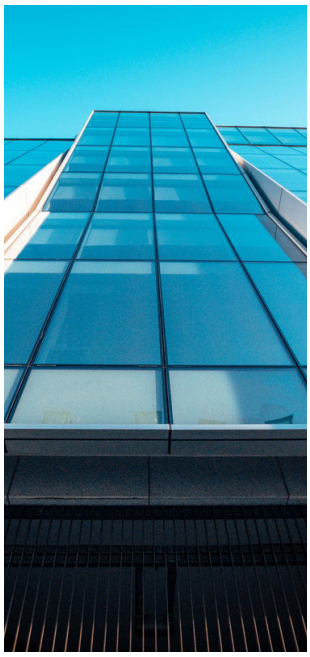
MONTHLY AND Q2 REPORT
30 JUNE 2021


# SUMMIT INVESTMENT FUNDS

# CONTENTS



# MARKET REVIEW

Equity markets continued to rise in the second quarter, boosted by the ongoing improvement in the global economy. An increasing pace of vaccinations and more fiscal initiatives across several regions propelled equities higher, while a very strong first-quarter earnings reporting season also contributed to gains. Although the US Federal Reserve (Fed) indicated that interest rates could be increased in the second half of 2023, the central bank's ongoing accommodative stance supported markets. In bonds markets, global yields were more stable during the second quarter, after the sharp move higher in bond yields during the first. US yields fell as inflation expectations declined, despite the higher-than-expected inflation readings. However, European yields rose slightly, as the region's economic prospects improved due to progress made rolling out Covid-19 vaccines.

## EQUITIES

The MSCI AC World equity benchmark rose 7.2% (6.6% in euro terms). The US rose 8.9% (7.9% in euro terms), as growth was strong on the back of large-scale fiscal and monetary stimulus measures. Europe gained 7.1% (7.3% in euro terms), as the outlook for the economy improved as more people were vaccinated. Japan lagged, rising 0.2% (-1.1% in euro terms), due to sluggish growth as restrictions were introduced to combat a new rise in Covid-19 case numbers. Similarly, emerging-market equities underperformed, rising 3.9% (4.2% in euro terms) due to the slow rollout of vaccines and rising infections across a number of countries.

## BONDS

The ICE BofA Merrill Lynch Eurozone > 5-year sovereign bond benchmark fell -0.9%, while the German 10-year yield rose to -0.21%. An improving growth outlook across the Eurozone pushed yields higher, and several sentiment surveys reached new all-time highs as people anticipated a rapid economic recovery.

There appeared to be some divisions among European Central Bank (ECB) policymakers and uncertainty over the path of monetary policy. This too contributed to higher yields, with the German 10-year yield reaching a high of -0.07%. But subsequent confirmation by the ECB that it would maintain monthly asset purchases at the current, higher level helped to lower yields as quarter-end approached. Italian 10-year spreads widened slightly during the quarter to 103 basis points (bps) from 96bps on the back of this policy-related uncertainty and the announcement of a large fiscal package of €220bn by Prime Minister Mario Draghi. This raised the Italian fiscal deficit to 11% of GDP. Spanish spreads were more stable, declining 1bp to 62bps, while Portuguese spreads were 8bps higher at 60bps. Peripheral spreads found some support from the anticipated start of disbursements from the EU Recovery Fund.

European investment-grade corporate bonds rose 0.3%, while global high-yield credit rose 2.2%. Yields and spreads in both investment-grade and high-yield corporates declined after the ongoing improvement in growth and investors' ongoing search for yield in a low-yield environment.

## CURRENCIES AND COMMODITIES

The euro rose against the US dollar to 1.1849. The euro was initially strong, rising to a peak of 1.2266 in mid-May on the improving growth outlook in Europe and uncertainty when it was thought that the ECB might tighten policy. The euro weakened through June as the US dollar rallied due to the Fed indicating that interest rates could rise in 2023 (previously, it had suggested rates that would not be raised until at least 2024).

