

MONTHLY REPORT  
31 MAY 2020



**Irish Life**

# SUMMIT INVESTMENT FUNDS



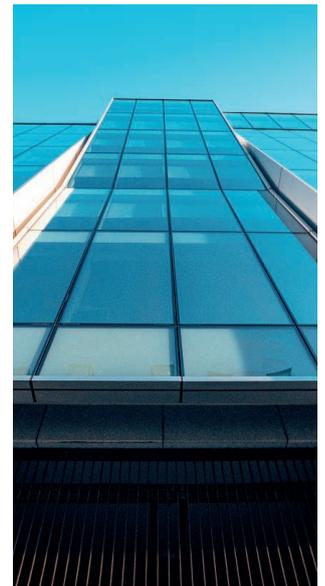
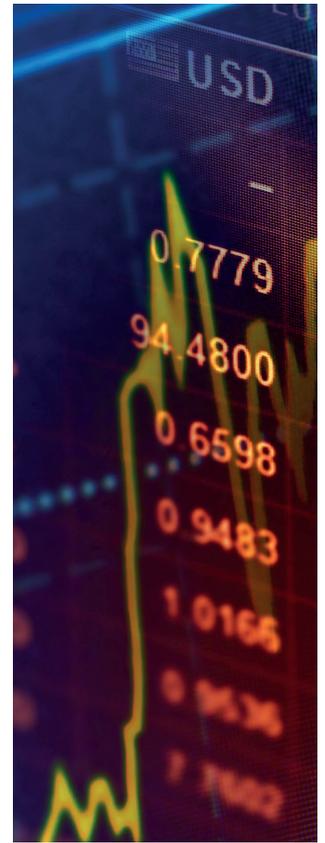
Summit Investment Funds plc is authorised in Ireland and regulated by the Central Bank of Ireland

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## MARKET REVIEW

The stock market rally from the March lows continued – global equities ended the month 4.3% higher in local-currency terms and up 2.8% in euro terms. Markets were supported by the significant assistance and liquidity provided by global central banks and the lifting of restrictions as economies began to reopen. This raised hopes of a strong economic rebound in the second half of the year. Positive news on the development of potential vaccines for Covid-19 and the breaking of key technical or momentum levels, such as the 200-day moving average in the US S&P 500 index, also contributed to the gains in equities.

### EQUITIES

The MSCI AC World equity index rose 4.3% (2.8% in euro terms). Japan rose 6.7% (4.3% in euro terms), as restrictions were eased earlier than expected and a larger-than-anticipated supplementary fiscal package was announced. The US rose 5.2% (3.6% in euro terms) as the economy reopened and the Federal Reserve and Congress indicated that recent stimulus would be maintained (and increased) if necessary. The Pacific Basin fell -1.2% (-1.9% in euro terms) as Hong Kong was negatively affected by the threat of increased restrictions from China via a new national security law resulting in the potential removal of preferential concessions for Hong Kong by the US. Emerging markets also lagged, rising 0.7% (-0.8% in euro terms), as there were large outbreaks of Covid-19 across several emerging-market countries.

### BONDS

Eurozone >5-year bonds rose 0.4%, despite German 10-year yields rising to -0.45%. Peripheral spreads narrowed on the back of the proposed EU recovery fund, which includes grants for peripheral European countries. Italian 10-year spreads against Germany fell to 192 basis points (bps), while Spanish 10-year spreads narrowed to 101bps.

### CURRENCIES AND COMMODITIES

The euro rose in response to the proposed recovery fund; this eased fears of the re-emergence of the sovereign debt crisis with EUR/USD rising to 1.1101. Commodities rose 16.4% (14.6% in euro terms), with oil surging 88.4% after its collapse in recent months. A decline in global oil inventories, a reduced rig count in the US, suggestions of an extension of (or additional) production cuts from OPEC during the summer, and an expected improvement in demand all contributed to the rise in the oil price.

