MONTHLY &
QUARTER 3 REPORT
30 SEPTEMBER 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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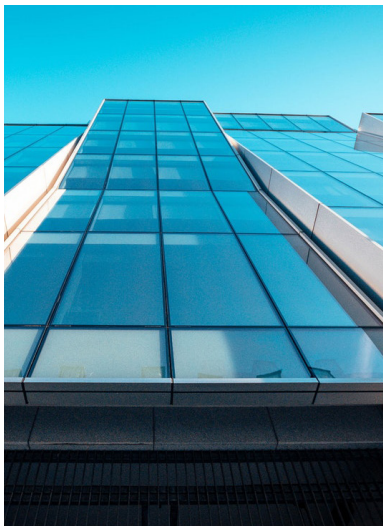

MARKET REVIEW

Global equities fell for the first time since March due to a variety of factors. These included slowing growth momentum, concerns over delays to pass additional fiscal stimulus in the US and fears over the potential for a contested US Presidential election. There were also record levels of Covid-19 cases in many regions and some profit-taking in the technology sector, after strong gains since the market lows in March. While global growth in the third quarter (Q3) is expected to reach a record high of around 34% on an annualised basis, there have been some signs of slower momentum in recent weeks after the initial summer surge due to pent-up demand when economies reopened. Many countries across Europe are experiencing significant rises in Covid-19 infection rates, which is increasing the threat of stricter and longer-lasting lockdowns. This is contributing to lower sentiment and activity levels across Europe.

MARKET REVIEW (CONTINUED)

EQUITIES

Over the quarter, the MSCI AC World equity benchmark rose 7.1% (3.7% in euro terms). The US rose 9.6% (5.0% in euro terms) as the US Federal Reserve (Fed) indicated that interest rates will not be raised until at least the end of 2023. Policymakers also announced a new average inflation target. Economic growth exceeded expectations throughout the period, resulting in upgrades to third-quarter growth forecasts. Emerging-market equities rose 8.8% (5.1% in euro terms), benefiting from the weaker US dollar – it was positive for flows into emerging-market regions and continued improvement in the Chinese economy. Pacific Basin equities fell -0.7% (-2.3% in euro terms), with Hong Kong weak on the back of rising Covid-19 cases and tensions stemming from new security measures to limit anti-government opposition. Some large-cap bank stocks in Asia were also weak on suspected facilitation of money laundering schemes. The UK fell -4.6% (-4.4% in euro terms) as Brexit-related uncertainty remained a challenge. In addition, the UK economic recovery lagged those evident elsewhere in the world and there was a risk of tighter restrictions to combat a renewed rise in Covid-19 case numbers.

BONDS

The ICE BofA Merrill Lynch Eurozone >5-year sovereign bond benchmark rose 2.5%. German 10-year yields fell to -0.52% as the European Central Bank (ECB) and other central banks maintained accommodative monetary policies and continued to buy large amounts of bonds. Peripheral spreads narrowed as the EU announced a Recovery Fund of €750bn, including €390bn of grants, which is an effective fiscal transfer from the core to peripheral countries and was seen as strengthening the long-term outlook for the Eurozone. Spreads were also supported by the ECB's ongoing asset-purchase programme. By quarter-end, Italian 10-year spreads against Germany had fallen to 139 basis points (bps), Spanish spreads had narrowed to 77bps while Portuguese spreads were at 78bps. European investment-grade corporate bonds rose 2.0% as yields and spreads fell to 0.59% and 117bps, respectively. Concerns over potential defaults eased as the growth backdrop improved.

CURRENCIES

The euro rose against the US dollar to 1.1722, benefiting from the policy commitment of fiscal transfers to peripheral regions within the EU Recovery Fund. This was seen as reducing risks of a Eurozone breakup. The US dollar was weaker against most currencies after the Fed's guidance that it would not raise interest rates until at least the end of 2023. The US dollar also tends to be regarded as a 'safe haven' currency, so it declined in the more 'risk on' environment evident through the quarter.

