in both growth and earnings in 2024 should also provide support. 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 multiples. 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' – inflation coming down while avoiding 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.

Global growth surprised positively in 2023 at an estimated 2.7%, led by a resilient US economy. Growth is forecast to decelerate slightly to 2.3% in 2024, although the bias to forecasts is still to the upside. In developed markets, 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 artificial intelligence (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 in markets 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.

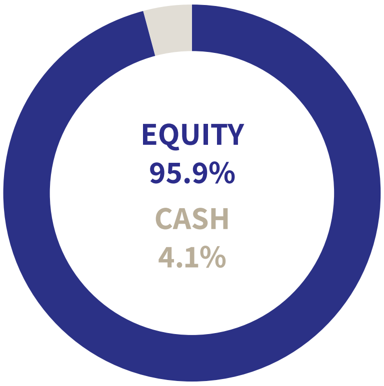
SUMMIT GROWTH FUND

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 January

The Summit Growth Fund returned 0.95%, net of fund management fee, over January. Real Estate, Financials and Consumer Staples were the best performing sectors, while the Materials, Energy and Consumer Discretionary sectors lagged over the month. The stocks contributing the most to the fund's return over the month were Berkshire Hathaway, Microsoft, and Oracle. The largest detractors from performance were Samsung Electronics, Nike and Ericsson.

Asset allocation

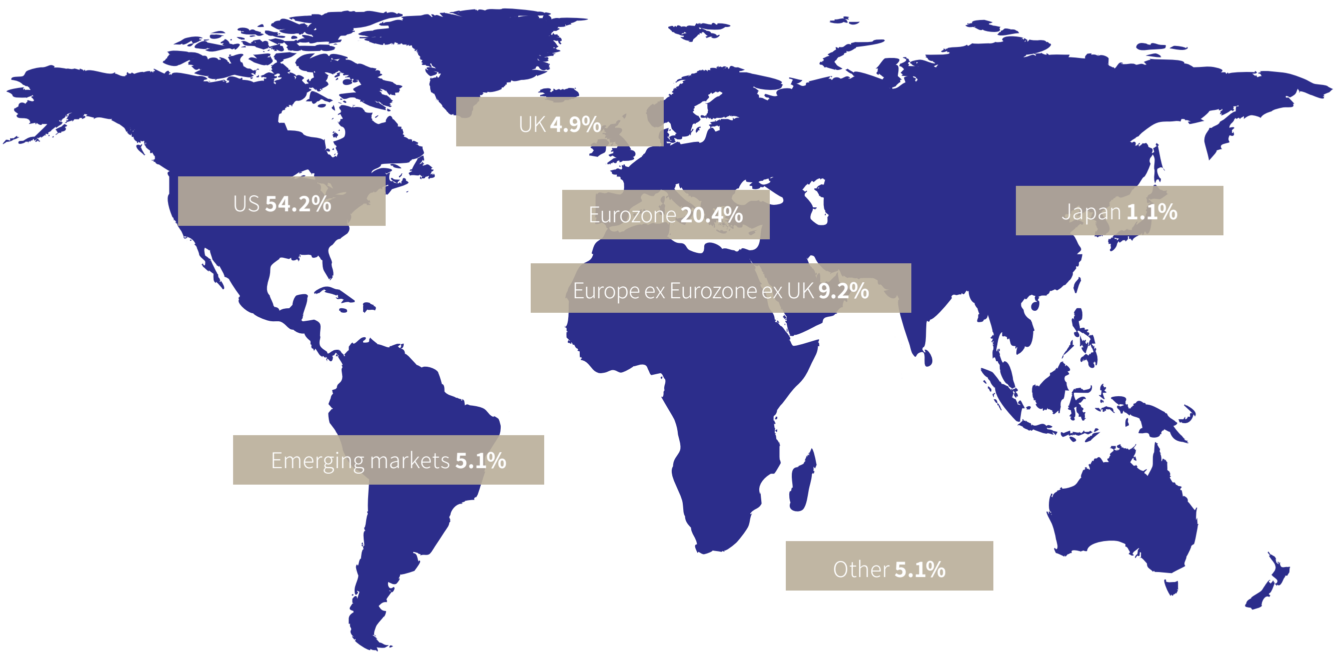


Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.9
Berkshire Hathaway	4.3
Oracle	3.5
Costco Wholesale	3.4
Alphabet	3.2
Booking Holdings	3.2
Samsung Electronics	2.7
S&P Global	2.3
McDonald's	2.1
DCC	2.1

Source: ILIM, Factset. Data is accurate as at 31 January 2024.

