Irish Life

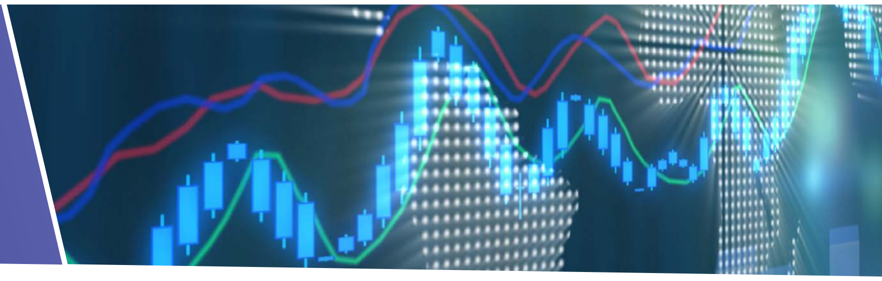
Life \ Pensions \ **Investments**

November 2023 in review
Summit Investment Funds

Helping people build better futures

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

MARKET REVIEW



MARKET ROUND-UP

Market Review

Global bond and equity markets rallied strongly in November, as investors welcomed signals that interest rates had peaked and that slowing inflation and economic activity could lead to rat cuts in 2024. Economic data showed slowing US activity compared to somewhat improving data in the Eurozone. Major central banks, especially the Federal Reserve (Fed) and the European Central Bank (ECB), continued to emphasise the need to keep policy restrictive for longer to tame inflation. However, some monetary policy committee members noted the potential for lower rates amid slower inflation.

Equities

Global stock markets rebounded, buoyed by slowing inflation and the potential for lower interest rates in 2024. The MSCI All Country World index rallied by 8.1% (+5.9% in euro terms) over the month. The MSCI USA rose by 9.4% (+6.0% in euros), while European ex-UK equities rose by 6.9% (+7.4% in euros).

Bonds

Bond markets also rallied strongly, with yields falling as inflation fell, and markets priced in monetary easing from the Fed and the ECB as soon as Q2 2024. The ICE BofA 5+ Year Euro Government bond index rose by 4.4% over the month. US and German 10-year yields declined significantly, by 60 basis points (bps) to 4.33% and by 36bps to 2.45%, respectively.

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2022 Return (%)
MSCI Ireland	3.2	14.6	-21.1
MSCI United Kingdom	3.4	6.8	1.4
MSCI Europe ex UK	7.4	14.1	-11.9
MSCI North America	6.1	18.1	-13.8
MSCI Japan	5.2	13.2	-10.8
MSCI EM (Emerging Markets)	4.6	3.8	-14.5
MSCI AC World	5.9	14.6	-12.6
10-Year Yields	**Yield Last Month (%)**	**2022 Yield (%)**	**2021 Yield (%)**
US	4.33	3.87	1.51
Germany	2.45	2.57	-0.18
UK	4.18	3.67	0.97
Japan	0.67	0.42	0.07
Ireland	2.83	3.13	0.24
Italy	4.23	4.70	1.17
Greece	3.69	4.62	1.34
Portugal	3.14	3.59	0.47
Spain	3.47	3.66	0.57
FX Rates	**End last month**	**2022 Rates**	**2021 Rates**
U.S. Dollar per Euro	1.09	1.07	1.14
British Pounds per Euro	0.86	0.89	0.84
U.S. Dollar per British Pounds	1.26	1.21	1.35
Commodities (USD)	**MTD Return (%)**	**YTD Return (%)**	**2022 Return (%)**
Oil (Brent)	-5.2	-3.6	10.5
Gold (Oz)	2.7	11.7	-0.3
S&P Goldman Sachs Commodity Index	-3.6	-1.0	26.0

Source: ILIM, Bloomberg. Data is accurate as at 30 November 2023.

