



# July 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



## MARKET ROUND-UP

### Market Review

Global stock markets made further gains in July, with US stocks benefiting from a favourable economic backdrop. Bond markets were mixed, as a change of policy by the Bank of Japan (BoJ) contributed to higher government bond yields (and lower prices), whereas corporate bonds rose on an improving growth outlook. Inflation surprised to the downside for the first time since the beginning of the year; this, together with robust economic activity data releases, increased the probability of a ‘soft landing’ for the global economy – an economic slowdown without a recession. A divergence remained between regions, however, with the US economy showing relative strength compared to Europe and China.

### Equities

Global stock markets rose strongly in July. The MSCI All Country World index rallied by 3.2% (2.6% in euros) over the month as stocks were supported by broadly resilient economic data and expectations of 2024 interest rate cuts amid falling inflation. The MSCI USA rose by 3.4% (2.4% in euros) as hopes for a ‘soft landing’ were in greater evidence in the US than in other regions. European ex UK equities were more muted, with a less supportive economic outlook; the asset class climbed by 1.3% (1.9% in euros). Small-cap equities rose 4.3% (3.8% in euros), outperforming large caps, supported by the more resilient growth in the US and increasing hopes of a soft landing. Emerging-market (EM) equities outperformed developed markets in July, rising by 5.4% (5.2% in euros). The asset class was boosted by a recovery in Chinese equities, which rose 10.1% as the authorities announced plans to introduce stimulus measures to support growth.

### Bonds

Bond markets were mixed in July. Core government bond markets were lower (and so yields were higher) following changes to policy by the Bank of Japan (BoJ). The BoJ announced greater flexibility around the target range for its 10-year bond yields, suggesting a new upper limit of 1.0% versus the previous limit of 0.5%. Following the announcement, expectations that Japanese investors could reduce holdings of overseas bonds and reinvest in domestic Japanese bonds caused a modest sell-off in global government bonds towards month end. The ICE BofA 5+ Year Euro Government bond index fell -0.6%, with the German 10-year yield rising to 2.49%.

European investment-grade (IG) corporate bonds, however, rose by 1.1% in July, supported by expectations that central bank interest rates were close to peaking and growing hopes that a soft economic landing would be achieved and a recession would be avoided. For similar reasons, global high-yield bonds were up by 1.6% (0.6% in euros), with yields down 0.2% to 7.59%.

## MARKET SNAPSHOT

### Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2022 Return (%)
MSCI Ireland	6.1	31.9	-21.1
MSCI United Kingdom	2.4	8.6	1.4
MSCI Europe ex UK	1.9	15.6	-11.9
MSCI North America	2.4	16.9	-13.8
MSCI Japan	1.9	12.9	-10.8
MSCI EM (Emerging Markets)	5.2	8.1	-14.5
MSCI AC World	2.6	14.7	-12.6

10-Year Yields	Yield Last Month (%)	2022 Yield (%)	2021 Yield (%)
US	3.96	3.87	1.51
Germany	2.49	2.57	-0.18
UK	4.31	3.67	0.97
Japan	0.61	0.42	0.07
Ireland	2.89	3.13	0.24
Italy	4.10	4.70	1.17
Greece	3.76	4.62	1.34
Portugal	3.22	3.59	0.47
Spain	3.52	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	0.86	0.89	0.84
US dollar per British pound	1.29	1.21	1.35

Commodities (USD)	MTD Return (%)	YTD Return (%)	2022 Return (%)
Oil (Brent)	14.2	-0.4	10.5
Gold (Oz)	2.7	8.1	-0.3
S&P Goldman Sachs Commodity Index	10.7	2.4	26.0

Source: IILIM, Bloomberg. Data is accurate as at 1 August 2023.

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied upon as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance, forecast or prediction. The MSCI information is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the “MSCI Parties”) expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

## MARKET OUTLOOK

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

Global equities have proved resilient in 2023 as recession fears have receded and a peak in central bank policy rates has come into view. While global earnings are forecast to be down slightly this year, they have held up better than feared: sales have surprised to the upside in the better economic backdrop, and the margin squeeze for corporates has been milder than anticipated.

