Irish Life

Life \ Pensions \ **Investments**

August 2021 in review **Summit Investment Funds**

Helping people build better futures

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

MARKET REVIEW

Global equity markets were pushed to record highs in August as second quarter earnings were strong and policy support continued. Despite a 5.4% CPI reading in the US, there are signs the most rapid price increases are now behind us, and therefore we do not expect inflation to force US policymakers' hands on the timing of tapering. Europe continues to show strong signs of recovery with robust economic data and supportive monetary policy from the ECB. Meanwhile, as the delta variant of Covid-19 remains a concern, growth sensitivity to increased case numbers has lessened as vaccines are widely distributed. In China, the government continues its regulatory crackdowns, and markets were depressed in August as investors assessed the likelihood and scope of further moves.

MARKET ROUND-UP

Equities

Over the month the MSCI AC World equity index rose 2.7% (3.0% in €). The US rose 3.0% (3.4% in €) on the back of a strong Q2 earnings reporting season and a strong performance from the tech sector. European equities rose 2.3% (2.2% in €) as economic data remains robust and vaccination rates close in on 70% in many countries. Emerging markets rose 2.3% (3.1% in €). Japan rose 3.2% (3.5% in €) as strong corporate earnings and political developments boosted markets.

Bonds

Globally, bonds yields stabilised over the month. Eurozone sovereign bond yields were higher as economic data in Europe remains robust and inflation surprised to the upside. Eurozone >5 year bonds fell -0.8% with the German 10 year yield rising to -0.38%. Our target remains 0% by end 2021 for 10-year German government bond yields.

Currencies and commodities

The euro fell slightly to 1.18 against the US dollar. Commodities fell -2.3% (1.9% in €) with WTI oil falling -7.4%. The energy sector fell mid-month in the wake of concerns stretching from China's economy and Covid-19 to the tapering of Fed stimulus. WTI fell to its lowest level since May before rising on energy supply disruptions resulting from Hurricane Ida. Copper prices have fallen back from earlier highs and gold was flat over the month.

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

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2020 Return (%)
MSCI Ireland	6.39	20.78	5.97
MSCI United Kingdom	1.31	18.72	-17.83
MSCI Europe ex UK	2.17	20.80	2.43
MSCI North America	3.29	25.49	10.64
MSCI Japan	3.54	7.02	5.42
MSCI EM (Emerging Markets)	3.11	6.83	8.89
MSCI AC World	3.00	20.49	7.18
10-Year Yields	**Yield Last Month (%)**	**2020 Yield (%)**	**2019 Yield (%)**
US	1.31	0.91	1.92
Germany	-0.38	-0.57	-0.19
UK	0.71	0.20	0.82
Japan	0.03	0.02	-0.02
Ireland	0.01	-0.30	0.11
Italy	0.71	0.54	1.41
Greece	0.77	0.63	1.43
Portugal	0.21	0.03	0.43
Spain	0.34	0.05	0.46
FX Rates	**Current**	**2020 Rates**	**2019 Rates**
U.S. Dollar per Euro	1.18	1.22	1.12
British Pounds per Euro	0.86	0.90	0.85
U.S. Dollar per British Pounds	1.38	1.37	1.33
Commodities (USD)	**MTD Return (%)**	**YTD Return (%)**	**2020 Return (%)**
Oil (WTI)	-7.37	41.18	-20.54
Gold (Oz)	-0.01	-4.24	24.40
S&P Goldman Sachs Commodity Index	-2.30	30.40	-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, 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 18.5/19.0x 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.

Potential risks to the positive outlook include unexpected central bank policy tightening, 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 we view to be low. Given elevated valuations, volatility will remain a feature in markets if any of these issues become a cause for concern over the course of the next 12 months.

Outlook dependent on economic and earnings growth. Monetary and fiscal policy are supportive.

Global economy estimated to have contracted in 2020 by -3.6% due to Covid-19 with a 6.1% rebound expected in 2021.

Covid-19, monetary/fiscal stimulus will be key for growth. Vaccine developments supportive of growth.

Equity valuations appear expensive on an absolute basis but remain attractive in relative terms.

High single digit to double digit upside possible over 12 months with economic and earnings recovery and supportive policies.

Volatility likely to remain a feature.