Source: ILM, Bloomberg. Data is accurate as at 1 June 2020

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### MARKET SNAPSHOT

#### Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2019 Return (%)
MSCI Ireland	5.60	-12.51	40.60
MSCI United Kingdom	-0.49	-23.64	23.40
MSCI Europe ex UK	4.19	-12.12	28.20
MSCI North America	3.50	-4.05	33.90
MSCI Japan	4.30	-6.08	22.30
MSCI EM (Emerging Markets)	-0.76	-15.13	21.10
MSCI AC World	2.81	-8.11	29.60

10-Year Yields	Yield Last Month (%)	2019 Yield (%)	2018 Yield (%)
US	0.65	1.92	2.68
Germany	-0.45	-0.19	0.24
UK	0.18	0.82	1.28
Japan	0.01	-0.02	0.00
Ireland	0.08	0.11	0.90
Italy	1.47	1.41	2.74
Greece	1.53	1.43	4.35
Portugal	0.50	0.43	1.71
Spain	0.56	0.46	1.41

FX Rates	Current	2019 Rates	2018 Rates
US Dollar per Euro	1.11	1.12	1.15
British Pounds per Euro	0.90	0.85	0.90
US Dollar per British Pounds	1.23	1.33	1.28

Commodities (USD)	MTD Return (%)	YTD Return (%)	2019 Return (%)
Oil (WTI)	88.38	-41.88	34.50
Gold (Oz)	2.52	14.04	18.90
S&P Goldman Sachs Commodity Index	16.37	-39.39	17.60

## 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 the evolution of the coronavirus, the timing of the recovery from the first-half recession and the level of growth achieved in the second half of the year and beyond.

A major threat to the global economy emerged with the outbreak of the coronavirus, which spread across the globe. Severe restrictions on travel and general activity were introduced to contain the virus. These containment measures brought much of the global economy to a standstill, however, which resulted in the sudden onset of recession. Global growth is expected to contract by up to 18% on an annualised basis in the first half of the year. If the virus is successfully contained, then global economic activity levels can recover in the second half of the year and into 2021. Our base case is that after a very severe but short recession, the global economy will rebound in the second half of 2020.

Assuming an economic recovery is evident later this year which extends into 2021, there is potential for further upside in equities over the next 12 months, although valuation levels could result in the upside being limited to low to mid-single digits. Relative valuations for equities are very attractive, given the low yields currently available in other assets such as bonds and cash.

Equity markets continue to face a number of challenges beyond those posed by the coronavirus. These include the recent renewed escalation in US/China tensions, which are likely to linger in the run-up to the November US presidential election. These could pose risks to the US/China trade deal, which was only signed in January. Meanwhile, the outcome of the election could result in domestic policy changes, which might have implications for markets. Uncertainties related to tensions in the Middle East and North Korea could also have an impact on markets. These could result in more bouts of volatility over the next 12 months.



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



Global economy expected to contract in 2020 by -5% due to coronavirus with a strong rebound in H2, following a recession in H1.



Coronavirus, central bank policies, fiscal stimulus and politics will be key for growth.



Equity valuations appear full on a P/E basis, following the recent rebound. Remain very attractive in relative terms.



Upside potential possible on 12-month view if an economic recovery is evident in H2 after a possible containment of the virus.



Volatility to remain a feature given various risks.

# SUMMIT GROWTH FUND

Information is correct at 31 May 2020

## FUND DESCRIPTION

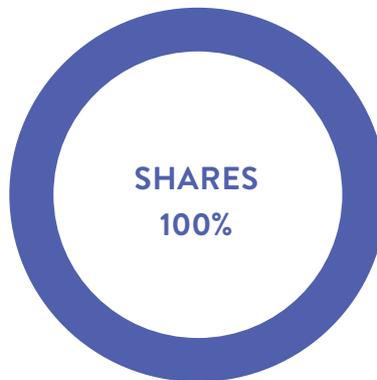
The Summit Growth fund aims to achieve growth by investing exclusively in global equities. From July 2014, equity management has been sub-advised to Setanta Asset Management. Equities are managed under the Setanta Global Equity Strategy.