Following the gains over the year to date, global equities appear slightly expensive, trading on a 12-month forward price-to-earnings (P/E) multiple of 16.9x against a long-term average of 16.0x. The 12-month forward P/E for the MSCI USA is 20.3x against a long-term average of 17.1x. Equities outside the US offer better value. Europe ex-UK equities trade at a multiple of 13.0x against a long-term average of 13.1x; Japanese equities trade at 15.1x versus a long term average of 15.8x; while UK equities trade at 10.8x against a long term average of 12.2x. Emerging markets are trading at 12.6x versus a long-term average of 11.6x. Equities remain expensive against both bonds and cash, given the high yields currently available on these assets.

Despite equities appearing slightly expensive, the outlook for the asset class on a 12-month view is positive. Central banks are likely to pivot towards looser policy 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 artificial intelligence (AI) should boost efficiencies and earnings across the whole market and allow equities 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.



Equities are trading slightly above long term valuation multiples. Given the high yields available on cash and bonds, equities no longer appear cheap against these assets. Increasing hopes of a soft landing, with the avoidance of a recession, have been supportive of equity markets.



Global growth slowed to an estimated 3.0% in 2022. Growth is forecast to decelerate further to 2.4% in 2023 but remain positive with a recession looking increasingly unlikely. The US economy has been more resilient while Europe has struggled as higher interest rates have impacted activity levels and demand.



After an initial reopening surge in Q1, Chinese growth has stalled. The authorities have announced plans for additional stimulus to boost growth.



While equities appear fully valued, positive economic and earnings growth into 2024 can allow equity markets to continue to grind higher, moving in line with earnings growth if multiples remain unchanged. Structural long-term benefits from the generative AI theme and evidence of earnings being boosted by AI-related initiatives can support higher equity valuation multiples.



A continued fall in inflation, enabling central banks to cut interest rates in 2024, could contribute to additional gains in equity markets.



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.

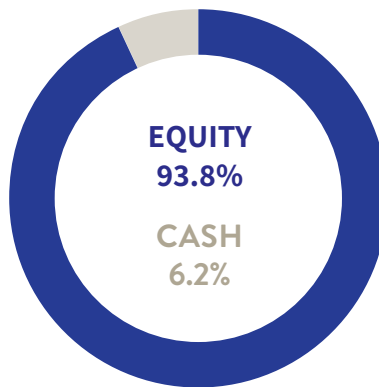
# SUMMIT GROWTH FUND

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 July

The Summit Growth Fund returned +0.60%, net of fund management fee, over July. From a sector perspective, Communication Services, Materials and Energy were the best performing sectors. The Technology, Consumer Staples and Utilities sectors lagged over the month. The stocks contributing most to the fund’s return were Alphabet, Booking Holdings and CRH. The stocks that detracted the most from the fund’s return were Microsoft, Tryg and Keysight Technologies.

