



# November 2021 in review

## Summit Mutual Funds

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

Helping people build  
better futures

# MARKET REVIEW

Having hit new all-time highs earlier in the month, global equities succumbed to selling pressure in late November to end the month down in local currency terms – although, due to the weakness in the euro, they finished slightly higher in euro terms. Initial gains were supported by the continuation of a strong Q3 earnings reporting season for global corporates alongside improving economic data in the US and China. Suggestions by US Fed Chair, Jerome Powell, that the tapering of asset purchases could be soon accelerated, and the emergence of a new Covid variant, Omicron, then contributed to a minor correction in equities.

## MARKET ROUND-UP

### Equities

Over the month, the MSCI AC World equity index fell -1.6% (+0.4% in €). Emerging markets -3.2% (-1.4% in €), Japan -2.9% (+0.3% in €) and Pacific Basin -2.6% (-3.7% in €); all underperformed as they were viewed as more vulnerable to any negative shocks from the Omicron variant given greater risks of new restrictions being introduced. Emerging markets were also impacted by the stronger dollar and potential for tighter US monetary policy. The US outperformed, falling only -1.0% (+1.8% in €), supported by strong earnings and tech stocks which outperformed in the lower yield environment.

### Bonds

The Eurozone >5-year bond index rose 2.3% as German 10 year yields fell to -0.35% on growth concerns related to the Omicron variant and the pushing out of expectations for the first ECB interest rate rise. Peripheral spreads widened with Italian and Spanish 10-year spreads at 132bps and 75bps respectively given increased speculation over the scale of the reduction in ECB asset purchases once the Pandemic Emergency Purchase Programme (PEPP) ends in March. Investment grade corporate bonds rose 0.2% despite spreads widening to 110bps as yields fell on the back of lower sovereign bond yields. High yield bonds were down -1.6% as spreads rose 47bps to 329bps.

### Currencies and commodities

The euro fell to 1.1311 against the US dollar as investors discounted tighter policy by the Fed and the ECB succeeded in pushing out expectations for the first interest rate rise. Commodities fell -10.8% (-8.3% in €) with WTI oil down -20.8% as demand expectations fell on news of the emergence of the Omicron variant and following a US-coordinated release of strategic oil reserves. European gas prices rose 50.7% as approval of the Nord Stream 2 pipeline was delayed although prices remain below the October highs. Gold fell -0.5% on the stronger US dollar.

Source: ILIM, Bloomberg. Data is accurate as at 1 December 2021

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## MARKET SNAPSHOT

### Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2020 Return (%)
MSCI Ireland	-6.72	8.19	5.97
MSCI United Kingdom	-2.69	20.08	-17.83
MSCI Europe ex UK	-2.41	19.02	2.43
MSCI North America	1.60	32.72	10.64
MSCI Japan	0.28	8.84	5.42
MSCI EM (Emerging Markets)	-1.37	4.28	8.89
MSCI AC World	0.37	24.38	7.18
10-Year Yields	Yield Last Month (%)	2020 Yield (%)	2019 Yield (%)
US	1.44	0.91	1.92
Germany	-0.35	-0.57	-0.19
UK	0.81	0.20	0.82
Japan	0.06	0.02	-0.02
Ireland	0.12	-0.30	0.11
Italy	0.97	0.54	1.41
Greece	1.26	0.63	1.43
Portugal	0.33	0.03	0.43
Spain	0.40	0.05	0.46
FX Rates	End last month	2020 Rates	2019 Rates
U.S. Dollar per Euro	1.13	1.22	1.12
British Pounds per Euro	0.85	0.90	0.85
U.S. Dollar per British Pounds	1.33	1.37	1.33
Commodities (USD)	MTD Return (%)	YTD Return (%)	2020 Return (%)
Oil (WTI)	-20.81	36.40	-20.54
Gold (Oz)	-0.51	-6.33	24.40
S&P Goldman Sachs Commodity Index	-10.82	30.45	-23.72

## MARKET OUTLOOK

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

The outlook for equity markets over the next twelve months is dependent on several factors including central bank policy, growth, inflation (both expected and realised) and the evolution of the Covid-19 pandemic.