MARKET OUTLOOK

Irish Life Investment Managers’ (ILIM’s) view – looking ahead

Sovereign bond yields are broadly higher this year on the back of a slower-than-expected pace of moderation in inflation, resilient economic activity and a higher-than-expected level of peak policy rates. With inflation having clearly peaked and central banks now suggesting that the end of the tightening cycle could already have been reached, bond yields are expected to decline over the next 12 months, and so prices are expected to rise. We believe bonds offer a strong risk-reward profile at this stage in the cycle and are attractive from an income perspective, while also providing potential for capital gains via falling yields.

Global equities have proved resilient in 2023 as recession fears have receded and a peak in central bank policy rates has come into view. While global earnings are forecast to be only modestly higher this year – by approximately 0.4% – they have held up better than feared at the start of the year, as sales have surprised to the upside in the better economic backdrop, and the margin squeeze for corporates has been less than anticipated. Earnings are expected to grow by over 10.9% in 2024.

Global equity valuations are slightly above long-term averages, and equities remain expensive against both bonds and cash, given the high yields currently available on these assets. Despite this, however, they are now trading broadly in line with long-term averages on an absolute basis, and the outlook on a 12-month view is positive. Central banks are likely to cut interest rates in 2024 as inflation continues to fall.

Over the medium term, the rollout of AI should boost efficiencies and earnings across the whole market and allow equities to trade at higher valuation levels. The ongoing green-related capex cycle could also boost earnings over the medium term. Any short-term volatility in markets is likely to be offset by the above factors, resulting in positive returns on a 12-month time frame.

Equities are trading broadly in line with long-term valuation multiples. Given the high yields available on cash and bonds, equities no longer appear cheap against these assets.

Equities appear close to fair value on an absolute basis, however, and, with positive economic and earnings growth in 2024, can continue to grind higher.

Global growth slowed to an estimated 3.0% in 2022. Growth is forecast to decelerate slightly to 2.7% in 2023 and to 2.3% in 2024, although these estimates have been revised significantly higher recently with a recession looking increasingly unlikely. In developed markets, the US economy has been more resilient, while Europe has struggled as higher interest rates have impacted activity levels and demand.

After an initial reopening surge in Q1, Chinese growth has stalled. The authorities have announced plans for additional stimulus to boost growth and recent data has begun to stabilise.

A continued fall in inflation enabling central banks to cut interest rates in 2024 could contribute to additional gains in equity markets. Structural long-term benefits from the generative AI theme and evidence of earnings being boosted by AI-related initiatives can support higher equity valuation multiples.

Volatility is likely to remain a feature due to uncertainty over the eventual growth outcome, inflation path, monetary policy and geopolitical events. Modest short-term drawdowns in markets are possible, which could provide opportunities to add to exposures.

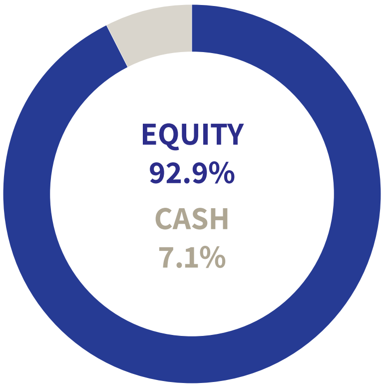
SUMMIT GROWTH FUND

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 November

The Summit Growth Fund returned +3.57%, net of fund management fee, over November. Industrials, Technology and Financials were the best performing sectors. The Energy, Consumer Staples and Utilities sectors lagged over the month. The stocks contributing most to the fund's return were Microsoft, DCC Plc and Oracle. The largest detractors from performance were Steris Plc, Markel Group and Exxon Mobil.

