

MONTHLY REPORT  
31 MAY 2021



**Irish Life**

# SUMMIT INVESTMENT FUNDS



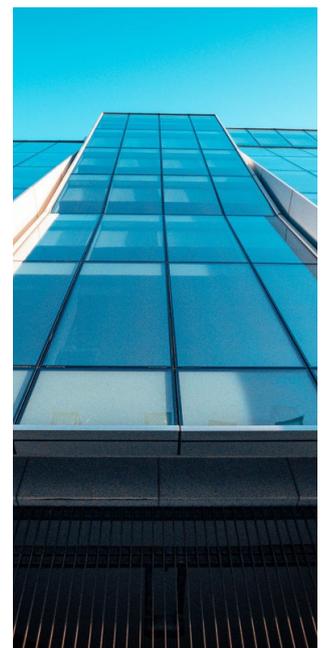
Summit Investment Funds plc is authorised in Ireland and regulated by the Central Bank of Ireland

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## MARKET REVIEW

Equity markets were somewhat volatile in May, falling mid-month as a higher-than-expected US inflation reading sparked concerns over inflation. But equities recovered and rose to new all-time highs towards month-end, as US policymakers suggested that monetary policy would stay accommodative. The conclusion of a strong first-quarter earnings reporting season also supported equities, as did the continued acceleration of the vaccine rollout across Europe and the decline in global new daily Covid case numbers. Infection rates fell across Europe and India. While rising to new highs in local currency terms, equities were flat in euro terms over the month as the euro strengthened. Eurozone sovereign bonds were slightly lower as German yields rose due to improving sentiment around European economic growth. Meanwhile, the vaccine rollout picked up pace, facilitating the reopening of European economies.

### EQUITIES

The MSCI AC World equity index rose 1.1% (0.0% in euro terms). Europe outperformed, rising 2.8% in euro terms as the economic outlook continued to improve as more people were vaccinated. Pacific Basin equities rose 1.9% (0.6% in euro terms), with Australia benefiting from the ongoing strength in commodity prices and the ongoing dovish monetary policy stance taken by the Reserve Bank of Australia. The US lagged, rising 0.5% (-1.1% in euro terms), as inflation concerns were a drag and other regions benefited from improving sentiment towards global growth.

### BONDS

Eurozone >five-year bonds fell -0.1%, with the German 10-year yield rising slightly to -0.19%. Yields had peaked at -0.07% on inflation fears after the higher-than-expected US inflation reading and some mixed messaging from the European Central Bank (ECB). Yields declined in the second half of May, as inflation fears began to ease and the ECB eventually appeared to provide more dovish policy guidance. Peripheral spreads narrowed, with Italian and Spanish 10-year year spreads falling to 110 basis points (bps) and 65bps, respectively, supported by policymakers' rhetoric which suggested asset purchases will be maintained at higher levels through the third quarter.

### CURRENCIES AND COMMODITIES

The euro rose against the US dollar to 1.2228, as sentiment towards Europe improved on the back of the faster pace of vaccine rollout and an expectation that proceeds from the EU Recovery Fund will begin to be disbursed in the second half of the year. The dollar was also weaker as the Fed suggested that monetary policy will stay relatively loose for the time being.

Commodities rose 2.5% (1.3% in euro terms), with West Texas Intermediate (WTI) oil rising 4.3% as the failure in ongoing negotiations to revive the US/Iran nuclear deal helped support the oil price. The continued recovery in the global economy was also seen as boosting demand for commodities. Gold rose 7.8%, supported by the weaker US dollar and lower US real yields.

### MARKET SNAPSHOT

#### Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2020 Return (%)
MSCI Ireland	-1.45	8.23	5.97
MSCI United Kingdom	1.91	12.67	-17.83
MSCI Europe ex UK	2.28	10.35	2.43
MSCI North America	2.90	13.21	10.64
MSCI Japan	-3.85	1.80	5.42
MSCI EM (Emerging Markets)	0.08	6.63	8.89
MSCI AC World	1.94	11.09	7.18

10-Year Yields	Yield Last Month (%)	2020 Yield (%)	2019 Yield (%)
US	1.63	0.91	1.92
Germany	-0.20	-0.57	-0.19
UK	0.84	0.20	0.82
Japan	0.10	0.02	-0.02
Ireland	0.18	-0.30	0.11
Italy	0.90	0.54	1.41
Greece	0.99	0.63	1.43
Portugal	0.48	0.03	0.43
Spain	0.48	0.05	0.46

FX Rates	Current	2020 Rates	2019 Rates
US Dollar per Euro	1.20	1.22	1.12
British Pounds per Euro	0.87	0.90	0.85
US Dollar per British Pounds	1.38	1.37	1.33

Commodities (USD)	MTD Return (%)	YTD Return (%)	2020 Return (%)
Oil (WTI)	7.47	31.04	-20.54
Gold (Oz)	3.34	-6.61	24.40
S&P Goldman Sachs Commodity Index	8.23	22.90	-23.72

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

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## 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 are still attractive in relative terms, given the low yields available on 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 (PE) multiple of 18.5–19 times at the end of 2021. With the global economy in the initial stages of a new cycle and 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.

