



# August 2023 in review

## Summit Mutual Funds

Summit Mutual 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

Global stock markets were weaker in August, dragged lower by broadly resilient economic data and the potential for interest rates to remain high in 2024. In macroeconomic terms, market participants continued to see signs of a 'soft landing' – an economic slowdown without a recession – in the US, as activity data was robust and core inflation fell. Evidence of slowing remained in the eurozone and China, however. Core inflation measures decelerated in July in both the US and the eurozone, but officials from both the US Federal Reserve (Fed) and the European Central Bank (ECB) spoke of the need to keep interest rates restrictive to tame inflation.

### Equities

The MSCI All Country World index fell by 2.0% (-1.2% in euros) over the month as stocks were dragged lower by broadly resilient economic data and the potential for interest rates to stay high in 2024. The MSCI USA was down by 1.7% (-0.1% in euros); European ex-UK equities lagged, with the economic outlook less supportive, falling by 2.2% (-2.4% in euros).

### Bonds

Bond markets were close to flat in August, eking out a small gain. Core sovereign bond markets fell for most of the month as a combination of strong activity data in the US and sticky inflation in major developed economies led markets to price in higher rates for longer. Somewhat softer activity data later in the month, however, led to lower yields (and higher prices). The ICE BofA 5+ Year Euro Government bond index rose by 0.3%.

## MARKET SNAPSHOT

### Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2022 Return (%)
MSCI Ireland	-2.2	28.9	-21.1
MSCI United Kingdom	-2.5	5.9	1.4
MSCI Europe ex UK	-2.4	12.8	-11.9
MSCI North America	-0.2	16.6	-13.8
MSCI Japan	-0.9	11.9	-10.8
MSCI EM (Emerging Markets)	-4.6	3.1	-14.5
MSCI AC World	-1.2	13.3	-12.6
10-Year Yields	Yield Last Month (%)	2022 Yield (%)	2021 Yield (%)
US	4.11	3.87	1.51
Germany	2.47	2.57	-0.18
UK	4.36	3.67	0.97
Japan	0.65	0.42	0.07
Ireland	2.85	3.13	0.24
Italy	4.12	4.70	1.17
Greece	3.78	4.62	1.34
Portugal	3.19	3.59	0.47
Spain	3.48	3.66	0.57
FX Rates	End last month	2022 Rates	2021 Rates
US dollar per euro	1.08	1.07	1.14
British pound per euro	0.86	0.89	0.84
US dollar per British pound	1.27	1.21	1.35
Commodities (USD)	MTD Return (%)	YTD Return (%)	2022 Return (%)
Oil (Brent)	1.5	1.1	10.5
Gold (Oz)	-1.5	6.5	-0.3
S&P Goldman Sachs Commodity Index	0.6	3.0	26.0

Source: ILIM, Bloomberg. Data is accurate as at 1 September 2023.

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## MARKET OUTLOOK

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

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 down slightly in 2023 overall, 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.

Following the gains year-to-date, global equities appear slightly expensive, trading on a 12-month forward price-to-earnings (P/E) multiple of 16.4x against a long-term average of 16.0x. The 12-month forward P/E for the MSCI USA is 19.5x against a long-term average of 17.2x. Equities outside the US offer better value, but equities remain expensive against both bonds and cash given the high yields currently available on these assets.

Despite equities appearing pricy, the outlook for the asset class 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 artificial intelligence (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 timeframe.



Equities are trading slightly above long term valuation multiples. Given the high yields available on cash and bonds, equities no longer appear cheap against these assets. Increasing hopes of a soft landing, with the avoidance of a recession, have been supportive of equity markets.



Global growth slowed to an estimated 3.0% in 2022. Growth is forecast to decelerate further to 2.5% in 2023 but remain positive 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 has stalled. The authorities have announced plans for additional stimulus to boost growth.



While equities appear fully valued, positive economic and earnings growth into 2024 can allow equity markets to continue to grind higher, moving in line with earnings growth if multiples remain unchanged. 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.



A continued fall in inflation, enabling central banks to cut interest rates in 2024, could contribute to additional gains in equity markets.



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.

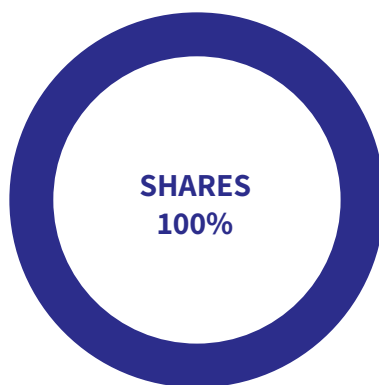
# SUMMIT GLOBAL LEADERS FUND

The Summit Global Leaders Fund invests in stocks with large market capitalisations. From July 2014, equity management has been sub-advised to Setanta Asset Management.