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	QTD Return (%)	YTD Return (%)	2019 Return (%)
MSCI Ireland	9.81	-2.17	40.60
MSCI United Kingdom	-4.44	-26.69	23.40
MSCI Europe ex UK	1.50	-7.32	28.20
MSCI North America	4.87	1.99	33.90
MSCI Japan	2.56	-4.60	22.30
MSCI EM (Emerging Markets)	5.07	-5.15	21.10
MSCI AC World	3.68	-2.58	29.60
10-Year Yields	**Yield Last Month (%)**	**2019 Yield (%)**	**2018 Yield (%)**
US	0.68	1.92	2.68
Germany	-0.52	-0.19	0.24
UK	0.23	0.82	1.28
Japan	0.02	-0.02	0.00
Ireland	-0.16	0.11	0.90
Italy	0.87	1.41	2.74
Greece	1.03	1.43	4.35
Portugal	0.26	0.43	1.71
Spain	0.25	0.46	1.41
FX Rates	**Current**	**2019 Rates**	**2018 Rates**
US Dollar per Euro	1.17	1.12	1.15
British Pounds per Euro	0.91	0.85	0.90
US Dollar per British Pounds	1.29	1.33	1.28
Commodities (USD)	**QTD Return (%)**	**YTD Return (%)**	**2019 Return (%)**
Oil (WTI)	2.42	-34.13	34.50
Gold (Oz)	6.40	24.63	18.90
S&P Goldman Sachs Commodity Index	4.61	-33.38	17.60

Source: ILIM, Bloomberg. Data is accurate as at 1 October 2020

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COMMODITIES

Commodities rose 4.6% (0.2% in euro terms), supported by a better outlook for demand following the recovery in the global economy from the April trough. West Texas Intermediate (WTI) oil was less volatile than in recent quarters, rising 2.4%. Gold rose 6.4%, supported by the weaker US dollar and falling US real yields, although the price was off the new all-time high reached in early August.

MARKET OUTLOOK

IRISH LIFE INVESTMENT MANAGERS' (ILIM'S) VIEW – LOOKING AHEAD

The outlook for equity markets over the next 12 months depends on a number of factors including the evolution of Covid-19, the scale of recovery from the first-half recession, the level of stimulus provided by global authorities and the outcome of political events, especially the US Presidential election.

A major threat to the global economy emerged with the outbreak of Covid-19. Severe restrictions on travel and general activity were introduced to contain the virus. But these containment measures brought much of the global economy to a standstill, which resulted in the sudden onset of recession. Our base case is that after a very severe but short recession, the global economy will continue to rebound in the second half of 2020 and in 2021, supported by the large levels of fiscal and monetary stimulus. The expectation of a vaccine at some point next year should also enable activity levels in the global economy to return close to normal over the course of 2021.

Even after the modest correction in equities markets in September, upside in markets in the short term could be limited. This is due to recent concerns that have emerged in relation to the slowing momentum in global growth, delays in passing additional fiscal packages in the US, rising Covid-19 case numbers and growing fears over the potential for a contested or delayed US Presidential election result in November. On a 12–15-month timeframe, however, the outlook is more positive, with upside potential in equity markets of mid to high single digits.

Volatility is expected to stay in equity markets over the next 12 months, and some of the risks outlined above could potentially give rise to sudden market moves in either direction from time to time. Other issues could also contribute to market volatility, including political tensions in the Middle East and North Korea, rising US-China tensions and the potential for fiscal drag as governments face pressure to reduce debt levels following the unprecedented amounts of fiscal stimulus provided this year. Overall, however, given the positive growth backdrop, attractive relative valuations and ongoing provision of liquidity by central banks, equity markets are expected to generate positive returns over the next 12–15 months.

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

Global economy expected to contract in 2020 by -4 to -4.5% due to Covid-19 with a 5% rebound in 2021.

Covid-19, central bank policies, fiscal stimulus and politics will be key for growth.

