



# January 2022 in review **Summit Mutual Funds**

Summit Mutual Funds plc is authorised in Ireland  
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Helping people build  
better futures

# MARKET REVIEW

Over January, global equities fell during what was their worst month since March 2020. Having hit new all-time highs in the first few trading days of the year, equities fell and bond yields rose on inflation-focused guidance from the US Federal Reserve (Fed). The Fed suggested a faster pace of interest rate rises and a quicker reduction of asset purchases than was originally expected. Rising political tensions and the possibility of Russia invading Ukraine added to uncertainty. At the same time, investors became more concerned around the economic growth outlook, given the backdrop of rising interest rates, persistently high inflation, and signs of slowing economic growth.

## MARKET ROUND-UP

### Equities

Over the month, the MSCI AC World equity index fell -4.6% (-3.5% in euro terms). This was driven by the expectation of more aggressive interest rate rises, uncertainty around Russian/Ukrainian tensions, and some signs of slowing economic growth. Equities recovered from their lows into the month-end. UK equities rose 1.9% (2.4% in euros) and benefited from their relatively large weighting to energy and material stocks, which were supported by higher commodity prices. The UK also made good progress in removing Covid-19-related restrictions, which was positive for the growth outlook. Emerging markets outperformed but fell -1.8% (-0.5% in euros). Emerging markets were helped by lower interest rates in China, which should support growth, and attractive relative valuations compared to global equities. The US underperformed and fell -5.7% (-4.3% in euros) on the back of more inflation-focused guidance from the Fed and a sharp climb in bond yields, which was a negative for the tech sector. Japan fell -5.0% (-3.7% in euros) as its economic recovery continued to lag the global economy.

### Bonds

With bond yields rising on more inflation-focused policy guidance from the Fed, the Eurozone >5-year bond index fell -1.5%. European yields also rose as expectations for the first European Central Bank (ECB) interest rate rise were brought forward to October. Policy differences were evident among ECB council members, with some suggesting that interest rates could rise earlier than current guidance anticipates. The German 10-year yield rose back into positive territory for the first time since 2019 and ended the month at 0.01%. Investment grade corporate bonds fell -1.3% and yields increased 14 basis points (bps) to 0.65%. High yield corporate bonds fell -2.5%, as yields rose 83bps to 4.47%. Emerging market local debt rose 1.3% in euro terms during the month as strength in emerging market currencies offset the yield's 23bps rise to 5.85%.

### Currencies and commodities

The euro fell to 1.1219 against the US dollar, with the dollar rising on expectations of faster interest rate hikes from the Fed. Commodities rose +11.6% (+13.3% in euro terms), and West Texas Intermediate oil (WTI) climbed +17.2%. Commodity prices were firm on concerns over the Russia/Ukraine crisis, with Russia being a major producer of several commodities. The country accounts for 17% of global natural gas production, 12% of oil and 5-7% of many metals. Oil was also firm on the back of reduced estimates of excess OPEC capacity and falling inventory levels. European gas prices rose 27.2% during the month. At the same time, gold fell -1.8% as real yields rose.

## MARKET SNAPSHOT

### Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2021 Return (%)
MSCI Ireland	-5.8	-5.8	17.1
MSCI United Kingdom	2.4	2.4	27.5
MSCI Europe ex UK	-4.8	-4.8	25.4
MSCI North America	-4.1	-4.1	36.6
MSCI Japan	-3.7	-3.7	9.8
MSCI EM (Emerging Markets)	-0.5	-0.5	5.2
MSCI AC World	-3.5	-3.5	28.1
10-Year Yields	Yield Last Month (%)	2021 Yield (%)	2020 Yield (%)
US	1.78	1.51	0.91
Germany	0.01	-0.18	-0.57
UK	1.30	0.97	0.20
Japan	0.18	0.07	0.02
Ireland	0.51	0.24	-0.30
Italy	1.29	1.17	0.54
Greece	1.89	1.34	0.63
Portugal	0.67	0.47	0.03
Spain	0.75	0.57	0.05
FX Rates	End last month	2021 Rates	2020 Rates
U.S. Dollar per Euro	1.12	1.14	1.22
British Pounds per Euro	0.83	0.84	0.90
U.S. Dollar per British Pounds	1.34	1.35	1.37
Commodities (USD)	MTD Return (%)	YTD Return (%)	2021 Return (%)
Oil (WTI)	17.2	17.2	55.0
Gold (Oz)	-1.8	-1.8	-3.4
S&P Goldman Sachs Commodity Index	11.6	11.6	40.4