While equity markets are expensive in absolute terms, they still remain attractive in relative terms given the low yields available on assets such as bonds and cash. The current low level of bond yields, even allowing for the rise since the end of last year, justifies higher than average valuations in equities. We believe global equities can trade on a 12-month forward P/e multiple of 18.0/19.0x one year from now. With strong economic and earnings growth forecast over the next two years, upside of high single to double digits in global equities is expected over the next twelve months.

As the global economy moves from the early to mid-cycle stage, we expect equity returns to remain positive even as the pace of gains slows. The growth/policy mix should remain supportive, even as the level of stimulus is reduced in 2022, with

authorities determined to ensure the recovery is complete and self-sustaining, meaning growth will remain above trend even as momentum in growth appears to have peaked.

Longer term potential risks to the equity outlook include unexpected central bank policy tightening due to the persistence of high inflation, significant rises in bond yields which would diminish the relative valuation case for equities, or a resurgence in Covid 19 cases with vaccines proving to be ineffective in treating new variants. The probability of these occurring is viewed as being low. In relation to inflation which is generally seen as the greatest risk to markets, we expect inflation to ease back to lower levels next year and while it will probably settle at levels higher than pre Covid, it is not expected to be high enough to warrant more aggressive tightening of policy by central banks.

Given elevated absolute valuations and the array of short-term risks facing markets, volatility is expected to remain a feature in markets.



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 a 5.7% rebound expected in 2021 and 4.1% 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.



High single to 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 policy accommodation, slower growth & Covid variants.

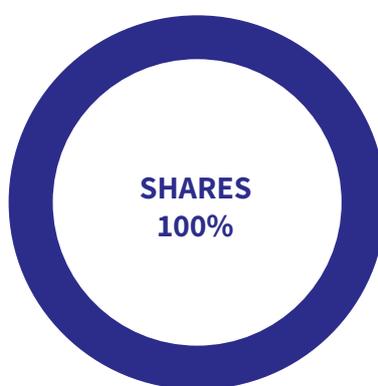
# SUMMIT GLOBAL LEADERS FUND

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 November

The Summit Global Leaders Fund was up 2.84% in the month of November. Leading performers included NVIDIA (+27.8% in local currency) and Pfizer (+23.9%). The former reported strong results for the October quarter driven by healthy demand from data centre and gaming end markets. Pfizer's gain was underpinned by positive clinical trial data on its oral Covid antiviral drug. Merck (-14.9%) was one of the biggest fallers as the commercial prospects for its competing Covid antiviral drug were hit by the Pfizer news. Paypal (-20.5%) was weak after it lowered revenue and earnings guidance for the full year.

