

MONTHLY REPORT
31 JULY 2020



Irish Life

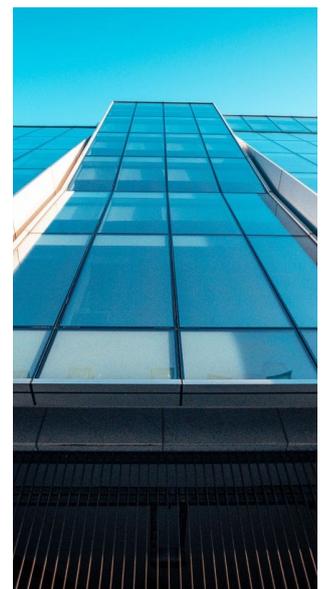
SUMMIT MUTUAL FUNDS



Summit Mutual Funds plc is authorised in Ireland and regulated by the Central Bank of Ireland

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MARKET REVIEW

Equities rose again in July – global equities ended the month 4.0% higher in local-currency terms, but just 0% in euro terms because of the strong euro. Markets continued to be supported by the accommodative monetary policy stances adopted by global central banks, the strong earnings season, and the ongoing strength of the global economic recovery from the April low. Some signs at month-end of slowing momentum following the reintroduction of restrictions in some regions to combat the renewed rise in Covid-19 case numbers were outweighed by positive news flow in relation to the possible availability of a vaccine before-year end, which added to the positive investor sentiment backdrop.

EQUITIES

The MSCI AC World equity index rose 4.0% (0.0% in euros). Emerging markets rose 8.2% (3.6% in euros), benefitting from a weaker US dollar, global monetary policies, and the strong recovery in the Chinese economy. In the US, markets rose 5.9% (0.6% in euros) on the back of the Fed's policy stance and strong Q2 earnings reports. In the UK, markets fell -4.5% (-3.7% in euros) due to Brexit-related uncertainty, new localised Covid-19 restrictions, and a disappointing May GDP release showing an increase of only 1.8% month-on-month. The confirmation that the UK's furlough scheme will end in October caused concerns over the economic growth outlook for the latter part of the year. Japanese markets fell -3.6% (-6.5% in euros) as the economic recovery continued to lag, and Covid-19 numbers doubled over the month.

BONDS

Eurozone >5 year bonds rose 1.6% as peripheral bond yield spreads narrowed following an agreement on the EU Recovery Fund. Italian 10-year spreads against Germany fell to 153 basis points (bps) while Spanish 10-year spreads narrowed to 86bps. German 10-year yields fell to -0.52% due to global monetary policy decisions and an expectation of a slowdown in the pace of economic growth.

CURRENCIES AND COMMODITIES

The euro performed strongly, supported by progress in agreeing the EU Recovery Fund, and rose to 1.1778 against the US dollar. The US dollar was generally weak against most currencies due to stocks outperforming bonds, the Fed favouring low interest rates, and the current fall in US real yields. Commodities rose 3.8% (-1.4% in euros) as the outlook for demand continued to improve alongside global growth. Oil increased 2.5% despite OPEC's plans to raise production levels in the coming months. Gold rose 10.8%, supported by a weaker US dollar, declining US real yields and uncertainty surrounding increasing Covid-19 numbers.

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2019 Return (%)
MSCI Ireland	3.27	-8.00	40.60
MSCI United Kingdom	-3.68	-26.11	23.40
MSCI Europe ex UK	-0.65	-9.28	28.20
MSCI North America	0.62	-2.14	33.90
MSCI Japan	-6.53	-13.05	22.30
MSCI EM (Emerging Markets)	3.55	-6.51	21.10
MSCI AC World	0.04	-6.00	29.60

10-Year Yields	Yield Last Month (%)	2019 Yield (%)	2018 Yield (%)
US	0.53	1.92	2.68
Germany	-0.52	-0.19	0.24
UK	0.10	0.82	1.28
Japan	0.02	-0.02	0.00
Ireland	-0.12	0.11	0.90
Italy	1.01	1.41	2.74
Greece	1.09	1.43	4.35
Portugal	0.35	0.43	1.71
Spain	0.34	0.46	1.41

