



# September 2023 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



## MARKET ROUND-UP

### Market Review

Economic data in September continued to show signs of a soft landing in the US. However, signs of slowing remained in the eurozone. Core inflation measures in both the US and the eurozone remained elevated, with officials from both the US Federal Reserve and the European Central Bank (ECB) speaking to the need to keep interest rates high for longer to tame inflation. Global stock markets were weaker in September, dragged lower by the potential for interest rates to remain high. Bond markets fell as central-bank actions and rhetoric led markets to price in higher interest rates for longer. The US dollar rose against the euro after the ECB signalled the likely end of its interest rate hikes.

### Equities

Global stock markets were weaker in September as higher bond yields weighed on sentiment. The MSCI All Country World index fell by 3.5% (-1.7% in euros) over the month. The MSCI USA was down by 4.7% (-2.3% in euros), while European ex-UK equities fell by 2.5% amid a weak economic outlook in Europe.

### Bonds

Bond markets fell in September, and so bond yields rose, as the market priced in higher interest rates for longer. The ICE BofA 5+ Year Euro Government bond index was down by 4.1% over the month.

## MARKET SNAPSHOT

### Market returns (EUR)

Equity Markets (EUR)	QTD Return (%)	YTD Return (%)	2022 Return (%)
MSCI Ireland	-4.7	18.4	-21.1
MSCI United Kingdom	1.5	7.6	1.4
MSCI Europe ex UK	-3.0	10.0	-11.9
MSCI North America	-0.2	14.0	-13.8
MSCI Japan	1.6	12.5	-10.8
MSCI EM (Emerging Markets)	0.2	3.0	-14.5
MSCI AC World	-0.4	11.4	-12.6
10-Year Yields	Yield Last Month (%)	2022 Yield (%)	2021 Yield (%)
US	4.57	3.87	1.51
Germany	2.84	2.57	-0.18
UK	4.44	3.67	0.97
Japan	0.77	0.42	0.07
Ireland	3.24	3.13	0.24
Italy	4.78	4.70	1.17
Greece	4.36	4.62	1.34
Portugal	3.60	3.59	0.47
Spain	3.93	3.66	0.57
FX Rates	End last month	2022 Rates	2021 Rates
U.S. Dollar per Euro	1.06	1.07	1.14
British Pounds per Euro	0.87	0.89	0.84
U.S. Dollar per British Pounds	1.22	1.21	1.35
Commodities (USD)	QTD Return (%)	YTD Return (%)	2022 Return (%)
Oil (Brent)	27.2	10.9	10.5
Gold (Oz)	-3.7	1.3	-0.3
S&P Goldman Sachs Commodity Index	16.0	7.2	26.0

Source: ILIM, Bloomberg. Data is accurate as at 30 September 2023.

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## MARKET OUTLOOK

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

With inflation having clearly peaked and central banks now suggesting that the end of the interest rate rises is very close, we expect bond yields to decline over the next 12 months. We believe fixed income offers a strong risk-reward profile at this stage in the cycle and is attractive from a wealth preservation perspective. The relatively high bond yields and central bank commitments to bring inflation down mean bonds should remain attractive on a multi-year basis.

Global equities have proved resilient in 2023 as recession fears have receded and a peak in central bank interest rates has come into view. While global earnings are forecast to be only modestly higher this year – by approximately 0.5% – they have held up better than feared at the start of the year, as sales have surprised to the upside and the margin squeeze for corporates has been less than anticipated. Global equity valuations are below long-term averages, trading on a 12-month forward price-to-earnings (P/E) multiple of 15.6x against a long-term average of 16.0x. Equities outside the US offer better value. However, equities remain expensive against both bonds and cash given the high yields currently available on these assets.

Despite equities appearing close to fully valued, the outlook for the asset class on a 12-month view is positive. Central banks are likely to cut interest rates in 2024 as inflation continues to fall. An increasing probability of a 'soft landing' for the economy, with a rebound in both growth and earnings in 2024, should also provide support. Over the medium term, the rollout of AI should boost efficiencies and earnings across the whole market and allow equities to trade at higher valuation levels. The ongoing green-related capex cycle could also boost earnings over the medium term.



Equities are trading slightly below 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 2.5% in 2023 but remain positive with a recession looking increasingly unlikely. In DM regions, 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 and recent data have begun to stabilise.



While equities appear close to 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 draw downs in markets are possible which could provide opportunities to add to exposures.

