

MONTHLY &
QUARTER 2 REPORT
30 JUNE 2020



Irish Life

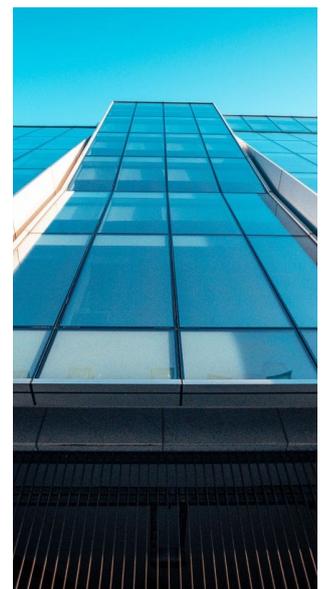
SUMMIT MUTUAL FUNDS



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

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MARKET REVIEW

The equity market rally that began in late March continued through the second quarter, with equities producing their best quarterly returns since 1998 – global equities ended the quarter 18.4% higher (16.6% in euro terms). Over the month of June global equities rose 2.9% (2.2% in euro terms). The large scale fiscal and monetary stimulus measures introduced across the globe to combat the outbreak of Covid-19 were major contributors to the rebound in markets, while the enormous liquidity provided by central banks was particularly supportive.

EQUITIES

Over the quarter, the MSCI AC World equity benchmark rose 18.4% (16.6% in euro terms). The US rose 21.8% (18.9% in euro terms) as the scale of both fiscal and monetary stimulus programmes exceeded those in other regions. In addition, the financial commitment from authorities to do more if required was greater than elsewhere. The US also benefited from its relatively heavy weight in technology stocks, which performed relatively well and were seen as beneficiaries of the dislocations caused by Covid-19. Emerging markets rose 16.8% (15.5% in euro terms), benefiting from a weaker US dollar. This tends to be positive for emerging markets, which were also sensitive to the improving global growth backdrop. The UK lagged rising 8.2% (5.3% in euro terms), with Brexit-related uncertainty continuing to drag. Meanwhile, the market was also impacted as the UK experienced the largest number of Covid-19 infections and fatalities across Europe. Japan also underperformed, rising 11.6% (9.1% in euro terms) as the economic recovery from the April lows seems set to lag the rest of the world.

BONDS

The ICE BofA Merrill Lynch Eurozone > 5-year sovereign bond benchmark rose 2.4% as peripheral spreads narrowed on the back of an increase in ECB asset purchases. Peripheral spreads were also supported by the proposal to include €500bn of grants in an EU Recovery Fund, which effectively involves a fiscal transfer from core to peripheral countries. This was seen as an important step towards greater integration across Europe and a significant sign of support for peripheral regions from the core northern countries. German 10-year yields ended the quarter up 2 basis points (bps) at -0.45%; Italian 10-year spreads fell to 171bps; and Spanish spreads narrowed to 92bps.

European investment-grade corporate bonds rose 5.2% as spreads fell to 147bps on easing concerns over potential defaults on the back of the improving growth outlook and ongoing ECB purchases of investment-grade corporate bonds.

CURRENCIES

The euro rose against the US dollar to 1.1243, benefiting from greater commitment on the part of both political and monetary authorities to implement supportive policies. These were seen as boosting the medium to long term outlook for the Eurozone.

COMMODITIES

Commodities rose 10.5% (7.9% in euro terms), supported by a better demand backdrop due to the improving growth outlook. West Texas Intermediate (WTI) oil surged 91.7% following a -66.5% collapse in the first quarter, as OPEC and Russia announced new production cuts. In addition, US shale production and rig counts fell in response to the price weakness during the first quarter.

