Irish Life

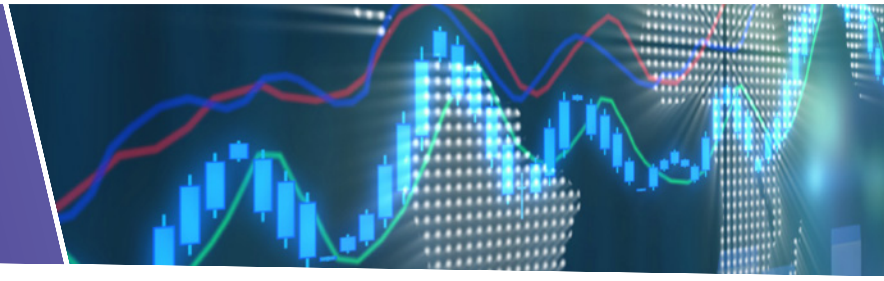
Life \ Pensions \ **Investments**

October 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



MARKET ROUND-UP

Market Review

US Treasury yields continued to rise over October, even amid increased geopolitical uncertainty, and global bond indices were mixed. Global stock markets were also weaker, dragged down by rising bond yields and somewhat lacklustre third-quarter earnings. Strong US economic activity contrasted with mixed data in the Eurozone. Meanwhile, the Middle East conflict raised concerns over geopolitical tensions in the region and the potential for disruption to oil supplies.

Equities

Global stock markets were weaker in October, dragged lower by rising nominal and real interest rates and somewhat lacklustre third-quarter earnings. The MSCI All Country World index fell by 2.7% (-2.8% in euros) over the month. The MSCI USA was down by 2.3% (-2.1% in euros), while European ex-UK equities fell by 3.3% (-3.4% in euros) amid a weak economic outlook.

Bonds

Bond markets were mixed, with yields rising as central-bank rhetoric continued to emphasise higher interest rates for longer. High yields meant that the interest payments offset the price declines to some extent, and some indices managed to eke out a gain for the month. The ICE BofA 5+ Year Euro Government bond index was up by 0.2% over the month, with German 10-year yields falling slightly, to 2.81%, on the continued weak economic backdrop and falling inflation.

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2022 Return (%)
MSCI Ireland	-6.2	11.1	-21.1
MSCI United Kingdom	-4.0	3.3	1.4
MSCI Europe ex UK	-3.4	6.3	-11.9
MSCI North America	-2.3	11.4	-13.8
MSCI Japan	-4.3	7.6	-10.8
MSCI EM (Emerging Markets)	-3.7	-0.8	-14.5
MSCI AC World	-2.8	8.2	-12.6

10-Year Yields	Yield Last Month (%)	2022 Yield (%)	2021 Yield (%)
US	4.93	3.87	1.51
Germany	2.81	2.57	-0.18
UK	4.51	3.67	0.97
Japan	0.95	0.42	0.07
Ireland	3.24	3.13	0.24
Italy	4.72	4.70	1.17
Greece	4.18	4.62	1.34
Portugal	3.53	3.59	0.47
Spain	3.88	3.66	0.57

FX Rates	End last month	2022 Rates	2021 Rates
U.S. Dollar per Euro	1.06	1.07	1.14
British Pounds per Euro	0.87	0.89	0.84
U.S. Dollar per British Pounds	1.21	1.21	1.35

Commodities (USD)	MTD Return (%)	YTD Return (%)	2022 Return (%)
Oil (Brent)	-8.3	1.7	10.5
Gold (Oz)	7.3	8.8	-0.3
S&P Goldman Sachs Commodity Index	-4.2	2.8	26.0

Source: ILIM, Bloomberg. Data is accurate as at 31 October 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 an upward reset for the level and timing of peak policy rates. With inflation having clearly peaked and central banks now suggesting that the end of the cycle of interest rate rises is very close, bond yields are expected to decline over the next 12 months.

On a 12-month view, our base case is that German 10-year government bond yields fall from 2.81% at end-October to around 2.00%, and that the equivalent for the US fall from 4.93% to somewhere in the region of 4.00%. We believe fixed income offers a strong risk-reward profile at this stage in the cycle and is attractive from a wealth preservation perspective. The current relatively high levels of bond yields and central banks' commitments to bring inflation down mean bonds should remain attractive on a multi-year basis with high single-digit returns possible over the next 12 months in riskier segments of fixed income.

Global equities have proved resilient in 2023 as recession fears have receded and a peak in central bank interest rates has come into view.

While global earnings are forecast to be only modestly higher this year – by approximately 0.6% – they have held up better than feared at the start of the year as sales have surprised to the upside and the margin squeeze for corporates has been less than anticipated. Earnings are expected to grow by over 11% in 2024.