## Asset allocation

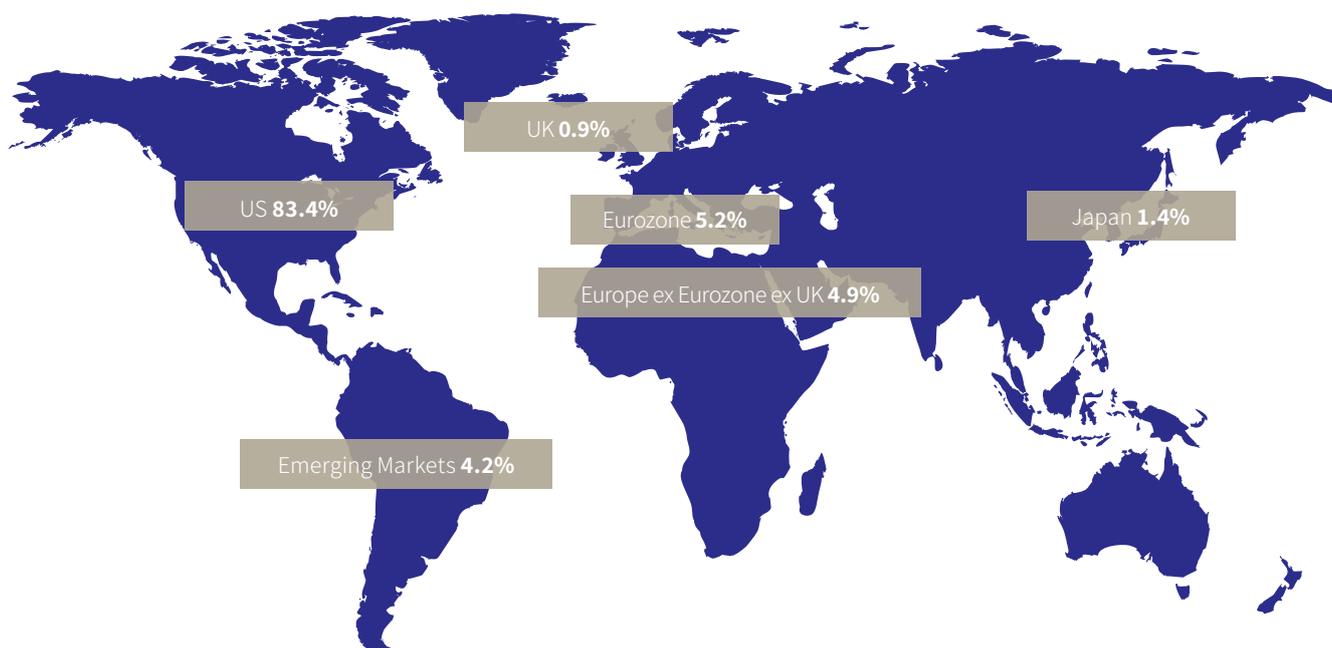


## Top Ten Share Holdings

Stock name	% of fund
Microsoft	9.0
Apple	8.6
Alphabet	8.0
Amazon.com	7.9
Tesla	4.9
Nvidia	4.6
Meta Platforms	4.3
JP Morgan Chase & Co	2.8
Taiwan Semiconductor Manufacturing	2.3
Johnson & Johnson	2.3

Source: ILIM, Factset. Data is accurate as at 30 November 2021.

## Share regional distribution



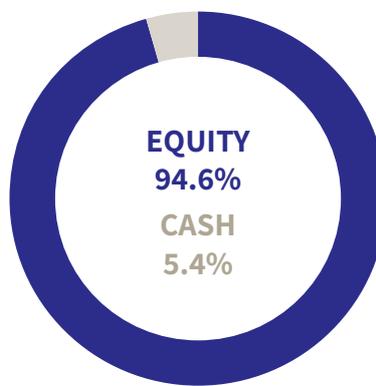
# SUMMIT GROWTH FUND

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 November

The Summit Growth Fund returned -0.23% in November. From a sector perspective, Consumer Discretionary, Utilities and Technology were the best performing sectors. The Energy, Materials and Communication Services sectors lagged over the month. The stocks contributing most to the fund return during the month were Costco Wholesale, Keysight Technologies and Richemont. The stocks that detracted most from the fund's return were Booking Holdings, DCC and O-I Glass.