FX Rates	Current	2019 Rates	2018 Rates
US Dollar per Euro	1.18	1.12	1.15
British Pounds per Euro	0.90	0.85	0.90
US Dollar per British Pounds	1.31	1.33	1.28

Commodities (USD)	QTD Return (%)	YTD Return (%)	2019 Return (%)
Oil (WTI)	2.55	-34.05	34.50
Gold (Oz)	10.77	29.75	18.90
S&P Goldman Sachs Commodity Index	3.80	-33.89	17.60

Source: IILIM, Bloomberg. Data is accurate as at 1 August 2020

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MARKET OUTLOOK

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

The outlook for equity markets over the next 12 months is dependent on several factors, including the evolution of Covid-19, and the rate of recovery from the associated recession.

A major threat to the global economy emerged with the outbreak of Covid-19, which spread around the world. Severe restrictions on travel and general activity were introduced to contain the virus. These containment measures brought much of the economy to a standstill and resulted in the sudden onset of recession. Global growth is expected to have contracted by up to 16% on an annualised basis in the first half of the year. If the virus is successfully contained, then global economic activity levels can continue their recent recovery in the second half of the year and into 2021. Our base case is that after a very severe, but short recession, the global economy will rebound in the second half of 2020 and into next year.

If economic recovery continues into 2021, there is potential for further growth in equities over the next 12 months. However, valuation levels could result in the upside being limited to low to mid-single digits. Relative valuations for equities are very attractive, given the low yields currently available in other assets such as bonds and cash.

Equity markets continue to face several challenges beyond Covid-19. These include the renewed escalation in US – China tensions, which are likely to remain in the run up to the November US presidential election. These could pose a risk to overall growth outlooks, and the US – China trade deal, which was only signed in January. The outcome of the election could result in domestic policy changes which may have implications for markets. Uncertainties related to tensions in the Middle East and North Korea could have a similar impact on markets. These challenges may result in times of high volatility over the next 12 months.



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



Global economy expected to contract in 2020 by -4/4.5% due to Covid-19 with a strong rebound in H2, following a recession in H1.



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



Equity valuations appear expensive on a P/E basis, following the recent rebound. Remain very attractive in relative terms.



Low to mid single digit upside possible on 12-month view if an economic recovery is evident in H2, post a containment of the virus.



Volatility to remain a feature given various risks.

SUMMIT GLOBAL LEADERS FUND

Information is correct at 31 July 2020

FUND DESCRIPTION

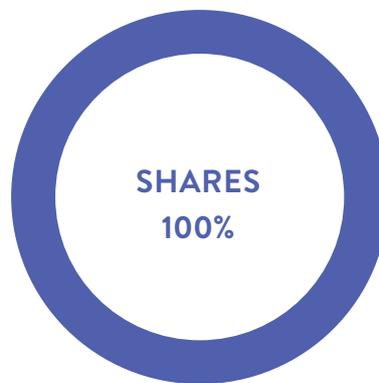
The Summit Global Leaders Fund invests in stocks with large market capitalisations. From July 2014, equity management has been sub-advised to Setanta Asset Management.



FUND UPDATE FOR JULY

The Summit Global Leaders fund rose by 0.9% in July as global equities ended the month 4.0% higher in local-currency terms, but just 0% in euro terms. The fund's underweight exposure to the energy and financial sectors contributed to relative outperformance in July. Taiwan Semiconductor was a particularly strong performer and the fund held a small overweight position in the stock.