## Asset allocation

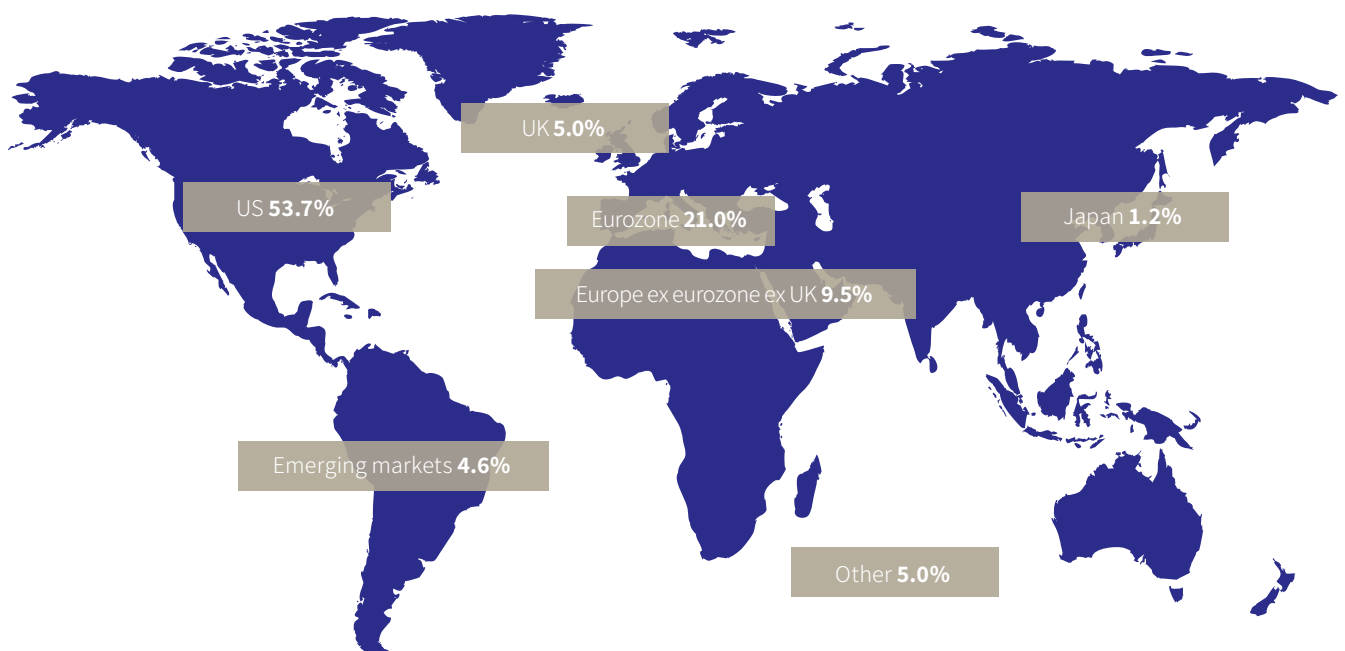


## Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.8
Berkshire Hathaway	3.8
Oracle	3.5
Alphabet	3.1
Booking Holdings	2.8
Costco Wholesale	2.7
McDonald’s	2.7
Samsung Electronics	2.5
Johnson & Johnson	2.3
Nike	2.2

Source: ILIM, Factset. Data is accurate as at 31 July 2023.

## Share regional distribution



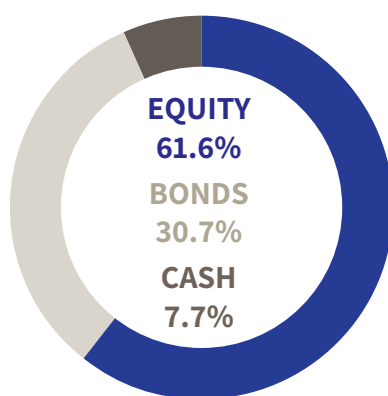
# SUMMIT BALANCED FUND

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 July

The Summit Balanced Fund returned +0.29%, net of fund management fee, over July. Communication Services, Materials and Energy were the best performing sectors. The Technology, Consumer Staples and Utilities sectors lagged over the month. Economic data releases increased the probability of a ‘soft landing’ – an economic slowdown without a recession. However, a divergence remained between the US, which showed relative strength, and slower backdrops in Europe and China. US inflation surprised to the downside for the first time since the beginning of the year, adding to hopes of a soft landing. Global stock markets rose on the better economic backdrop. Bond markets were mixed, with core sovereign bond markets down slightly as changes to policy by the Bank of Japan contributed to higher yields. Corporate bonds rose on an improving growth outlook.

