MONTHLY &
QUARTER 1 REPORT
31 MARCH 2021

Irish Life

SUMMIT INVESTMENT FUNDS

Summit Investment Funds plc is authorised in Ireland and regulated by the Central Bank of Ireland

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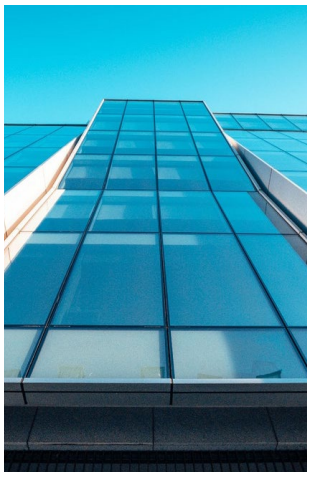


MARKET REVIEW

Equity markets began the year on the front foot, given optimism around vaccines, further US fiscal stimulus measures and hopes that a combination of reopening and pent-up demand would propel global growth higher. The Covid-19 vaccine rollout across the UK, Israel and the US bodes well for the global economy. Equities were supported by hopes of additional US fiscal stimulus after the Democrats won both seats in the Georgia run-off elections, which gave them control of the US Senate. Subsequent upward revisions to growth and earnings forecasts boosted markets, as did confirmation that the US central bank, the Federal Reserve, would continue its accommodative monetary policy (which aims to support the economy and in turn markets) through 2021. As the quarter progressed, inflation became a key topic of debate following upward revisions to global growth and inflation expectations. Price swings occurred in global bond markets, due to the perceived risk of higher inflation, which was primarily driven by the US and on the back of the significant fiscal stimulus passed by the Biden administration. This forced a sell-off in government bonds and a correction in equities, as bond yields rose (as prices fell) across the US and other regions. Despite some hiccups, equity markets generally took the bond sell-off in their stride, as yields were seen to be rising for the right reasons, i.e., the market expecting a solid recovery in the global economy through 2021 and into 2022.

MARKET REVIEW (CONTINUED)

EQUITIES

Over the quarter, the MSCI AC World equity benchmark rose 6.0% (9.0% in euro terms). Emerging markets rose 4.0% (6.5% in euro terms), as the stronger US dollar, fears around a Covid-19 resurgence in some emerging markets and rising yields caused concern in some regions. Pacific Basin equities rose 5.8% (8.9% in euro terms), supported by strong commodity prices. Europe outperformed, rising 8.4% (7.9% in euro terms) as it benefited from reassuring language from the ECB, a weaker euro (which is positive for exporters) and Europe's tilt to 'value' stocks, which fared well over the quarter. The UK performed well too, rising 5.2% (10.6% in euro terms), reflecting the success of the vaccine rollout and the removal of the Brexit uncertainty that hung over markets since 2016.

BONDS

The ICE BofA Merrill Lynch Eurozone > 5-year sovereign bond benchmark fell -3.3%. German 10-year yields (which move inversely to prices) rose to -0.29% in sympathy with US Treasuries. Eurozone yield increases were capped in March, as the ECB indicated that it would increase the pace of asset purchases through the second quarter to ensure financial conditions remained favourable across the bloc. Peripheral spreads narrowed across Italy and Portugal, with spreads widening marginally in Spain. Italian spreads narrowed as political tensions abated following the formation of a new government led by former ECB chief Mario Draghi. By quarter-end, Italian 10-year spreads against Germany were down to 96 basis points (bps) from 111bps at year-end; Spanish spreads were 63bps, having been 62bps at year-end; while Portuguese spreads were 52bps, down from 59bps at year-end.

European investment-grade corporate bonds fell -0.7% with high-yield credit performing better; it fell by -0.3%. Volatility in credit spreads has been low recently, despite large moves in government markets. Ongoing monetary policy support and the reach for yield has supported credit markets in recent months.

CURRENCIES AND COMMODITIES

The euro fell against the US dollar to 1.1750, due to the ongoing rise in US yields and an indication by the ECB that it will increase bond purchases over the next three months in an effort to limit the tightening of financial conditions evident through higher yields.

Commodities rose 13.5% due to their sensitivity to global growth expectations. Oil performed well in the first quarter, but gains were pared in March. Brent crude started the year just above USD50/bbl and rallied through January and February to a high of around USD71/bbl. This move higher was supported by signs of cohesion in OPEC+ and optimism around demand, given the successful rollout of many Covid-19 vaccination programmes. However, the second half of March was more challenging, as concerns around demand meant that oil pulled back from its highs. Gold fell -10.0%, negatively impacted by the ongoing rise in US real interest rates and the stronger US dollar.