Commodities rose 15.7% due to their sensitivity to global growth expectations. With growth forecasts firm, the demand outlook for commodities was positive and pushed prices higher. The oil price also continued to rise, with West Texas Intermediate increasing 24.2% as OPEC+ discipline remained firm. Gold rose 3.5% on a slightly weaker US dollar and declining US real yields following their rise in the first quarter.

## MARKET SNAPSHOT

### Market returns (EUR)

| Equity Markets (EUR) | MTD Return (%) | YTD Return (%) | 2020 Return (%) |
|---|---|---|---|
| MSCI Ireland | 1.58 | 11.55 | 5.97 |
| MSCI United Kingdom | 5.03 | 16.11 | -17.83 |
| MSCI Europe ex UK | 7.29 | 15.75 | 2.43 |
| MSCI North America | 7.99 | 18.81 | 10.64 |
| MSCI Japan | -1.14 | 4.67 | 5.42 |
| MSCI EM (Emerging Markets) | 4.18 | 11.00 | 8.89 |
| MSCI AC World | 6.57 | 16.14 | 7.18 |
| **10-Year Yields** | **Yield Last Month (%)** | **2020 Yield (%)** | **2019 Yield (%)** |
| US | 1.47 | 0.91 | 1.92 |
| Germany | -0.21 | -0.57 | -0.19 |
| UK | 0.72 | 0.20 | 0.82 |
| Japan | 0.06 | 0.02 | -0.02 |
| Ireland | 0.16 | -0.30 | 0.11 |
| Italy | 0.82 | 0.54 | 1.41 |
| Greece | 0.83 | 0.63 | 1.43 |
| Portugal | 0.39 | 0.03 | 0.43 |
| Spain | 0.41 | 0.05 | 0.46 |
| **FX Rates** | **Current** | **2020 Rates** | **2019 Rates** |
| US Dollar per Euro | 1.18 | 1.22 | 1.12 |
| British Pounds per Euro | 0.86 | 0.90 | 0.85 |
| US Dollar per British Pounds | 1.38 | 1.37 | 1.33 |
| **Commodities (USD)** | **QTD Return (%)** | **YTD Return (%)** | **2020 Return (%)** |
| Oil (WTI) | 24.19 | 51.42 | -20.54 |
| Gold (Oz) | 3.52 | -6.44 | 24.40 |
| S&P Goldman Sachs Commodity Index | 15.72 | 31.40 | -23.72 |

Source: ILIM, Bloomberg. Data is accurate as at 1 July 2021

# MARKET OUTLOOK

## IRISH LIFE INVESTMENT MANAGERS' (ILIM'S) VIEW – LOOKING AHEAD

The outlook for equity markets over the next 12 months depends on several factors, including central bank policy, inflation (both expected and realised) and the evolution of the Covid-19 pandemic. While equity markets are expensive in absolute terms, they remain attractive in relative terms, given the low yields available on assets such as bonds and cash. The current low level of bond yields, even allowing for recent rises, justifies higher-than-average valuations in equities. We believe global equities can trade on a 12-month forward price-to-earnings (P/E) ratio of 18.5–19.0 times one year from now. With strong economic and earnings growth forecast over the next two years, upside of around double digits in global equities is expected over the next 12 months.

As the global economy moves from the early growth to mid-cycle stage, we expect equity returns to be positive even as the pace of gains slows. The growth/policy mix should be supportive, even as the level of stimulus is reduced in 2022. Authorities are determined to ensure the recovery is complete and self-sustaining, meaning growth will be above trend even as momentum peaks in the middle of the year. The bias to growth and earnings forecasts is still seen as being to the upside, although the scope for positive surprises is less than it was at the beginning of the year.

Outlook dependent on economic and earnings growth. Monetary and fiscal policy are supportive.

Global economy estimated to have contracted in 2020 by -3.6% due to Covid-19 with a 6.5% rebound expected in 2021.

Covid-19, central bank/fiscal stimulus will be key for growth. Vaccine developments supportive of growth.

Equity valuations appear expensive on an absolute basis but remain attractive in relative terms.