## Asset allocation

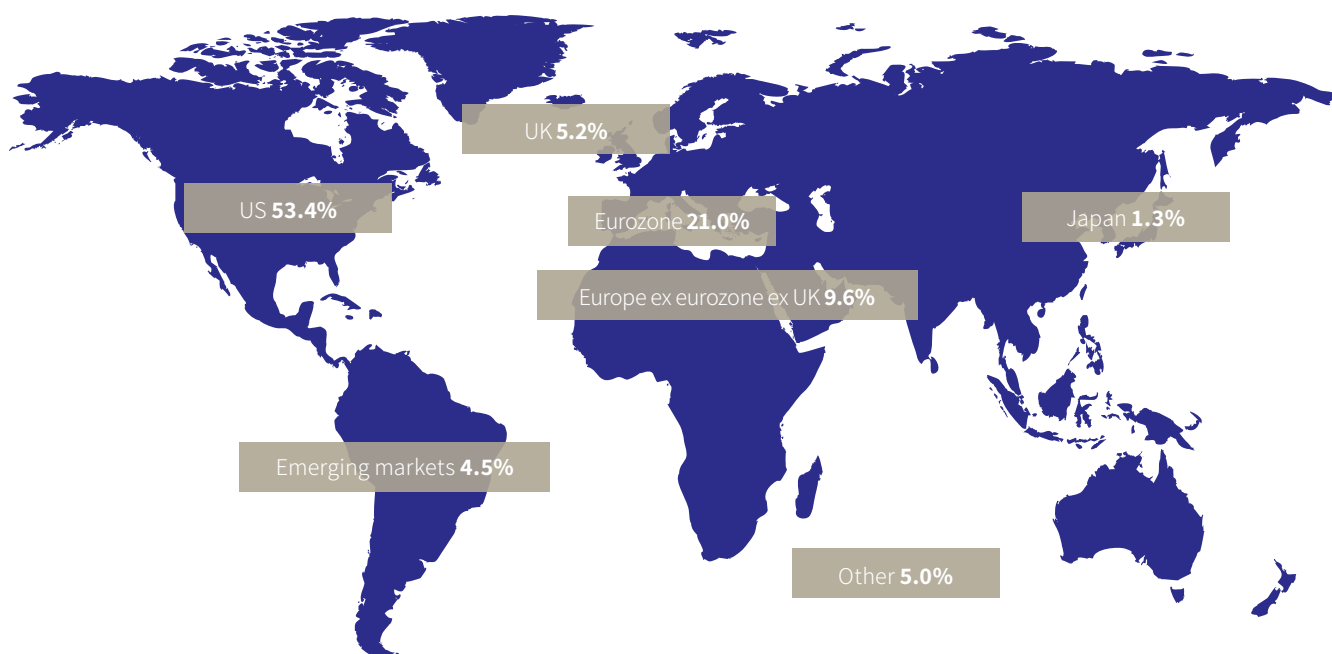


## Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.9
Berkshire Hathaway	3.8
Oracle	3.5
Alphabet	3.1
Booking Holdings	2.7
Costco Wholesale	2.7
McDonald's	2.7
Samsung Electronics	2.4
Johnson & Johnson	2.2
Nike	2.2

Source: ILIM, Factset. Data is accurate as at 31 July 2023.

## Share regional distribution



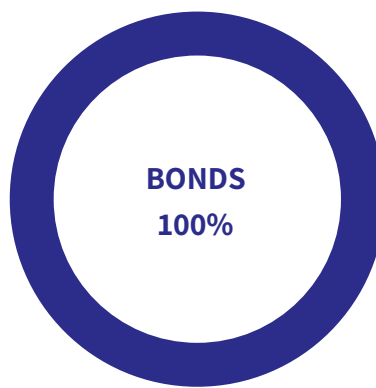
# SUMMIT STABLE FUND

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

## Fund update for July

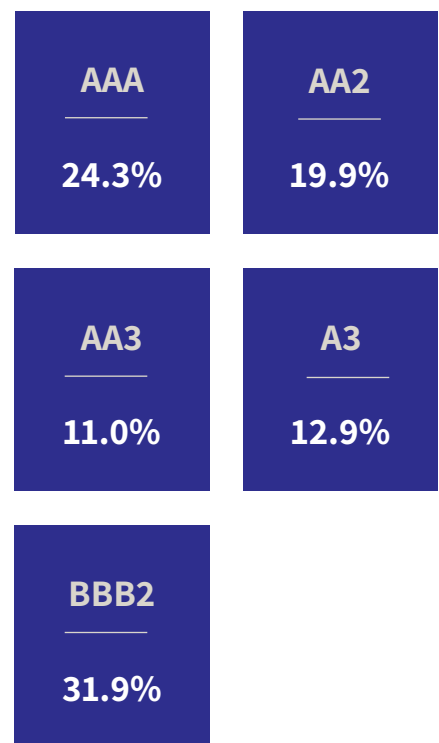
The Summit Stable Fund returned +0.28%, net of fund management fee, over July. The 2-year German yield ended July at 3.03%, down 0.16% over the course of the month. Core inflation in the eurozone remained close to its highs at a rate of 5.3% on a 12-month basis. The European Central Bank (ECB) raised interest rates by another 0.25% at its July meeting in the face of continued challenging rates of inflation. Markets only expect one further rate hike from the ECB, which would bring the deposit rate to an all-time high of 4.0%.