Global equity valuations are below long-term averages, trading on a 12-month forward price-to-earnings (P/E) multiple of 15.1x against a long-term average of 16.0x. However, equities remain expensive against both bonds and cash given the high yields currently available on these assets.

Despite equities appearing fully valued on a relative valuation basis, they are now trading attractively on an absolute basis, and the outlook on a 12-month view is positive. Central banks are likely to pivot towards looser policy in 2024 as inflation continues to fall. An increasing probability of a soft landing with a rebound in both growth and earnings in 2024 should also provide support. Over the medium term, the rollout of AI should boost efficiencies and earnings across the whole market and allow equities 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 below long-term valuation multiples, although, given the high yields available on cash and bonds, no longer appear cheap against these assets.

Equities are again attractive on an absolute valuation basis and, with positive economic and earnings growth in 2024, can continue to grind higher. A continued fall in inflation, enabling central banks to cut interest rates in 2024 could contribute to additional gains in equity markets.

Increasing hopes of a 'soft landing' for the economy – the avoidance of a recession – have been supportive of equities. Global growth slowed to an estimated 3.0% in 2022. Growth is forecast to decelerate further to 2.5% in 2023 but remain positive at 2.1% in 2024, with a recession looking increasingly unlikely. 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 stalled. The authorities have announced plans for additional stimulus to boost growth and recent data has begun to stabilise.

Structural long-term benefits from the generative AI theme and evidence of earnings being boosted by AI-related initiatives can also support higher equity valuation multiples.

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

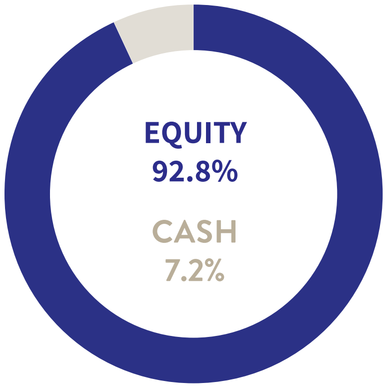
SUMMIT GROWTH FUND

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 October

The Summit Growth Fund returned -2.41%, net of fund management fee, over October. Utilities and Technology were the best performing sectors, while the Industrials and Financials sectors lagged over the month. The stocks contributing the most to the Fund's return were Microsoft, Nike and UnitedHealthcare. The largest detractors from performance were Bank Leumi, Booking Holdings and SEI Investments.