Share regional distribution



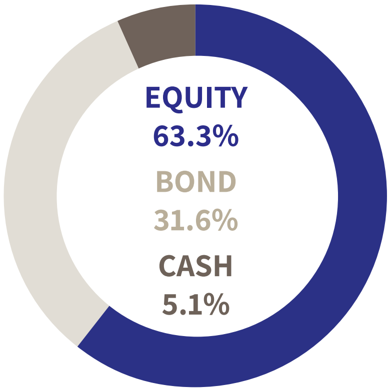
SUMMIT BALANCED FUND

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 January

The Summit Balanced Fund returned 0.37%, net of fund management fee, over January. Real Estate, Financials and Consumer Staples were the best performing sectors, while the Materials, Energy and Consumer Discretionary sectors lagged over the month. Global activity data in January was indicative of continued health. US data was robust while Eurozone data was mixed, with some improvements in the labour market and manufacturing. Major central banks appeared more dovish, suggesting that interest rate cuts would be forthcoming in 2024. Global stock markets continued to rally in January amid expectations of rate cuts in the second quarter. Bond markets fell, giving back some of the strong gains in December as expectations around the timing of rate cuts were pushed out somewhat.

Asset allocation

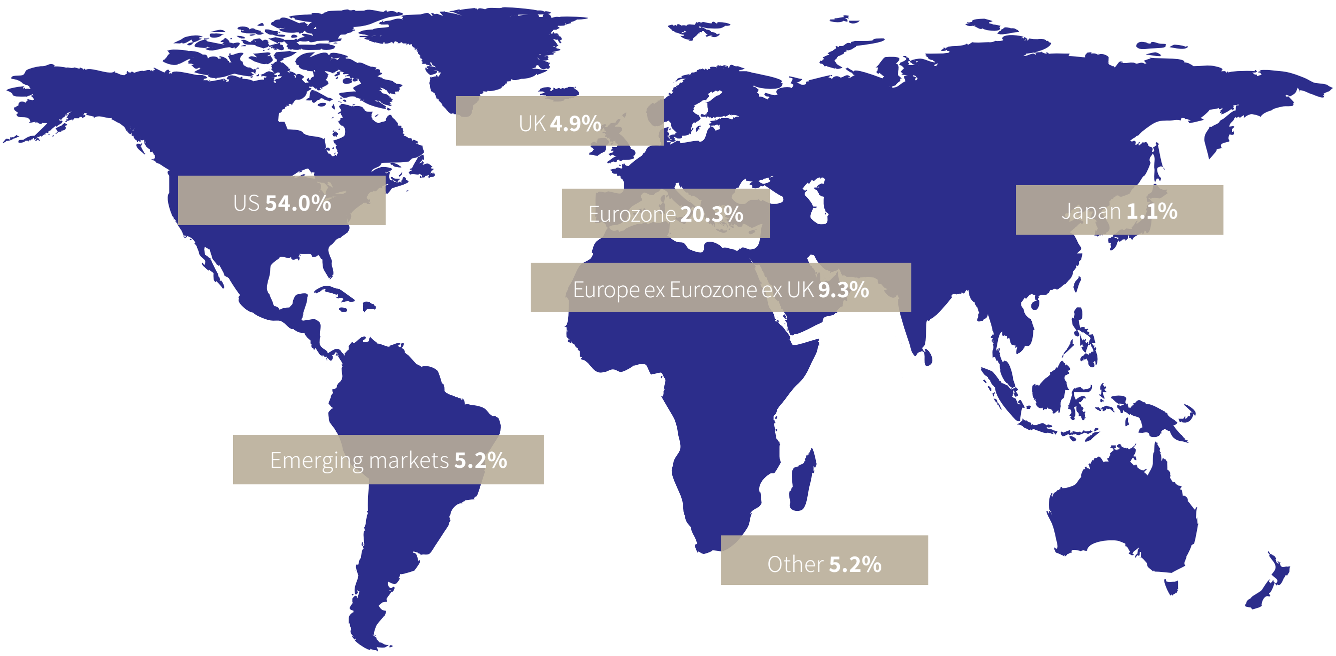


Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.8
Berkshire Hathaway	4.2
Costco Wholesale	3.4
Oracle	3.4
Alphabet	3.2
Booking Holdings	3.2
Samsung Electronics	2.8
S&P Global	2.4
McDonald's	2.1
DCC	2.1

Source: ILIM, Factset. Data is accurate as at 31 January 2024.