Equity valuations appear expensive on an absolute basis but remain very attractive in relative terms.

Mid to high single digit upside is possible on 12-month view if an economic recovery continues in 2021 and policy remains supportive.

Volatility to remain a feature given various risks with the upcoming US election a key focus in the short term.

SUMMIT GROWTH FUND

Information is correct at 30 September 2020

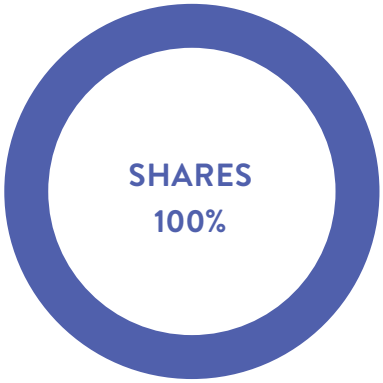
FUND DESCRIPTION

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 JULY

The Summit Growth Fund fell -1.06% in September but gained 0.44% for the quarter. From a sector perspective, the technology and healthcare sectors contributed, while the financial and industrial sectors detracted. The stocks contributing most to the fund's return during September were Nike, Steris Plc and Samsung Electronics. The stocks that detracted most were DCC Plc, Lancashire Holdings and Microsoft Corp.

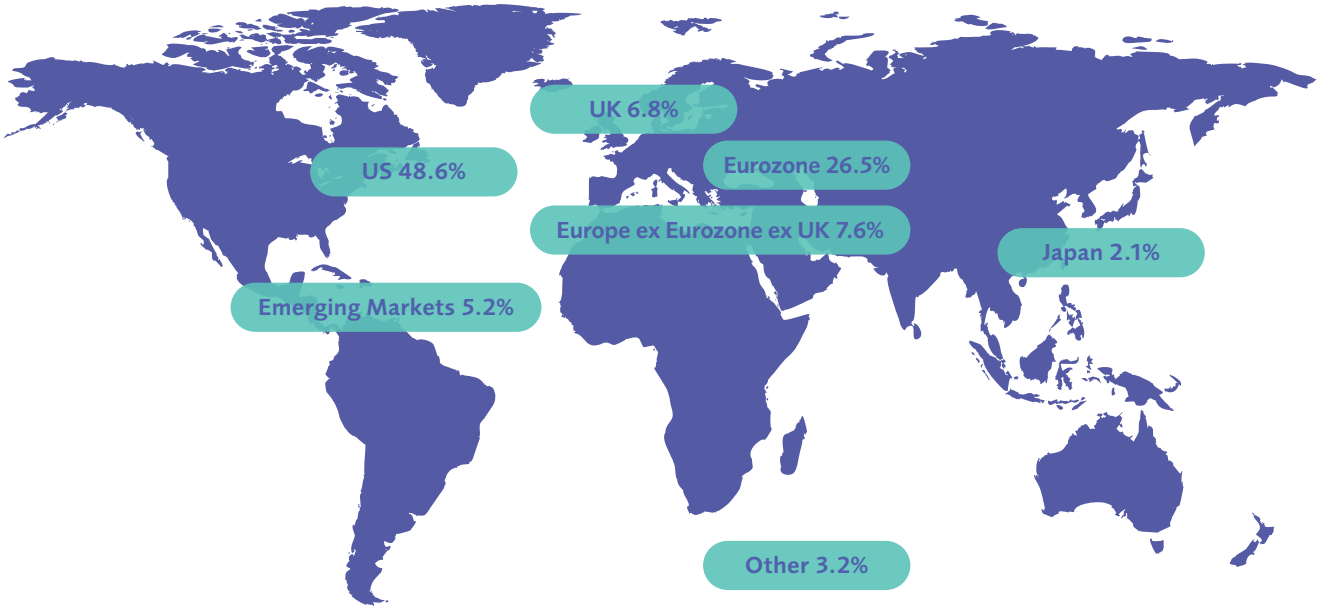
ASSET ALLOCATION



TOP TEN SHARE HOLDINGS

Stock name	% of fund
Microsoft Corp	4.9%
Berkshire Hathaway Inc	3.5%
DCC Plc	2.9%
Oracle Corp	2.6%
Johnson Controls International Ord	2.6%
Telefonaktiebolaget LM Ericsson	2.6%
Johnson & Johnson	2.6%
Nike Inc	2.4%
Keysight Technologies Inc	2.4%
Groupe Bruxelles Lambert SA	2.3%