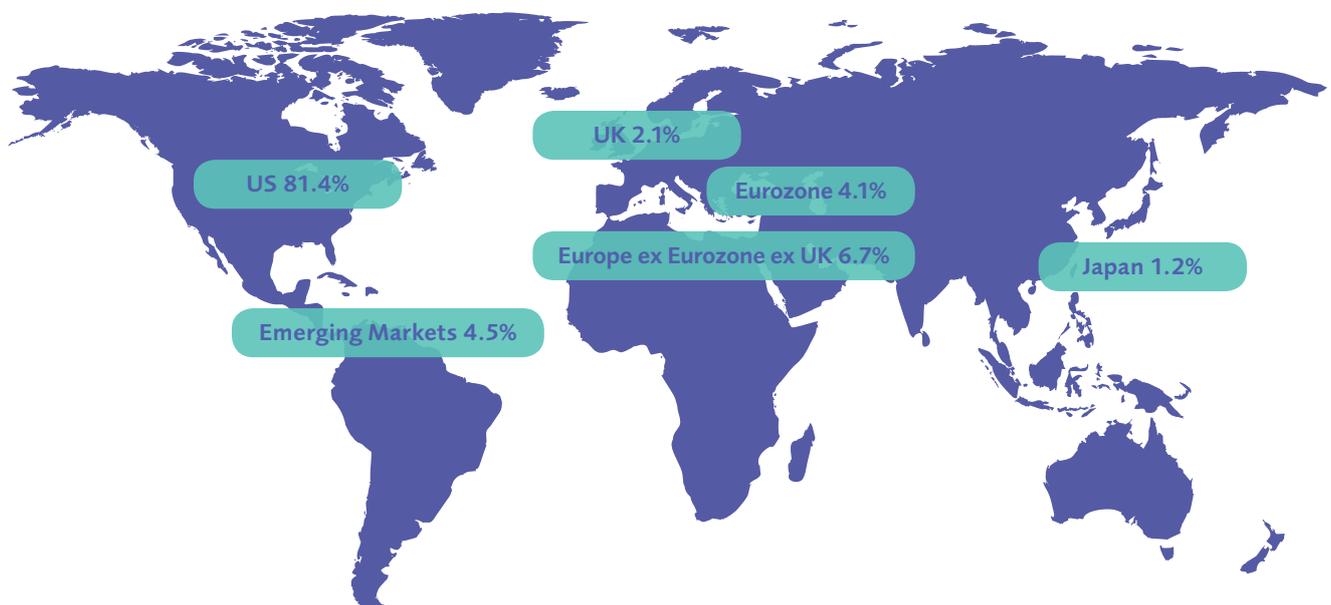
ASSET ALLOCATION



TOP TEN SHARE HOLDINGS

Stock name	% of fund
Apple Inc	11.1%
Amazon.com Inc	9.7%
Microsoft Corp	9.7%
Alphabet Inc	7.0%
Facebook Inc	4.8%
Johnson & Johnson	3.1%
Nestle SA/AG	2.9%
Procter & Gamble Co (the)	2.7%
Visa Inc	2.6%
JP Morgan Chase & Company	2.4%

SHARE REGIONAL DISTRIBUTION



SUMMIT GROWTH FUND

Information is correct at 31 July 2020

FUND DESCRIPTION

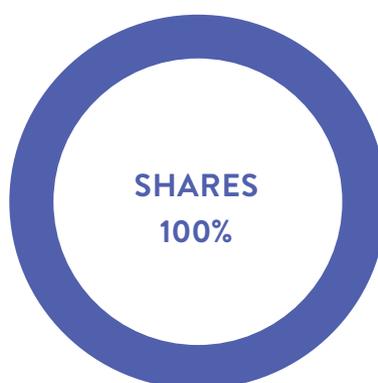
The Summit Growth fund aims to achieve growth by investing exclusively in global equities. From July 2014, equity management has been sub-advised to Setanta Asset Management. Equities are managed under the Setanta Global Equity Strategy.



FUND UPDATE FOR JULY

The Summit Growth Fund fell by -0.2% in July. Even though global equities ended the month 4.0% higher in local-currency terms, they were up just 0% in euro terms because of the strong euro. From a sector perspective the Technology, Financials and Consumer Staples sectors contributed the most to performance. The Consumer Discretionary and Materials sectors detracted from relative fund returns. The stocks contributing most to the fund return during the month were Taiwan Semiconductor, Ericsson, Johnson Controls and O-I Glass. The underperformers were Melrose Industries, Microsoft Corp and Keysight Technologies.