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	QTD Return (%)	YTD Return (%)	2020 Return (%)
MSCI Ireland	9.82	9.82	5.97
MSCI United Kingdom	10.56	10.56	-17.83
MSCI Europe ex UK	7.89	7.89	2.43
MSCI North America	10.02	10.02	10.64
MSCI Japan	5.88	5.88	5.42
MSCI EM (Emerging Markets)	6.54	6.54	8.89
MSCI AC World	8.98	8.98	7.18
10-Year Yields	**Yield Last Month (%)**	**2020 Yield (%)**	**2019 Yield (%)**
US	1.74	0.91	1.92
Germany	-0.29	-0.57	-0.19
UK	0.85	0.20	0.82
Japan	0.10	0.02	-0.02
Ireland	0.06	-0.30	0.11
Italy	0.67	0.54	1.41
Greece	0.87	0.63	1.43
Portugal	0.23	0.03	0.43
Spain	0.34	0.05	0.46
FX Rates	**Current**	**2020**	**2019**
US Dollar per Euro	1.18	1.22	1.12
British Pounds per Euro	0.85	0.90	0.85
US Dollar per British Pounds	1.38	1.37	1.33
Commodities (USD)	**QTD Return (%)**	**YTD Return (%)**	**2019 Rates**
Oil (WTI)	21.93	21.93	-20.54
Gold (Oz)	-9.63	-9.63	24.40
S&P Goldman Sachs Commodity Index	13.55	13.55	-23.72

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

MARKET OUTLOOK

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

Global growth expectations have accelerated since the turn of the new year, due to new US stimulus measures, accommodative central banks and the ongoing vaccine rollout. Equity markets have been positive, but volatility has remained a feature. Markets came into the year on the back of all-time highs and continued in this vein through the opening quarter, boosted by further US fiscal stimulus, strong fourth-quarter earnings and upgrades to global growth forecasts, supported by the vaccine rollout. However, equities experienced several modest pull-backs as government bonds sold off.

The outlook for equity markets over the next 12 months depends on several factors, including the evolution of Covid-19, the scale of the global vaccine rollout and the level of stimulus provided by global authorities. While equity markets are expensive in absolute terms, they remain very attractive in relative terms, given the low yields available on assets such as bonds and cash. The current low level of bond yields 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 at the end of 2021. With the global economy in the initial stages of a new cycle and with strong economic and earnings growth forecast over the next two years, upside of mid-to-high single digits in global equities is expected over the next 12 months.

Potential risks to the positive outlook include a resurgence in Covid-19 cases and a failure to contain the virus, vaccines proving to be ineffective in treating new variants (which would threaten the improving growth backdrop), fiscal and monetary supports being reduced or further significant rises in bond yields, which would diminish the relative valuation case for equities. The probability of these occurring is viewed as being low. Volatility, however, will likely remain a feature in markets if any of these issues become a cause for concern over the course of 2021.

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

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

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

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

High single to double digit upside is possible on 12-month view if an economic recovery continues in 2021 and policy remains supportive.

Volatility to remain a feature.

SUMMIT GROWTH FUND

Information is correct at 31 March 2021

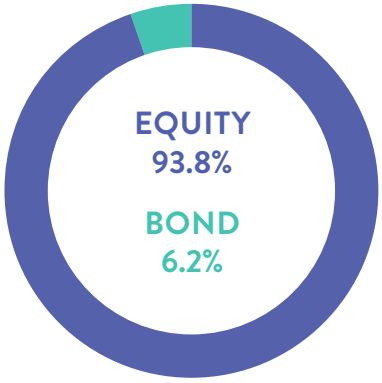
FUND DESCRIPTION

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 MARCH

The Summit Investment Growth Fund returned 5.87% in March. From a sector perspective, the technology, materials, financials and healthcare sectors contributed the most to performance. The stocks contributing most to the fund returns during the month were O-I Glass, DXC Technology, Oshkosh Corp, Cisco Systems and McDonalds. The stocks that detracted most were Playtech Plc, Taiwan Semiconductor, Tupras and Saga Plc.

