Irish Life

Life | Pensions | **Investments**

May 2023 in review
Summit Investment Funds

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

Helping people build better futures

MARKET REVIEW

Economic data in May continued to suggest that inflation remains sticky but that the world economy may be entering a slowdown. The US Federal Reserve (Fed) and the European Central Bank (ECB) raised interest rates at their May policy meetings, with both projected to hike rates further. Global stock markets were down marginally, as losses in Europe and emerging markets were offset by gains in the US. The former were weighed down by slowing growth while the technology sector in the US benefited from positive sentiment around the expansion of artificial intelligence (AI). Bond markets were somewhat directionless, posting small gains overall. The US dollar rose against the euro, wiping out most of its losses this year as the Fed was seen as less likely to cut rates in 2023 compared to a month ago.

MARKET ROUND-UP

Equities

Global stock markets were down marginally in May as losses in Europe and emerging markets were offset by gains in the US. The MSCI All Country World index fell by 0.2% (2.5% gain in euros) over the month. The MSCI USA was up by 0.7% (4.2% in euros), while European ex-UK equities declined by 2.1%. The UK was the worst performer among major equity markets, falling by 5.2% (-3.2% in euros).

The theme of artificial intelligence (AI) received a strong boost from American chipmaker Nvidia as it reported better-than-expected Q1 results. Perhaps more significantly, it projected $11 billion in sales for the three months to end-July – 50% above market expectations – amid strong demand for its chips that are able to handle AI-related applications. As a result, the company's share price rose by 36.3% in May, bringing the year-to-date gain to 158.9%, and its market cap rose above $1 trillion during the month. The announcements were viewed as indicative of artificial intelligence gaining traction and stocks related to this theme, particularly technology stocks, benefited, with the NASDAQ index up by 6.5% over the month.

Bonds

Bond markets were somewhat directionless in April, with the ICE BofA 5+ Year Euro Government bond index down by 0.2% and European investment grade corporate bonds up by 0.7%. This may have been due to mixed economic data, which was indicative of slowing activity but sticky inflation. Hence, the policy direction taken by central banks may be less certain. While expectations at the end of April were for the Fed to end its rate hiking cycle in May, there may be a need for further interest rate rises in the second half of the year should inflation stay elevated and should growth slow only mildly.

Currencies and commodities

The US dollar rose by 3.5% against the euro in May, wiping out most of its losses this year as the Fed was seen as less likely to ease in 2023 compared to a month ago. The euro ended May at $1.0638, down from $1.1019 at end-April. In May, commodities declined amid concerns of a slowdown in China, with copper down by 6.0% (-2.6% in euros) and Brent crude oil falling by 8.7% (-5.3% in euros).

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2022 Return (%)
MSCI Ireland	-0.7	20.2	-21.1
MSCI United Kingdom	-3.2	4.5	1.4
MSCI Europe ex UK	-2.1	10.5	-11.9
MSCI North America	3.9	9.5	-13.8
MSCI Japan	5.5	8.9	-10.8
MSCI EM (Emerging Markets)	1.8	1.3	-14.5
MSCI AC World	2.5	8.1	-12.6

10-Year Yields	Yield Last Month (%)	2022 Yield (%)	2021 Yield (%)
US	3.64	3.87	1.51
Germany	2.28	2.57	-0.18
UK	4.18	3.67	0.97
Japan	0.44	0.42	0.07
Ireland	2.74	3.13	0.24
Italy	4.08	4.70	1.17
Greece	3.78	4.62	1.34
Portugal	3.02	3.59	0.47
Spain	3.33	3.66	0.57

FX Rates	End last month	2022 Rates	2021 Rates
US dollar per euro	1.06	1.07	1.14
British pound per euro	0.86	0.89	0.84
US dollar per British pound	1.24	1.21	1.35

Commodities (USD)	MTD Return (%)	YTD Return (%)	2022 Return (%)
Oil (Brent)	-8.6	-15.4	10.5
Gold (Oz)	-1.2	7.7	-0.3
S&P Goldman Sachs Commodity Index	-6.1	-11.4	26.0

Source: ILIM, Bloomberg. Data is accurate as at 1 June 2023.
Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied upon as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

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 interest rate rises and banking crises. However, in our view, the asset class has yet to price in an adverse economic scenario like a recession, so volatility is set to stay elevated. This relates especially to the fallout from the banking crises and the resultant impact on sentiment and banks' willingness to lend. Tighter lending conditions would likely crimp demand, resulting in pressure on corporate earnings and margins. Even if central banks were to ease into the slowdown, equity markets have typically fallen during previous periods of monetary easing. This has been due to the cause usually behind monetary easing in the first place: namely, recessionary conditions. On balance, we believe there could be a better entry point for equities later this year.