High single to double digit upside possible over 12 months with economic and earnings recovery and supportive policies.

Volatility likely to remain a feature.

# SUMMIT GROWTH FUND

Information is correct at 30 June 2021

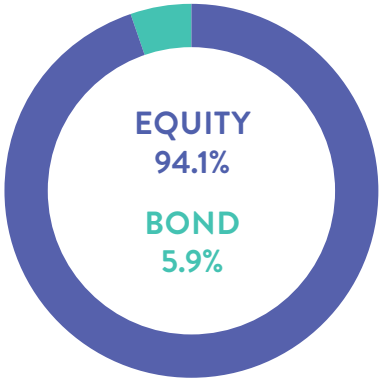
## FUND DESCRIPTION

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 JUNE

The Summit Growth Fund returned 1.74% in June. From a sector perspective the Energy & Materials sector contributed the most to performance. The Technology and Industrials sectors detracted from performance. The stocks contributing most to the fund return during the month were Microsoft Corp, Nike Inc, Alphabet Inc and Keysight Technologies. The stocks that detracted most from the fund return were Melrose Industries Plc, Playtech Plc, O-I Glass Inc and Bank of Ireland Group Plc.

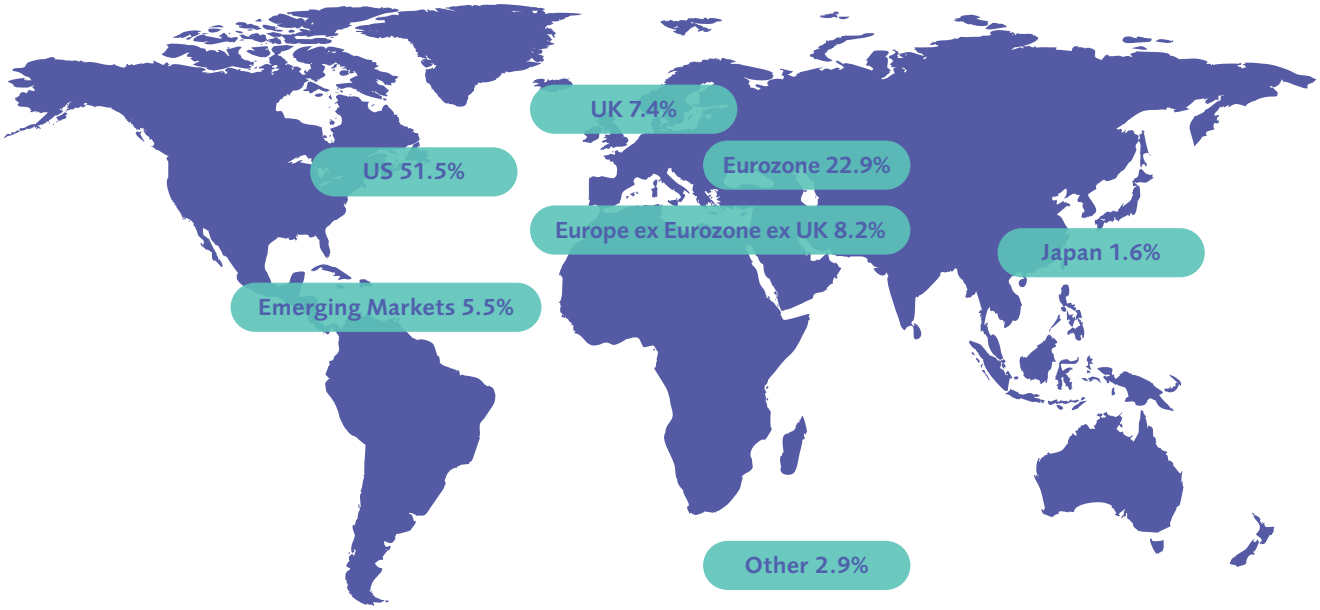
## ASSET ALLOCATION




## TOP TEN SHARE HOLDINGS

| Stock name | % of fund |
|---|---|
| Microsoft Corp | 4.6% |
| Alphabet Inc | 3.1% |
| Berkshire Hathaway Inc | 2.9% |
| McDonald's Corp | 2.6% |
| Oracle Corp | 2.6% |
| Johnson Controls International Ord | 2.5% |
| Nike Inc | 2.4% |
| DCC Plc | 2.4% |
| Samsung Electronics Co Ltd | 2.4% |
| Johnson & Johnson | 2.2% |