SHARE REGIONAL DISTRIBUTION



SUMMIT BALANCED FUND

Information is correct at 30 September 2020

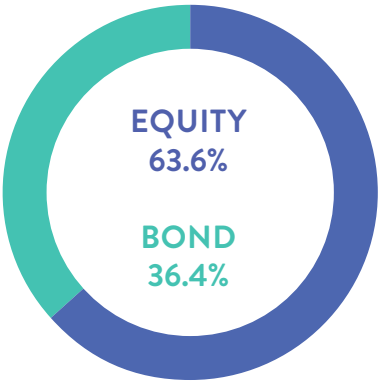
FUND DESCRIPTION

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 JULY

The Summit Balanced Funds fell -0.39% but gained 0.62% through the quarter. Technology and healthcare sectors contributed to performance through the month, while financial and industrial sectors detracted. Eurozone sovereign bonds rose as bond yields declined in the more 'risk off' environment. Peripheral bond spreads continued to narrow on the back of positive policy developments in Europe over recent months, on both the political and monetary fronts.

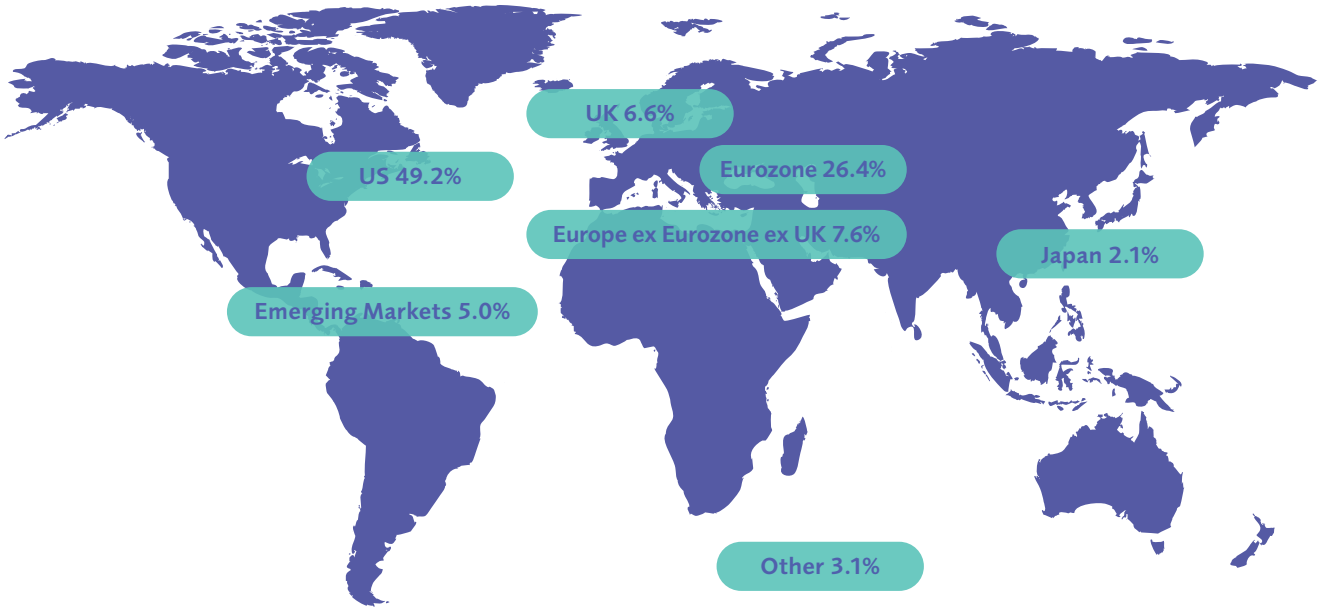
ASSET ALLOCATION



TOP TEN SHARE HOLDINGS

Stock name	% of fund
Microsoft Corp	5.0%
Berkshire Hathaway Inc	3.8%
DCC Plc	2.9%
Oracle Corp	2.6%
Johnson Controls International Ord	2.6%
Johnson & Johnson	2.6%
Telefonaktiebolaget LM Ericsson	2.5%
Keysight Technologies Inc	2.5%
Nike Inc	2.4%
Steris Plc	2.2%

SHARE REGIONAL DISTRIBUTION



SUMMIT STABLE FUND

Information is correct at 30 September 2020

FUND DESCRIPTION

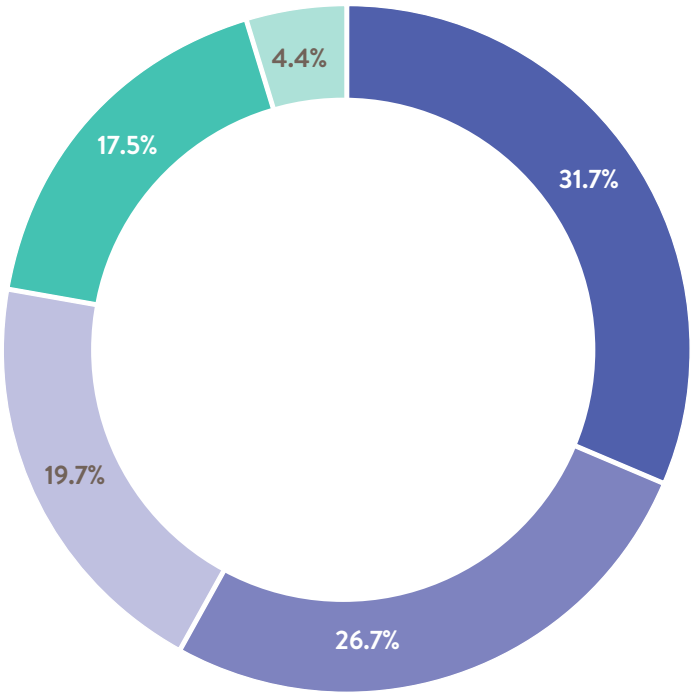
The Stable Fund invests in short-term Eurozone government debt and cash.

