Irish Life

Life \ Pensions \ **Investments**

March 2023 in review
Summit Mutual Funds

Helping people build
better futures

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

MARKET REVIEW

The banking crises in the US and Europe occupied policymakers in March, with the potential for reduced levels of bank lending and slower growth ahead. Central banks remain focused on reducing inflation while also being cognisant of financial stability risks emanating from the banking sector. Global macroeconomic data has been mixed, with inflation remaining persistent.

Global equities were resilient in the face of rising uncertainty in March. Bond yields fell as fixed-income markets began to price in interest rate cuts due to the fallout from the banking crises. Commodity prices declined amid the potential for lower demand from an increasingly likely recession.

MARKET ROUND-UP

Equities

Global stock markets rose in March, despite banking concerns and the potentially negative impact on growth. The MSCI All Country World index rallied by 2.5% (0.7% in euros) over the month.

US equities were volatile, reflecting concerns over financial stability and uncertainty around policy direction as the US Federal Reserve (Fed) attempts to tame inflation while also recognising the impact of the banking crises on economic growth. The MSCI USA rose by 3.6% (1.1% in euros) in March. Meanwhile, European equities, which have a heavier weighting to the financials sector than the US, rose by 0.7% over the month.

Bonds

The prospect of higher peak interest rates amid persistent inflation pushed bond yields up in early March. This changed after the onset of the banking crises. By the end of March markets were expecting two interest rate cuts from the Fed before year-end, reflecting concerns that banking problems will lead to tighter lending conditions and a slowdown in activity or a recession. These developments pushed down the US two-year Treasury yield to as low as 3.76% – a 1.29% fall in the space of just two weeks.

There was a similar pattern in the eurozone, with two-year German bund yields falling from a peak of 3.33% to a low of 2.36%. European investment grade (IG) corporate bonds rose by 0.9% in March amid a general downshift in bond yields.

Global high yield bonds rallied, with yields falling by 0.21% to 7.61%. Emerging market (EM) local debt rallied along with global fixed income in March, rising by 1.8% with yields falling by 0.24% to 6.62%.

Currencies and commodities

The US dollar depreciated as markets expected the Fed to be closer to the peak of its interest rate hiking cycle than the European Central Bank (ECB). The euro to the dollar ended March at 1.0839, up from 1.0606 at the end of February, with the Dollar index (DXY) falling by 2.3% over the period.

For commodity prices, the potential for the banking crises to lead to recessionary conditions weighed on the demand outlook. In March, commodities fell by 1.1% (-3.4% in euros), with Brent crude oil down by 4.9%.

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	QTD Return (%)	YTD Return (%)	2022 Return (%)
MSCI Ireland	19.5	19.5	-21.1
MSCI United Kingdom	4.2	4.2	1.4
MSCI Europe ex UK	10.2	10.2	-11.9
MSCI North America	5.7	5.7	-13.8
MSCI Japan	4.5	4.5	-10.8
MSCI EM (Emerging Markets)	2.2	2.2	-14.5
MSCI AC World	5.5	5.5	-12.6

10-Year Yields	Yield Last Month (%)	2022 Yield (%)	2021 Yield (%)
US	3.47	3.87	1.51
Germany	2.29	2.57	-0.18
UK	3.49	3.67	0.97
Japan	0.35	0.42	0.07
Ireland	2.75	3.13	0.24
Italy	4.09	4.70	1.17
Greece	4.22	4.62	1.34
Portugal	3.12	3.59	0.47
Spain	3.30	3.66	0.57

FX Rates	End last month	2022 Rates	2021 Rates
US dollar per euro	1.08	1.07	1.14
British pound per euro	0.88	0.89	0.84
US dollar per British pound	1.23	1.21	1.35

Commodities (USD)	QTD Return (%)	YTD Return (%)	2022 Return (%)
Oil (Brent)	-7.1	-7.1	10.5
Gold (Oz)	8.0	8.0	-0.3
S&P Goldman Sachs Commodity Index	-4.9	-4.9	26.0

