

MONTHLY &  
QUARTER 4 REPORT  
31 DECEMBER 2020



Irish Life

# SUMMIT MUTUAL FUNDS



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## MARKET REVIEW

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After a fall in October, equities rallied in the fourth quarter, with markets reaching new all-time highs by year-end. Equities initially fell due to a rise in Covid-19 case numbers and the subsequent reintroduction of restrictions. Concerns that the result of the US presidential election would be contested also contributed to the fall, as did fading fiscal support in the US. But global equities enjoyed a strong end to the year, as the removal of uncertainty surrounding the US presidential election and the successful conclusion of several Covid-19 vaccine trials spurred a sharp market rally. December saw the beginning of Covid-19 vaccination programmes, a \$900bn US stimulus package, and a Brexit trade agreement. These helped equity markets end the year on a high.

### EQUITIES

Over the quarter, the MSCI AC World equity benchmark rose 12.9% (10.0% in euro terms). Emerging markets rose 16.1% (14.8% in euro terms), benefiting from a weaker US dollar and expectations of a recovery in global growth in 2021 linked to the roll-out of vaccines. Pacific Basin equities rose 14.3% (15.1% in euro terms), supported by a robust economic backdrop in China and Asia. Europe lagged, rising 10.2% (10.5% in euro terms) as the stronger euro acted as a drag on

exporters. Meanwhile, growth was relatively weak due to the severe restrictions put in place to combat the renewed rise in Covid-19 cases. The UK also underperformed, rising 10.6% (12.1% in euro terms), due to Brexit-related uncertainty and ongoing difficulties in tackling Covid-19.

## MARKET REVIEW (CONTINUED)

### BONDS

The ICE BofA Merrill Lynch Eurozone > 5-year sovereign bond benchmark rose 1.7%. German 10-year yields fell to -0.57%, as the Eurozone economy contracted in the fourth quarter due to the restrictions announced to combat the rise in Covid-19 cases. Yields were also pushed lower by the €500bn increase in asset purchases announced by the European Central Bank (ECB) and the extension of these until March 2022. Peripheral spreads also continued to narrow, supported by the formal approval of the EU's €750bn Recovery Fund, which includes €390bn of grants. The extension of ECB asset purchases also helped to lower spreads. By quarter-end, Italian 10-year spreads against Germany falling were down to 111 basis points (bps), Spanish spreads had narrowed to 62ps, while Portuguese spreads had fallen to 60bps.

European investment-grade corporate bonds rose 2.0%, as yields and spreads fell to 0.33% and 91bps, respectively. Despite the contraction in Eurozone growth in the fourth quarter, concerns over potential defaults continued to ease thanks to the better growth outlook for 2021 and ongoing ECB purchases of investment-grade corporate bonds.

### CURRENCIES

The euro rose against the US dollar to 1.2225. The US dollar, which is generally viewed as a 'safe haven' asset, suffered in the more 'risk on' environment. While the ECB did increase the level of asset purchases, the failure to cut interest rates, combined with the continued dovish stance at the US Federal Reserve (the Fed), also contributed to the euro's gains against the US dollar. The approval of the EU Recovery Fund, which was seen as improving the long-term outlook for the Eurozone, was also positive for the euro.

### COMMODITIES

Commodities rose 14.5% (9.7% in euro terms), supported by the expectation of higher demand in 2021 on the back of a rebound in the global economy. West Texas Intermediate (WTI) oil rose 20.6%, as OPEC slowed its easing of production cuts by announcing an increase of only 500 barrels a day through January. The oil price was also boosted by falling inventory levels. Gold was down slightly by -0.2%, as reduced demand for defensive assets offset the support provided by the weaker US dollar.

### BREXIT DEAL FINALLY AGREED

Despite ongoing uncertainty during the quarter, the EU and UK finally agreed a 'last minute' trade deal which avoided the worst-case outcome of a 'no deal' Brexit and a move to WTO tariffs. The deal avoids tariffs and quotas on goods traded between the EU and UK, although services are not included in the deal. The UK is not bound by EU rules, although it has committed not to give UK companies an unfair advantage by lowering standards in relation to labour and environmental issues or by providing subsidies. The deal reduces risks to UK, European and Irish growth in the coming years.

### EU RECOVERY FUND APPROVED

The proposed EU Recovery Fund of €750bn, including €390bn of grants, had appeared to be at risk as Poland and Hungary exercised their vetoes over the condition that funding would depend on the application of the rule of law. Eventually a compromise was reached and the fund was approved, with monies expected to be distributed to countries over the course of 2021.