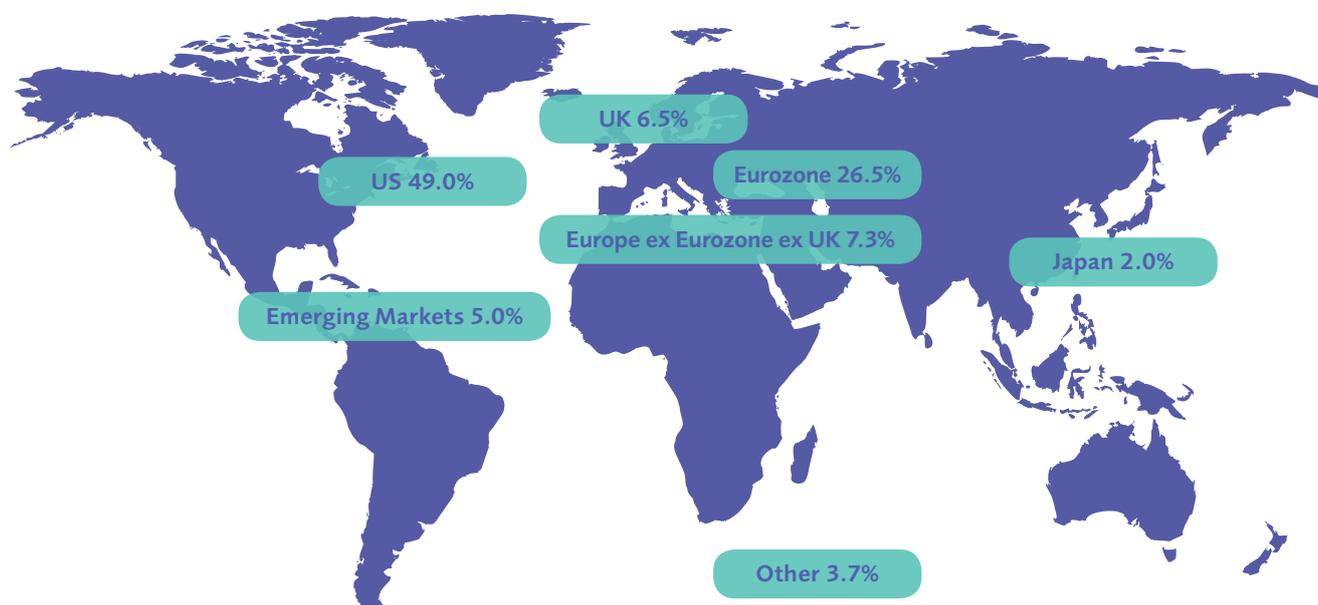
ASSET ALLOCATION



TOP TEN SHARE HOLDINGS

Stock name	% of fund
Microsoft Corp	4.8%
DCC Plc	3.4%
Berkshire Hathaway Inc	3.2%
Telefonaktiebolaget LM Ericsson	2.7%
Lancashire Holdings Ltd	2.5%
Johnson & Johnson	2.5%
Johnson Controls International Ord	2.4%
Oracle Corp	2.4%
Keysight Technologies Inc	2.4%
Cisco Systems Inc	2.2%

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SUMMIT BALANCED FUND

Information is correct at 31 July 2020

FUND DESCRIPTION

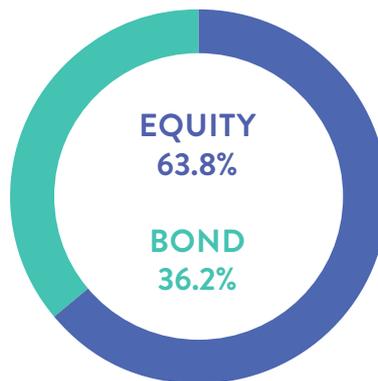
The objective of the Summit Balanced Fund is to avoid volatility to a large degree, while still providing solid returns over the medium to long term. The fund invests in global equities but also maintains a minimum of 33% invested in a mix of fixed income and cash. From July 2014, equity management has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



FUND UPDATE FOR JULY

The Summit Balanced Fund was flat in July. Equities rose again in July – global equities ended the month 4.0% higher in local-currency terms, but just 0% in euro terms because of the strong euro. Markets continued to be supported by global central banks' policies, as well as strong corporate earnings as the global economy partially recovered from the April low. A renewed rise in Covid-19 case numbers was offset by positive news flow in relation to the possible availability of a vaccine before year-end. Eurozone sovereign bonds rose as the European Union Recovery Fund was finally agreed.