Asset allocation

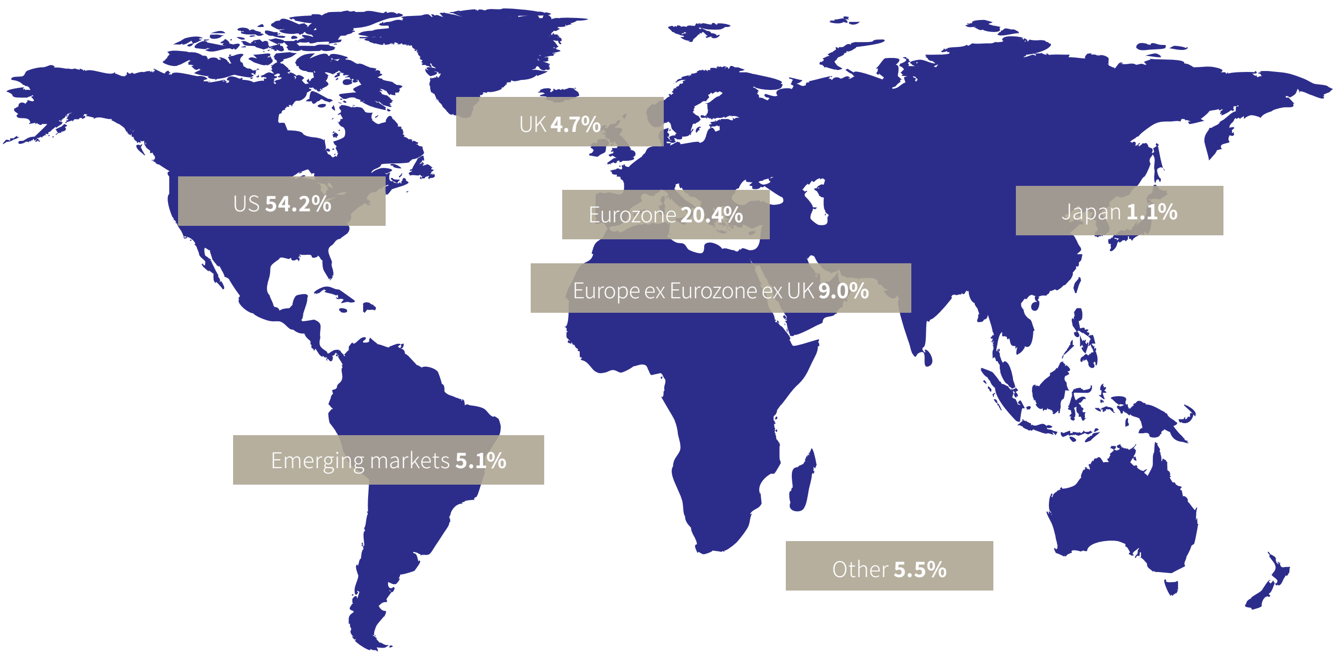


Top Ten Share Holdings

Stock name	% of fund
Microsoft	5.0
Berkshire Hathaway	4.2
Oracle	3.7
Alphabet	3.2
Costco Wholesale	3.0
Booking Holdings	3.0
Samsung Electronics	2.9
Nike	2.3
S&P Global	2.2
DCC	2.1

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

Share regional distribution



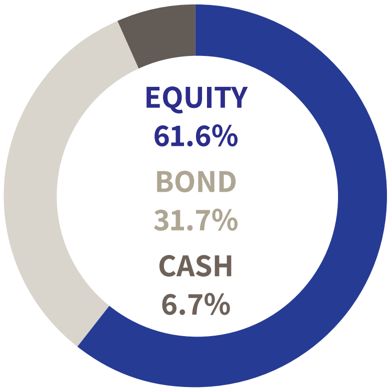
SUMMIT BALANCED FUND

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 November

The Summit Balanced Fund returned +2.95%, net of fund management fee, over November. Industrials, Technology and Financials were the best performing sectors. The Energy, Consumer Staples and Utilities sectors lagged over the month. Global economic data in November showed slowing US economic activity compared to somewhat improving data in the Eurozone. Global stock markets rebounded from October's losses as lower inflation and the prospect of lower rates supported the asset class. Bond markets also rallied strongly as it was expected that rates had peaked and slowing inflation and activity could lead to interest rate cuts in 2024.