### MARKET SNAPSHOT

#### Market returns (EUR)

| Equity Markets (EUR)                 | QTD<br>Return (%)       | YTD<br>Return (%) | 2019<br>Return (%) |
|--------------------------------------|-------------------------|-------------------|--------------------|
| MSCI Ireland                         | 8.31                    | 5.97              | 40.60              |
| MSCI United Kingdom                  | 12.09                   | -17.83            | 23.40              |
| MSCI Europe ex UK                    | 10.51                   | 2.43              | 28.20              |
| MSCI North America                   | 8.48                    | 10.64             | 33.90              |
| MSCI Japan                           | 10.50                   | 5.42              | 22.30              |
| MSCI EM (Emerging Markets)           | 14.79                   | 8.89              | 21.10              |
| MSCI AC World                        | 10.02                   | 7.18              | 29.60              |
| 10-Year Yields                       | Yield Last<br>Month (%) | 2019<br>Yield (%) | 2018<br>Yield (%)  |
| US                                   | 0.91                    | 1.92              | 2.68               |
| Germany                              | -0.57                   | -0.19             | 0.24               |
| UK                                   | 0.20                    | 0.82              | 1.28               |
| Japan                                | 0.02                    | -0.02             | 0.00               |
| Ireland                              | -0.30                   | 0.11              | 0.90               |
| Italy                                | 0.54                    | 1.41              | 2.74               |
| Greece                               | 0.63                    | 1.43              | 4.35               |
| Portugal                             | 0.03                    | 0.43              | 1.71               |
| Spain                                | 0.05                    | 0.46              | 1.41               |
| FX Rates                             | Current                 | 2019              | 2018               |
| US Dollar per Euro                   | 1.22                    | 1.12              | 1.15               |
| British Pounds per Euro              | 0.90                    | 0.85              | 0.90               |
| US Dollar per British Pounds         | 1.37                    | 1.33              | 1.28               |
| Commodities (USD)                    | QTD<br>Return (%)       | YTD<br>Return (%) | 2019<br>Rates      |
| Oil (WTI)                            | 20.64                   | -20.54            | 34.50              |
| Gold (Oz)                            | -0.19                   | 24.40             | 18.90              |
| S&P Goldman Sachs<br>Commodity Index | 14.49                   | -23.72            | 17.60              |

Source: ILIM, Bloomberg. Data is accurate as at 1 January 2021

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## MARKET OUTLOOK

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

With restrictions being extended through the early weeks of the new year, global growth will remain softer at around 2.7% in the first quarter of 2021. However, it is expected to pick up in the middle of the year to a rate of approximately 6–7%, aided by fiscal and monetary stimulus measures and the widespread distribution of vaccines. Despite the drag on growth evident in Europe through the fourth quarter of 2020, business sentiment surveys rose in the latter part of 2020. Companies anticipate a strong recovery as consumer behaviour is expected to become less cautious. In the US, although growth exceeded expectations in October, there has been a noticeable slowdown since November – consumer confidence has fallen, retail sales declined, and the labour market has softened. However, the recently announced fiscal

package of \$900bn is expected to boost growth by 0.5% in 2021, and the impact should be felt immediately as stimulus cheques began to be sent out before year-end. This is expected to lead to growth of over 4% in the US economy in 2021.

Overall, following a contraction of 4% in 2020 in the global economy, growth of 5% is expected in 2021, boosted by the continuation of fiscal and monetary stimulus and greater confidence associated with widespread inoculation against Covid-19.



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. Vaccine developments supportive of growth.



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



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



Volatility to remain a feature.

## SUMMIT GLOBAL LEADERS FUND

Information is correct at 31 December 2020

### FUND DESCRIPTION

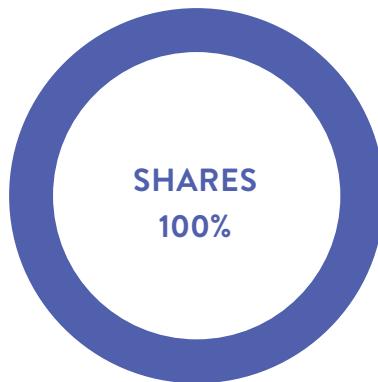
The Summit Global Leaders Fund invests in stocks with large market capitalisations. From July 2014, equity management has been sub-advised to Setanta Asset Management.



### FUND UPDATE FOR DECEMBER

The Summit Global Leaders Fund enjoyed a positive December gaining 2.69%. Optimism around the re-opening of economies on the back of impressive vaccine data and ongoing global central bank support underpinned the equity market's advance. Tesla, Walt Disney and Samsung Electronics were notable strong performers.