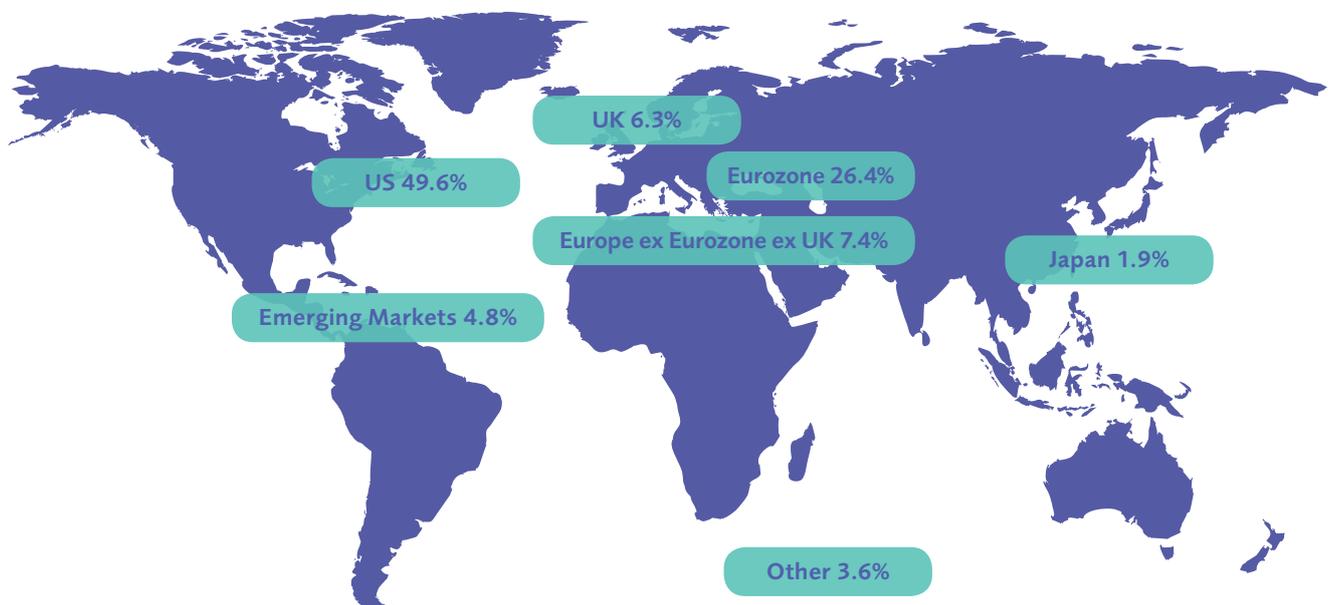
ASSET ALLOCATION



TOP TEN SHARE HOLDINGS

Stock name	% of fund
Microsoft Corp	4.8%
Berkshire Hathaway Inc	3.5%
DCC Plc	3.4%
Telefonaktiebolaget LM Ericsson	2.6%
Keysight Technologies Inc	2.5%
Johnson & Johnson	2.5%
Lancashire Holdings Ltd	2.5%
Oracle Corp	2.4%
Johnson Controls International Ord	2.4%
Cisco Systems Inc	2.3%

SHARE REGIONAL DISTRIBUTION



SUMMIT FUND PERFORMANCE AT 31/07/2020

Fund Returns after fund mgt fee	Balanced	Growth	Global Leaders
1 Month	0.05%	-0.22%	0.90%
3 Months	2.53%	3.48%	4.46%
Year to Date in 2020	-8.84%	-14.09%	1.50%
1 Year	-6.82%	-10.20%	9.74%
2 Years pa	-1.17%	-3.08%	11.25%
3 Years pa	1.25%	0.99%	12.32%
5 Years pa	2.24%	2.70%	9.65%
10 years pa	4.49%	5.72%	9.27%

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.



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Irish Life

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