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	QTD Return (%)	YTD Return (%)	2019 Return (%)
MSCI Ireland	16.93	-10.91	40.60
MSCI United Kingdom	5.31	-23.29	23.40
MSCI Europe ex UK	15.35	-8.69	28.20
MSCI North America	18.89	-2.75	33.90
MSCI Japan	9.07	-6.98	22.30
MSCI EM (Emerging Markets)	15.46	-9.72	21.10
MSCI AC World	16.64	-6.04	29.60

10-Year Yields	Yield Last Month (%)	2019 Yield (%)	2018 Yield (%)
US	0.66	1.92	2.68
Germany	-0.45	-0.19	0.24
UK	0.17	0.82	1.28
Japan	0.03	-0.02	0.00
Ireland	0.01	0.11	0.90
Italy	1.26	1.41	2.74
Greece	1.21	1.43	4.35
Portugal	0.48	0.43	1.71
Spain	0.47	0.46	1.41

FX Rates	Current	2019 Rates	2018 Rates
US Dollar per Euro	1.12	1.12	1.15
British Pounds per Euro	0.91	0.85	0.90
US Dollar per British Pounds	1.24	1.33	1.28

Commodities (USD)	QTD Return (%)	YTD Return (%)	2019 Return (%)
Oil (WTI)	91.75	-35.69	34.50
Gold (Oz)	13.71	18.21	18.90
S&P Goldman Sachs Commodity Index	10.47	-36.31	17.60

Source: ILIM, Bloomberg. Data is accurate as at 1 July 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 depends on a number of factors, including the evolution of Covid-19 and the scale of recovery from the first-half recession.

A major threat to the global economy emerged in the form of the Covid-19 pandemic. Severe restrictions on travel and general activity were introduced in an effort to contain the virus. But these containment measures brought much of the global economy to a standstill, resulting in the sudden onset of recession. Global growth is expected to contract by up to 16% on an annualised basis in the first half of the year.

If the virus is successfully contained, global economic activity levels can continue to recover in the second half of the year and into 2021, particularly given the unprecedented levels of monetary and fiscal support which authorities have provided in recent months. Our base case is that after a very severe but short recession, the global economy will continue to rebound in the second half of 2020.

Given the ongoing uncertainty associated with Covid-19 and the lack of visibility around the scale of the recovery in the second half, further upside in equity markets could be limited in the short term. Valuations now look expensive in absolute terms following the recent strong rally.

A recent rise in global and US case numbers has also raised concerns over the ability to continue to reopen economies and the sustainability of the recent improvement in growth. Upside in markets will be dependent on confirmation that the virus is contained, and a subsequent sustained recovery in economic growth and earnings. Our base case is that the virus will ultimately be contained and that global growth will continue to recover in the second half of the year, supported by the large scale fiscal and monetary stimulus measures. Assuming the recent economic recovery continues and extends into 2021, there is potential for further upside in equities over the next 12 months, although 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 and provide room for some further upside in equities.

Equity markets continue to face a number of challenges beyond those posed by Covid-19. These include the renewed escalation in US/China tensions, which is likely to linger in the run-up to the November US presidential election. This could pose risks to the US/China trade deal, which was only signed in January. Meanwhile, the outcome of the election could result in domestic policy changes, which might have implications for markets. Uncertainties related to tensions in the Middle East and North Korea could similarly have an impact on markets. These could result in further periods of volatility in markets 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 versus bonds and cash.



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 30 June 2020

FUND DESCRIPTION

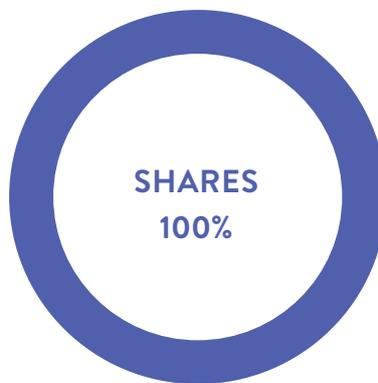
The Summit Global Leaders Fund invests in stocks with large market capitalisations. From July 2014, equity management has been sub-advised to Setanta Asset Management.



FUND UPDATE FOR JUNE

The Summit Global Leaders fund rose by 2.0% in June and by 16.2% during the quarter as equity markets continued to recover from the sharp falls experienced in the first quarter. The Technology and Consumer Discretionary sectors were the best performers in the month. The Healthcare and Energy sectors were relative laggards.