## Asset allocation

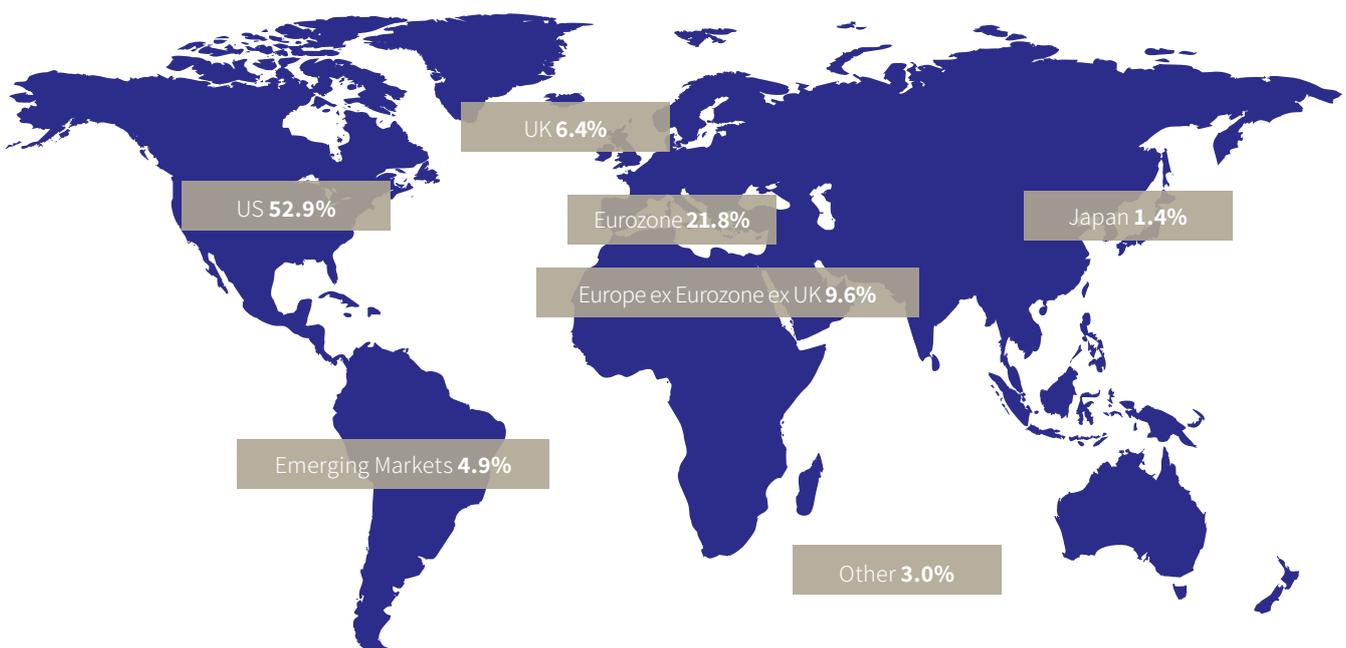


## Top Ten Share Holdings

Stock name	% of fund
Microsoft	5.7
Alphabet	3.6
Oracle	3.0
Berkshire Hathaway	3.0
Costco Wholesale	2.8
Johnson Controls International	2.8
McDonald's	2.8
Nike	2.7
Playtech	2.6
Keysight Technologies	2.2

Source: ILIM, Factset. Data is accurate as at 30 November 2021.

## Share regional distribution



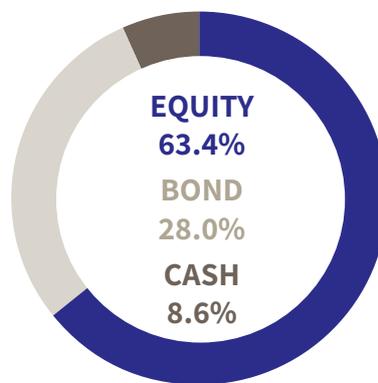
# SUMMIT BALANCED FUND

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 November

The Summit Balanced Fund returned 0.30% during November. Global equities fell in late November to end the month down in local currency terms, although were slightly higher in euro terms due to the weaker euro. From a sector perspective, Consumer Discretionary, Utilities and Technology were the best performing sectors. The Energy, Materials and Communication Services sectors lagged over the month. Eurozone bonds rose on concerns over the possible negative impact on growth from Omicron and pushback from ECB council members in relation to suggestions that the ECB might raise interest rates in 2022.