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

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MARKET OUTLOOK

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

Global equities have proven resilient in the face of mounting headwinds, from lacklustre earnings to continued monetary tightening and banking crises. However, in our view, the asset class has yet to price in an adverse economic scenario like a recession, so volatility is set to remain elevated. This relates especially to the fallout from the banking crises and the resultant impact on sentiment and credit creation. Moreover, while inflation has decelerated from six months ago, price pressures remain elevated and tighter lending conditions would likely crimp demand, resulting in pressure on corporate earnings and margins. Even if central banks were to cut interest rates into the slowdown, equity markets have typically fallen during previous periods of monetary easing.

This has usually been due to the reason behind the monetary easing: namely, recessionary conditions. In the event of such a scenario, valuations still do not look attractive: the 12-month forward price-to-earnings (P/E) ratio for the MSCI USA is 18.5x against a long-term average of 17.1x. Equities outside the US offer better value. Europe ex-UK equities trade at a multiple of 12.4x against a long-term average of 13.2x, while emerging markets are cheaper than global peers. On balance, we believe there could be a better entry point for equities later this year.

Outlook dependent on economic and earnings growth. Uncertainty on growth due to policy tightening, squeeze on real incomes, weaker business and consumer sentiment, slower lending from bank crisis.

Global growth slowed to an estimated 3.0% in 2022. Growth is forecast to slow further to 2.4% in 2023 with slower growth in developed markets and an improvement in emerging markets as China reopens. Recession fears initially eased at start of the year but have re-emerged post the recent banking crisis due to concerns over tighter lending conditions.

The impact of monetary policy tightening, inflation developments and China's reopening will all be key for growth.

Equity valuations still do not look attractive, with the 12-month forward P/E ratio for the MSCI USA higher than the long-term average and with risks of recession. Equities' relative undervaluation against bonds has been removed with the rise in bond yields.

Following lowered growth forecasts, expected downward revisions to earnings and the rise in bond yields, equities are still vulnerable to short-term downside before finding a trough and potentially recovering in the second half of the year.

Volatility is likely to remain a feature in markets due to uncertainty over growth, inflation, monetary policy, recent banking crisis and geopolitical events.

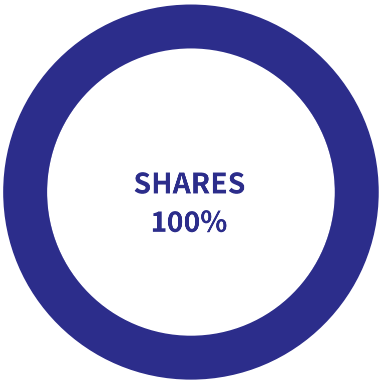
SUMMIT GLOBAL LEADERS FUND

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 March

The Summit Global Leaders Fund returned +4.81%, net of fund management fee, over March. Leading performers included Adobe and Meta. Adobe reported quarterly results which benefited from ongoing health in the core drivers of the business and some pricing tailwinds. The market reacted positively to Meta's greater focus on efficiencies and the bottom line along with signs of improving revenue and engagement trends. The collapse of Silicon Valley Bank in the US prompted a wave of volatility in the Financials sector, and JP Morgan Chase was one of the biggest laggards. This also fed into wider concerns about the global economy's prospects, which triggered a fall in the oil price with negative repercussions for Shell's share price.