Asset allocation

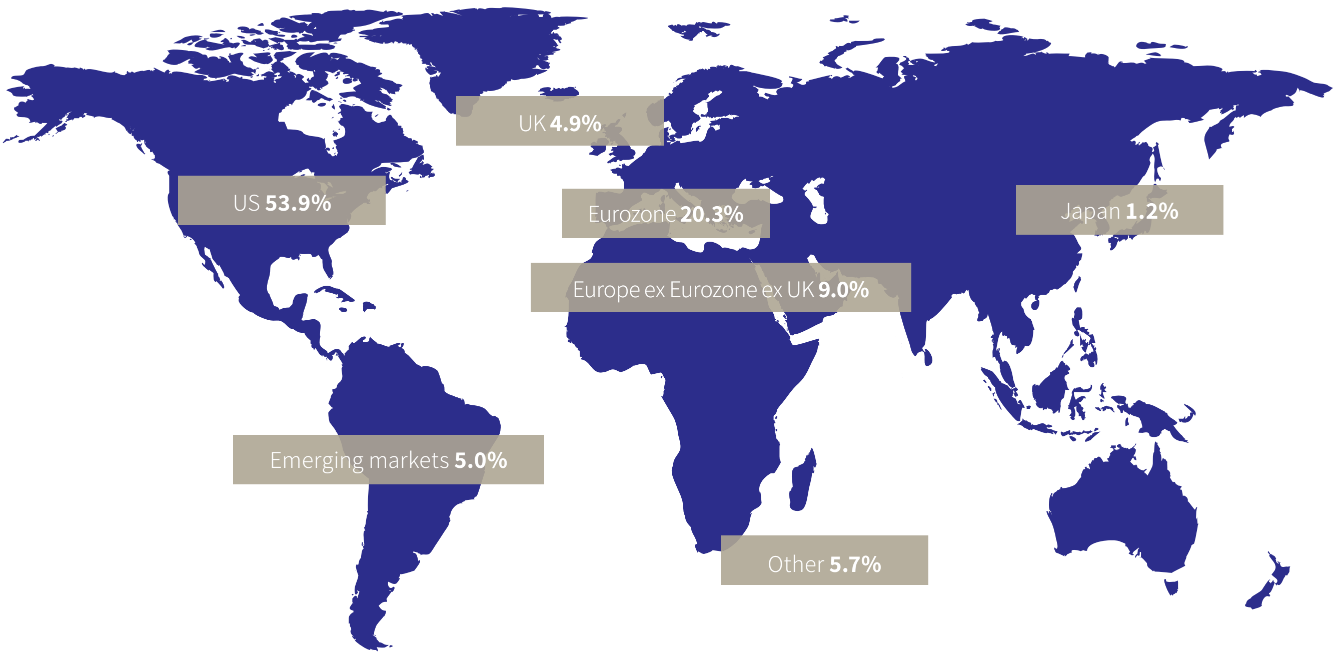


Top Ten Share Holdings

Stock name	% of fund
Microsoft	5.1
Berkshire Hathaway	4.2
Oracle	3.7
Alphabet	3.1
Booking Holdings	3.0
Costco Wholesale	2.9
Samsung Electronics	2.8
S&P Global Inc	2.2
Nike	2.1
DCC	2.1

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

Share regional distribution



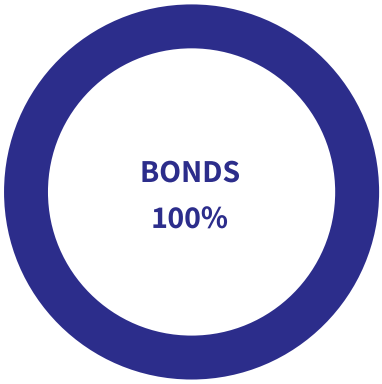
SUMMIT STABLE FUND

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

Fund update for November

The Summit Stable Fund returned +0.47%, net of fund management fee, over November. Core bond yields fell. The two-year German yield ended November at 2.81%, down 20bps over the course of the month. Core Eurozone inflation remained high, at a rate of 3.6% on a 12-month basis. The ECB deposit rate remains at an all-time high of 4%, and markets do not expect any further rate hikes from the ECB at this point.