Source: ILIM, Bloomberg. Data is accurate as at 1 February 2022

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## MARKET OUTLOOK

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

We believe we are still in the early to mid-stage of the current economic cycle, which is typically associated with positive equity markets, even though the pace of returns tends to be lower than those experienced in the initial recovery from market lows.

While equities appear expensive in absolute terms, in a low-bond-yield environment, equities can trade at higher-than-average valuations. We believe in a double digit upside in equity markets from current levels in 2022.

Even as stimulus is being reduced, interest rates and bond yields remain close to historic lows. Historically, equities have, on average, continued to rise during the initial stages of an interest rate hiking cycle as the economic and earnings backdrop usually remain strong.

The persistence of higher inflation is seen as the greatest risk to markets. However, we expect inflation to ease back to lower levels through the year and, while it will probably settle at levels higher than pre-Covid-19, it is not expected to be high enough to warrant more aggressive central bank action compared to current guidance.

The most imminent short-term risk to markets relates to the Russia/Ukraine crisis, where Russia's invasion of Ukraine could result in sharply higher commodity prices and disturbances in the global economy, with Europe being most exposed.

While our outlook for equity markets is positive, volatility will likely remain a feature in the near term due to elevated absolute valuations and an array of short-term risks.



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



Global economy contracted in 2020 by -3.6% due to Covid 19 with an estimated rebound of 6.0% in 2021 and growth of 4.2% expected in 2022



Covid-19, monetary/fiscal stimulus, inflation developments, supply chain issues will be key for growth



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



Double digit upside possible over 12 months due to economic and earnings recovery and supportive policies



Volatility likely to remain a feature due to risks around inflation concerns, reduced stimulus, slower growth, Covid variants & geopolitical risks

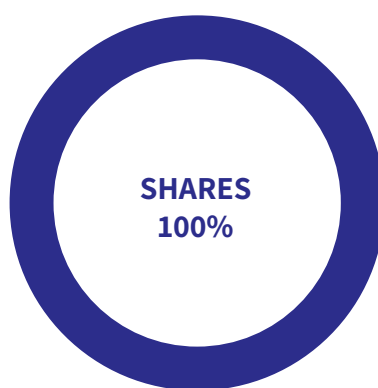
# SUMMIT GLOBAL LEADERS FUND

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 December

The Summit Global Leaders Fund returned -4.28% (net of fund management fee) over January 2021. Rising concerns about inflation and an upward interest rate cycle triggered a decline in markets. Some of the more highly valued growth names were hit particularly hard. Netflix was down sharply after it warned that subscriber growth would slow in 2022. At the same time, Tesla warned that supply chain constraints would continue to limit production through 2022. On a positive note, the rising oil price fuelled share price gains for Exxon Mobil and Chevron.

