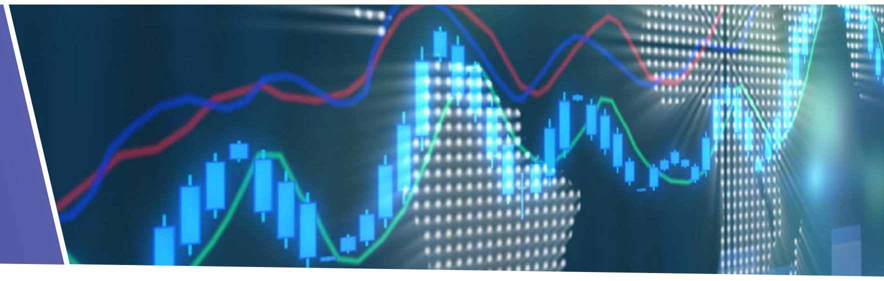
Irish Life

Life \ Pensions \ **Investments**

July 2023 in review
Summit Mutual Funds

Helping people build better futures

MARKET REVIEW



MARKET ROUND-UP

Market Review

Global stock markets made further gains in July, with US stocks benefiting from a favourable economic backdrop. Bond markets were mixed, as a change of policy by the Bank of Japan (BoJ) contributed to higher government bond yields (and lower prices), whereas corporate bonds rose on an improving growth outlook. Inflation surprised to the downside for the first time since the beginning of the year; this, together with robust economic activity data releases, increased the probability of a 'soft landing' for the global economy – an economic slowdown without a recession. A divergence remained between regions, however, with the US economy showing relative strength compared to Europe and China.

Equities

Global stock markets rose strongly in July. The MSCI All Country World index rallied by 3.2% (2.6% in euros) over the month as stocks were supported by broadly resilient economic data and expectations of 2024 interest rate cuts amid falling inflation. The MSCI USA rose by 3.4% (2.4% in euros) as hopes for a 'soft landing' were in greater evidence in the US than in other regions. European ex UK equities were more muted, with a less supportive economic outlook; the asset class climbed by 1.3% (1.9% in euros). Small-cap equities rose 4.3% (3.8% in euros), outperforming large caps, supported by the more resilient growth in the US and increasing hopes of a soft landing. Emerging-market (EM) equities outperformed developed markets in July, rising by 5.4% (5.2% in euros). The asset class was boosted by a recovery in Chinese equities, which rose 10.1% as the authorities announced plans to introduce stimulus measures to support growth.

Bonds

Bond markets were mixed in July. Core government bond markets were lower (and so yields were higher) following changes to policy by the Bank of Japan (BoJ). The BoJ announced greater flexibility around the target range for its 10-year bond yields, suggesting a new upper limit of 1.0% versus the previous limit of 0.5%. Following the announcement, expectations that Japanese investors could reduce holdings of overseas bonds and reinvest in domestic Japanese bonds caused a modest sell-off in global government bonds towards month end. The ICE BofA 5+ Year Euro Government bond index fell -0.6%, with the German 10-year yield rising to 2.49%.

European investment-grade (IG) corporate bonds, however, rose by 1.1% in July, supported by expectations that central bank interest rates were close to peaking and growing hopes that a soft economic landing would be achieved and a recession would be avoided. For similar reasons, global high-yield bonds were up by 1.6% (0.6% in euros), with yields down 0.2% to 7.59%.

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2022 Return (%)
MSCI Ireland	6.1	31.9	-21.1
MSCI United Kingdom	2.4	8.6	1.4
MSCI Europe ex UK	1.9	15.6	-11.9
MSCI North America	2.4	16.9	-13.8
MSCI Japan	1.9	12.9	-10.8
MSCI EM (Emerging Markets)	5.2	8.1	-14.5
MSCI AC World	2.6	14.7	-12.6