Asset allocation



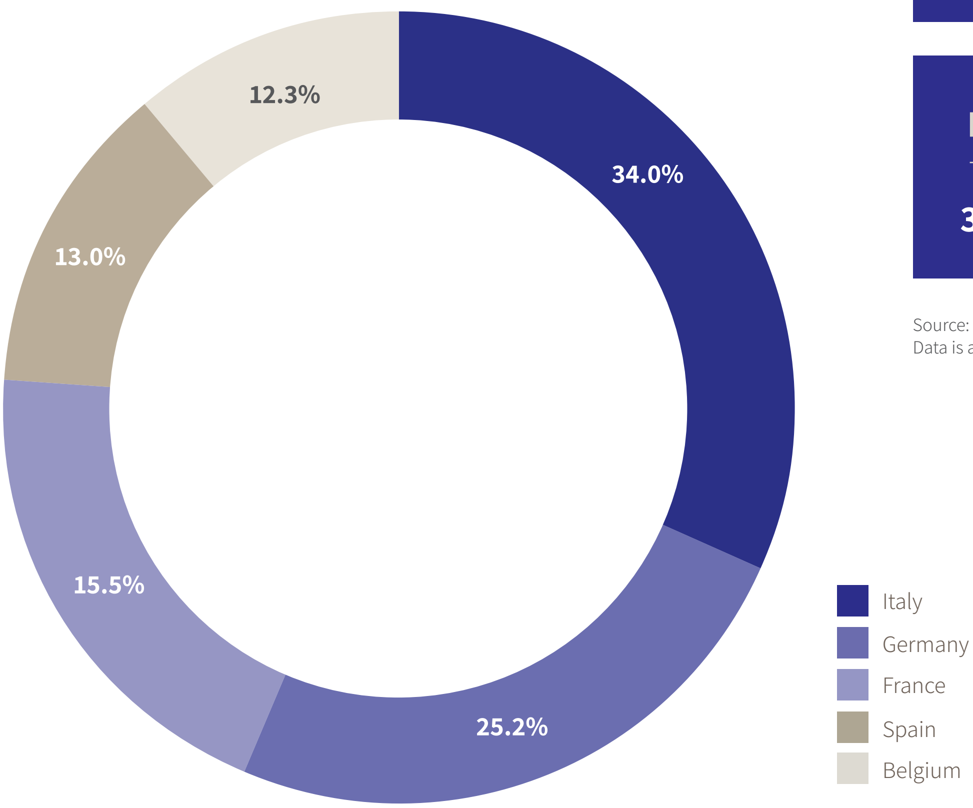
Bond portfolio credit quality

Rating / percentage of fund

AAA	25.2%
AA2	15.5%
AA3	12.3%
A3	13.0%
BBB2	34.0%

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

Bond country distribution



SUMMIT FUND PERFORMANCE

At 30 November 2023

Fund returns after fund management fee	Stable	Balanced	Growth
1 Month	0.47%	2.95%	3.57%
QTD	0.56%	1.33%	1.07%
3 Month	0.09%	-0.23%	-0.36%
YTD	0.37%	3.58%	5.49%
1 Year	-0.46%	-0.23%	1.23%
2 Years pa	-2.17%	-1.93%	1.06%
3 Years pa	-2.00%	2.45%	6.92%
5 Years pa	-1.41%	2.14%	4.60%
10 Years pa	-0.99%	3.69%	5.65%

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

European Pensions AWARDS 2018
WINNER
Passive Manager of the Year

GRESB ★★★★★ 2023

KPMG Irish Independent PROPERTY INDUSTRY EXCELLENCE AWARDS
2019
PROPERTY INVESTMENT/

Irish Pensions AWARDS 2019
WINNER
Investment Manager of the Year

Irish Pensions AWARDS 2020
WINNER
Investment Manager of the Year

Irish Pensions AWARDS 2021
WINNER
Risk Management Provider of the Year

Irish Pensions AWARDS 2022
WINNER
Investment Manager of the Year

Irish Pensions AWARDS 2023
WINNER
Property Manager of the Year