Share regional distribution



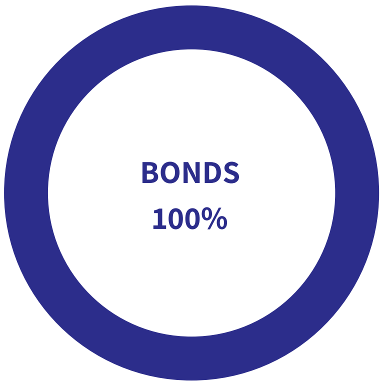
SUMMIT STABLE FUND

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

Fund update for January

The Summit Stable Fund returned -0.46%, net of fund management fee, over January. Core bond yields rose over the course of the month. The two-year German yield ended January at 2.52%, up 13 basis points (bps) over the course of the month. Core inflation remained high at a rate of +3.3% on a 12-month basis. The European Central Bank (ECB) kept its key rates unchanged at its January meeting, with the deposit rate staying at an all-time high of 4.0%. Markets now expect significant rate cuts for 2024 of 1.6%, which would take the deposit rate back to 2.4%.

Asset allocation



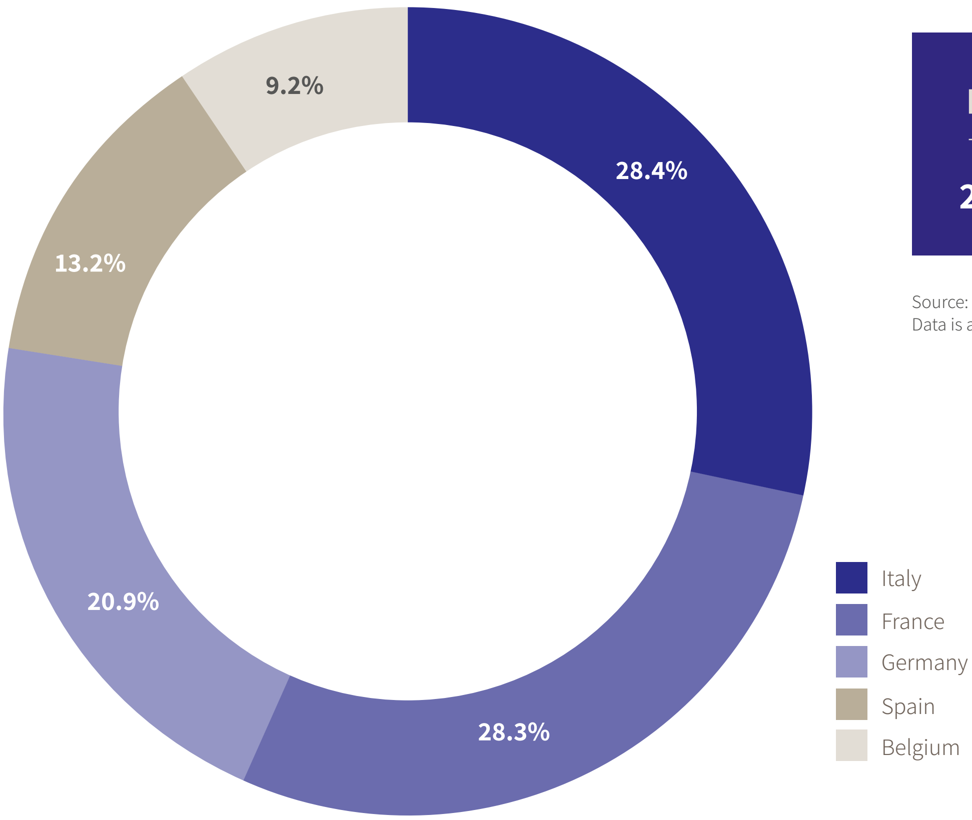
Bond portfolio credit quality

Rating / percentage of fund

Rating	Percentage of fund
AAA	20.9%
AA2	28.3%
AA3	9.2%
A3	13.2%
BBB2	28.4%

Source: ILIM, Factset.
Data is accurate as at 31 January 2024.

Bond country distribution



SUMMIT FUND PERFORMANCE

At 31 January 2024

Fund returns after fund management fee	Stable	Balanced	Growth
1 Month	-0.46%	0.37%	0.95%
QTD	-0.46%	0.37%	0.95%
3 Month	1.22%	5.63%	6.70%
YTD	-0.46%	0.37%	0.95%
1 Year	0.84%	3.79%	5.42%
2 Years pa	-1.54%	-0.82%	1.82%
3 Years pa	-1.59%	2.82%	7.10%
5 Years pa	-1.32%	2.81%	5.50%
10 Years pa	-0.93%	3.99%	6.05%

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