Potential risks to the positive outlook include unexpected central bank policy tightening, further significant rises in bond yields (which would diminish the relative valuation case for equities) or a resurgence in Covid-19 cases with vaccines proving to be ineffective in treating new variants. We see the probability of these occurring as low. Given elevated valuations, volatility will be a feature of markets if any of these issues become a cause for concern over the next 12 months.



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.



Close to double digit upside possible on 12-month view as the economic recovery continues in 2021 as policy remains supportive.



Volatility likely to remain a feature.

# SUMMIT GROWTH FUND

Information is correct at 31 May 2021

## FUND DESCRIPTION

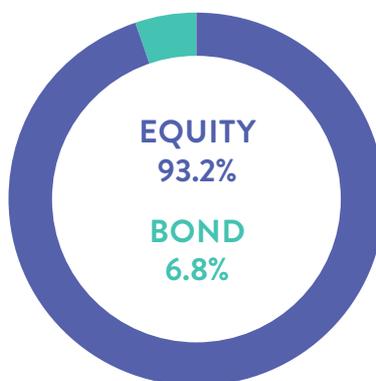
The Summit Growth fund aims to achieve growth by investing exclusively in global equities. From July 2014, equity management has been sub-advised to Setanta Asset Management. Equities are managed under the Setanta Global Equity Strategy.



## FUND UPDATE FOR MAY

The fund (0.41%) outperformed the benchmark (-0.12%) in May. The fund return is quoted net of tax, the considerations of which are complex. An indicative rate of 20% can be used for comparison with the stated benchmark which is gross of tax. The relative outperformance was driven by stock selection and sector allocation. From a sector perspective the Technology, Industrials and Consumer Discretionary sectors contributed the most to performance. The Healthcare and Infrastructure sectors detracted from performance. The stocks contributing most to the fund return during the month were DXC Technology, O-I Glass and Richemont. The stocks that detracted most from the fund return were Steris Plc, Lancashire Holdings Ltd and Alfresa Holdings.