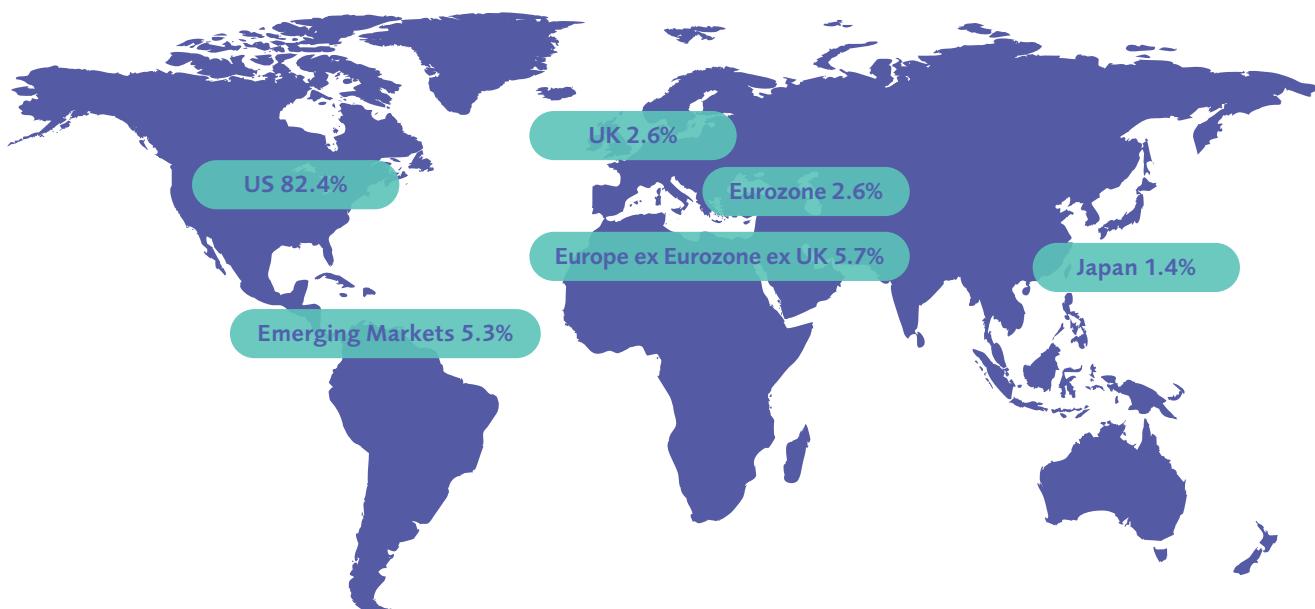
### ASSET ALLOCATION



### TOP TEN SHARE HOLDINGS

| Stock name                         | % of fund |
|------------------------------------|-----------|
| Apple Inc                          | 9.9%      |
| Microsoft Corp                     | 9.5%      |
| Amazon.com Inc                     | 8.9%      |
| Alphabet Inc                       | 6.9%      |
| Facebook Inc                       | 4.3%      |
| Tesla Inc                          | 3.3%      |
| Johnson & Johnson                  | 2.8%      |
| Samsung Electronics Co Ltd         | 2.7%      |
| JP Morgan Chase & Company          | 2.7%      |
| Taiwan Semiconductor Manufacturing | 2.6%      |

### SHARE REGIONAL DISTRIBUTION



## SUMMIT GROWTH FUND

Information is correct at 31 December 2020

### FUND DESCRIPTION

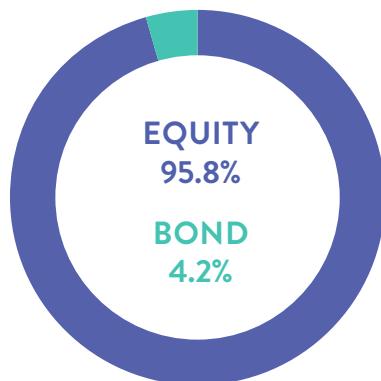
The Summit Growth fund aims to achieve growth by investing exclusively in global equities. From July 2014, equity management has been sub-advised to Setanta Asset Management. Equities are managed under the Setanta Global Equity Strategy.



### FUND UPDATE FOR DECEMBER

The Growth Fund gained 2.37% in December. From a sector perspective, the technology sector contributed the most to performance. The stocks contributing most to the fund's return during the month were Samsung Electronics, Melrose Industries, Oracle Corp and NCR Corp. The stock that detracted most was DCC Plc.