## Asset allocation

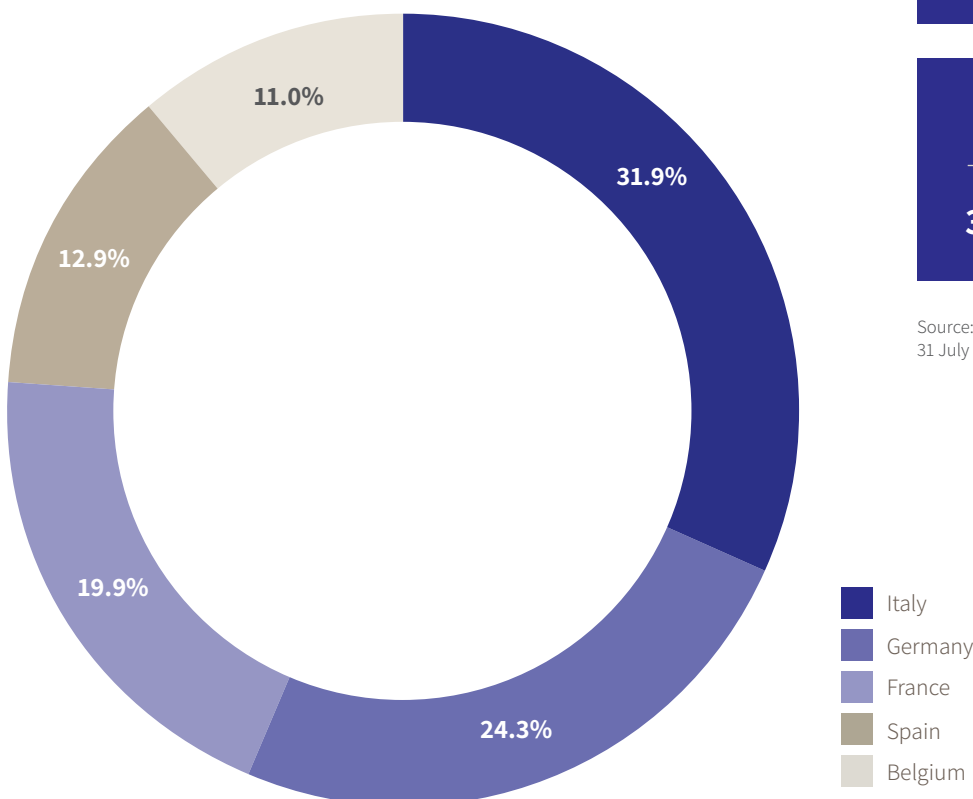


## Bond portfolio credit quality

Rating / percentage of fund



## Bond country distribution



Source: ILIM, Factset. Data is accurate as at 31 July 2023.

# SUMMIT FUND PERFORMANCE



## At 31 July 2023

Fund returns after fund management fee	Stable	Balanced	Growth
1 Month	0.28%	0.29%	0.60%
QTD	0.28%	0.29%	0.60%
3 Month	-0.19%	2.10%	3.70%
YTD	0.19%	4.48%	7.13%
1 Year	-2.11%	-1.51%	2.43%
2 Years pa	-2.52%	-0.43%	3.75%
3 Years pa	-2.01%	4.16%	9.62%
5 Years pa	-1.52%	2.22%	4.90%
10 Years pa	-0.99%	4.09%	6.38%

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:

<p><b>European Pensions AWARDS 2019</b></p>  <p><b>WINNER</b> Passive Manager of the Year</p>	 <p><b>G R E S B</b> ★★★★★ 2022</p>	 <p><b>Irish Pensions AWARDS 2019</b></p> <hr/> <p><b>WINNER</b> Investment Manager of the Year</p>	 <p><b>Irish Pensions AWARDS 2020</b></p> <hr/> <p><b>WINNER</b> Investment Manager of the Year</p>
<p><b>European Pensions AWARDS 2018</b></p>  <p><b>WINNER</b> Passive Manager of the Year</p>	 <p><b>2019 PROPERTY INVESTMENT/ EXCELLENCE AWARDS</b></p>	 <p><b>Irish Pensions AWARDS 2021</b></p> <hr/> <p><b>WINNER</b> Risk Management Provider of the Year</p>	 <p><b>Irish Pensions AWARDS 2022</b></p> <hr/> <p><b>WINNER</b> Investment Manager of the Year</p>

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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.