Asset allocation

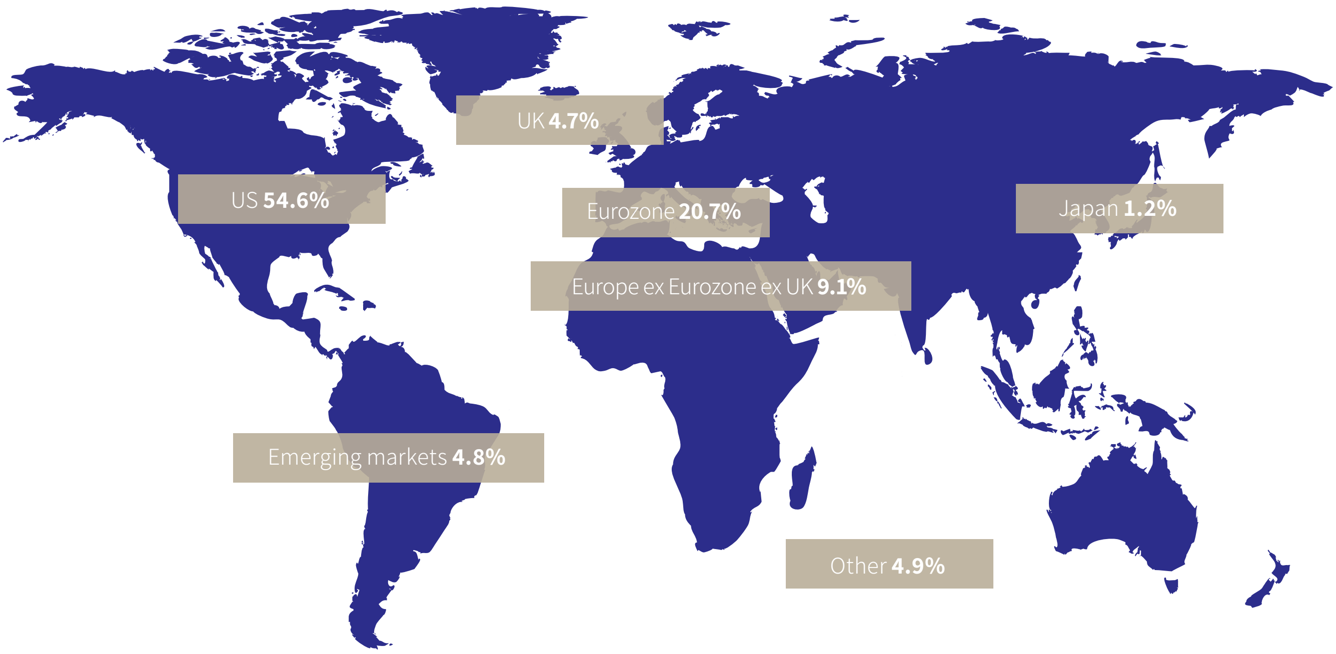


Top Ten Share Holdings

Stock name	% of fund
Microsoft	5.1
Berkshire Hathaway	4.3
Oracle	3.6
Alphabet	3.2
Costco Wholesale	3.0
Booking Holdings	2.9
Samsung Electronics	2.8
Nike	2.3
McDonald's	2.1
S&P Global	2.0

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

Share regional distribution



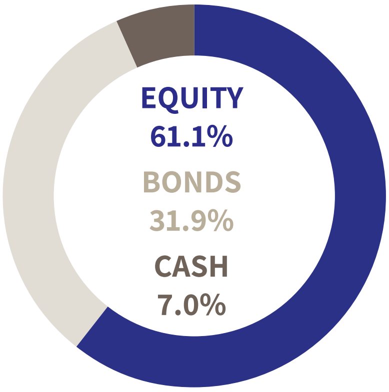
SUMMIT BALANCED FUND

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 October

The Summit Balanced Fund returned -1.57%, net of fund management fee, over October. Utilities and Technology were the best performing sectors, while the Industrials and Financials sectors lagged over the month. Global economic data showed strong US economic activity compared with somewhat mixed data in the Eurozone. Global stock markets were weaker, dragged lower by rising nominal and real interest rates and somewhat lacklustre third-quarter earnings. Bond markets were mixed, with yields rising as central-bank rhetoric continued to emphasise higher interest rates for longer.

Asset allocation

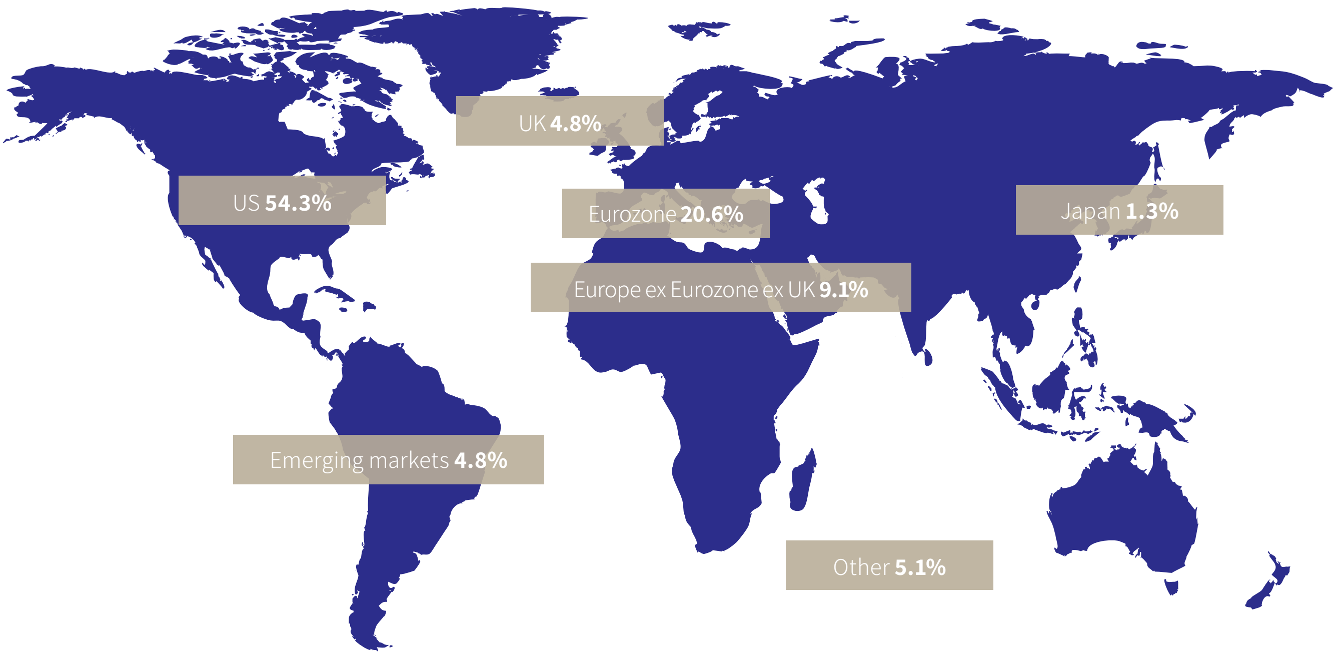


Top Ten Share Holdings

Stock name	% of fund
Microsoft	5.2
Berkshire Hathaway	4.3
Oracle	3.6
Alphabet	3.1
Costco Wholesale	2.9
Booking Holdings	2.9
Samsung Electronics	2.7
Nike	2.2
McDonald's	2.0
S&P Global	2.0