## Fund update for August

The Summit Global Leaders Fund returned +0.21%, net of fund management fee, over August. Leading performers included Cisco (+10.2% in USD) and NVIDIA (+5.6% in USD). Cisco’s guidance for the year to July 2024 was well received as the company flagged modest top-line growth, operating leverage benefits and ongoing share buybacks after particularly strong revenue growth in the year ended July 2023. Huge demand for NVIDIA’s processors required for artificial intelligence applications helped to drive another blow-out set of quarterly results and underpins further impressive forecast sales growth. Laggards included Tencent (-8.3% in HKD) and LVMH (-7.8% in EUR). Weak Chinese consumer confidence and flat domestic gaming sales weighed on the shares of the former. LVMH shares declined on the back of concerns of a slowdown in US luxury demand and the potential impact of a slowing Chinese economy.

## Asset allocation

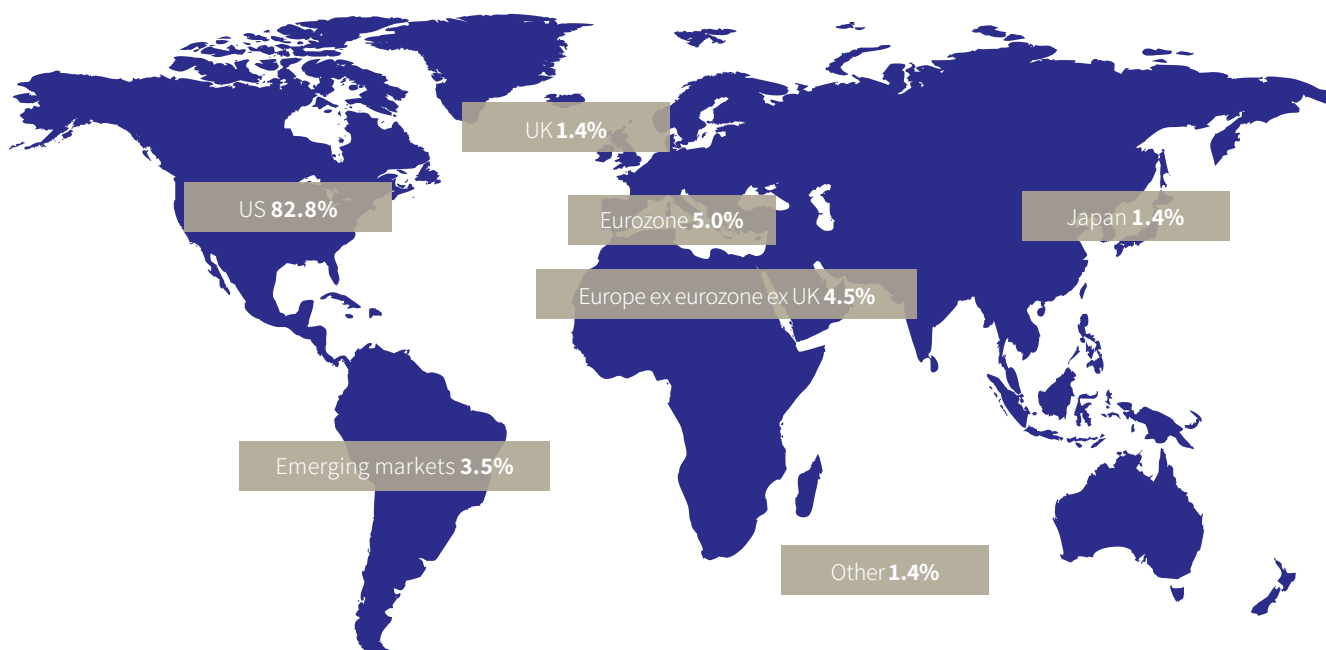


## Top Ten Share Holdings

Stock name	% of fund
Alphabet	9.5
Apple	8.7
Microsoft	8.6
Nvidia	6.7
Amazon.com	6.5
Meta Platforms	3.8
Tesla	3.7
Exxon Mobil	2.6
United Health	2.4
JP Morgan Chase	2.3

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

## Share regional distribution



Information is correct at 31 August 2023.