## Asset allocation

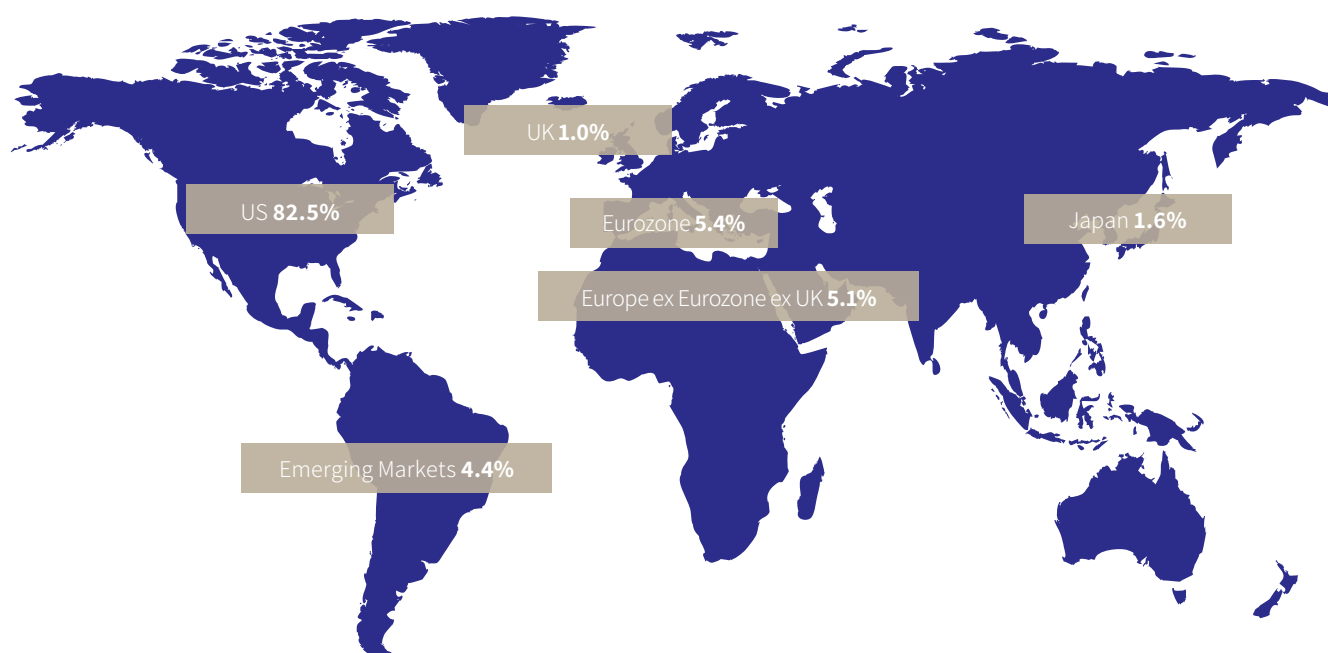


## Top Ten Share Holdings

Stock name	% of fund
Apple	8.9
Microsoft	8.2
Alphabet	7.9
Amazon.com	7.3
Tesla	4.4
Meta Platforms	4.2
Nvidia	3.6
JP Morgan Chase & Co	2.7
Johnson & Johnson	2.6
Taiwan Semiconductor Manufacturing	2.5

Source: ILIM, Factset. Data is accurate as at 31 January 2022

## Share regional distribution



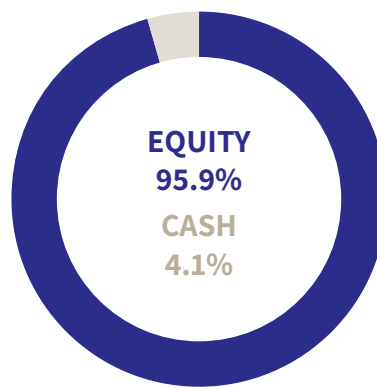
# SUMMIT GROWTH FUND

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 January

The Summit Growth Fund returned -2.47% (net of fund management fee) over January. From a sector perspective, Energy and Materials were the best performing sectors. Meanwhile, the Consumer Discretionary, Consumer Staples and Technology sectors lagged. The stocks that contributed the most to the fund's return were Exxon Mobil, Ericsson and the Bank of Ireland Group. The stocks that detracted the most were Playtech, Keysight Technologies and Microsoft.