10-Year Yields	Yield Last Month (%)	2022 Yield (%)	2021 Yield (%)
US	3.96	3.87	1.51
Germany	2.49	2.57	-0.18
UK	4.31	3.67	0.97
Japan	0.61	0.42	0.07
Ireland	2.89	3.13	0.24
Italy	4.10	4.70	1.17
Greece	3.76	4.62	1.34
Portugal	3.22	3.59	0.47
Spain	3.52	3.66	0.57

FX Rates	End last month	2022 Rates	2021 Rates
US dollar per euro	1.10	1.07	1.14
British pound per euro	0.86	0.89	0.84
US dollar per British pound	1.29	1.21	1.35

Commodities (USD)	MTD Return (%)	YTD Return (%)	2022 Return (%)
Oil (Brent)	14.2	-0.4	10.5
Gold (Oz)	2.7	8.1	-0.3
S&P Goldman Sachs Commodity Index	10.7	2.4	26.0

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

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 this year, they have held up better than feared: sales have surprised to the upside in the better economic backdrop, and the margin squeeze for corporates has been milder than anticipated.

Following the gains over the year to date, global equities appear slightly expensive, trading on a 12-month forward price-to-earnings (P/E) multiple of 16.9x against a long-term average of 16.0x. The 12-month forward P/E for the MSCI USA is 20.3x against a long-term average of 17.1x. Equities outside the US offer better value. Europe ex-UK equities trade at a multiple of 13.0x against a long-term average of 13.1x; Japanese equities trade at 15.1x versus a long term average of 15.8x; while UK equities trade at 10.8x against a long term average of 12.2x. Emerging markets are trading at 12.6x versus a long-term average of 11.6x. Equities remain expensive against both bonds and cash, given the high yields currently available on these assets.

Despite equities appearing slightly expensive, 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 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 2.4% 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.

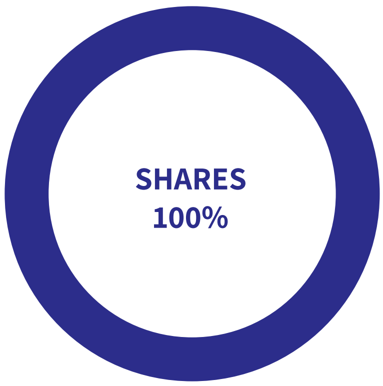
SUMMIT GLOBAL LEADERS FUND

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 July

The Summit Global Leaders Fund returned 2.24%, net of fund management fee, over July. Abbvie (+12.3% in US$) was the leading performer after it reported quarterly results which beat market expectations for the top and bottom line. Adobe rose +11.7% in US$ as investors see scope for the company to monetise its investments in artificial intelligence in the coming years to help drive ongoing revenue growth and margin improvement. Merck (-7.6% in US$) was the biggest laggard over the month. The company faces the long-term challenge of the patent expiry in 2028 for cancer drug Keytruda which accounted for one third of sales last year. Samsung Electronics fell -3.3% (in Korean won) as semiconductor memory volumes and pricing remained weak.