## FUND UPDATE FOR MAY

The Summit Growth Fund rose by 1.9% in May. From a sector perspective, the Materials and Consumer Staples sectors contributed the most to performance. The Communication Services, Financials and Technology sectors detracted from relative fund returns. The stocks contributing most to the fund return during the month were Microsoft, Sandstorm Gold, Keysight Technologies and Johnson & Johnson. The underperformers were Fairfax Financial, Market Corp, HP and Mincon Group.

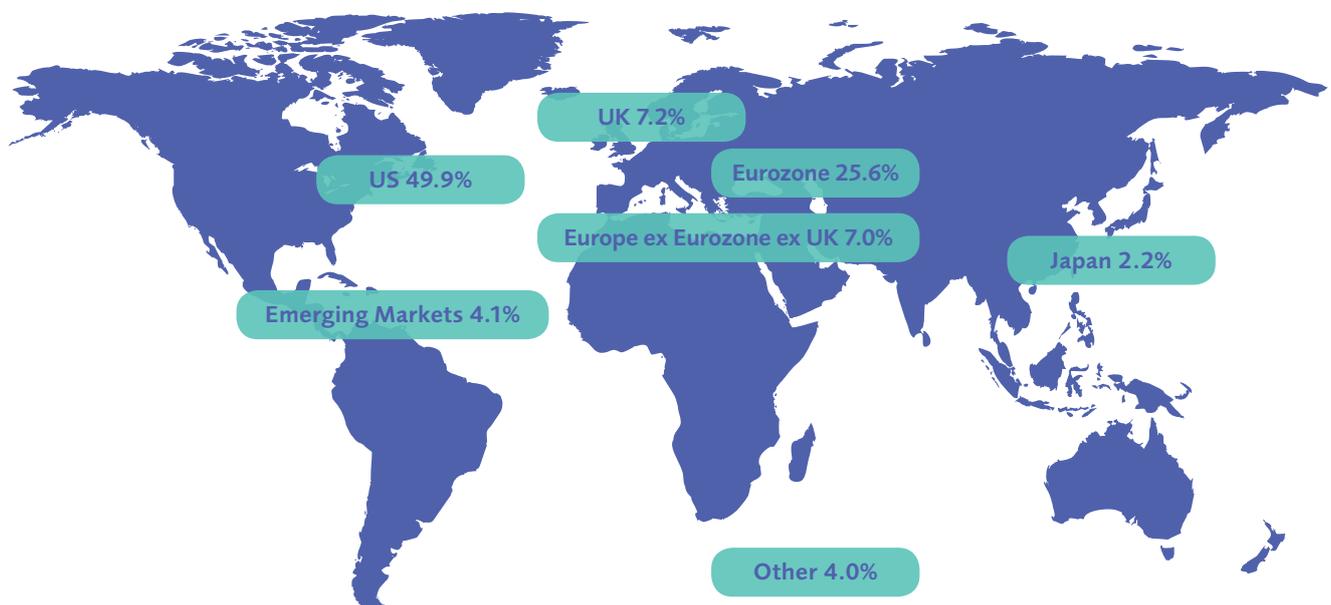
## ASSET ALLOCATION



## TOP TEN SHARE HOLDINGS

Stock name	% of fund
Microsoft Corp	4.6%
DCC Plc	3.3%
Berkshire Hathaway Inc	3.3%
Lancashire Holdings Ltd	2.8%
Johnson & Johnson	2.7%
Keysight Technologies Inc	2.6%
Oracle Corp	2.5%
Cisco Systems Inc	2.4%
Telefonaktiebolaget LM Ericsson	2.2%
Group Bruxelles Lambert SA	2.1%