## Asset allocation

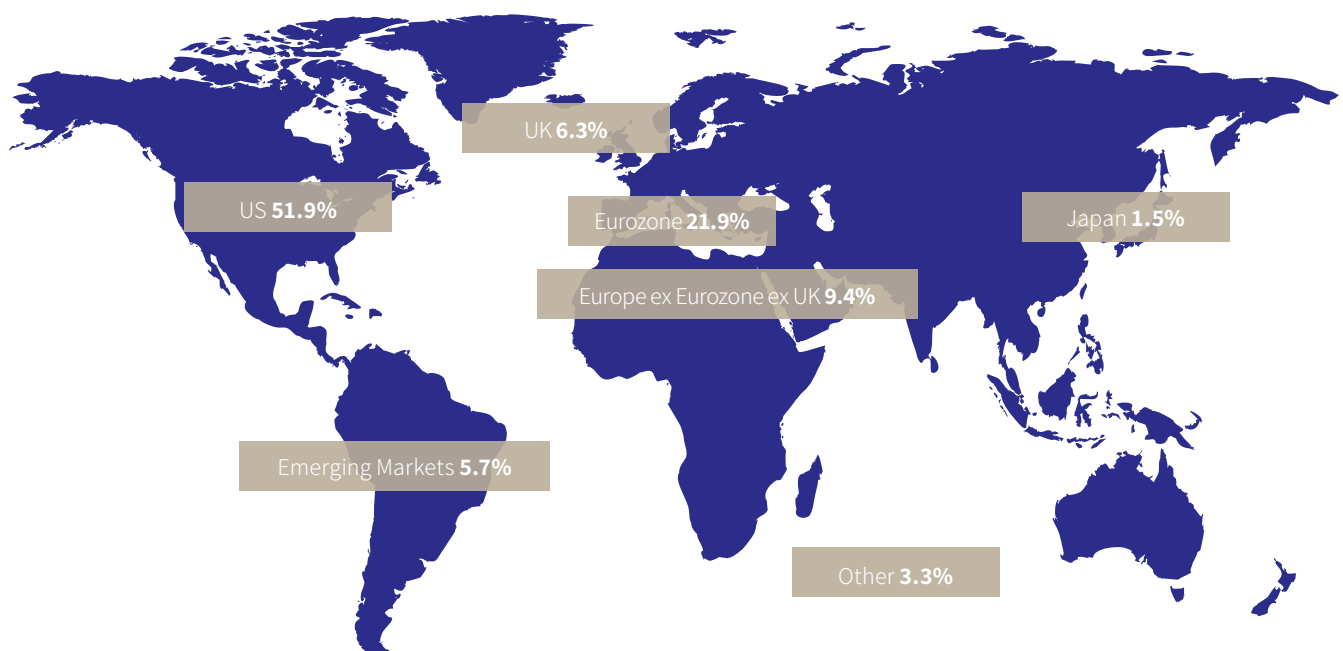


## Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.6
Alphabet	3.4
Berkshire Hathaway	3.3
McDonald's	2.9
Johnson Controls International	2.7
Oracle	2.7
Samsung Electronics	2.7
Costco Wholesale	2.6
DCC	2.4
Nike	2.3

Source: ILIM, Factset. Data is accurate as at 31 January 2022

## Share regional distribution



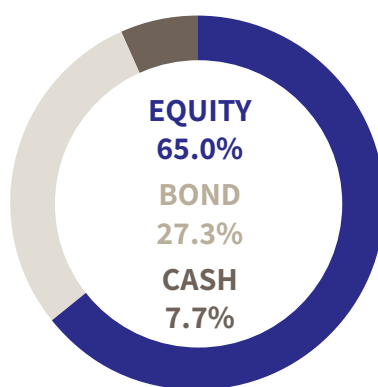
# SUMMIT BALANCED FUND

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 January

The Summit Balanced Fund returned -2.08% (net of fund management fee) over January. From a sector perspective, Energy and Materials were the best performing sectors. Meanwhile, the Consumer Discretionary, Consumer Staples and Technology sectors lagged. Bond markets were weaker on expectations of rising interest rates and easing concerns around Covid-19's Omicron variant.