Asset allocation

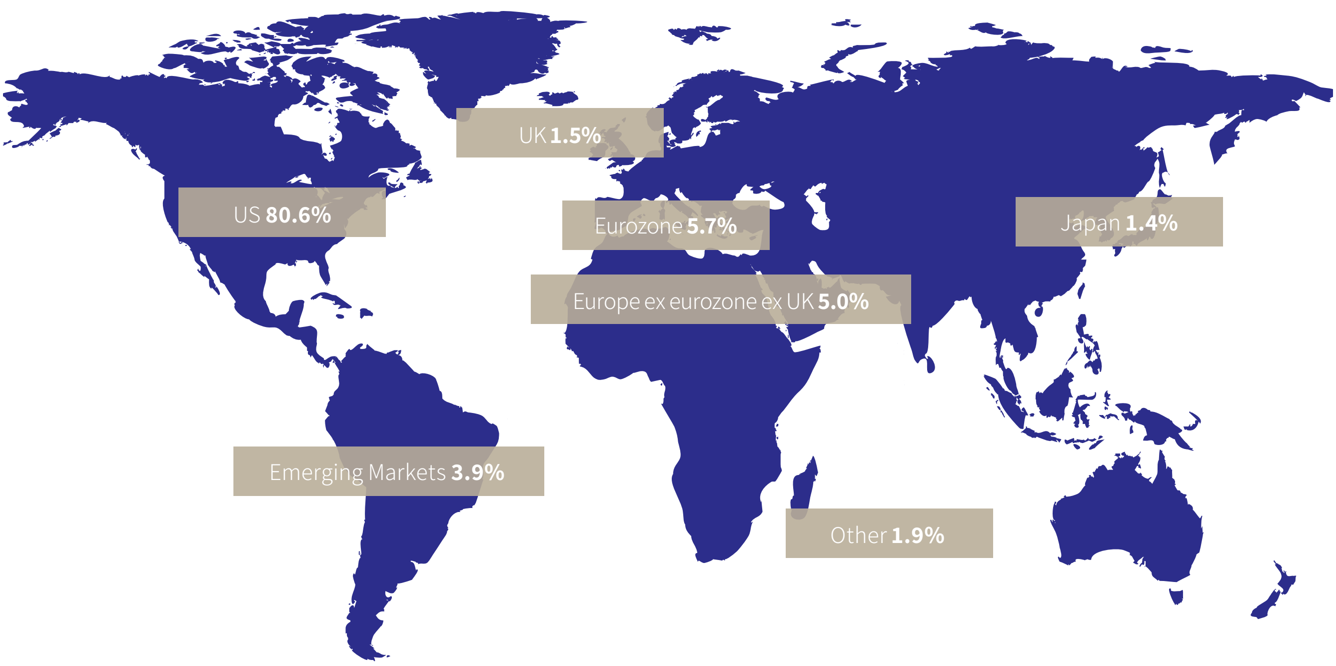


Top Ten Share Holdings

Stock name	% of fund
Apple	8.8
Microsoft	8.7
Alphabet	8.3
Amazon.com	5.6
Nvidia	4.3
Tesla	3.4
Meta Platforms	3.1
Exxon Mobil	2.9
United Health	2.7
Johnson & Johnson	2.5

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

Share regional distribution



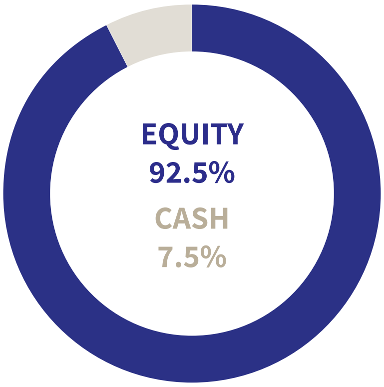
SUMMIT GROWTH FUND

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 March

The Summit Growth Fund returned +0.83%, net of fund management fee, over March. Technology, Consumer Staples and Consumer Discretionary were the best performing sectors. The Financials, Energy and Materials sectors lagged over the month. The stocks contributing most to the fund's return were Microsoft, Alphabet, Melrose Industries and Sanofi. The stocks that detracted most were DXC Technology, Lancashire Holdings and Tenaris.