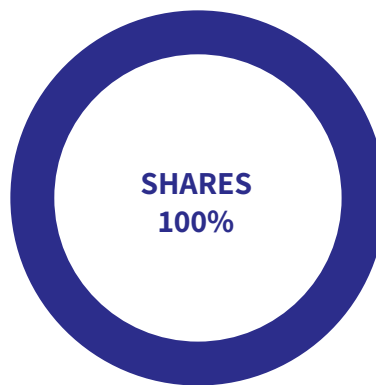
# SUMMIT GLOBAL LEADERS FUND

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 September

The Summit Global Leaders Fund fell -2.18%, net of fund management fee, over September. Leading performers included Shell (+8.1% in GBP) and Toyota (+6.5% in JPY). The former was boosted by the oil price rise as Saudi Arabia and Russia decided to extend output cuts through year-end. Toyota has been showing strong sales trends in North America and has benefited this year from the weakening Japanese yen. Laggards in the period included NVIDIA (-11.9% in USD) and Broadcom (-9.5% in USD). NVIDIA gave back some of its huge share price gain year-to-date on demand concerns. On a similar note, Broadcom reported solid quarterly results but saw its shares slip as some of the hype around generative AI related demand dissipated.

## Asset allocation

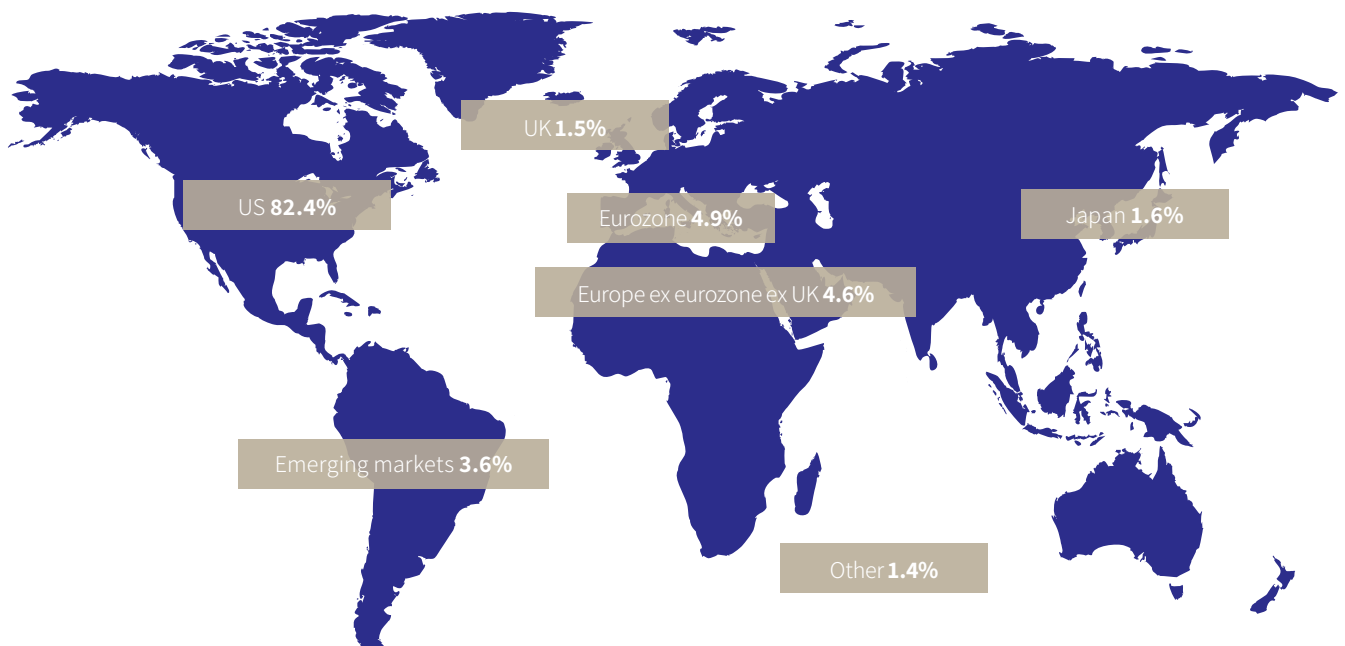


## Top Ten Share Holdings

Stock name	% of fund
Alphabet	8.7
Microsoft	8.2
Apple	8.1
Amazon.com	6.4
Nvidia	6.3
Meta Platforms	4.1
Tesla	3.9
Exxon Mobil	2.9
United Health	2.7
JP Morgan Chase	2.4

Source: ILIM, Factset. Data is accurate as at 30 September 2023.

## Share regional distribution



Information is correct at 30 September 2023.