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

Global growth slowed to an estimated 2.9% in 2022. Growth is forecast to decelerate further to 2.4% in 2023 with lower growth in DM and an improvement in EM as China reopens. The jury is out on whether or not a recession will occur, although the impact of the recent banking crisis has increased growth concerns due to fears over tighter credit conditions.

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

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 finding a trough and potentially recovering later in the year.

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

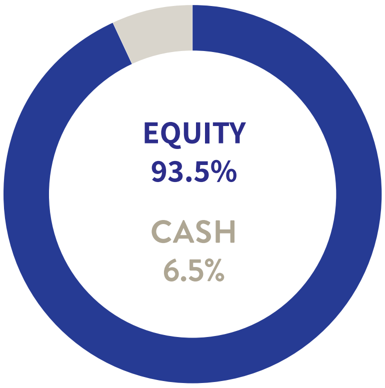
SUMMIT GROWTH FUND

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 May

The Summit Growth Fund returned +1.2%, net of fund management fee, over May. Technology, Industrials and Consumer Discretionary were the best performing sectors, while the Consumer Staples, Energy and Materials sectors lagged. The stocks contributing the most to the fund's return were Microsoft, Alphabet and Oracle. The largest detractors from performance were Nike, Estee Lauder and Exxon Mobil.

Asset allocation

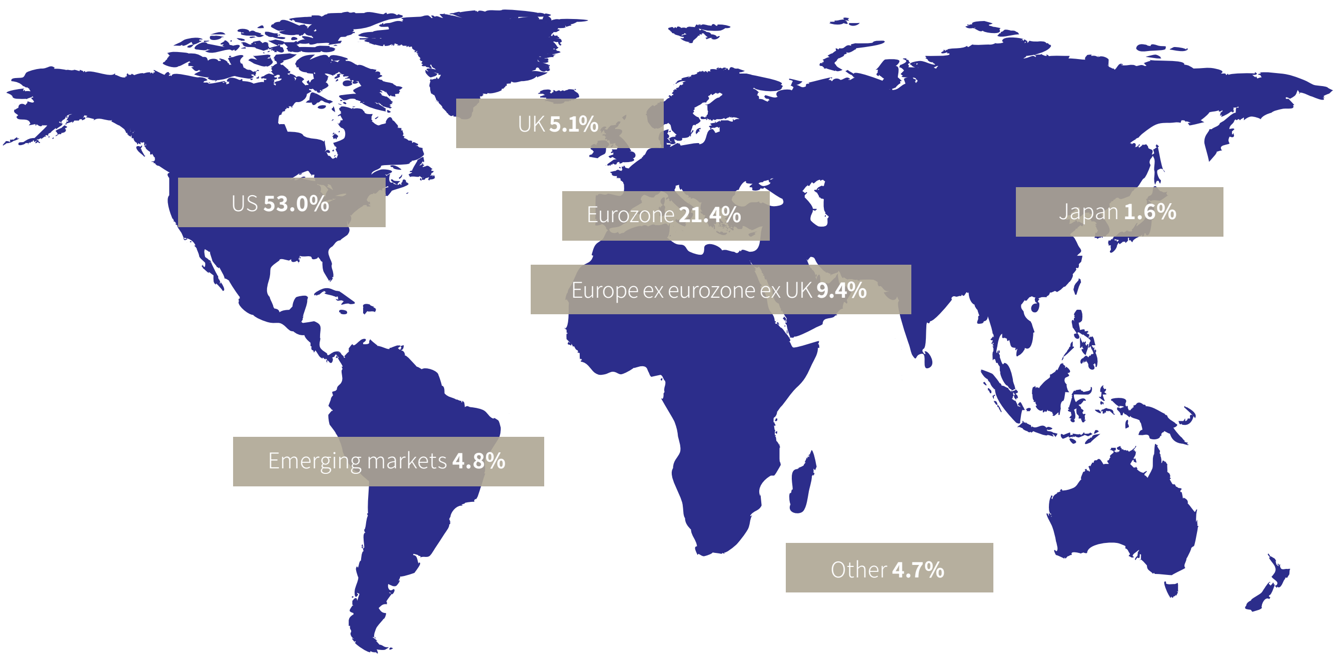


Top Ten Share Holdings

Stock name	% of fund
Microsoft	5.4
Berkshire Hathaway	3.7
Oracle	3.5
Alphabet	3.0
McDonald's	2.7
Costco Wholesale	2.6
Samsung	2.6
Booking Holdings	2.5
Johnson & Johnson	2.2
Nike	2.2

Source: ILIM, Factset. Data is accurate as at 31 May 2023.

