Irish Life

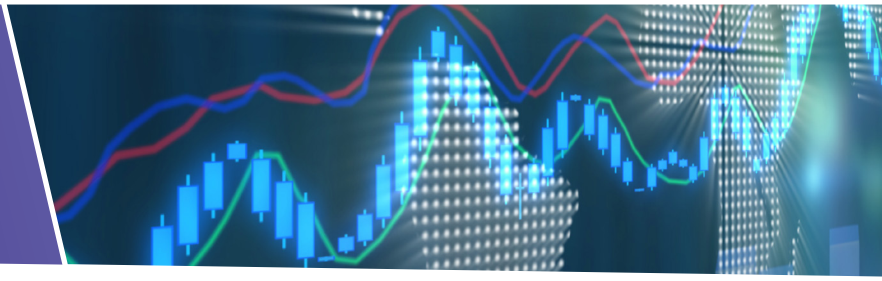
Life \ Pensions \ **Investments**

February 2025 in review
Summit Investment Funds

Summit Investment 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

Global growth was mixed in February. Activity slowed in the US as investors digested concerns about a slower pace of growth, while Europe enjoyed a regional rally. The Trump administration continued to make headlines at a feverish pace, implementing tariffs on trade partners while also seeking a peace deal in the Russia-Ukraine conflict. In Germany, the CDU/CSU alliance won the most seats in the federal election, creating a clear path to government in coalition with the Social Democratic Party. European stocks climbed on the expectation of growth-boosting policies under the incoming German chancellor, Friedrich Merz, as well as hopes for a resolution of the war in Ukraine. Bond yields fell overall, but the drop was more pronounced in the US as expectations for an interest-rate cut from the Federal Reserve rose amid weaker consumer sentiment. The US dollar was unchanged against the euro at month-end, but the euro trended higher from its lows earlier in the month in anticipation of improved regional activity.

Equities

Global stock markets diverged in February. The US saw losses, while European equities rose. The MSCI All Country World index fell by 0.8% (-0.6% in euros). The MSCI USA slid by 1.6% (-1.6% in euros) as deteriorating consumer sentiment and policy uncertainty weighed on the US growth outlook. The MSCI Europe ex UK index, meanwhile, climbed by 3.4% (3.7% in euros) due to improved economic prospects and on expectations of pro-growth policies from the new German government. Hopes for a Russia-Ukraine peace deal also proved supportive. The MSCI EM index was up by 0.8% (0.5% in euros) over the month, underperforming developed markets as the threat of US tariffs continued to weigh on sentiment. This was offset by bullish sentiment towards Chinese tech stocks following on from DeepSeek's new model release in January, with the MSCI China index rallying by 11.6% (11.7% in euros) in during the month.

Bonds

The US Treasury announced that government debt issuance would remain steady in the coming months. Treasury Secretary Scott Bessent also stated that raising the government's share of long-term debt issuance was a "long way off", which eased market concerns regarding increased funding costs. This, along with growth worries, helped push down the 10-year US Treasury yield by 36bps in February to 4.19%. Eurozone government bond returns were positive, aided by both falling yields and interest-rate carry. The 10-year German bund was down by 5bps over the month to 2.41%, with some upward pressure due to an expected rise in debt issuance under the new government. The ICE BofA 5+ Year Euro Government bond index returned 0.8% in February.

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2024 Return (%)
MSCI Ireland	12.8	17.7	22.8
MSCI United Kingdom	3.5	8.5	14.7
MSCI Europe ex UK	3.7	10.9	7.7
MSCI North America	-1.5	1.1	32.9
MSCI Japan	-1.4	-0.2	15.9
MSCI EM (Emerging Markets)	0.5	1.9	15.3
MSCI AC World	-0.6	2.3	25.9
10-Year Yields	**Yield last month (%)**	**2024 Yield (%)**	**2023 Yield (%)**
US	4.19	4.57	3.88
Germany	2.41	2.35	2.02
UK	4.49	4.56	3.54
Japan	1.37	1.09	0.61
Ireland	2.66	2.63	2.38
Italy	3.54	3.51	3.69
Greece	3.20	3.23	3.06
Portugal	2.92	2.84	2.66
Spain	3.05	3.04	2.99
FX Rates	**End last month**	**2024 Rates**	**2023 Rates**
U.S. Dollar per Euro	1.04	1.04	1.10
British Pounds per Euro	0.83	0.83	0.87
U.S. Dollar per British Pounds	1.26	1.25	1.27
Commodities (USD)	**MTD Return (%)**	**YTD Return (%)**	**2024 Return (%)**
Oil (Brent)	-4.7	-2.0	-3.1
Gold (Oz)	2.1	8.9	27.1
S&P Goldman Sachs Commodity Index	-1.3	1.9	9.2

Source: ILIM, Bloomberg. Data is accurate as at 1 March 2025.