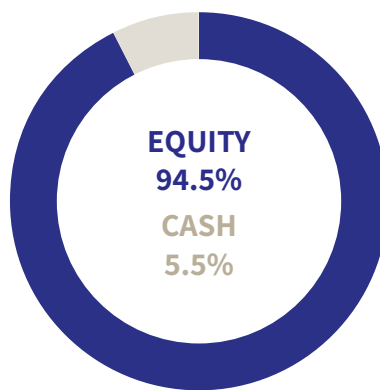
# SUMMIT GROWTH FUND

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 September

The Summit Growth Fund returned -1.95%, net of fund management fee, over September. Energy, Materials and Financials were the best performing sectors. The Consumer Staples, Infrastructure and Industrials sectors lagged over the month. The stocks contributing most to the fund’s return were Costco Wholesale, Exxon Mobil and Bank Leumi. The stocks that detracted most from the fund’s return were Oracle, Playtech and Melrose Industries.

## Asset allocation

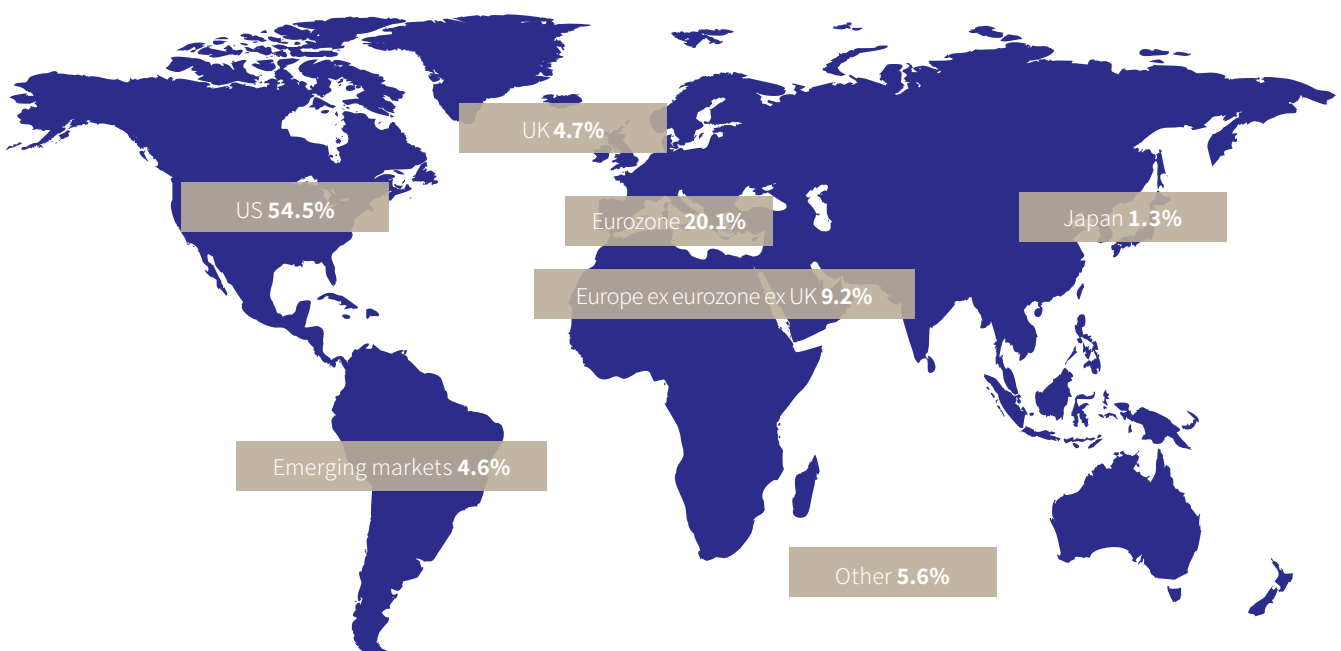


## Top Ten Share Holdings

Stock name	% of fund
Microsoft	5.0
Berkshire Hathaway	4.2
Oracle	3.5
Alphabet	3.2
Booking Holdings	3.0
Costco Wholesale	3.0
McDonald’s	2.6
Samsung Electronics	2.5
Nike	2.1
S&P Global	2.0

Source: ILIM, Factset. Data is accurate as at 30 September 2023.