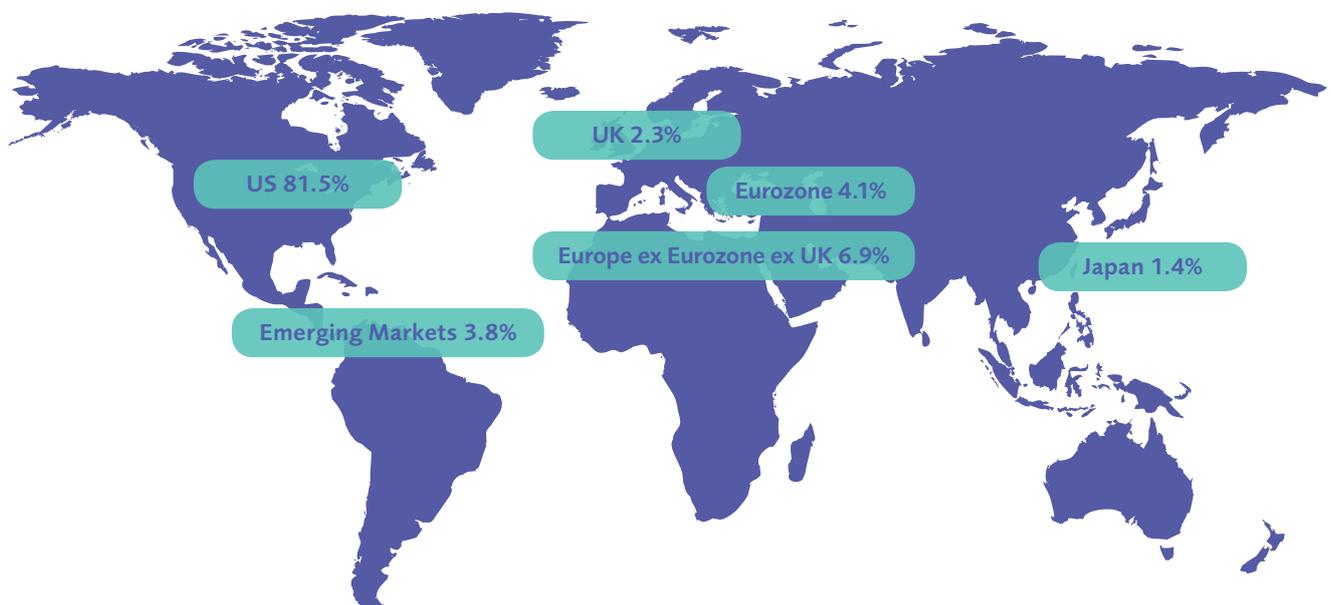
ASSET ALLOCATION



TOP TEN SHARE HOLDINGS

Stock name	% of fund
Microsoft Corp	10.2%
Apple Inc	10.1%
Amazon.com Inc	9.5%
Alphabet Inc	7.0%
Facebook Inc	4.6%
Johnson & Johnson	3.2%
Nestle SA/AG	2.8%
Visa Inc	2.8%
Procter & Gamble Co (the)	2.5%
JP Morgan Chase & Company	2.5%

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SUMMIT GROWTH FUND

Information is correct at 30 June 2020

FUND DESCRIPTION

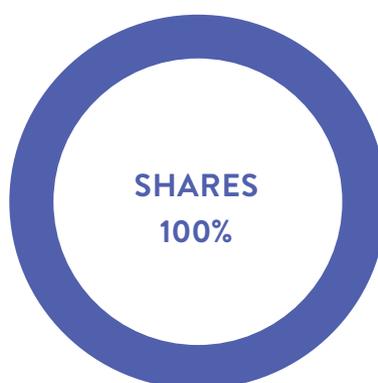
The Summit Growth fund aims to achieve growth by investing exclusively in global equities. From July 2014, equity management has been sub-advised to Setanta Asset Management. Equities are managed under the Setanta Global Equity Strategy.



FUND UPDATE FOR JUNE

The Summit Growth Fund rose by 0.9% in June and by 13.1% during the quarter. From a sector perspective the Materials and Financials sectors contributed the most to performance during the month. The Technology and Consumer Discretionary sectors detracted from relative fund returns. The stocks contributing most to the fund return during the month were Lancashire Holdings, Microsoft and Sandstorm Gold. The underperformers were Keysight Technologies, Johnson & Johnson and Berkshire Hathaway.

