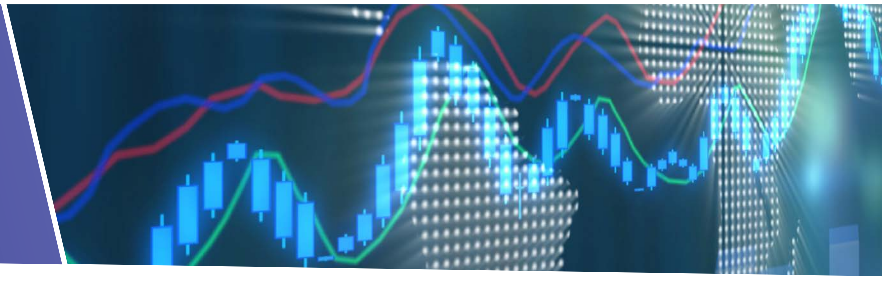
Irish Life

Life | Pensions | **Investments**

June 2023 in review
Summit Investment Funds

Helping people build better futures

MARKET REVIEW



MARKET ROUND-UP

Market Review

Global economic data was mixed in June, with a divergence between a resilient US economy and signs of slowing in the eurozone and China. The US Federal Reserve (Fed) paused its interest rate rises at the June meeting but guided to two further rate hikes later this year. The European Central Bank (ECB) increased rates by 0.25% and suggested another rise at the July meeting, and possibly more thereafter, amid sticky inflation. Global stock markets rallied strongly in June, with US stocks benefiting from a favourable economic backdrop and positive sentiment around artificial intelligence and its potential to improve corporate profit margins. Bond markets were close to flat, but government bond yields rose as further interest rate rises were priced in. The US dollar fell against the euro in June, giving back most of its gains in May, as the ECB was expected to raise interest rates at a faster pace than the Fed.

Equities

Global stock markets rose strongly in June. The MSCI All Country World index rallied by 5.5% (+3.4% in euros) over the month as stocks were supported by broadly resilient economic data and continued to benefit from positive sentiment around artificial intelligence (AI) and its potential to improve corporate profit margins.

This was especially the case in the US, as the MSCI USA rose by 6.7% (+4.2% in euros).

European ex-UK equities were up by 2.8% (2.7% in euros), while UK equities lagged, rising by 1.2% (+1.5% in euros) amid rising interest rates and concerns of recession.

Bonds

Bonds markets were close to flat in June, with the ICE BofA 5+ Year Euro Government bond index up by 0.1%. Government bonds yields moved higher as the prospect of further interest rate rises in the second half of 2023 was priced in: two-year US Treasury yields rose by 0.5% to 4.90%, while German two-year government bond yields were up by 0.48% to 3.20%.

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	QTD Return (%)	YTD Return (%)	2022 Return (%)
MSCI Ireland	4.0	24.3	-21.1
MSCI United Kingdom	1.8	6.1	1.4
MSCI Europe ex UK	3.0	13.5	-11.9
MSCI North America	8.0	14.2	-13.8
MSCI Japan	6.0	10.8	-10.8
MSCI EM (Emerging Markets)	0.6	2.8	-14.5
MSCI AC World	5.9	11.8	-12.6
10-Year Yields	**Yield Last Month (%)**	**2022 Yield (%)**	**2021 Yield (%)**
US	3.84	3.87	1.51
Germany	2.39	2.57	-0.18
UK	4.39	3.67	0.97
Japan	0.40	0.42	0.07
Ireland	2.81	3.13	0.24
Italy	4.07	4.70	1.17
Greece	3.67	4.62	1.34
Portugal	3.13	3.59	0.47
Spain	3.39	3.66	0.57
FX Rates	**End last month**	**2022 Rates**	**2021 Rates**
US dollar per euro	1.09	1.07	1.14
British pound per euro	0.86	0.89	0.84
US dollar per British pound	1.27	1.21	1.35
Commodities (USD)	**QTD Return (%)**	**YTD Return (%)**	**2022 Return (%)**
Oil (Brent)	-6.1	-12.8	10.5
Gold (Oz)	-2.5	5.2	-0.3
S&P Goldman Sachs Commodity Index	-2.7	-7.5	26.0

Source: ILIM, Bloomberg. Data is accurate as at 1 July 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 monetary tightening and banking crises. However, in our view, equities could be vulnerable to some short-term downside. Headwinds from slower growth in the second half of the year with lingering risks of a recession, monetary policy remaining restrictive for longer, reduced liquidity levels and a potential new round of downward revisions to earnings forecasts all could cause equities to retrace some of their recent gains.

Following the gains year to date, global equities appear slightly expensive, trading on a 12-month forward P/E multiple of 16.4x against a long-term average of 16.0x. The 12-month forward P/E for the MSCI USA is 19.7x 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 13.1x, while emerging markets are trading at 12.1x versus a long-term average of 11.6x. Equities remain expensive against both bonds and cash given the high yields currently available. On balance, we believe there could be a better entry point for equities later this year.