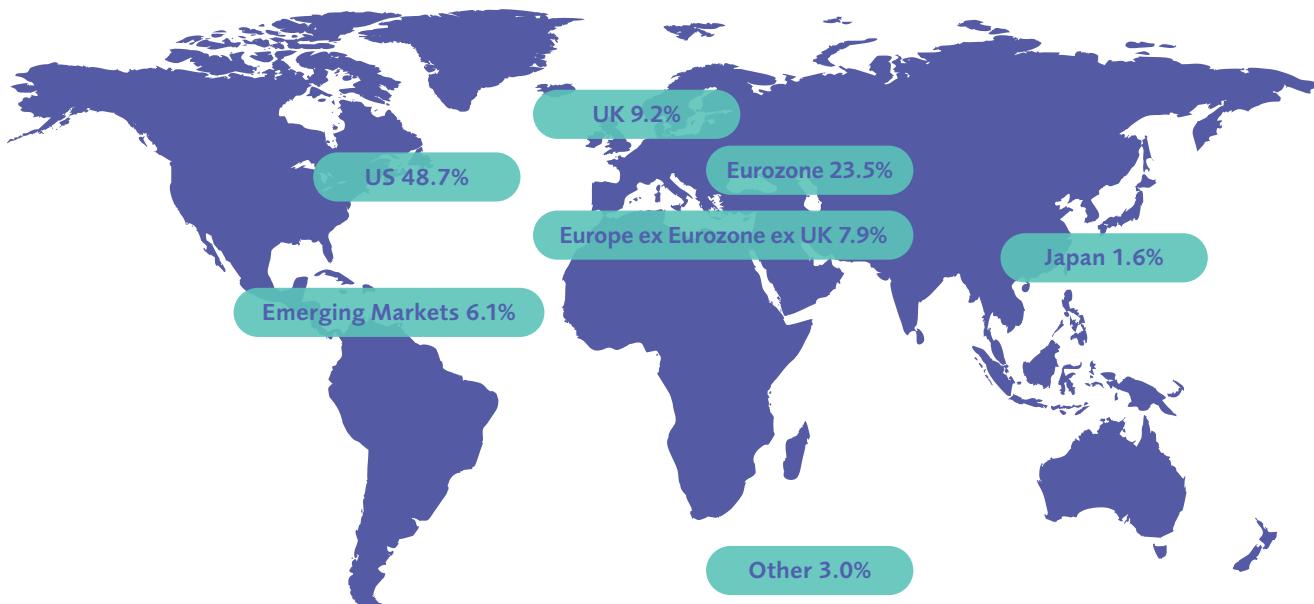
### ASSET ALLOCATION



### TOP TEN SHARE HOLDINGS

| Stock name                      | % of fund |
|---------------------------------|-----------|
| Microsoft Corp                  | 4.2%      |
| Berkshire Hathaway Inc          | 2.7%      |
| Samsung Electronics Co Ltd      | 2.7%      |
| McDonald's Corp                 | 2.6%      |
| Telefonaktiebolaget LM Ericsson | 2.4%      |
| Nike Inc                        | 2.4%      |
| Alphabet                        | 2.4%      |
| Oracle Corp                     | 2.3%      |
| Johnson & Johnson               | 2.3%      |
| Booking Holdings Inc            | 2.3%      |

### SHARE REGIONAL DISTRIBUTION



## SUMMIT BALANCED FUND

Information is correct at 31 December 2020

### FUND DESCRIPTION

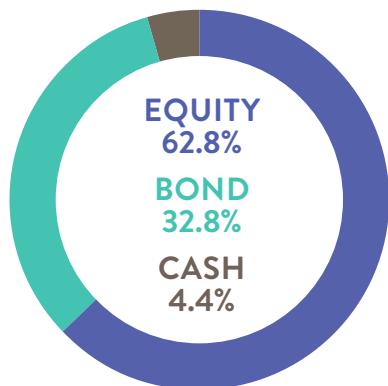
The objective of the Summit Balanced Fund is to avoid volatility to a large degree, while still providing solid returns over the medium to long term. The fund invests in global equities but also maintains a minimum of 33% invested in a mix of fixed income and cash. From July 2014, equity management has been sub-advised to Setanta Asset Management. Equities are managed under the Setanta Global Equity Strategy.



### FUND UPDATE FOR DECEMBER

The Summit Balanced Funds rose 1.52% during December, driven by stock selection. Eurozone >5 year bonds rose 0.2% with the German 10-year yield unchanged at -0.57%.