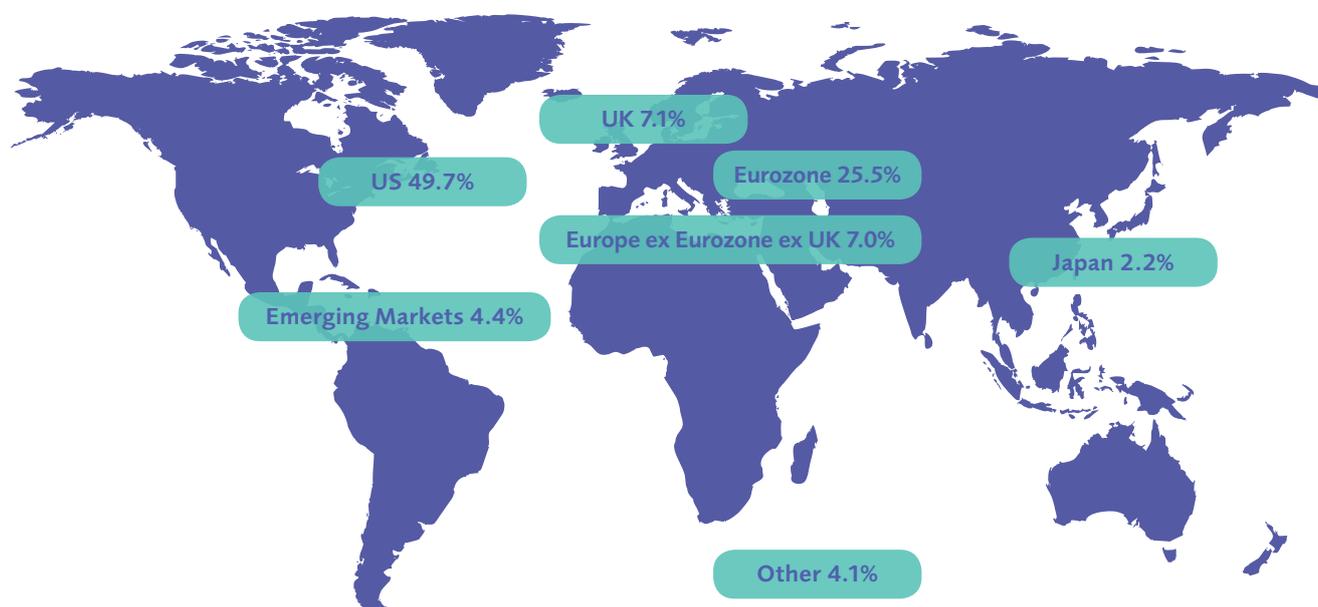
ASSET ALLOCATION



TOP TEN SHARE HOLDINGS

Stock name	% of fund
Microsoft Corp	5.0%
DCC Plc	3.3%
Berkshire Hathaway Inc	3.1%
Lancashire Holdings Ltd	2.9%
Oracle Corp	2.6%
Keysight Technologies Inc	2.5%
Johnson & Johnson	2.4%
Cisco Systems Inc	2.4%
Johnson Controls International Ord	2.3%
Telefonaktiebolaget LM Ericsson	2.3%

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SUMMIT BALANCED FUND

Information is correct at 30 June 2020

FUND DESCRIPTION

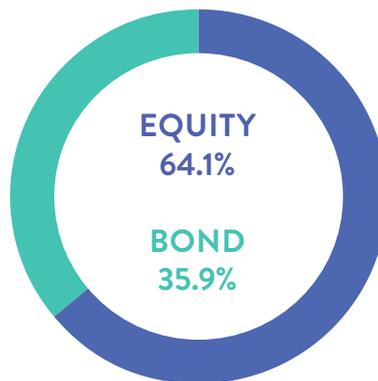
The objective of the Summit Balanced Fund is to avoid volatility to a large degree, while still providing solid returns over the medium to long term. The fund invests in global equities but also maintains a minimum of 33% invested in a mix of fixed income and cash. From July 2014, equity management has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



FUND UPDATE FOR JUNE

The Summit Balanced Fund rose by 0.8% in June and by 8.5% during the quarter. Equities rose again in June although gains were more modest compared to the previous two months. Markets were supported by the ongoing reopening of economies and signs of a robust pick-up in growth through May and June as restrictions were eased. Equities also continued to benefit from the abundant liquidity being provided by central banks. A rise in new daily Covid 19 cases globally and particularly in the US weighed on markets and resulted in some modest pullbacks over the course of the month. Eurozone sovereign bonds rose as it appeared increasingly likely that the proposed EU Recovery Fund will be approved.