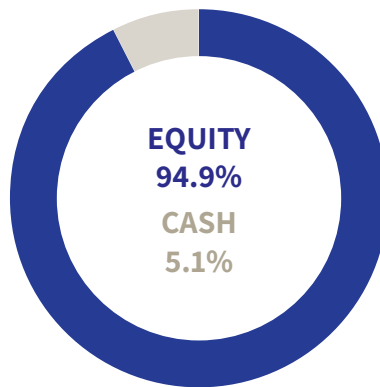
# SUMMIT GROWTH FUND

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 August

The Summit Growth Fund returned -1.61%, net of fund management fee, over August. Energy, Financials and Healthcare were the best performing sectors, while the Technology, Materials and Utilities sectors lagged. The stocks contributing the most to the fund's return were Oshkosh, Booking Holdings and Oracle. The largest detractors from performance were DXC Technology, Keysight Technologies and Johnson Controls.

## Asset allocation

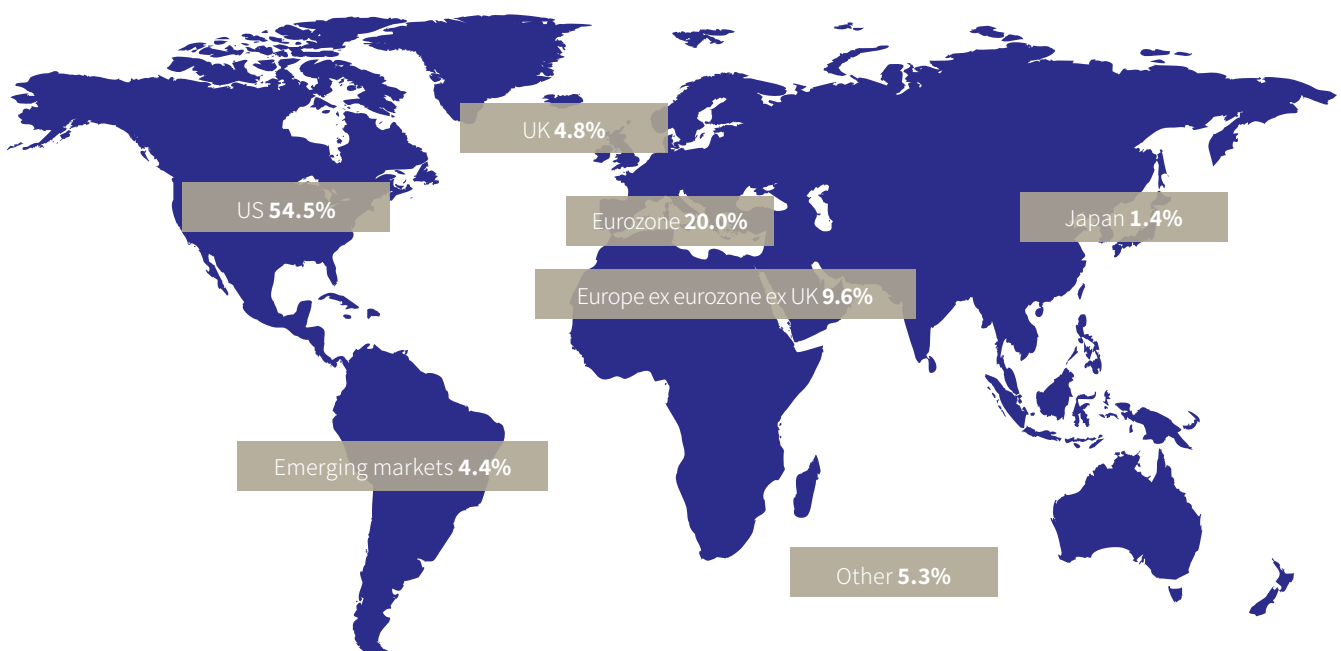


## Top Ten Share Holdings

Stock name	% of fund
Microsoft	5.0
Berkshire Hathaway	4.1
Oracle	3.7
Alphabet	3.3
Booking Holdings	3.0
Costco Wholesale	2.9
McDonald's	2.7
Samsung Electronics	2.4
Nike	2.1
S&P Global	2.1

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

## Share regional distribution



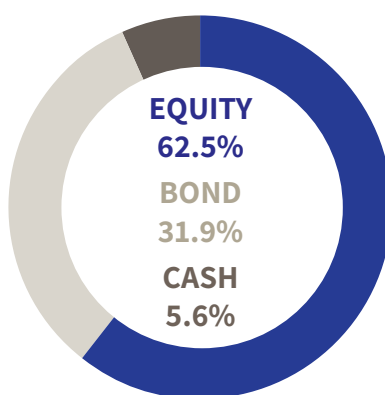
# SUMMIT BALANCED FUND

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 August

The Summit Balanced Fund returned -0.94%, net of fund management fee, over August. Energy, Financials and Healthcare were the best performing sectors, while the Technology, Materials and Utilities sectors lagged. The global macro backdrop continued to show signs of a ‘soft landing’ in the US. However, signs of slowing remained in the eurozone and China. Global stock markets were weaker in August, dragged lower by broadly resilient economic data and the potential for interest rates remaining high in 2024. Bond markets were up slightly as higher income compensated for markets pricing in higher yields for longer.