Potential offsets to any short-term downside in equities would be: growth remaining positive and a soft landing for the economy, inflation falling faster allowing central banks to loosen policy earlier, the benefits from the application of AI accruing more quickly, and long-only institutional investors closing underweight equity positions.

The outlook for equities on a 12-month view remains positive. Once the question around slower growth or recession is resolved, central banks are likely to pivot towards looser policy in 2024 as inflation continues to fall. An anticipated rebound in earnings as growth recovers should also provide a tailwind while, over the medium term, the rollout of AI should boost efficiencies and earnings across the whole market. The ongoing green-related capex cycle could also boost earnings over the medium term.

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

Global growth slowed to an estimated 3.0% in 2022. Growth is forecast to decelerate further to 2.4% in 2023 with lower growth in developed markets and an improvement in emerging markets as China reopens. The jury is out on whether or not a recession will occur, although the impact of the US banking crisis has increased growth concerns due to fears over tighter lending conditions, while European and Chinese data has recently begun to ease.

The impact of rising interest rates, inflation developments and China's reopening will all be key for growth.

Equity valuations in absolute terms are now slightly above long-term averages, although earnings forecasts could still be vulnerable to further downside, meaning absolute valuations could be higher. 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 recovering.

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

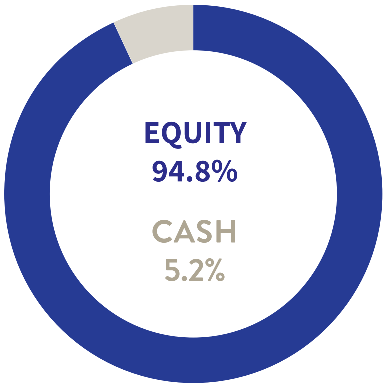
SUMMIT GROWTH FUND

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 June

The Summit Growth Fund returned +1.91%, net of fund management fee, over June. From a sector perspective, Healthcare and Infrastructure were the best performing sectors. The Consumer Discretionary, Financials and IT sectors lagged over the month. The stocks contributing the most to the fund's return were Oracle, Oshkosh and CRH. The largest detractors from performance were Alphabet, Lancashire Holdings and Tryg.