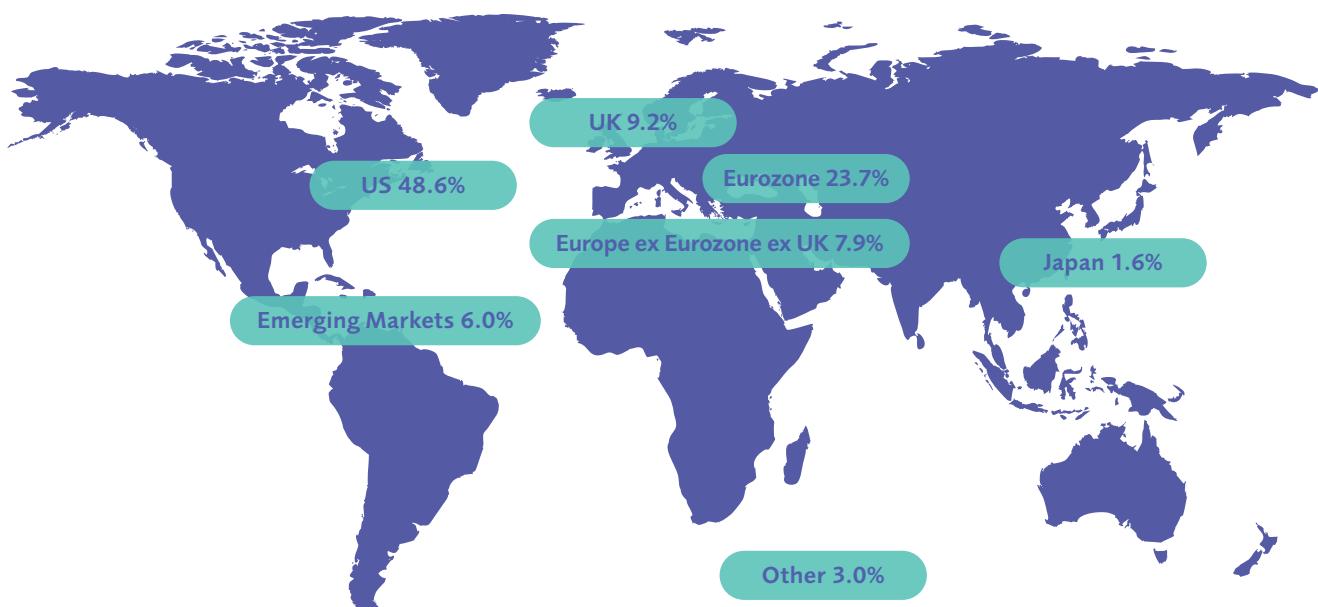
### ASSET ALLOCATION



### TOP TEN SHARE HOLDINGS

| Stock name                      | % of fund |
|---------------------------------|-----------|
| Microsoft Corp                  | 4.2%      |
| Samsung Electronics Co Ltd      | 2.7%      |
| Berkshire Hathaway Inc          | 2.7%      |
| McDonald's Corp                 | 2.6%      |
| Telefonaktiebolaget LM Ericsson | 2.4%      |
| Johnson & Johnson               | 2.3%      |
| Nike Inc                        | 2.3%      |
| Alphabet                        | 2.3%      |
| Oracle Corp                     | 2.3%      |
| Booking Holdings                | 2.3%      |

### SHARE REGIONAL DISTRIBUTION



## SUMMIT FUND PERFORMANCE AT 31/12/2020

| Fund Returns after fund management fee | Balanced | Growth | Global Leaders |
|----------------------------------------|----------|--------|----------------|
| 1 Month                                | 1.52%    | 2.37%  | 2.69%          |
| 3 Month                                | 6.84%    | 10.48% | 6.14%          |
| Year to date in 2020                   | -2.38%   | -4.78% | 11.24%         |
| 1 Year                                 | -2.38%   | -4.78% | 11.24%         |
| 2 Years pa                             | 5.28%    | 6.70%  | 21.12%         |
| 3 Years pa                             | 2.26%    | 2.48%  | 13.69%         |
| 5 Years pa                             | 4.09%    | 5.43%  | 11.80%         |
| 10 years pa                            | 4.78%    | 6.02%  | 9.43%          |

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.

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Irish Life Investment Managers (ILIM) are recognised internationally for their expertise, innovation and track record:



**WINNER**  
Passive Manager of the Year



**WINNER**  
Passive Manager of the Year



**WINNER**  
Property Manager of the Year



**WINNER**  
Investment Manager of the Year



**WINNER**  
Passive Manager of the Year



**WINNER**  
Investment Manager of the Year



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