FUND UPDATE FOR JULY

The Summit Stable fund was flat for September, returning 0.0% for the month and 0.18% for the quarter. An overweight position in Italian bonds contributed, as two-year Italian bond yields fell from -0.08% to -0.22% during the month. Investors continued to "bid-up" the prices of higher-yielding assets, which included peripheral bond yields in Europe. An Italian referendum was passed that looked to reduce the number of members of parliament at the next election, which was viewed as positive for political stability in the country.

ASSET ALLOCATION

BOND COUNTRY DISTRIBUTION



BOND PORTFOLIO CREDIT QUALITY

Rating / percentage of fund

AAA	AA2	A3
17.5%	26.7%	19.7%

BBB2	BBB3
4.4%	31.7%

- Italy
- France
- Spain
- Germany
- Portugal

SUMMIT FUND PERFORMANCE AT 30/09/2020

Fund Returns after fund mgt fee	Stable	Balanced	Growth
1month	0.00%	-0.39%	-1.06%
3 months	0.18%	0.62%	0.44%
Year to date in 2020	-0.52%	-5.72%	-9.94%
1 year	-1.13%	-4.60%	-7.30%
2 years pa	-0.57%	-0.98%	-2.77%
3 years pa	-0.86%	0.90%	0.65%
5 years pa	-0.92%	2.96%	3.69%
10 years pa	-0.17%	3.71%	4.86%

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.

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.

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