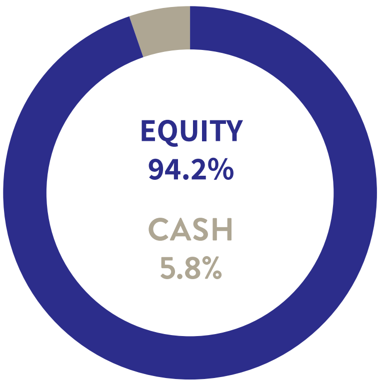
SUMMIT GROWTH FUND

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 August

The Summit Growth Fund returned +1.8% in August. Financials and Infrastructure were the best performing sectors. The Consumer Staples, Energy & Materials sectors lagged over the month. The greatest contributors were Microsoft, Alphabet and First Citizens BancShares. The largest detractors were Sandstorm Gold, DXC Technology and Richemont.

Asset allocation

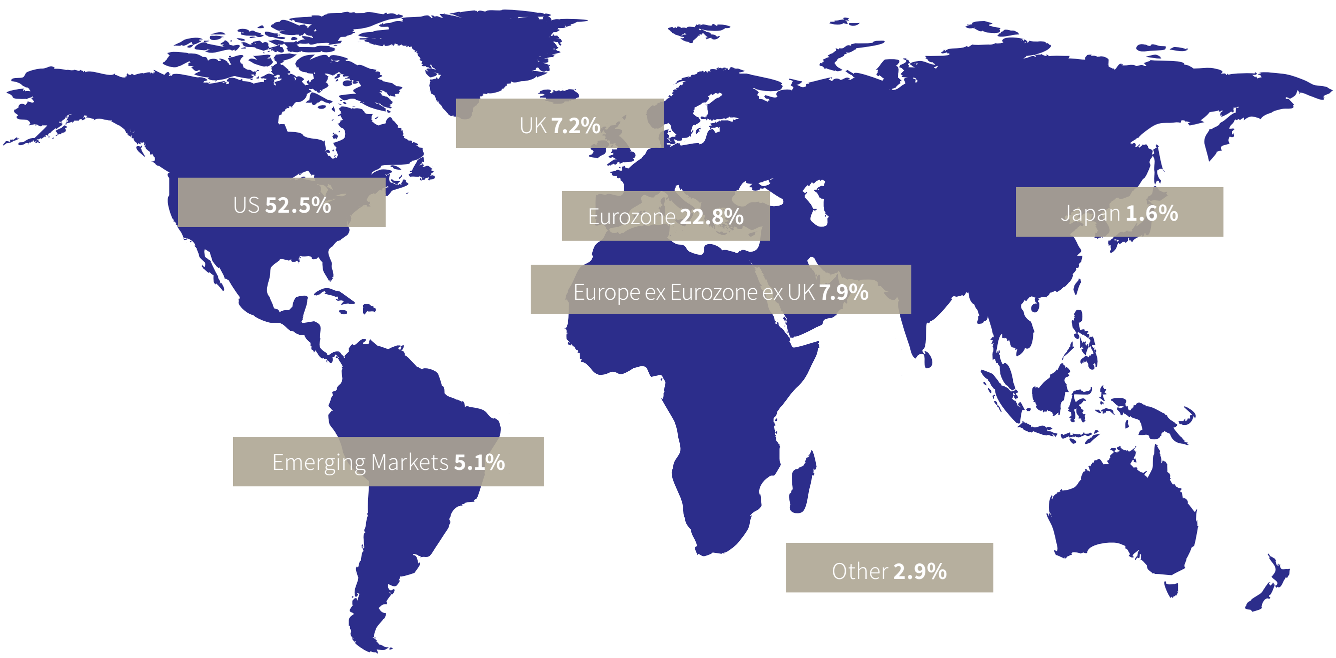


Top Ten Share Holdings

Stock name	% of fund
Microsoft Corp	5.0
Alphabet Inc	3.5
Berkshire Hathaway Inc	2.9
Oracle Corp	2.8
Johnson Controls International Ord	2.6
McDonald's Corp	2.6
Nike Inc	2.5
DCC Plc	2.4
Costco Wholesale Corp	2.3
Johnson & Johnson	2.2

Source: ILIM, Factset. Data is accurate as at 31 August 2021.