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MARKET OUTLOOK

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

The fundamental backdrop for global equities over the next 12 months remains positive, despite uncertain US policy. Steady growth, strong consumer balance sheets, ongoing disinflation, rate cuts and a corporate-friendly stance from the US government should mean a favourable environment for the asset class. Divergence within regional equity performance, however, is likely to remain a feature.

Global equities valuations are above long-term averages, trading on a 12-month forward P/E multiple of 18.1x against a long-term average of 16.1x. However, with a positive fundamental backdrop, multiples could remain close to current levels. Equities remain expensive against both bonds and cash given the high yields currently available on these assets. While equities appear fully valued, growth is expected to remain firm and earnings are forecast to rise strongly in the next one to two years. Additional rate cuts could also contribute to further gains. 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. Any short-term volatility in markets is likely to be offset by the above factors. As a result, our 12-month view on equities is constructive.

Sovereign bond yields were volatile over 2024 amid somewhat sticky inflation, but both German and US 10-year yields are now below their October 2023 highs. With inflation having fallen significantly and central banks suggesting policy is still above neutral levels, rates are likely to be cut further through 2025, enabling bond yields to decline over the next 12 months.

On a 12-month view, our base case is that German and US 10-year government bond yields fall from current levels of 2.41% and 4.19% to 2.25% and 4.00%, respectively. We believe fixed income offers a strong risk-reward profile at this stage in the cycle, with the potential to offer protection if the economy slows. The asset class is attractive from an income perspective while also providing potential for capital gains via falling yields. We believe that the risks of materially higher bond yields have reduced and, if the economy falters, major central banks will be able to cut rates to support growth. In such a scenario, we would expect bonds to outperform to a greater extent.

Increasing hopes of growth remaining firm have been supportive of equity markets. Growth is forecast to have decelerated slightly to 2.7% in 2024 (from 2.9% in 2023), and to ease to a still-robust 2.4% in 2025. In developed markets, the US economy has been strong despite some recent moderation in growth, while Europe has struggled as higher interest rates have impacted activity levels and demand. Lower European Central Bank (ECB) policy rates could help stabilise European sentiment and growth.

Chinese growth has been lacklustre, and the authorities have recently announced a range of additional stimulus measures to boost the domestic economy.

Steady growth, strong consumer balance sheets, ongoing disinflation, rate cuts and corporate-friendly policies continue to provide a positive backdrop for equities. The Trump policy agenda has broad implications across regions, with trade policies in focus.

Equities are above long-term average valuation multiples, but could continue to grind higher assuming positive economic and earnings growth in 2024, 2025 and 2026.

Structural long-term benefits from the AI theme, and evidence of earnings being boosted by AI-related initiatives could support higher equity valuation multiples.

Volatility is likely to remain a feature due to uncertainty over the implementation of Trump policies like tariffs and the eventual outcomes for growth, inflation, monetary policy and geopolitical tensions. Modest short-term drawdowns in markets are possible, and could provide opportunities to add to certain exposures.

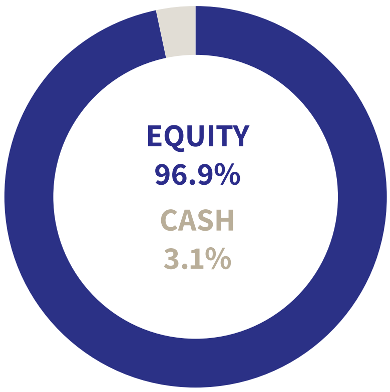
SUMMIT GROWTH FUND

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 February

The Summit Growth Fund returned -0.3% net of fund management fees in February. From a sector perspective, consumer discretionary, financials and consumer staples were the best performing sectors. The technology, communication services and industrials sectors lagged over the month. The stocks contributing most to the fund return during the month were Berkshire Hathaway, Tencent Holdings and Marsh & McLennan. The stocks that detracted most from the fund return were Alphabet Inc, Taiwan Semiconductor Manufacturing Company and PayPal Holdings.