Share regional distribution



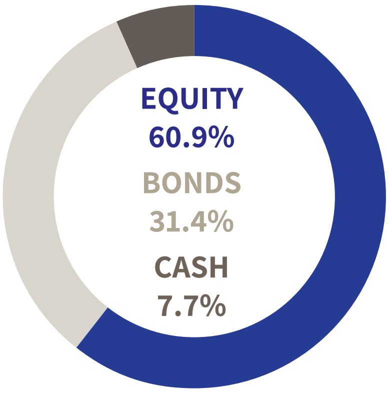
SUMMIT BALANCED FUND

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 May

The Summit Balanced Fund returned +0.8%, net of fund management fee, over May. Technology, Industrials and Consumer Discretionary were the best performing sectors, while the Consumer Staples, Energy and Materials sectors lagged. The global macro backdrop continued to suggest that inflation remains sticky but that the global economy may be entering a slowdown. Global stock markets were down marginally in May as losses in Europe and emerging markets were offset by gains in the US. The former were weighed down by slowing growth, while the Technology sector in the US benefited from positive sentiment around the expansion of artificial intelligence.

Asset allocation

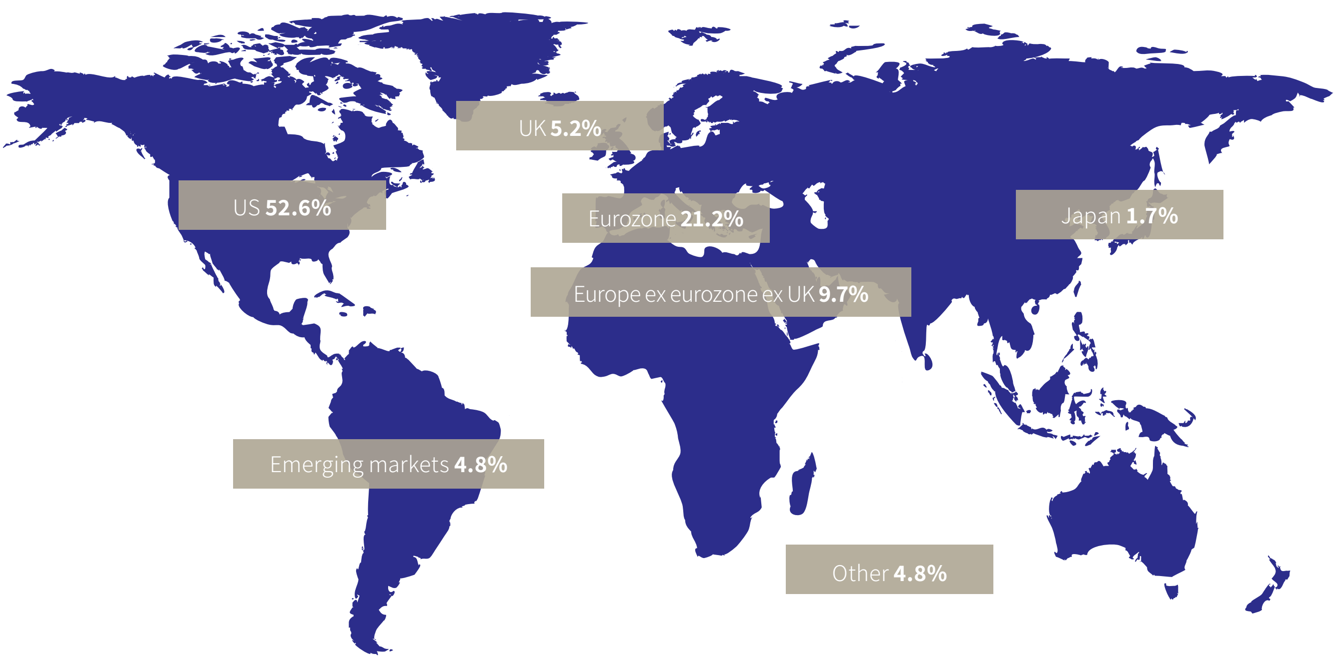


Top Ten Share Holdings

Stock name	% of fund
Microsoft	5.2
Berkshire Hathaway	3.7
Oracle	3.3
Alphabet	3.0
Costco Wholesale	2.7
McDonald's	2.7
Samsung	2.5
Booking Holdings	2.5
Johnson & Johnson	2.2
Nike	2.1

Source: ILIM, Factset. Data is accurate as at 31 May 2023.