## SHARE REGIONAL DISTRIBUTION



# SUMMIT BALANCED FUND

Information is correct at 30 June 2021

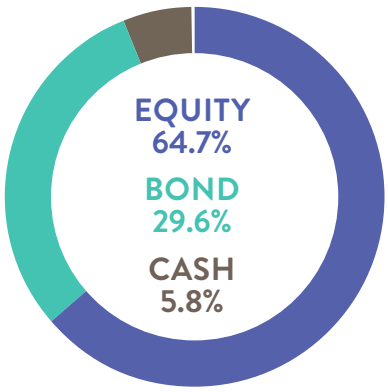
## FUND DESCRIPTION

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 JUNE

The Summit Balanced Fund returned 1.29% in June. From a sector perspective, the Energy & Materials sector contributed the most to performance. The Technology and Industrials sectors detracted from performance. Eurozone sovereign bonds were higher as German yields fell marginally, whilst peripheral spreads, particularly in Italy, were supported by the impending disbursement of funds via the €750bn Next Generation EU Recovery Fund.

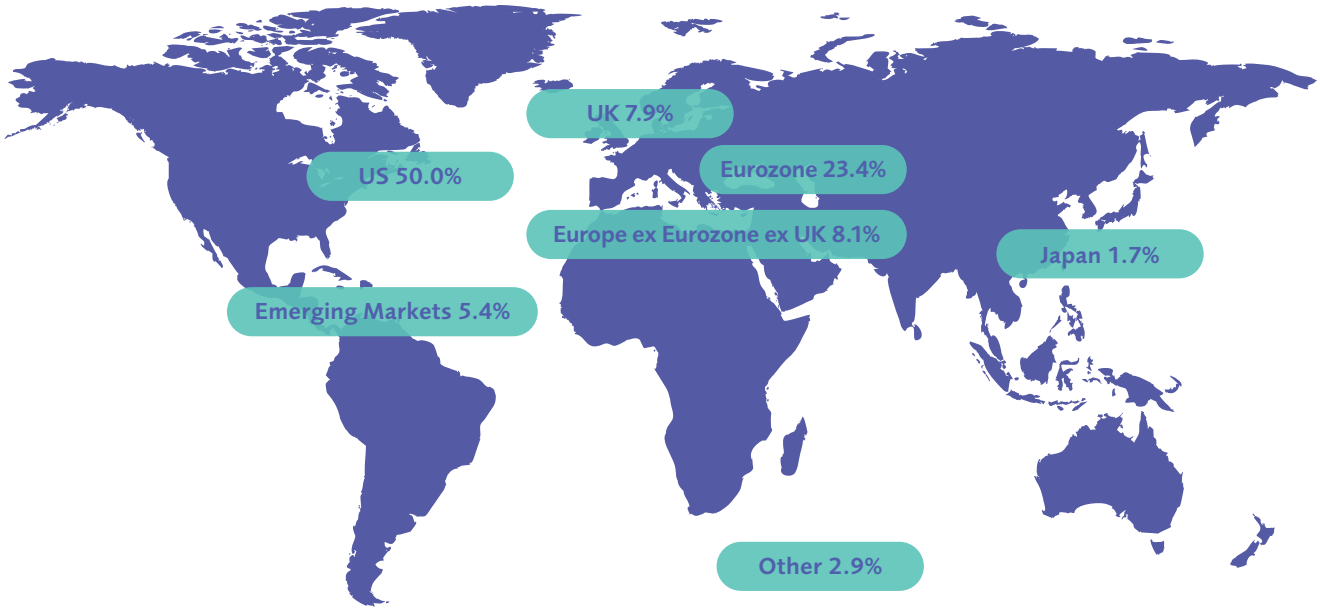
## ASSET ALLOCATION




## TOP TEN SHARE HOLDINGS

| Stock name | % of fund |
|---|---|
| Microsoft Corp | 4.4% |
| Alphabet Inc | 2.8% |
| Berkshire Hathaway Inc | 2.7% |
| Johnson Controls International Ord | 2.5% |
| Nike Inc | 2.4% |
| McDonald's Corp | 2.4% |
| DCC Plc | 2.4% |
| Oracle Corp | 2.3% |
| ILIM | 2.3% |
| Samsung Electronics Co Ltd | 2.2% |

## SHARE REGIONAL DISTRIBUTION



# SUMMIT STABLE FUND

Information is correct at 30 June 2021