Asset allocation

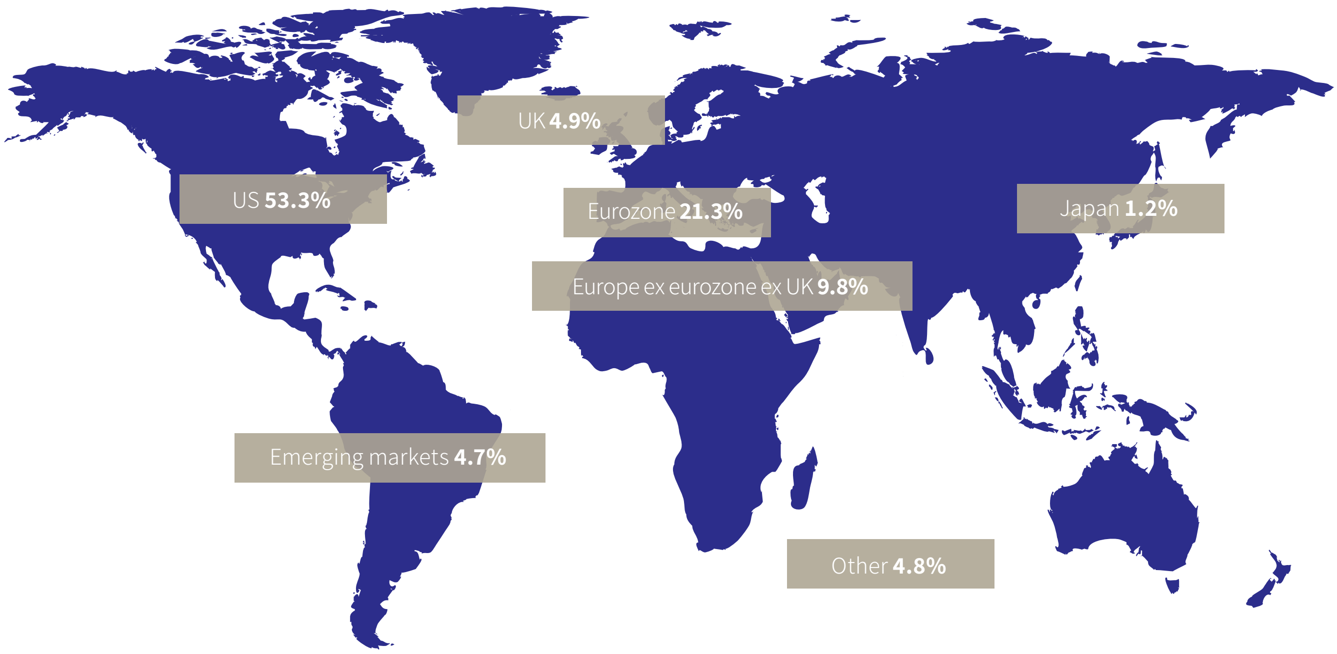


Top Ten Share Holdings

Stock name	% of fund
Microsoft	5.1
Oracle	3.7
Berkshire Hathaway	3.7
Alphabet	2.8
McDonald's	2.7
Costco Wholesale	2.6
Booking Holdings	2.5
Samsung Electronics	2.5
Johnson & Johnson	2.3
Nike	2.2

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

Share regional distribution



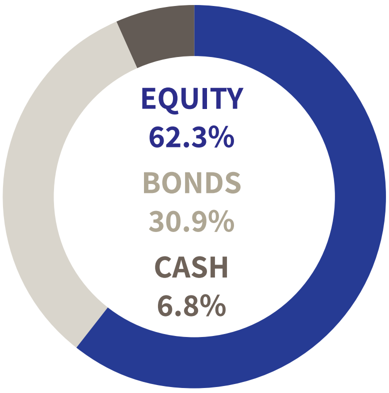
SUMMIT BALANCED FUND

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 June

The Summit Balanced Fund returned +1.03%, net of fund management fee, over June. Global economic data was mixed, with a divergence between a resilient US economy and signs of slowing in the eurozone and China. Stock markets rallied strongly, with US stocks benefiting from a favourable economic backdrop and positive sentiment around AI and its potential to improve corporate profit margins. Meanwhile, bond markets were close to flat, but government bond yields rose as further interest rate rises were priced in amid sticky inflation.

Asset allocation

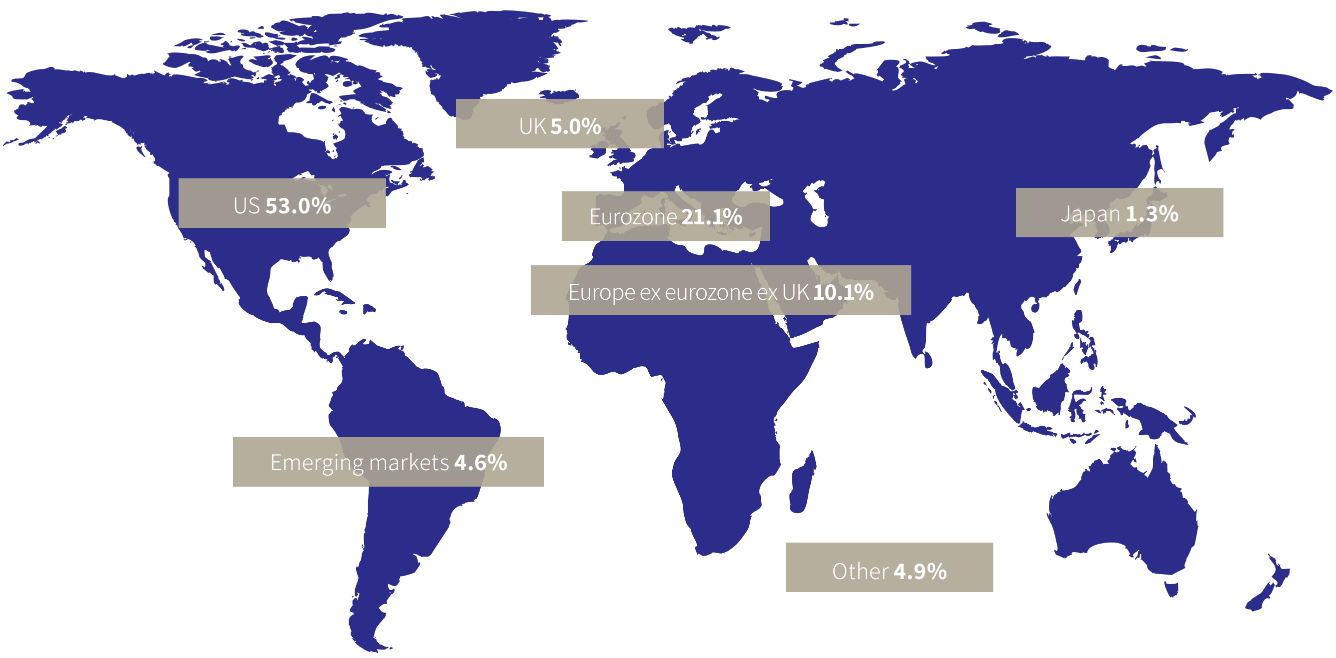


Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.9
Berkshire Hathaway	3.7
Oracle	3.6
Alphabet	2.8
Costco Wholesale	2.8
McDonald's	2.7
Booking Holdings	2.5
Samsung Electronics	2.4
Johnson & Johnson	2.2
Nike	2.2

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

Share regional distribution



Information is correct at 30 June 2023.