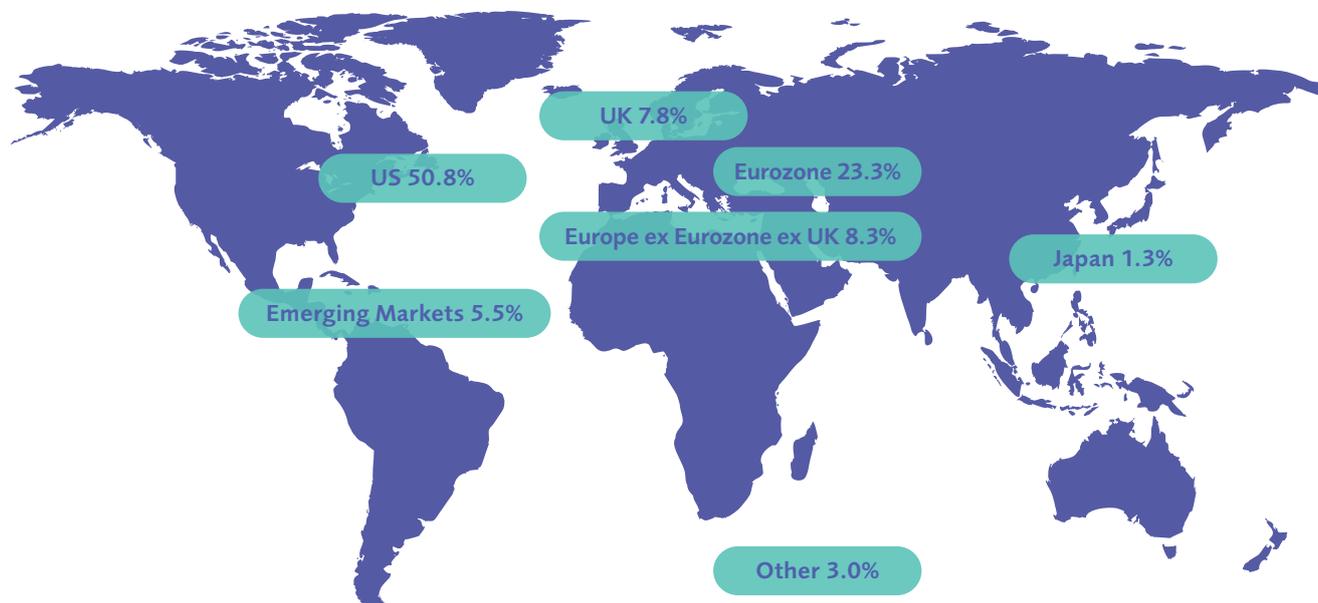
## ASSET ALLOCATION



## TOP TEN SHARE HOLDINGS

Stock name	% of fund
Microsoft Corp	4.3%
Berkshire Hathaway Inc	3.0%
Alphabet Inc	2.9%
McDonald's Corp	2.6%
Oracle Corp	2.6%
DCC Plc	2.5%
Johnson Controls International Ord	2.4%
Samsung Electronics Co Ltd	2.3%
Johnson & Johnson	2.2%
Oshkosh Corp	2.2%

## SHARE REGIONAL DISTRIBUTION



# SUMMIT BALANCED FUND

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## FUND DESCRIPTION

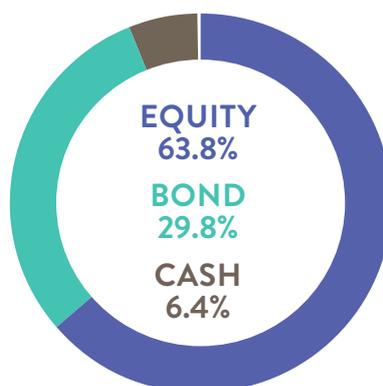
The objective of the Summit Balanced Fund is to avoid volatility to a large degree, while still providing solid returns over the medium to long term. The fund invests in global equities but also maintains a minimum of 33% invested in a mix of fixed income and cash. From July 2014, equity management has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



## FUND UPDATE FOR MAY

The Summit net Balanced Fund returned 0.29% compared to the benchmark return of -0.11% during May. The fund return is quoted net of tax, the considerations of which are complex. An indicative rate of 20% can be used for comparison with the stated benchmark which is gross of tax. The equity component of the Balanced Fund outperforming the equity benchmark during the month. This contributed to the relative performance of the fund. This was driven by stock selection and sector allocation. From a sector perspective the Technology, Industrials and Consumer Discretionary sectors contributed the most to performance. The Healthcare and Infrastructure sectors detracted from performance. Eurozone sovereign bonds were slightly lower as German yields rose marginally on improving sentiment in relation to the European growth outlook.