Asset allocation

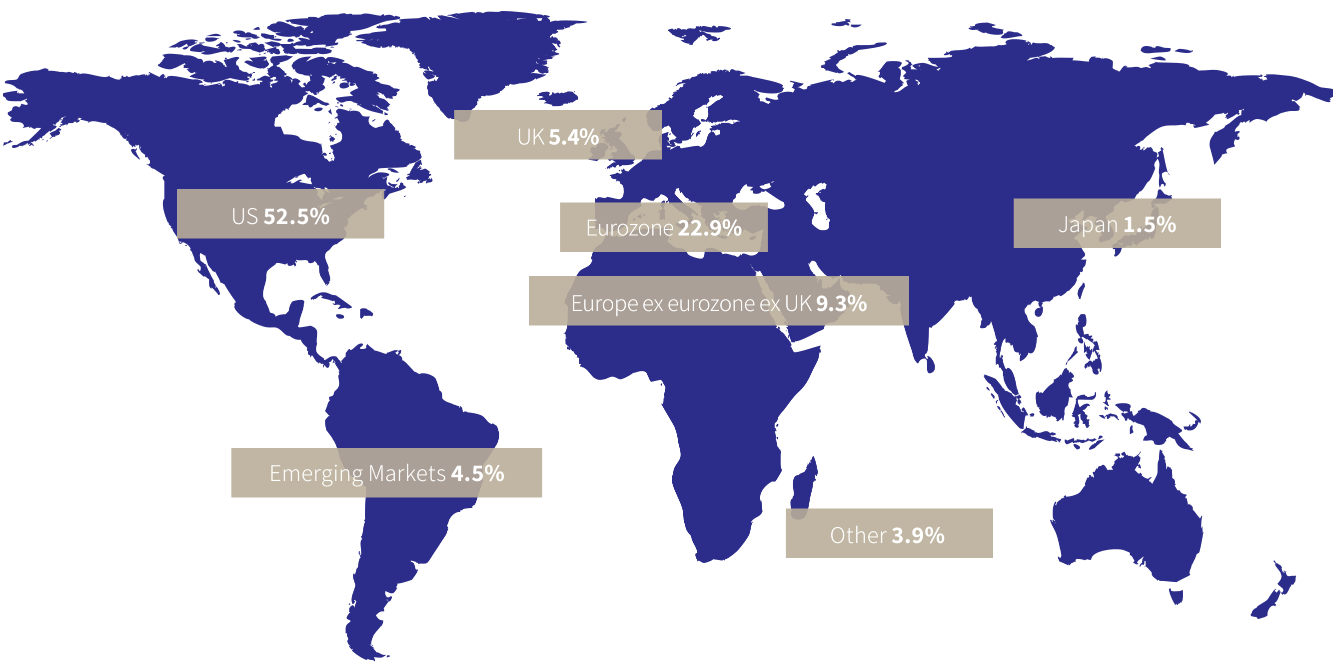


Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.9
Berkshire Hathaway	3.6
Oracle	3.4
McDonald's	2.8
Costco Wholesale	2.6
Booking Holdings	2.6
Alphabet	2.6
Nike	2.6
Samsung	2.4
Johnson & Johnson	2.3

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

Share regional distribution



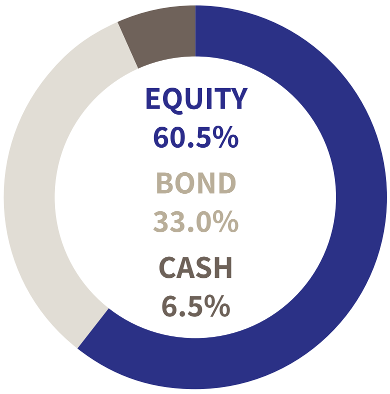
SUMMIT BALANCED FUND

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 March

The Summit Balanced Fund returned +1.32%, net of fund management fee, over March. Technology, Consumer Staples and Consumer Discretionary were the best performing sectors. The Financials, Energy and Materials sectors lagged over the month. Global macroeconomic data was mixed, with inflation remaining sticky and central-bank rhetoric focused on reducing inflation. The banking crises in the US and Europe occupied policymakers in March, with the potential for tighter lending conditions and slower growth ahead. Global equities were resilient and rose in the face of rising uncertainties over the month, while bond yields fell as fixed-income markets priced in interest rate cuts in anticipation of slower growth.