## Share regional distribution



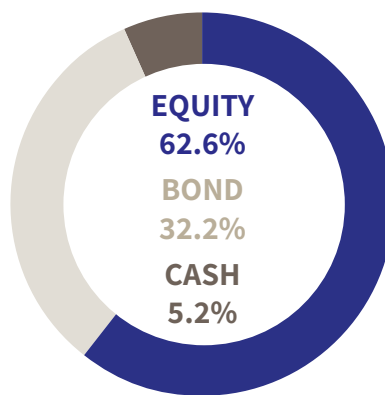
# SUMMIT BALANCED FUND

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 September

The Summit Balanced Fund returned -2.26%, net of fund management fee, over September. Energy, Materials and Financials were the best performing sectors. The Consumer Staples, Infrastructure and Industrials sectors lagged over the month. The global macroeconomic backdrop continued to show signs of a soft landing in the US while slowing was evident in the Eurozone. Global stock markets were weaker in September, dragged lower by the potential for interest rates to remain high in 2024. Bond markets fell as central-bank actions and rhetoric led markets to price in higher interest rates for longer.

## Asset allocation

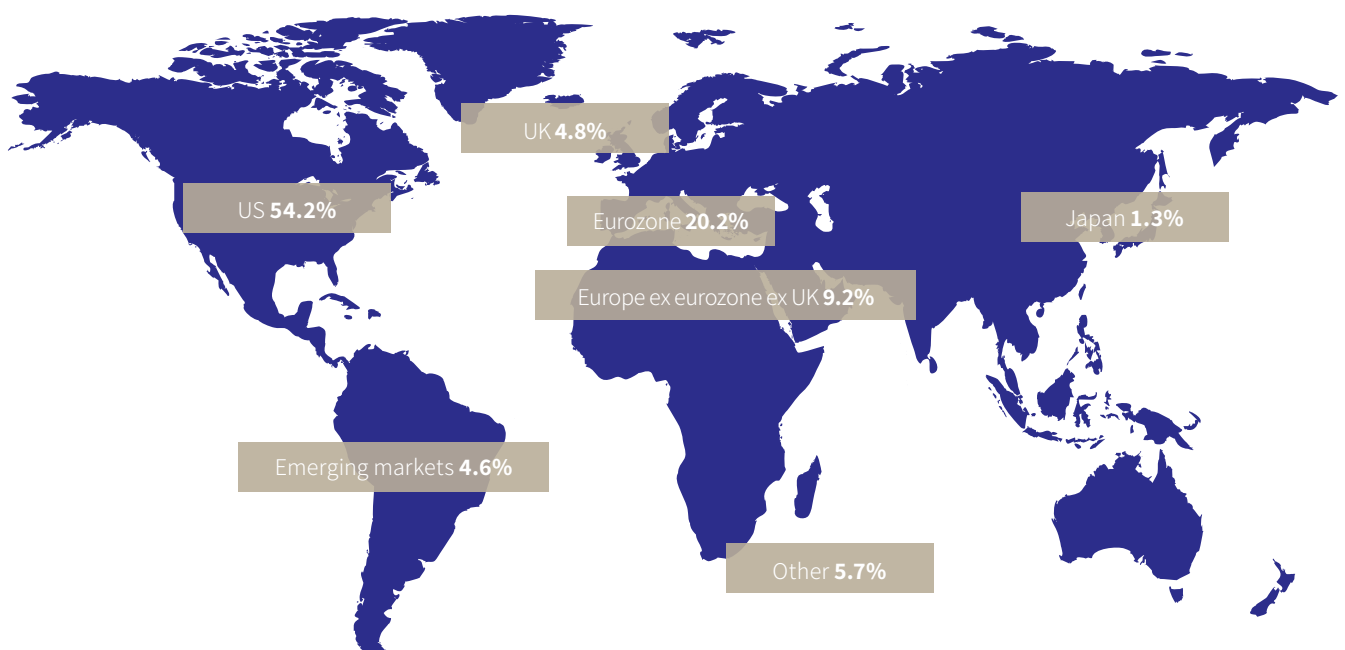


## Top Ten Share Holdings

Stock name	% of fund
Microsoft	5.1
Berkshire Hathaway	4.3
Oracle	3.5
Alphabet	3.3
Booking Holdings	2.9
Costco Wholesale	2.9
McDonald's	2.5
Samsung Electronics	2.4
S&P Global	2.0
Nike	1.9

Source: ILIM, Factset. Data is accurate as at 30 September 2023.

## Share regional distribution



# SUMMIT FUND PERFORMANCE



## At 30 September 2023

Fund returns after fund management fee	Balanced	Growth	Global Leaders
1 Month	-2.26%	-1.95%	-2.18%
QTD	-2.80%	-2.69%	0.21%
3 Month	-2.80%	-2.69%	0.21%
YTD	2.84%	5.48%	24.43%
1 Year	4.94%	10.26%	17.71%
2 Years pa	-2.22%	2.76%	4.15%
3 Years pa	3.96%	11.14%	10.74%
5 Years pa	1.59%	4.71%	10.62%
10 Years pa	4.71%	7.74%	12.01%

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:



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.



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.