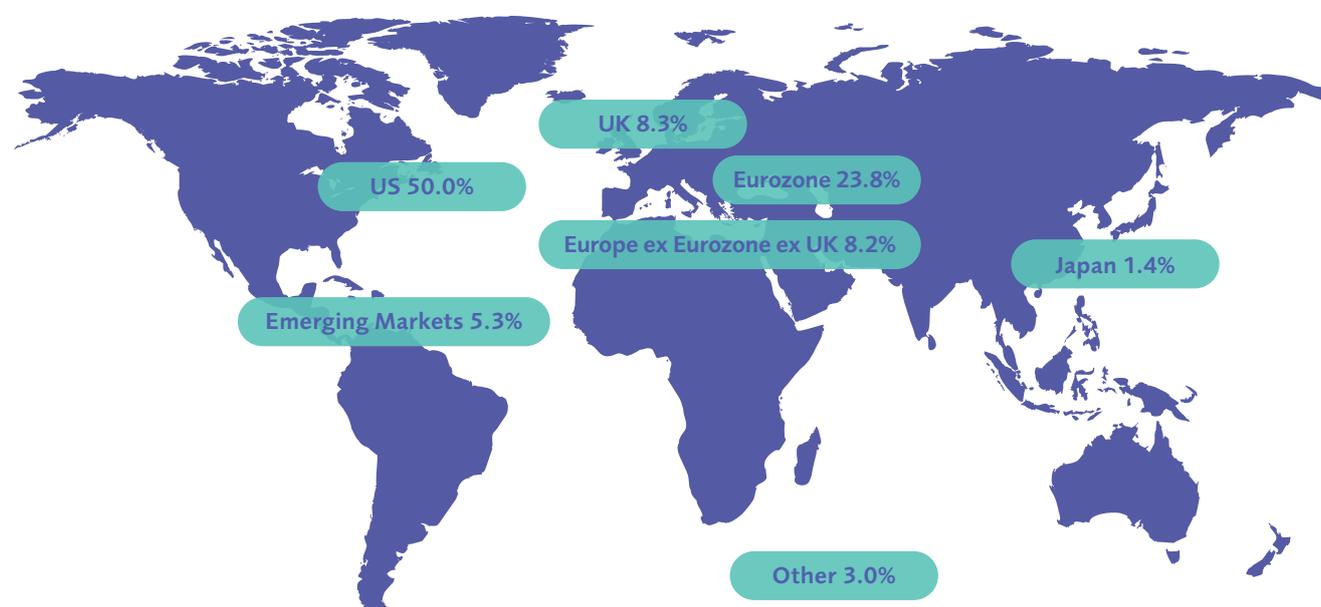
## ASSET ALLOCATION



## TOP TEN SHARE HOLDINGS

Stock name	% of fund
Microsoft Corp	4.0%
Berkshire Hathaway Inc	2.8%
Alphabet Inc	2.7%
DCC Plc	2.4%
Johnson Controls International Ord	2.4%
McDonald's Corp	2.4%
Oracle Corp	2.3%
Oshkosh Corp	2.2%
Samsung Electronics Co Ltd	2.2%
Nike Inc	2.1%

## SHARE REGIONAL DISTRIBUTION



# SUMMIT STABLE FUND

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## FUND DESCRIPTION

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



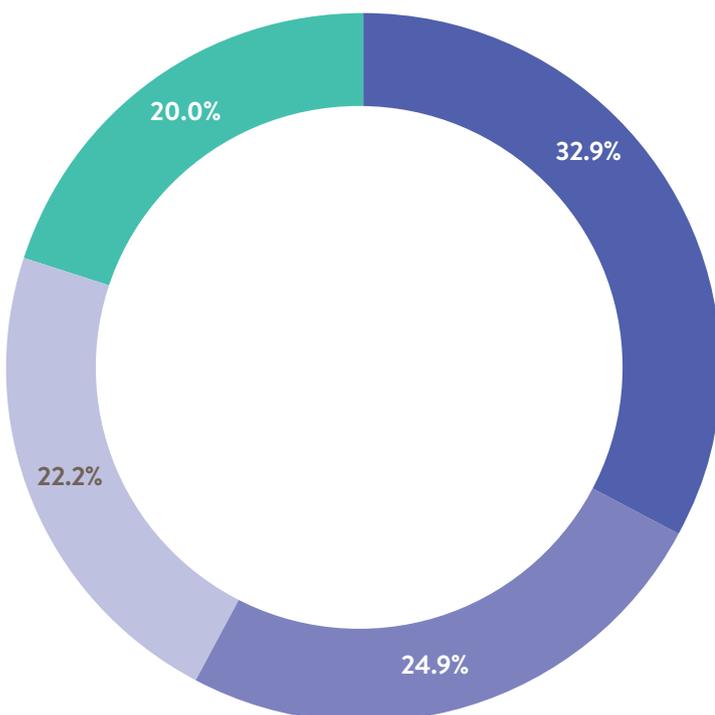
## FUND UPDATE FOR MAY

The Summit Stable Fund returned +0.03% in the month of May outperforming its benchmark by 0.05%. The fund return is quoted net of tax, the considerations of which are complex. The Summit Stable Fund returned +0.03% in the month of May outperforming its benchmark by 0.05%. After the rise in core bond yields in Q1, they have remained stable in this month as investors are expecting the European economy to reopen fully over the coming months. Peripheral bonds outperformed marginally in the period which benefitted the fund and led to the outperformance versus the benchmark.

## ASSET ALLOCATION



## BOND COUNTRY DISTRIBUTION



## BOND PORTFOLIO CREDIT QUALITY

Rating / percentage of fund

AAA	AA2	A3	BBB3
20.0%	24.9%	22.2%	32.9%

- Italy
- France
- Spain
- Germany

**SUMMIT FUND PERFORMANCE AT 31/05/2021**

Fund Returns after fund management fee	Stable	Balanced	Growth
1 Month	-0.09%	0.18%	0.30%
QTD	-0.27%	0.86%	1.77%
3 Month	-0.35%	4.81%	7.74%
YTD	-0.97%	5.76%	10.34%
1 Year	-0.79%	12.18%	19.77%
2 Years pa	-0.79%	4.97%	7.38%
3 Years pa	-0.82%	3.46%	5.13%
5 Years pa	-1.05%	3.84%	5.74%
10 years pa	-0.21%	4.29%	5.67%

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) 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.



# Irish Life

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