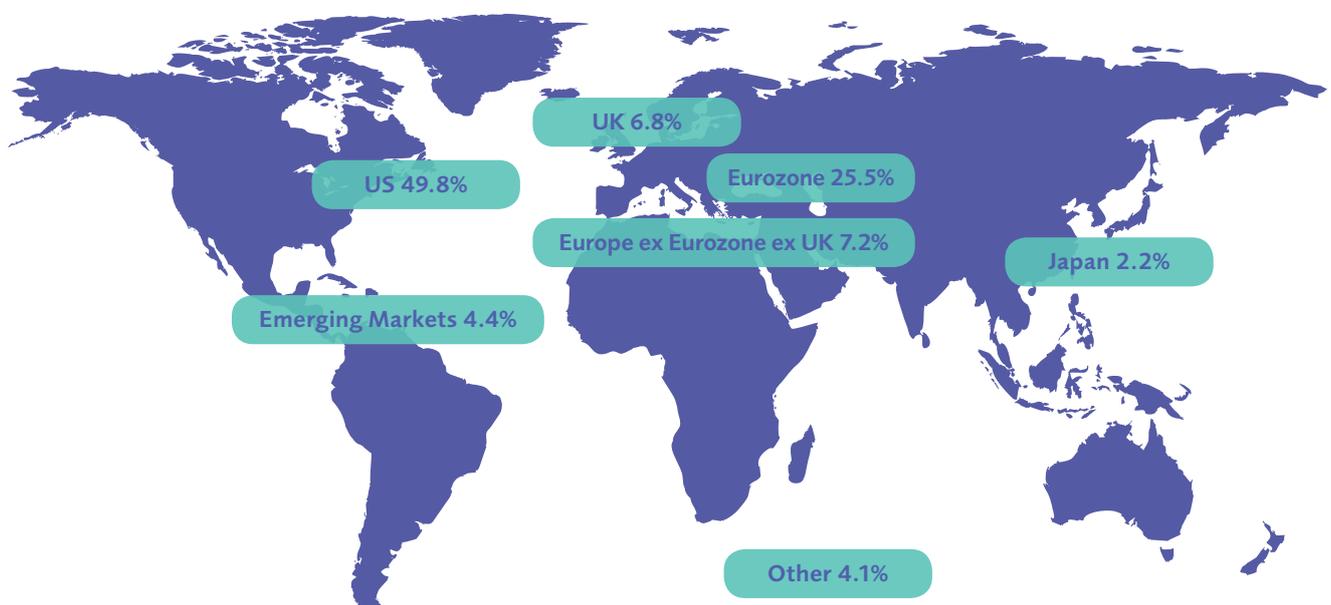
ASSET ALLOCATION



TOP TEN SHARE HOLDINGS

Stock name	% of fund
Microsoft Corp	4.8%
Berkshire Hathaway Inc	3.4%
DCC Plc	3.4%
Lancashire Holdings Ltd	2.9%
Johnson & Johnson	2.6%
Oracle Corp	2.6%
Keysight Technologies Inc	2.5%
Johnson Controls International Ord	2.3%
Telefonaktiebolaget LM Ericsson	2.2%
Cisco Systems Inc	2.2%

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SUMMIT FUND PERFORMANCE AT 30/06/2020

Fund Returns after fund mgt fee	Balanced	Growth	Global Leaders
1 Month	0.83%	0.93%	2.00%
Quarter 2	8.54%	13.06%	16.15%
3 Month	8.54%	13.06%	16.15%
Year to Date in 2020	-8.88%	-13.90%	0.60%
1 Year	-5.53%	-8.55%	12.58%
2 Years pa	-0.45%	-1.70%	12.99%
3 Years pa	0.87%	0.52%	11.63%
5 Years pa	2.46%	2.93%	10.14%
10 years pa	4.68%	5.99%	9.37%

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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