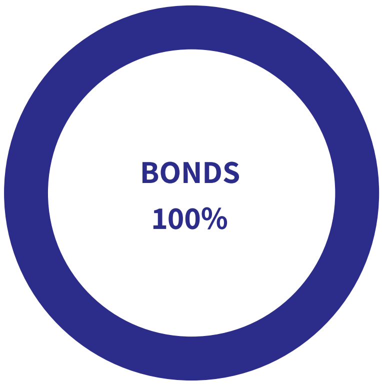
SUMMIT STABLE FUND

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

Fund update for June

The Summit Stable Fund returned -0.65%, net of fund management fee, over the month of June. Government bond yields increased, with the two-year German bund yield ending June at 3.20%, up 0.48% over the month. Core inflation in the eurozone increased modestly to a rate of 5.4% year-on-year. The ECB raised rates by another 0.25% at its June meeting in the face of continued challenging rates of inflation. Markets expect a further 0.50% in rate hikes over the course of the summer, which would take the ECB deposit rate back to all-time highs of 4.00%.

Asset allocation



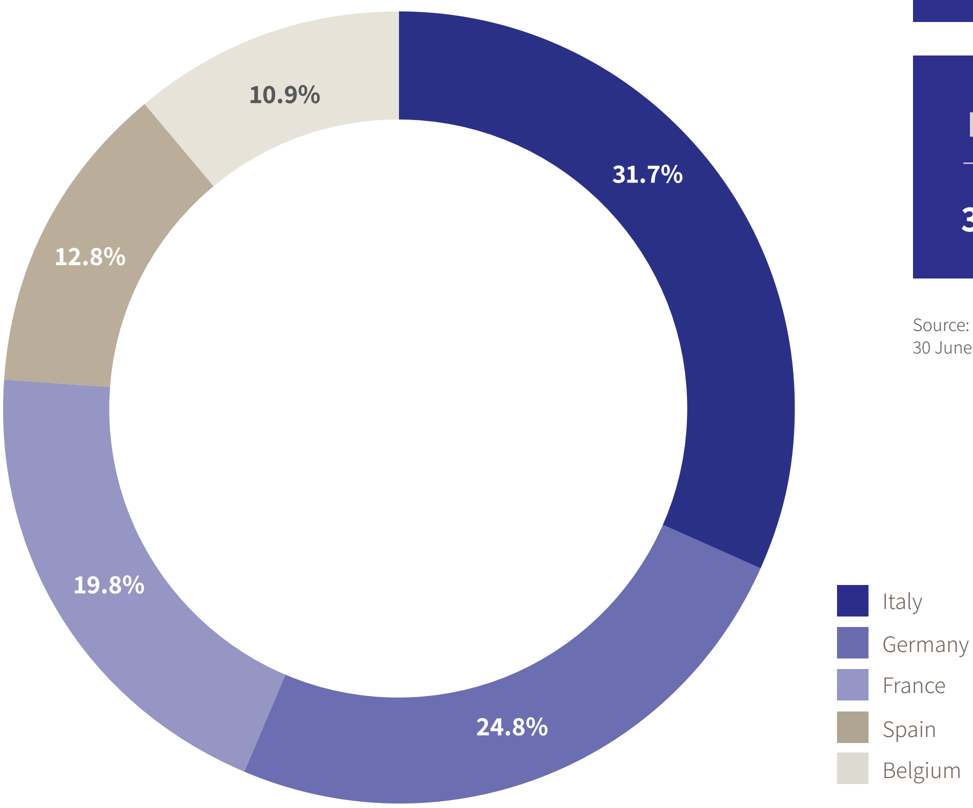
Bond portfolio credit quality

Rating / percentage of fund

Rating	Percentage of fund
AAA	24.8%
AA2	19.8%
AA3	10.9%
A3	12.8%
BBB2	31.7%

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

Bond country distribution



SUMMIT FUND PERFORMANCE

At 30 June 2023

Fund returns after fund management fee	Stable	Balanced	Growtth
1 Month	-0.65%	1.03%	1.91%
QTD	-0.47%	2.23%	3.85%
3 Month	-0.47%	2.23%	3.85%
YTD	-0.09%	4.18%	6.49%
1 Year	-2.20%	2.87%	7.72%
2 Years pa	-2.66%	-0.06%	3.94%
3 Years pa	-2.10%	4.10%	9.35%
5 Years pa	-1.59%	2.40%	5.17%
10 Years pa	-1.01%	4.23%	6.67%

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
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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

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.