## Asset allocation

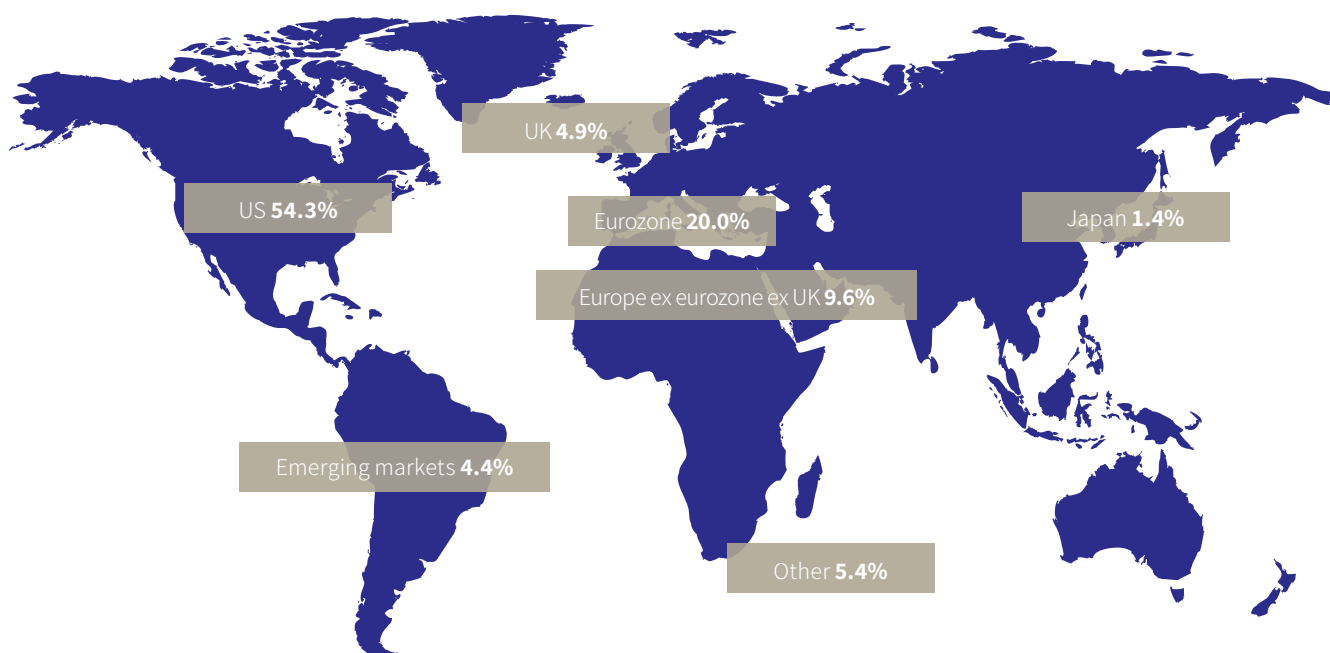


## Top Ten Share Holdings

Stock name	% of fund
Microsoft	5.0
Berkshire Hathaway	4.2
Oracle	3.8
Alphabet	3.2
Booking Holdings	3.0
Costco Wholesale	2.9
McDonald's	2.7
Samsung Electronics	2.3
Nike	2.1
S&P Global	2.1

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

## Share regional distribution



# SUMMIT FUND PERFORMANCE



## At 31 August 2023

Fund returns after fund management fee	Balanced	Growth	Global Leaders
1 Month	-0.94%	-1.61%	0.21%
QTD	-0.55%	-0.75%	2.45%
3 Month	0.72%	1.47%	5.67%
YTD	5.22%	7.58%	27.20%
1 Year	0.92%	4.82%	11.55%
2 Years pa	-2.15%	2.46%	3.49%
3 Years pa	4.57%	11.32%	10.41%
5 Years pa	2.18%	5.38%	11.30%
10 Years pa	5.14%	8.21%	12.25%

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

**G R E S B**  
★★★★★ 2022

**IPIED**  
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

Summit Mutual 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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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.