## Asset allocation

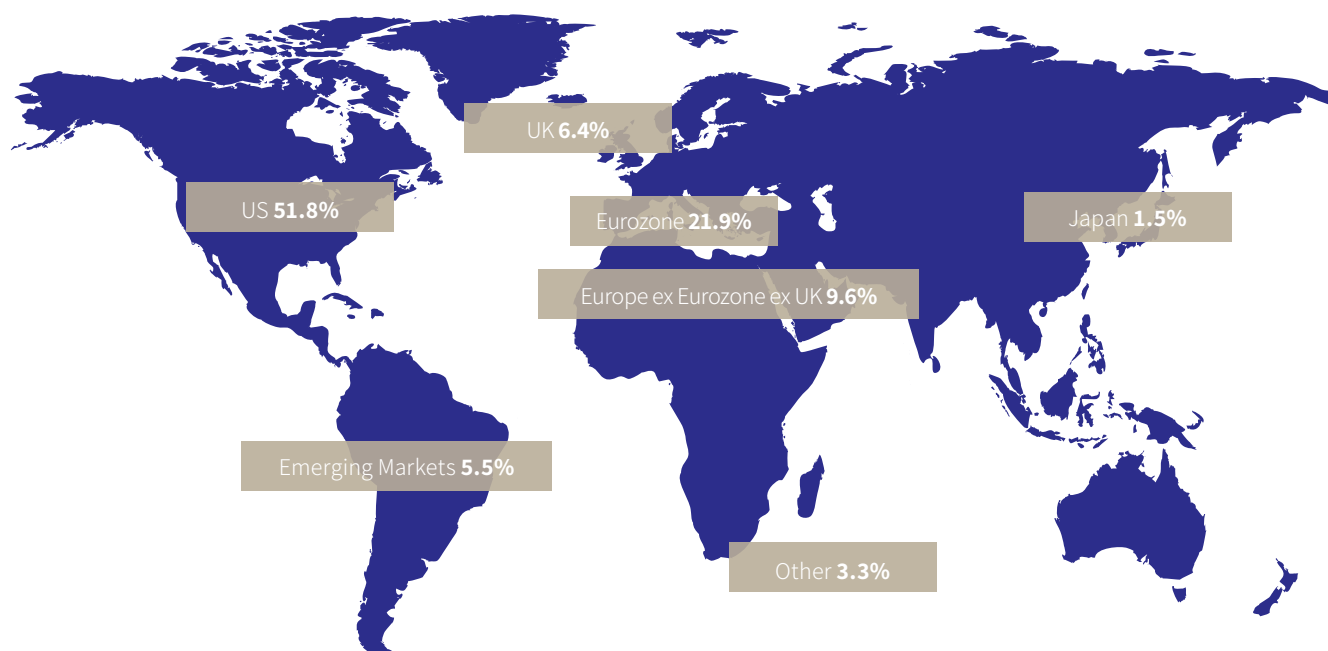


## Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.7
Alphabet	3.1
Berkshire Hathaway	3.1
McDonald's	2.7
Oracle	2.7
Costco Wholesale	2.5
Johnson Controls International	2.5
Samsung Electronics	2.4
DCC	2.4
Johnson & Johnson	2.3

Source: ILIM, Factset. Data is accurate as at 31 January 2022

## Share regional distribution



# SUMMIT FUND PERFORMANCE



## At 31 December 2021

Fund returns after fund management fee	Balanced	Growth	Global Leaders
1 Month	-2.08%	-2.47%	-4.28%
QTD	-2.08%	-2.47%	-4.28%
3 Month	0.68%	1.70%	0.21%
YTD	-2.08%	-2.47%	-4.28%
1 Year	14.19%	25.32%	26.84%
2 Years pa	5.85%	10.40%	17.37%
3 Years pa	6.69%	10.44%	20.54%
5 Years pa	5.03%	7.68%	14.73%
10 years pa	7.23%	10.8%	13.63%

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:



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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