Asset allocation

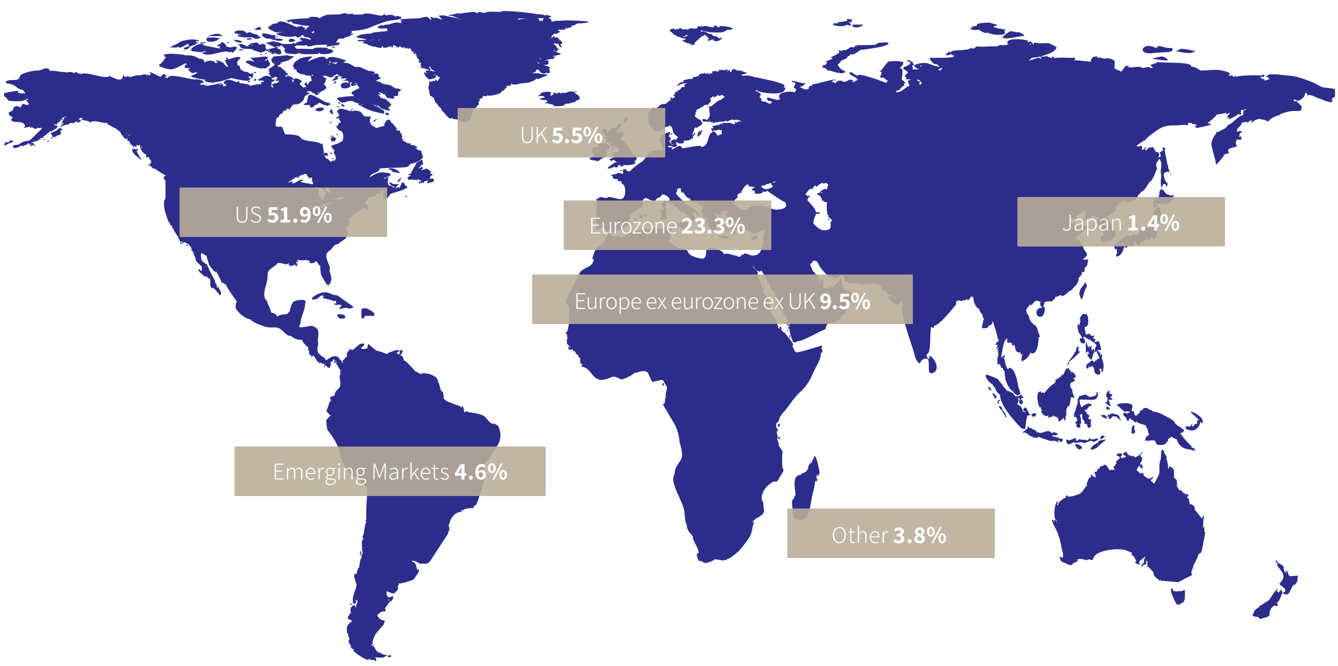


Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.6
Berkshire Hathaway	3.5
Oracle	3.3
Costco Wholesale	2.7
McDonald's	2.6
Alphabet	2.6
Nike	2.6
Booking Holdings	2.5
Samsung	2.4
Johnson & Johnson	2.2

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

Share regional distribution



SUMMIT FUND PERFORMANCE

At 31 March 2023

Fund returns after fund management fee	Balanced	Growth	Global Leaders
1 Month	1.32%	0.83%	4.81%
QTD	2.76%	3.39%	11.26%
3 Month	2.76%	3.39%	11.26%
YTD	2.76%	3.39%	11.26%
1 Year	-6.57%	-2.99%	-10.04%
2 Years pa	-0.70%	4.53%	3.80%
3 Years pa	6.91%	15.04%	13.68%
5 Years pa	2.96%	6.52%	11.85%
10 Years pa	4.85%	7.89%	10.65%

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
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Investment Manager of the Year

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WINNER
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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