Share regional distribution



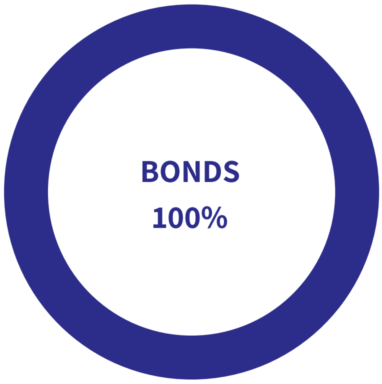
SUMMIT STABLE FUND

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

Fund update for May

The Summit Stable Fund returned +0.2%, net of fund management fee, over May. Core bond yields were broadly unchanged. The 2-year German yield ended May at 2.71% up 0.03% over the month. Core inflation fell modestly to a rate of +5.3% on a 12-month basis. The ECB raised interest rates by another 0.25% at its May 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 3.75%.

Asset allocation



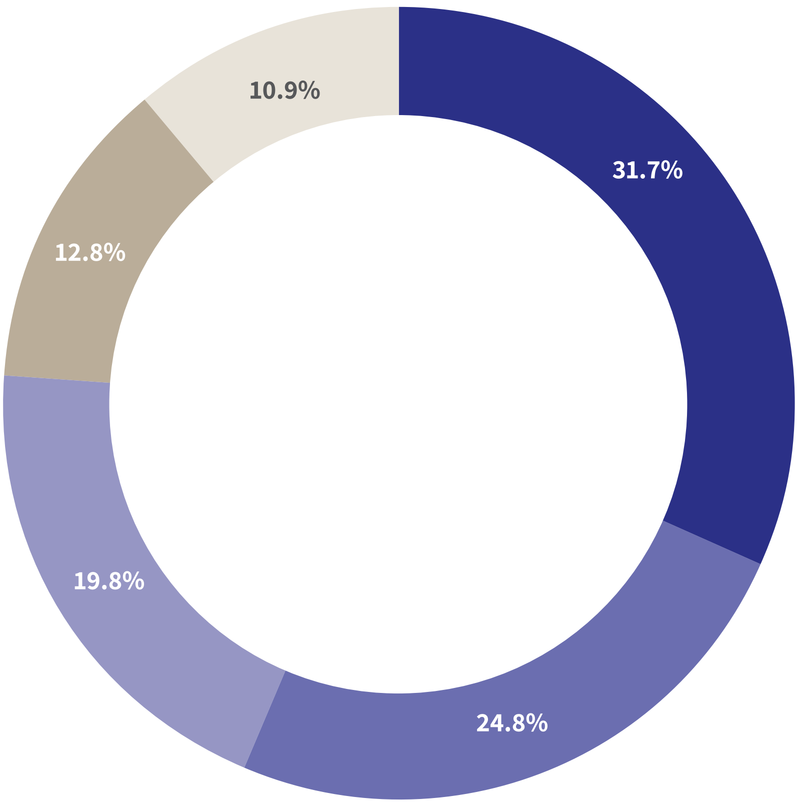
Bond portfolio credit quality

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 31 May 2023.

Bond country distribution



SUMMIT FUND PERFORMANCE

At 31 May 2023

Fund returns after fund management fee	Stable	Balanced	Growth
1 Month	0.19%	0.77%	1.15%
QTD	0.19%	1.19%	1.90%
3 Month	0.85%	2.13%	2.54%
YTD	0.56%	3.12%	4.49%
1 Year	-1.83%	-1.36%	1.41%
2 Years pa	-2.38%	0.07%	3.85%
3 Years pa	-1.86%	3.96%	8.91%
5 Years pa	-1.44%	2.09%	4.62%
10 Years pa	-0.99%	3.91%	6.09%

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
WINNER
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

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The author cannot make a personal recommendation for any person and you should seek personal investment advice as to the suitability of any investment decision or strategy to your own needs and circumstances. Any comments on specific stocks are intended as an objective, independent view in relation to that stock generally, and not in relation to its suitability to any specific person.

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Figures referenced herein have been sourced from ILIM and Bloomberg. Forecast figures have been prepared by ILIM based on reasonable assumptions, internal data and data sourced from Bloomberg.