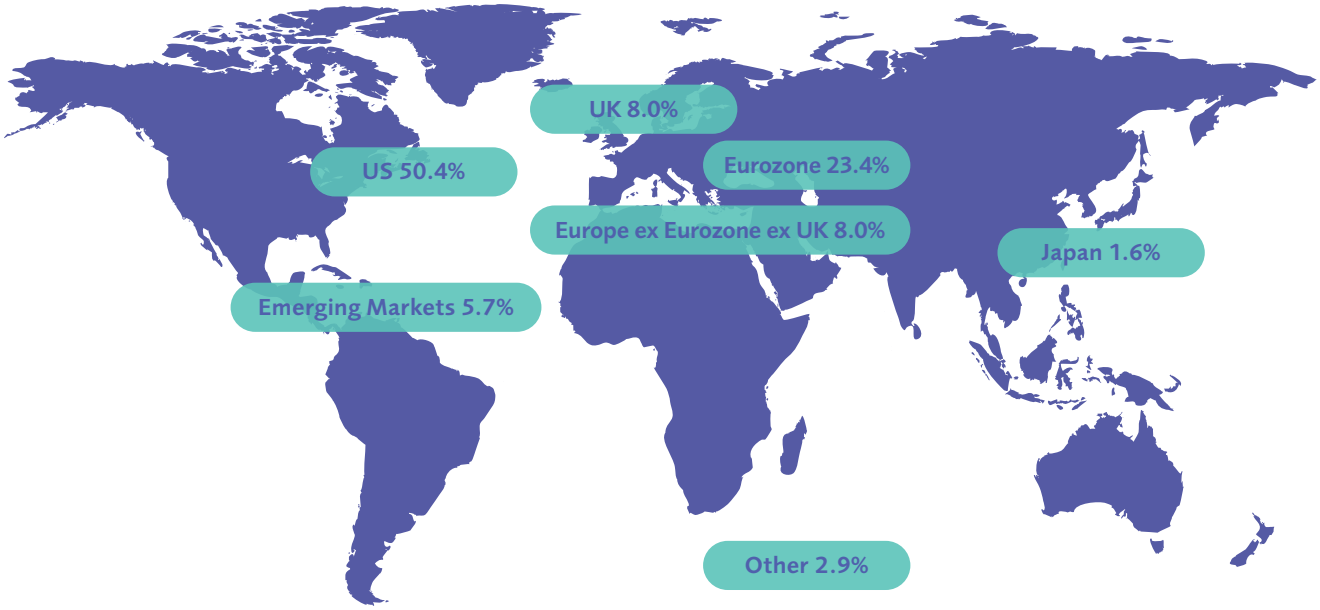
ASSET ALLOCATION



TOP TEN SHARE HOLDINGS

Stock name	% of fund
Microsoft Corp	4.2%
Berkshire Hathaway Inc	2.8%
Alphabet Inc	2.7%
McDonald's Corp	2.6%
Samsung Electronics Co Ltd	2.5%
Oracle Corp	2.4%
DCC Plc	2.3%
Oshkosh Corp	2.3%
Johnson Controls International Ord	2.3%
Johnson & Johnson	2.3%

SHARE REGIONAL DISTRIBUTION



SUMMIT BALANCED FUND

Information is correct at 31 March 2021

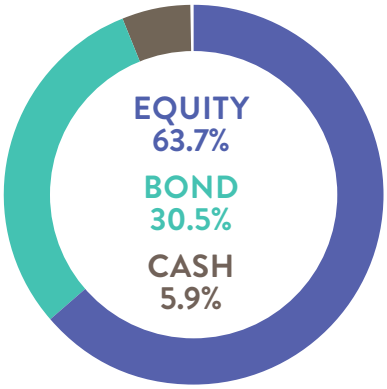
FUND DESCRIPTION

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 MARCH

The Summit Investment Balanced Fund returned 3.92% in March. From a sector perspective, the technology sector contributed the most to performance. Eurozone sovereign yields declined slightly as the European Central Bank reacted to the recent rise in yields by indicating that it would increase the pace of asset purchases to ensure financial conditions remained favourable.