## FUND DESCRIPTION

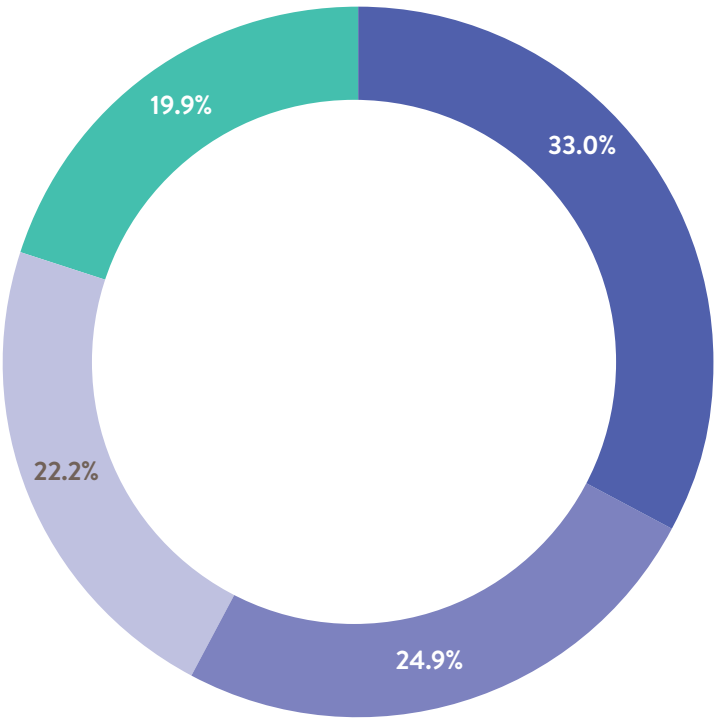
The Stable Fund invests in short-term Eurozone government debt and cash.

## FUND UPDATE FOR JUNE

The Summit Stable Fund returned -0.09% in the month of June. Stronger economic growth from the opening up of economies led to an outperformance of Italian bonds during the period. The fund benefitted from an overweight allocation to Italian bonds in the period.

## ASSET ALLOCATION


## BOND COUNTRY DISTRIBUTION




## BOND PORTFOLIO CREDIT QUALITY

**Rating / percentage of fund**

| AAA | AA2 | A3 | BBB3 |
|---|---|---|---|
| 19.9% | 24.9% | 22.2% | 33.0% |

- Italy
- France
- Spain
- Germany

# SUMMIT FUND PERFORMANCE AT 30/06/2021

| Fund Returns after fund management fee | Stable | Balanced | Growth |
|---|---|---|---|
| 1 Month | -0.09% | 1.29% | 1.74% |
| QTD | -0.35% | 2.17% | 3.54% |
| 3 Month | -0.35% | 2.17% | 3.54% |
| YTD | -1.06% | 7.13% | 12.26% |
| 1 Year | -0.97% | 12.93% | 21.04% |
| 2 Years pa | -0.96% | 4.38% | 6.71% |
| 3 Years pa | -0.87% | 4.07% | 6.00% |
| 5 Years pa | -1.07% | 4.03% | 6.17% |
| 10 years pa | -0.20% | 4.52% | 6.04% |

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.

ILIM