Share regional distribution



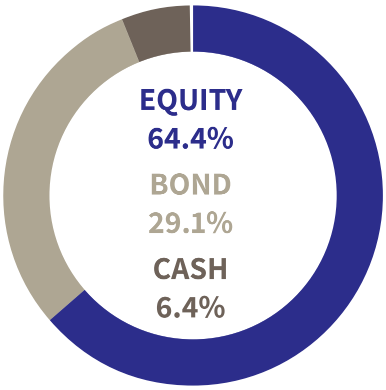
SUMMIT BALANCED FUND

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 August

The Summit Balanced Fund returned +1.4% in August. Financials and Infrastructure were the best performing sectors. The Consumer Staples, Energy & Materials sectors lagged over the month.

Asset allocation

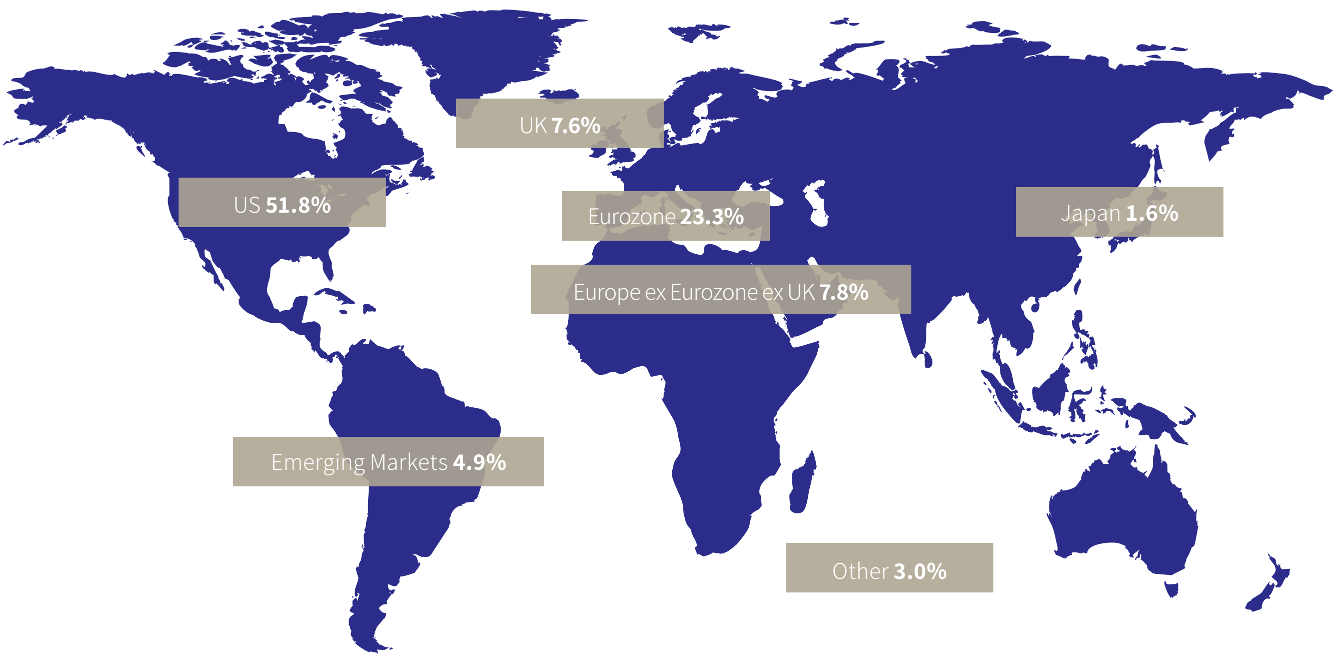


Top Ten Share Holdings

Stock name	% of fund
Microsoft Corp	4.8
Alphabet Inc	3.3
Berkshire Hathaway Inc	2.9
Johnson Controls International Ord	2.7
Oracle Corp	2.6
Nike Inc	2.5
McDonald's Corp	2.4
DCC Plc	2.4
Costco Wholesale Corp	2.3
Johnson & Johnson	2.1

Source: ILIM, Factset. Data is accurate as at 31 August 2021.