Asset allocation

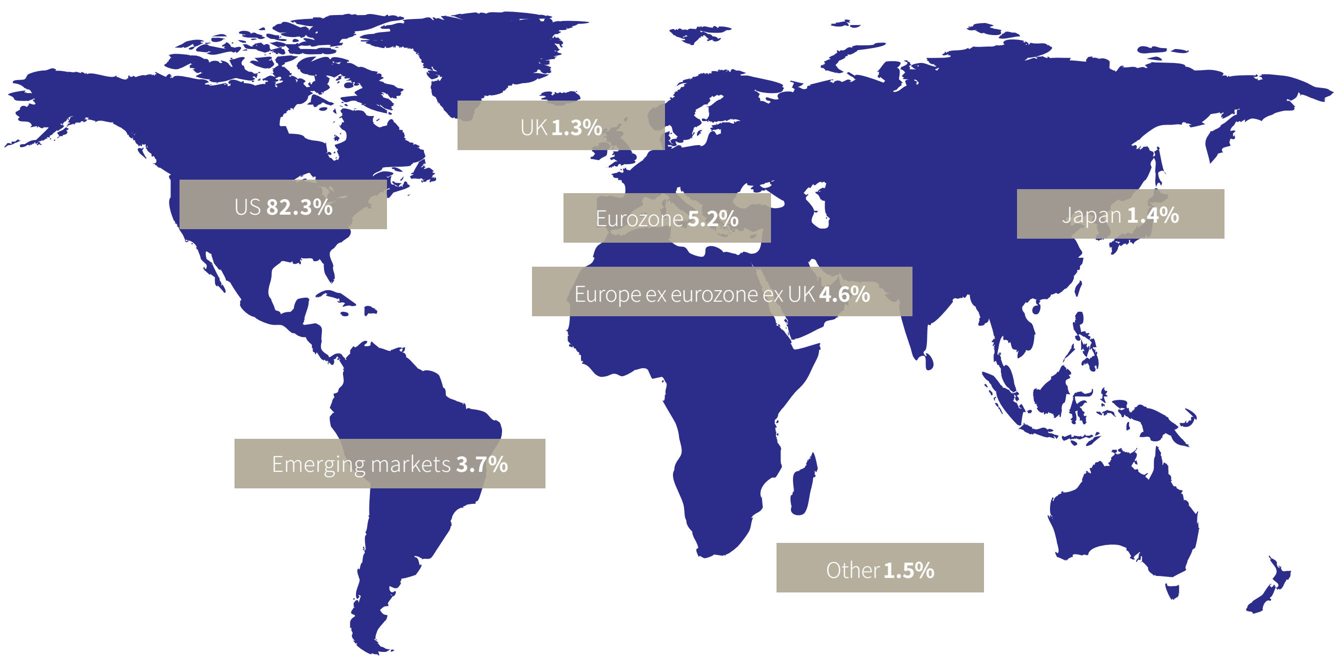


Top Ten Share Holdings

Stock name	% of fund
Alphabet	9.1
Apple	9.0
Microsoft	8.7
Nvidia	6.2
Amazon.com	6.2
Meta Platforms	4.1
Tesla	3.8
United Health	2.5
JP Morgan Chase	2.5
Exxon Mobil	2.4

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

Share regional distribution



Information is correct at 31 July 2023.

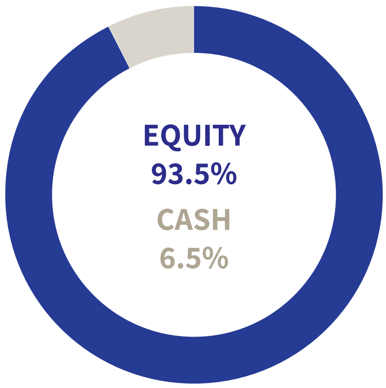
SUMMIT GROWTH FUND

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 July

The Summit Growth Fund returned +0.87%, net of fund management fee, over July. Communication Services, Materials and Energy were the best performing sectors. The Technology, Consumer Staples and Utilities sectors lagged over the month. The stocks contributing most to the fund's return were Alphabet, Booking Holdings and CRH. The stocks that detracted the most from the fund's return were Microsoft, Tryg and Keysight Technologies.