Asset allocation

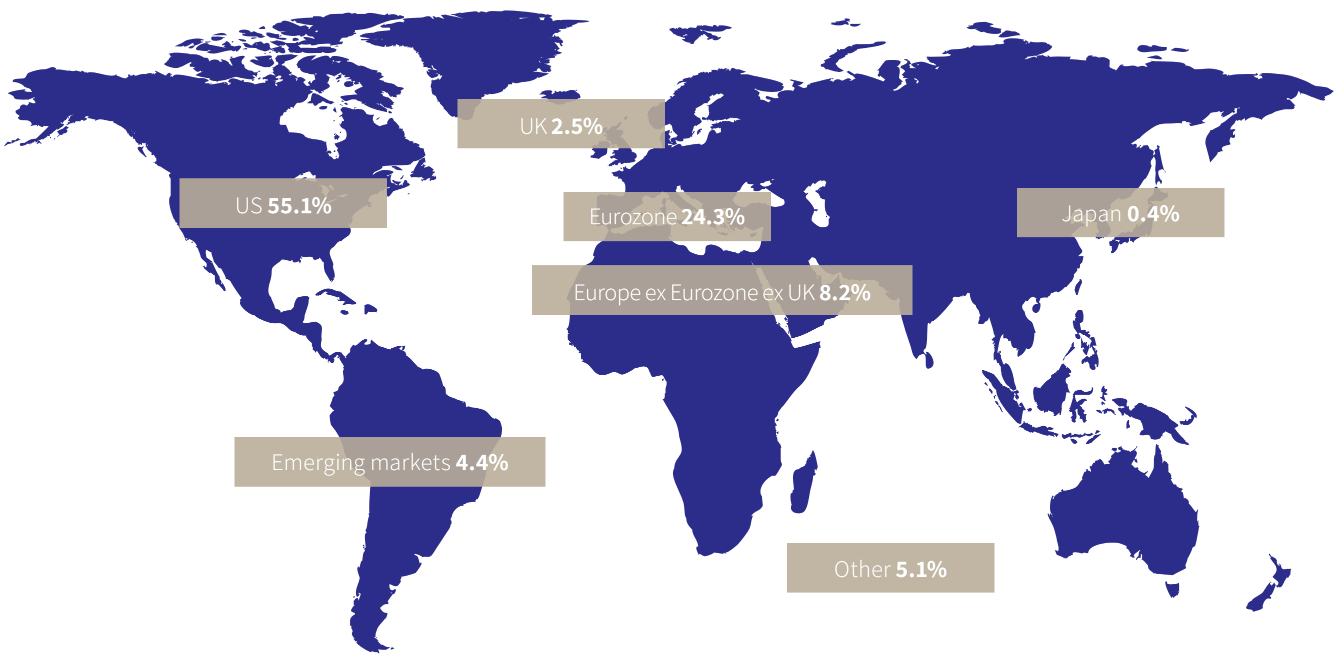


Top 10 share holdings

Stock name	% of fund
Berkshire Hathaway	5.0
Microsoft	4.0
Oracle	3.8
Booking Holdings	3.7
Alphabet	3.5
Taiwan Semiconductor	3.2
CRH	2.5
Nike	2.5
Marsh & McLennan	2.4
Meta Platforms	2.4

Source: ILIM, Factset.
Data is accurate as at 28 February 2025.

Share regional distribution



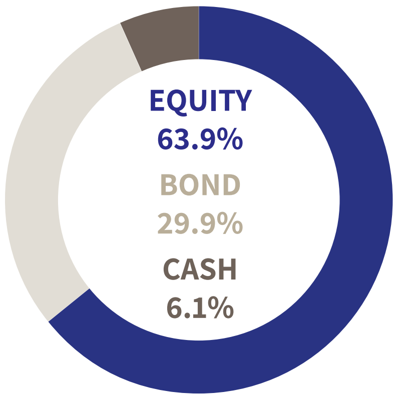
SUMMIT BALANCED FUND

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 February

The Summit Balanced Fund returned +0.0% net of fund management fees in February. From a sector perspective, consumer discretionary, financials and consumer staples were the best performing sectors. The technology, communication services and industrials sectors lagged over the month. Global growth showed mixed signs, with activity slowing in the US but holding up well in Europe. The Trump administration implemented tariffs on its trading partners while also seeking to strike a peace deal to end the Russia-Ukraine conflict. Elsewhere, Germany's federal election gave the Christian Democrats the most parliamentary seats and a clear path to forming a governing coalition with the Social Democrats. Global stock markets fell in February, driven by losses in the US amid concerns around potentially softer growth. By contrast, European stocks rallied due to expected growth-boosting policies from the incoming German government and moves towards resolving the Russia-Ukraine war. Bond yields declined, but the move was more marked in the US as expectations for Federal Reserve easing increased amid weaker consumer sentiment.