Share regional distribution



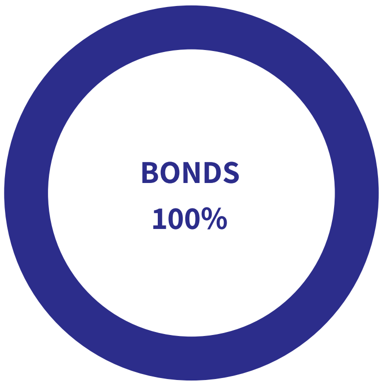
SUMMIT STABLE FUND

The Stable Fund invests in short-term Eurozone government debt and cash.

Fund update for August

The Summit Growth Fund returned +2.5% in August. Financials and Infrastructure were the best performing sectors. The Consumer Staples, Energy & Materials sectors lagged over the month. Microsoft, Alphabet and First Citizens BancShares were the greatest contributors. Sandstorm Gold, DXC Technology and Richemont were the biggest detractors over the month.

Asset allocation



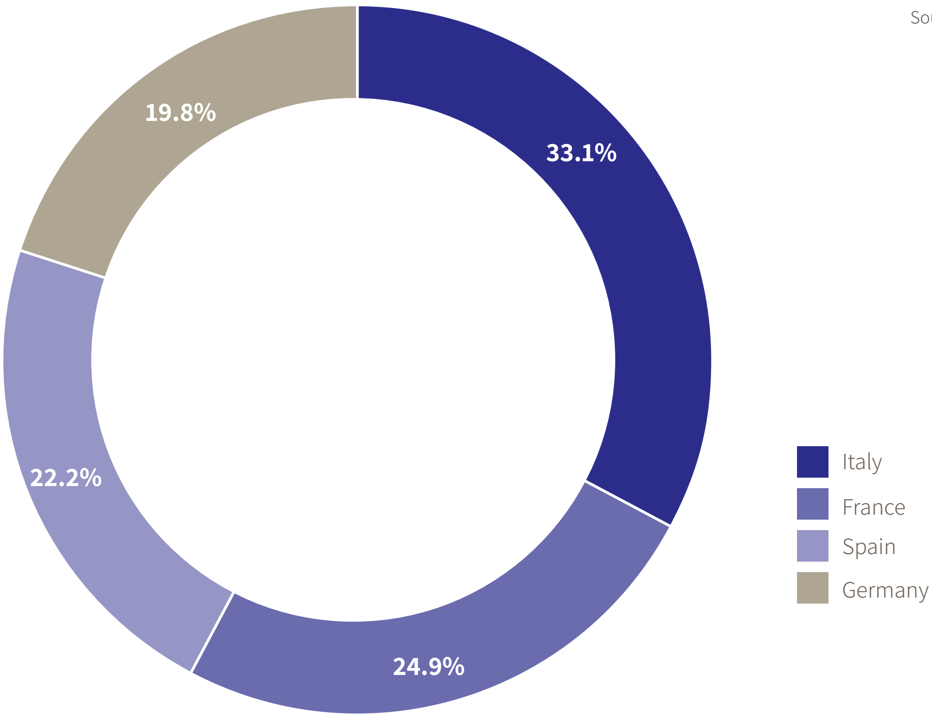
Bond portfolio credit quality

Rating / percentage of fund

AAA 19.8%	AA2 24.9%
A3 22.2%	BBB3 33.1%

Source: ILIM, Factset. Data is accurate as at 31 August 2021.

Bond country distribution



SUMMIT FUND PERFORMANCE

At 31 August 2021

Fund returns after fund management fee	Stable	Balanced	Growtth
1 Month	-0.09%	1.04%	1.84%
QTD	-0.09%	2.09%	2.82%
3 Month	-0.18%	3.41%	4.61%
YTD	-1.14%	9.37%	15.43%
1 Year	-1.23%	14.13%	22.59%
2 Years pa	-1.22%	5.37%	8.69%
3 Years pa	-0.79%	4.08%	5.88%
5 Years pa	-1.03%	4.12%	6.24%
10 years pa	-0.25%	5.18%	7.34%

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:

European Pensions AWARDS 2019
WINNER
Passive Manager of the Year

GRESB 2020

Irish Pensions AWARDS 2018
WINNER
Property Manager of the Year

Irish Pensions AWARDS 2018
WINNER
Passive 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 2019
WINNER
Investment Manager of the Year

Irish Pensions AWARDS 2020
WINNER
Investment Manager of the Year

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