Asset allocation

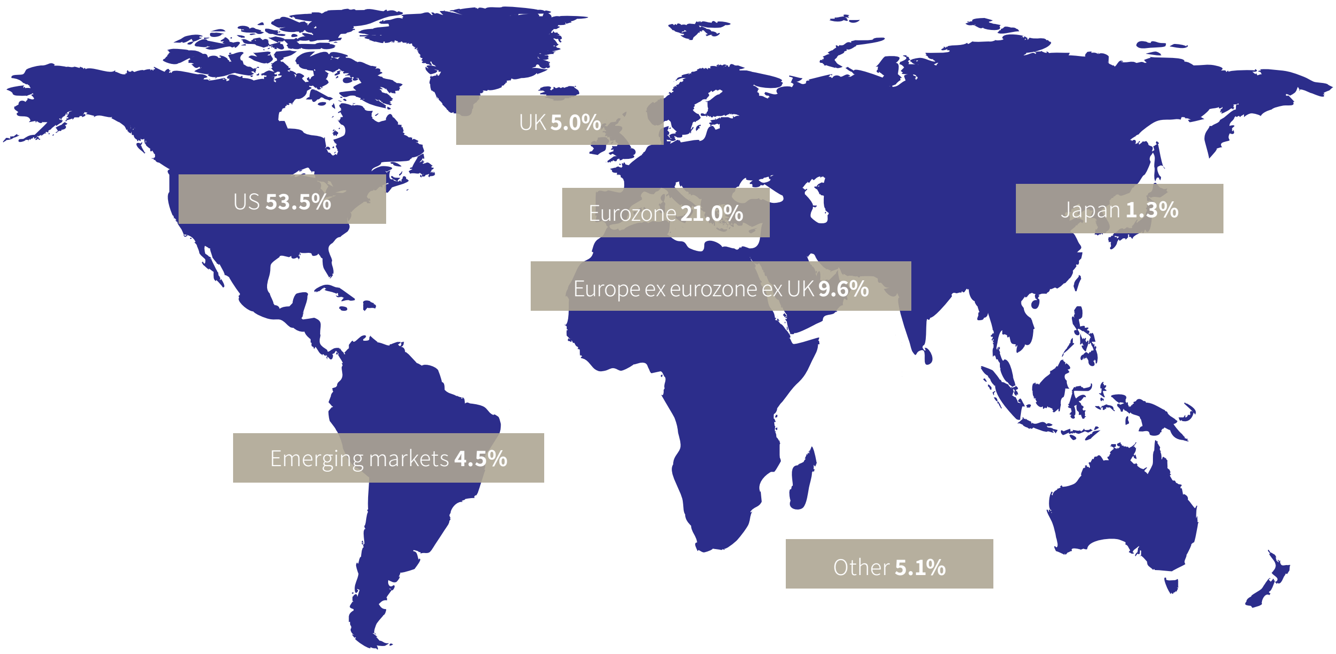


Top Ten Share Holdings

Stock name	% of fund
Microsoft	5.0
Berkshire Hathaway	3.8
Oracle	3.6
Alphabet	3.1
Costco Wholesale	2.8
Booking Holdings	2.7
McDonald's	2.7
Samsung Electronics	2.4
Johnson & Johnson	2.3
Nike	2.1

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

Share regional distribution



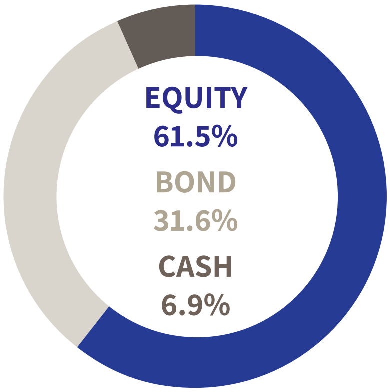
SUMMIT BALANCED FUND

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 July

The Summit Balanced Fund returned +0.39%, net of fund management fee, over July. Communication Services, Materials and Energy were the best performing sectors. The Technology, Consumer Staples and Utilities sectors lagged over the month. Economic data releases increased the probability of a 'soft landing' – an economic slowdown without a recession. However, a divergence remained between the US, which showed relative strength, and slower backdrops in Europe and China. US inflation surprised to the downside for the first time since the beginning of the year, adding to hopes of a soft landing. Global stock markets rose on the better economic backdrop. Bond markets were mixed, with core sovereign bond markets down slightly as changes to policy by the Bank of Japan contributed to higher yields. Corporate bonds rose on an improving growth outlook.