## SHARE REGIONAL DISTRIBUTION



## SUMMIT BALANCED FUND

Information is correct at 31 May 2020

### FUND DESCRIPTION

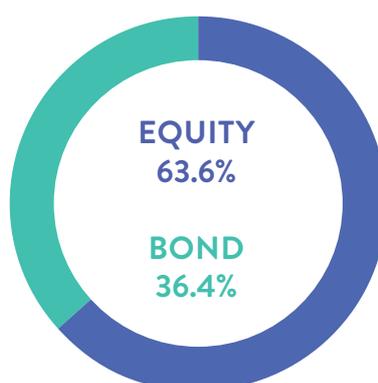
The objective of the Summit Balanced Fund is to avoid volatility to a large degree, while still providing solid returns over the medium to long term. The fund invests in global equities but also maintains a minimum of 33% invested in a mix of fixed income and cash. From July 2014, equity management has been sub-advised to Setanta Asset Management. Equities are managed under the Setanta Global Equity Strategy.



### FUND UPDATE FOR MAY

The Summit Balanced Fund rose by 1.2% in May. Equity markets continued to rally, aided by the hefty support provided by global central banks and the lifting of lockdown restrictions. Economies began to reopen, raising hope of a strong economic rebound in the second half of the year. Positive news about the potential development of vaccines for Covid-19 also helped equities make gains. Eurozone sovereign bonds rose too, as progress was made on a European Recovery Fund.

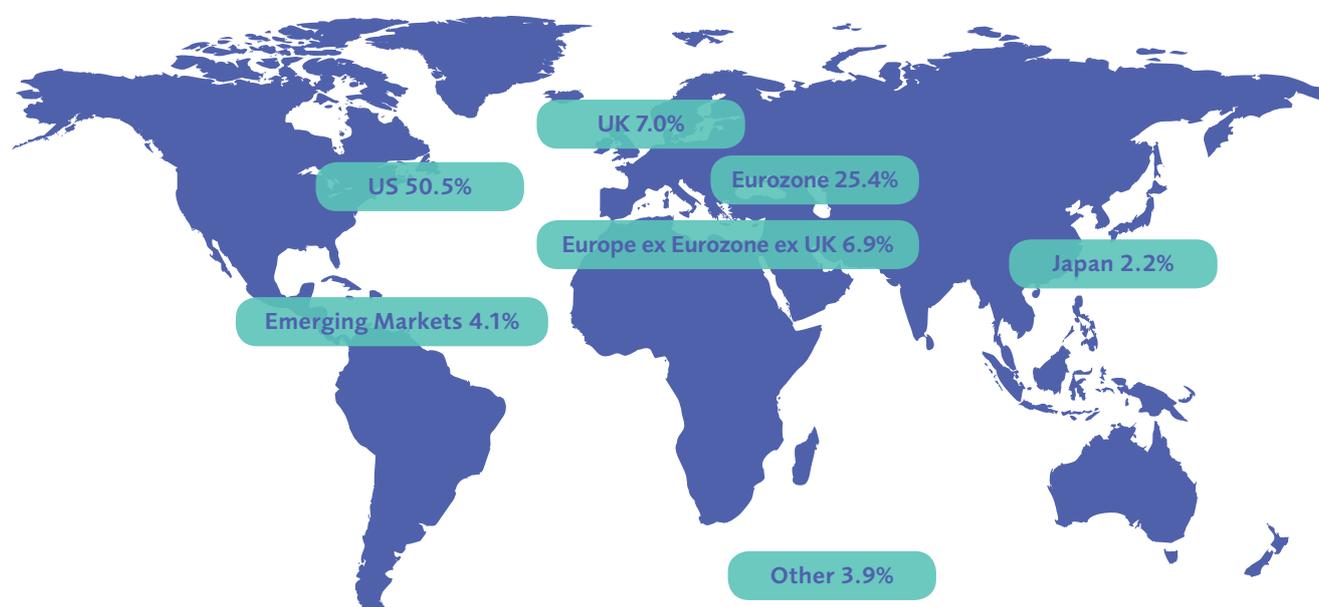
### ASSET ALLOCATION



### TOP TEN SHARE HOLDINGS

Stock name	% of fund
Microsoft Corp	4.6%
Berkshire Hathaway Inc	3.5%
DCC Plc	3.4%
Lancashire Holdings Ltd	2.8%
Johnson & Johnson	2.7%
Keysight Technologies Inc	2.6%
Oracle Corp	2.5%
Cisco Systems Inc	2.4%
Telefonaktiebolaget LM	2.2%
Ericsson	2.2%
Nike Inc	2.2%