## Asset allocation

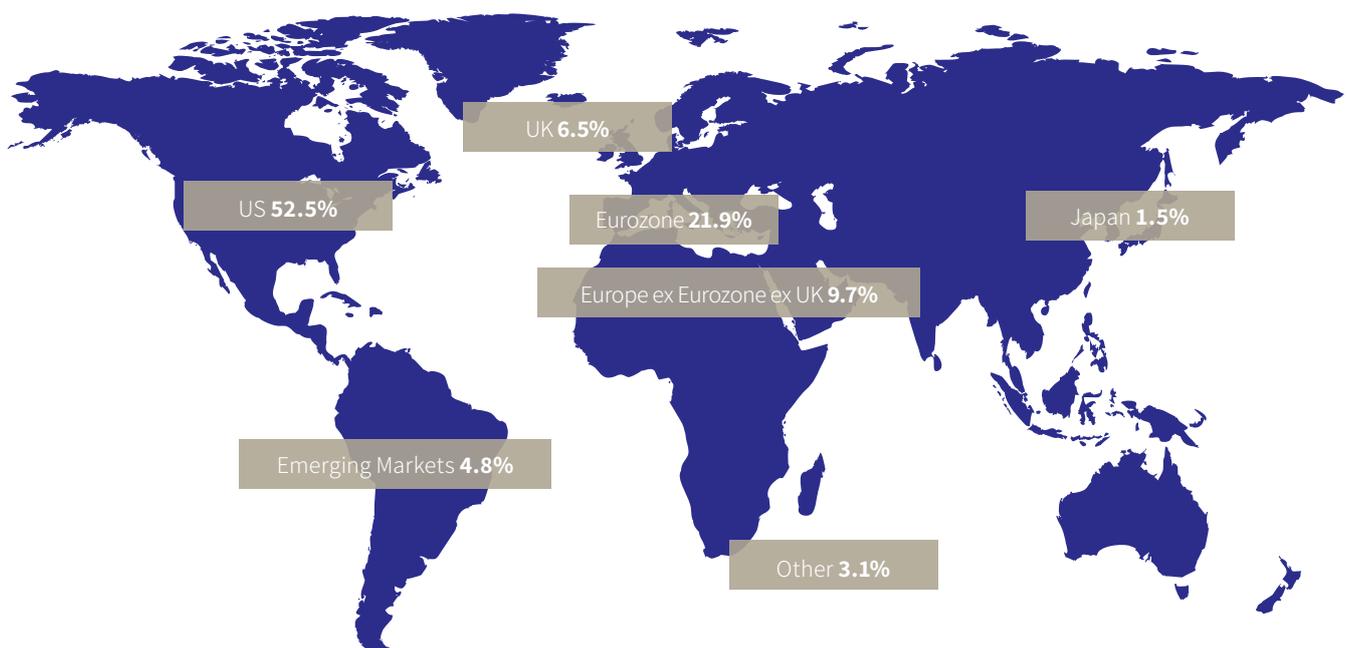


## Top Ten Share Holdings

Stock name	% of fund
Microsoft	5.7
Alphabet	3.3
Oracle	3.0
Berkshire Hathaway	2.8
Costco Wholesale	2.7
Johnson Controls International	2.6
Playtech	2.6
Nike	2.6
McDonald's	2.6
Keysight Technologies	2.3

Source: ILIM, Factset. Data is accurate as at 30 November 2021.

## Share regional distribution



# SUMMIT FUND PERFORMANCE



## At 30 November 2021

Fund returns after fund management fee	Balanced	Growth	Global Leaders
1 Month	0.30%	-0.23%	2.84%
QTD	3.65%	5.15%	10.24%
3 Month	1.44%	2.51%	6.48%
YTD	14.01%	23.72%	30.02%
1 Year	15.73%	26.65%	33.52%
2 Years pa	5.63%	9.08%	21.15%
3 Years pa	6.25%	9.09%	20.40%
5 Years pa	5.07%	7.67%	15.95%
10 years pa	7.93%	10.65%	14.78%

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:



This is intended as a general review of investment market conditions. It does not constitute investment advice and has not been prepared based on the financial needs or objectives of any particular person, and does not take account of the specific needs or circumstances of any person.

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Figures referenced herein have been sourced from ILIM and Bloomberg. Forecast figures have been prepared by ILIM based on reasonable assumptions, internal data and data sourced from Bloomberg.