Asset allocation

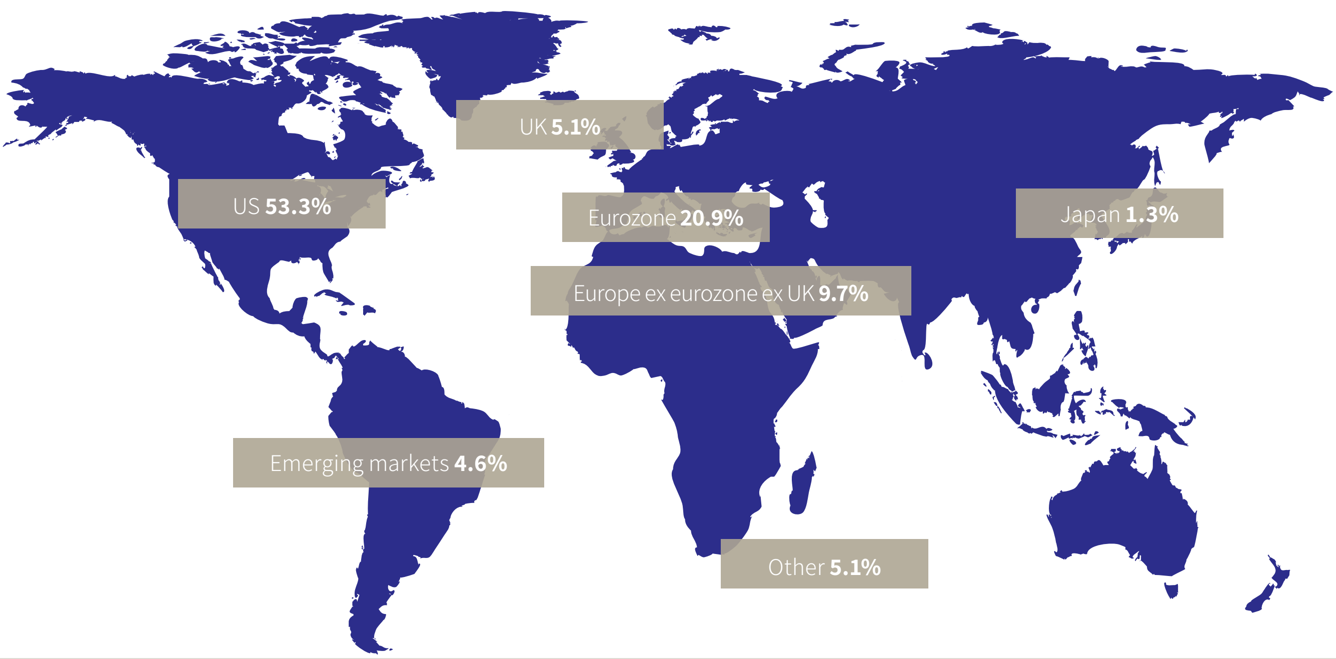


Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.8
Berkshire Hathaway	3.8
Oracle	3.5
Alphabet	3.1
Costco Wholesale	2.8
Booking Holdings	2.7
McDonald's	2.7
Samsung Electronics	2.5
Nike	2.2
Johnson & Johnson	2.2

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

Share regional distribution



SUMMIT FUND PERFORMANCE

At 31 July 2023

Fund returns after fund management fee	Balanced	Growth	Global Leaders
1 Month	0.39%	0.87%	2.24%
QTD	0.39%	0.87%	2.24%
3 Month	2.75%	4.70%	13.49%
YTD	6.22%	9.34%	26.94%
1 Year	-2.64%	2.47%	6.58%
2 Years pa	-1.01%	4.57%	5.35%
3 Years pa	5.17%	12.59%	12.67%
5 Years pa	2.59%	6.04%	12.10%
10 Years pa	5.12%	8.29%	12.02%

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

GRESB ★★★★★ 2022

Irish Pensions AWARDS 2019
WINNER
Investment Manager of the Year

Irish Pensions AWARDS 2020
WINNER
Investment Manager of the Year

European Pensions AWARDS 2018
WINNER
Passive Manager of the Year

KPMG Irish Independent PROPERTY INDUSTRY EXCELLENCE AWARDS
2019
PROPERTY INVESTMENT/

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.