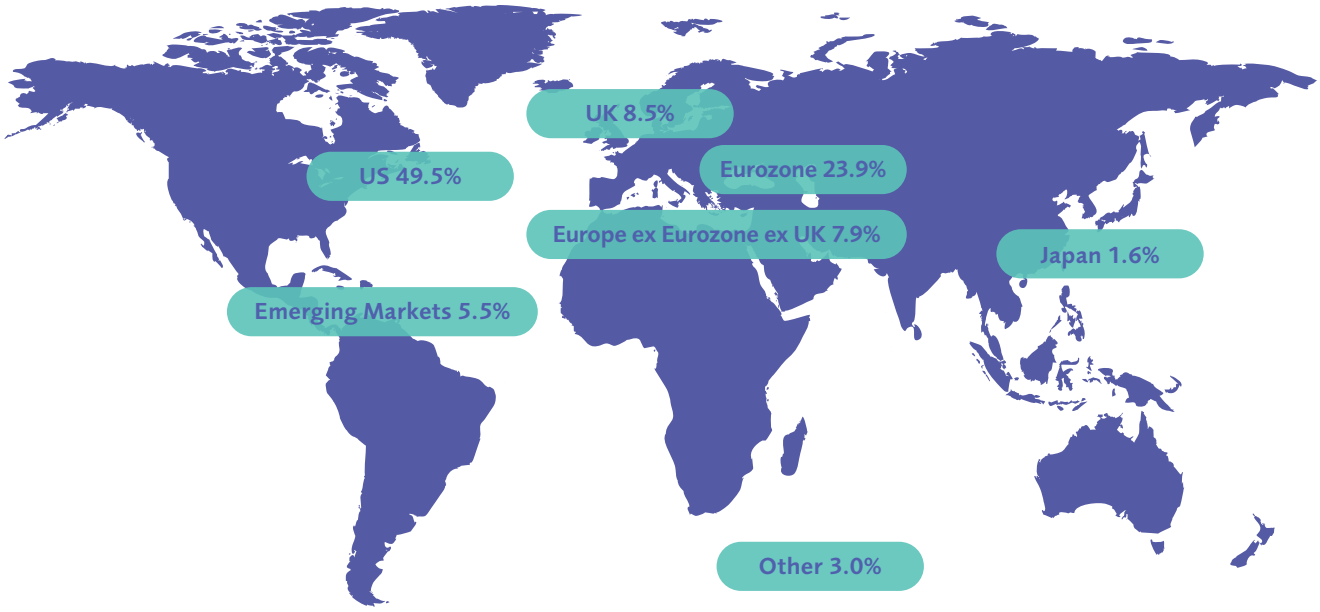
ASSET ALLOCATION



TOP TEN SHARE HOLDINGS

Stock name	% of fund
Microsoft Corp	4.0%
Berkshire Hathaway Inc	2.6%
Alphabet Inc	2.5%
McDonald's Corp	2.4%
DCC Plc	2.3%
Samsung Electronics Co Ltd	2.3%
Oshkosh Corp	2.3%
Johnson Controls International Ord	2.3%
Oracle Corp	2.2%
Nike Inc	2.2%

SHARE REGIONAL DISTRIBUTION



SUMMIT STABLE FUND

Information is correct at 31 March 2021

FUND DESCRIPTION

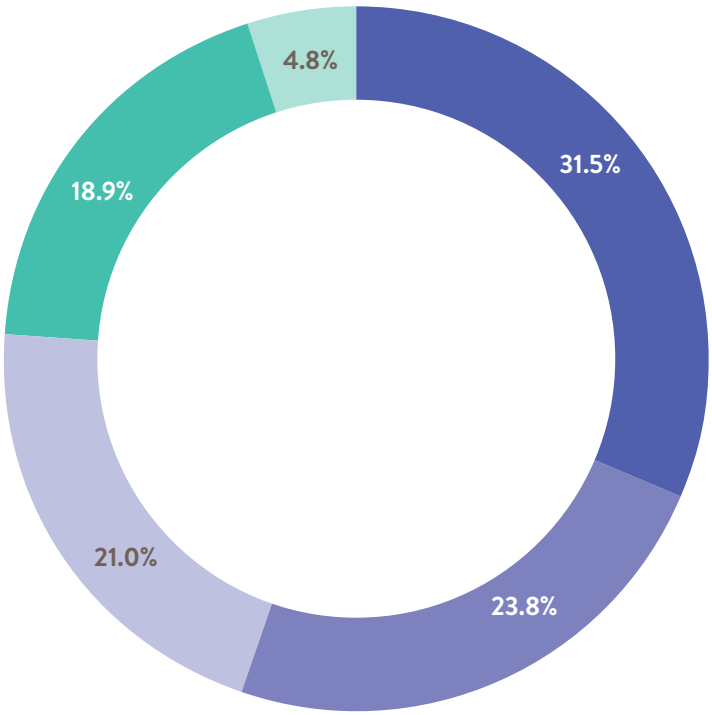
The Stable Fund invests in short-term Eurozone government debt and cash.

FUND UPDATE FOR MARCH

The Summit Investment Stable Fund returned -0.09% in March. Most of the focus of markets was on the risks of higher inflation, due to large increases in government spending in the US and the rollout of Covid-19 vaccines globally. Peripheral spreads narrowed slightly which helped the fund, as the growth outlook improved.

ASSET ALLOCATION

BOND COUNTRY DISTRIBUTION



BOND PORTFOLIO CREDIT QUALITY

Rating / percentage of fund

AAA	AA2	A3
19.9%	23.8%	21.0%

BBB2	BBB3
4.8%	31.5%

- Italy
- France
- Spain
- Germany
- Portugal

SUMMIT FUND PERFORMANCE AT 31/03/2021

Fund Returns after fund management fee	Stable	Balanced	Growth
1 Month	-0.09%	3.92%	5.87%
3 Month	-0.70%	4.86%	8.42%
Year to date in 2020	-0.70%	4.86%	8.42%
1 Year	-0.62%	17.18%	27.34%
2 Years pa	-1.00%	3.57%	4.88%
3 Years pa	-0.93%	4.27%	6.14%
5 Years pa	-1.03%	4.24%	6.20%
10 years pa	-0.14%	4.36%	5.58%

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.

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