### SHARE REGIONAL DISTRIBUTION



# SUMMIT STABLE FUND

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## FUND DESCRIPTION

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



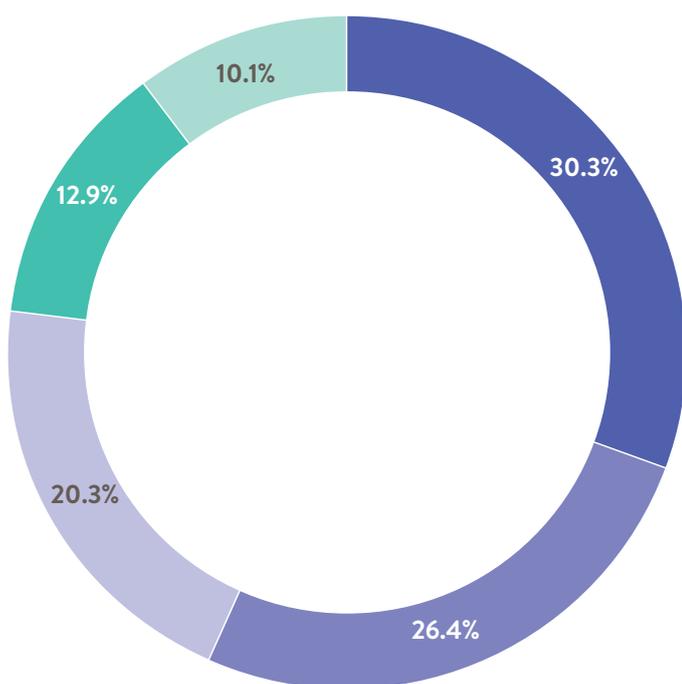
## FUND UPDATE FOR MAY

The Summit Stable Fund rose by 0.1% in May. Eurozone >5 year bonds rose despite German 10 year yields rising to -0.45% as peripheral bond yield differences narrowed on the back of the proposed European Union Recovery Fund which includes grants primarily aimed at peripheral countries. The Italian 10 year bond yield difference with Germany fell to 1.9% while the Spanish 10 year bond yield difference narrowed to 1%.

## ASSET ALLOCATION



## BOND COUNTRY DISTRIBUTION



## BOND PORTFOLIO CREDIT QUALITY

Rating / % of fund

AAA	AA2	A3	BBB2
20.3%	30.3%	12.9%	26.4%

- France
- Italy
- Germany
- Spain
- Portugal

## SUMMIT FUND PERFORMANCE AT 31/05/2020

Fund Returns after fund mgt fee	Stable	Balanced	Growth
1 Month	0.09%	1.20%	1.92%
QTD	-0.09%	5.36%	8.20%
3 Month	-0.70%	-2.95%	-3.95%
YTD	-0.79%	-6.89%	-10.94%
1 Year	-0.79%	-1.78%	-3.73%
2 Years per annum	-0.83%	-0.64%	-1.51%
3 Years per annum	-1.09%	0.61%	0.43%
5 Years per annum	-1.04%	1.41%	1.69%
10 years per annum	-0.28%	4.44%	5.81%

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: PASSIVE MANAGER OF THE YEAR – European Pensions Awards 2018 and 2019, INVESTMENT MANAGER OF THE YEAR – Irish Pension Awards 2019 – PROPERTY MANAGER OF THE YEAR and PASSIVE MANAGER OF THE YEAR – Irish Pension Awards 2018.



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# Irish Life

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