Asset allocation

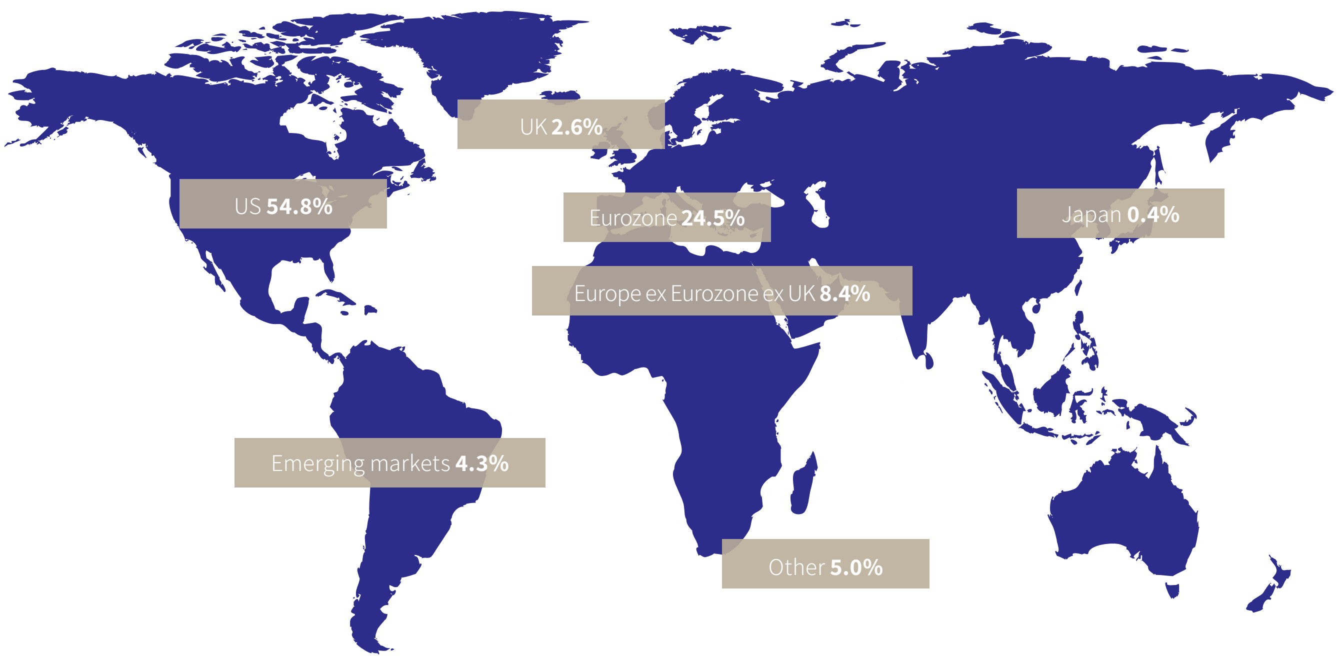


Top 10 share holdings

Stock name	% of fund
Berkshire Hathaway	4.9
Microsoft	3.9
Oracle	3.8
Booking Holdings	3.6
Alphabet	3.6
Taiwan Semiconductor	3.1
CRH	2.4
Nike	2.4
Marsh & McLennan	2.4
Meta Platforms	2.3

Source: ILIM, Factset.
Data is accurate as at 28 February 2025.

Share regional distribution



Information is correct at 28 February 2025

SUMMIT FUND PERFORMANCE

At 28 February 2025

Fund returns after fund management fee	Balanced	Growth
1 Month	-0.05%	-0.32%
QTD	1.98%	2.94%
3 Month	0.45%	1.18%
YTD	1.98%	2.94%
1 Year	7.95%	12.10%
2 Years pa	7.02%	10.30%
3 Years pa	2.82%	6.41%
5 Years pa	4.10%	8.04%
10 Years pa	3.16%	5.41%

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

European Pensions AWARDS 2018
WINNER
Passive Manager of the Year

GRESB 2024

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

Irish Pensions AWARDS 2021
WINNER
Risk Management Provider of the Year

Irish Pensions AWARDS 2022
WINNER
Investment Manager of the Year

Irish Pensions AWARDS 2023
WINNER
Property Manager of the Year

Irish Pensions AWARDS 2024
WINNER
Investment Manager of the Year

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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.

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