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

Share regional distribution



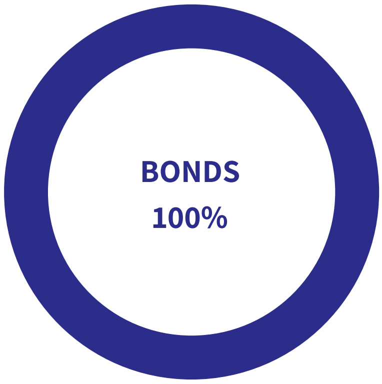
SUMMIT STABLE FUND

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

Fund update for October

The Summit Stable Fund returned +0.09%, net of fund management fee, over October. Core bond yields fell over the course of the month. The two-year German yield ended October at 3.01%, down 0.19 percentage points over the course of the month. Core inflation in the Eurozone remained high at a rate of +4.2% on a 12-month basis. The European Central Bank (ECB) kept its key rates unchanged at its October meeting with the deposit rate staying at an all-time high of 4%. Markets do not expect any further rate hikes from the ECB.

Asset allocation



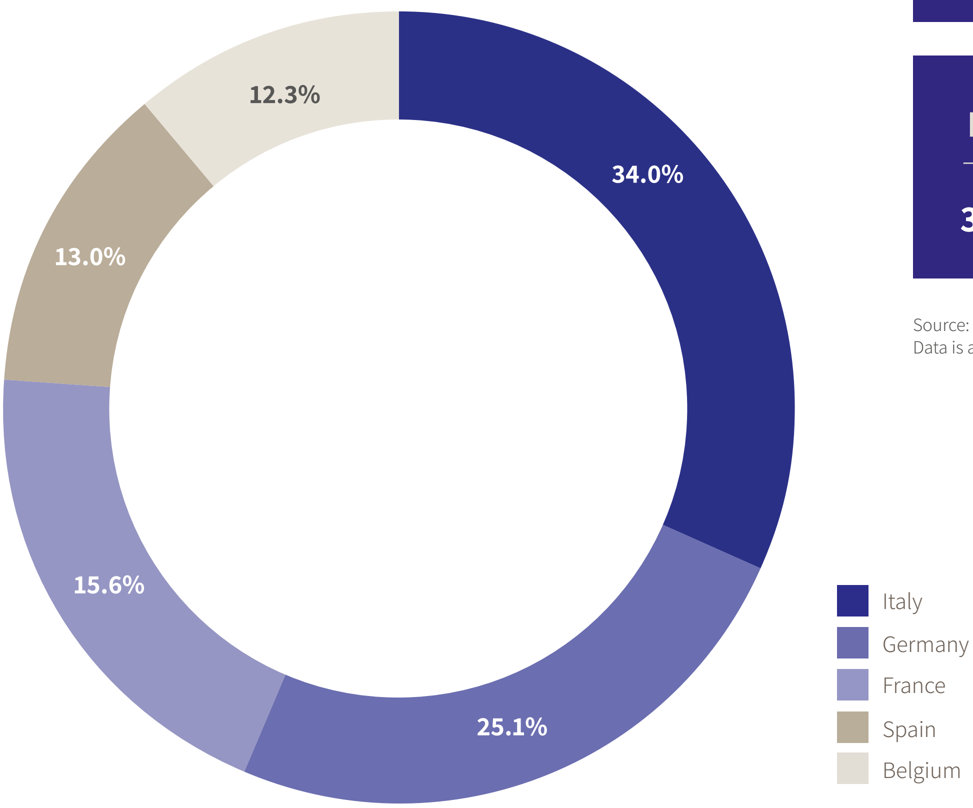
Bond portfolio credit quality

Rating / percentage of fund

Rating	Percentage of fund
AAA	25.1%
AA2	15.6%
AA3	12.3%
A3	13.0%
BBB2	34.0%

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

Bond country distribution



SUMMIT FUND PERFORMANCE

At 31 October 2023

Fund returns after fund management fee	Stable	Balanced	Growth
1 Month	0.09%	-1.57%	-2.41%
QTD	0.09%	-1.57%	-2.41%
3 Month	-0.28%	-3.71%	-4.92%
YTD	-0.09%	0.61%	1.85%
1 Year	-0.93%	-1.22%	0.19%
2 Years pa	-2.35%	-3.23%	-0.76%
3 Years pa	-2.16%	2.96%	8.12%
5 Years pa	-1.52%	1.72%	4.14%
10 Years pa	-1.04%	3.46%	5.38%

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 ★★★★★ 2023

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

Irish Pensions AWARDS 2023
WINNER
Property Manager of the Year

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