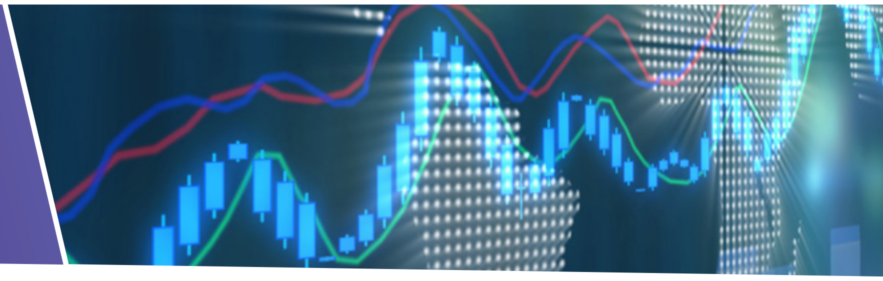
Irish Life

January 2025 in review
Summit Investment Funds

Helping people build better futures

MARKET REVIEW



MARKET ROUND-UP

Market Review

Global stock markets rebounded in January from losses in December, aided by a strong rally in European stocks amid a rosier growth outlook. US stocks rose overall, but AI bellwether Nvidia declined due to the release of a lower cost, less chip-intensive AI model from China's DeepSeek. German bond yields rose amid concerns over possible increased debt issuance following elections in February. Global growth data showed signs of improvement. The US dollar fell against the euro given initial perceptions of a softer US tariff stance post President Trump's inauguration compared to rhetoric during the election campaign.

Equities

Global stock markets rose in January, supported by generally healthy corporate earnings and guidance, as well as an improving global growth backdrop. The MSCI All Country World index was up by 3.3% (3.0% in euros) over the month. This was driven by a strong rally in European stocks, with the MSCI Europe ex-UK rising by 7.1% (7.0% in euros) due to a better economic activity outlook and further expected rate cuts from the European Central Bank (ECB). Emerging markets (EM) underperformed developed markets, as the threat of US tariffs weighed on sentiment, with the MSCI EM index rising by 1.6% (1.4% in euros) over the month.

US indices rebounded from losses in December, with the MSCI USA index 3.0% higher (2.6% in euros), but there was volatility around tech stocks. Some AI-related stocks were roiled towards the end of the month after the release of a new AI model from DeepSeek, a Chinese tech company, that was claimed to be significantly cheaper to train than US equivalents. AI bellwether Nvidia fell by 10.6% in January as expectations of lower chip demand required by new AI models like DeepSeek's dampened sentiment. These models, however, may speed up the delivery, adoption and monetisation of AI products, so the wider AI theme and market held up reasonably well.

Bonds

Eurozone government bond returns were negative as a result of rising yields. The 10-year German bund yield was up by 11 basis points (bps) over the month to 2.46% due to the potential for increased debt issuance after Germany's federal election on 23 February. The ICE BofA 5+ Year Euro Government bond index returned -0.3% in January.

Concerns over the UK's government debt sustainability flared up during the month. UK economic activity is expected to be lacklustre this year, which could limit tax revenues and lead to a wider budget deficit, necessitating increased state borrowing. The potential for higher government borrowing helped push up gilt yields temporarily to the highest levels since 2008. The 10-year gilt yield was as high as 4.89% before ending January at 4.53% as the government pushed for growth-boosting policies.

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	QTD Return (%)	YTD Return (%)	2023 Return (%)
MSCI Ireland	4.4	4.4	22.8
MSCI United Kingdom	4.8	4.8	14.7
MSCI Europe ex UK	7.0	7.0	7.7
MSCI North America	2.6	2.6	32.9
MSCI Japan	1.2	1.2	15.9
MSCI EM (Emerging Markets)	1.4	1.4	15.3
MSCI AC World	3.0	3.0	25.9
10-Year Yields	**Yield last month (%)**	**2023 Yield (%)**	**2022 Yield (%)**
US	4.55	4.57	3.88
Germany	2.46	2.35	2.02
UK	4.53	4.56	3.54
Japan	1.23	1.09	0.61
Ireland	2.72	2.63	2.38
Italy	3.55	3.51	3.69
Greece	3.34	3.23	3.06
Portugal	2.86	2.84	2.66
Spain	3.07	3.04	2.99
FX Rates	**End last month**	**2023 Rates**	**2022 Rates**
U.S. Dollar per Euro	1.04	1.04	1.10
British Pounds per Euro	0.84	0.83	0.87
U.S. Dollar per British Pounds	1.24	1.25	1.27
Commodities (USD)	**QTD Return (%)**	**YTD Return (%)**	**2023 Return (%)**
Oil (Brent)	2.8	2.8	-3.1
Gold (Oz)	6.7	6.7	27.1
S&P Goldman Sachs Commodity Index	3.3	3.3	9.2

Source: ILIM, Bloomberg. Data is accurate as at 31 January 2025.

MARKET OUTLOOK

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

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 2.46% and 4.55% to 1.75% 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 that scenario we would expect bonds to outperform to a greater extent.

The fundamental backdrop for global equities, and particularly US equities, remains positive, despite uncertainties relating to the implications of US policy. Steady growth, strong consumer balance sheets, ongoing disinflation, rate cuts and corporate-friendly policies continue to provide a positive equity backdrop. Divergence within regional equity performance, however, is likely to remain a feature as US exceptionalism continues, with tax cuts and deregulation adding to its existing structural competitive advantages.

Global equities valuations are above long-term averages, trading on a 12-month forward P/E multiple of 18.4x against a long-term average of 16.1x. Despite equities appearing fully valued, the outlook on a 12-month view is positive. With growth expected to remain firm and US corporates set to benefit from growth-friendly policies from the Trump administration, earnings are forecast to rise strongly in the next one to two years. Additional rate cuts under a positive fundamental backdrop can also contribute to gains. Over the medium term, the rollout of AI should boost efficiencies and earnings across the whole market and allow equities trade at higher valuation levels. Any short-term volatility in markets is likely to be offset by the above factors, resulting in positive returns on a 12-month time frame.

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 ECB policy rates can 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 growth.

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 is relatively favourable for the US economy and equity market.

Equities are above long-term average valuation multiples but, with positive economic and earnings growth in 2024/25/26, can continue to grind higher.

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

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

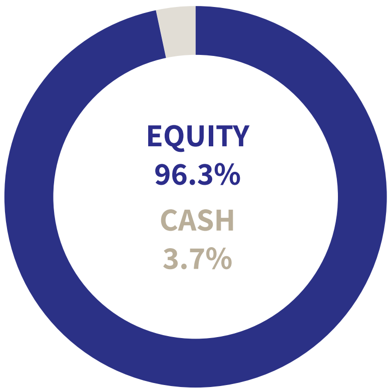
SUMMIT GROWTH FUND

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 January

The Summit Growth Fund returned +3.3%, net of fund management fee, over January. Industrials, Healthcare and Materials were the best performing sectors, while the Consumer Discretionary, Energy and Technology sectors lagged over the month. The stocks contributing the most to the fund's return were Meta Platforms, Oshkosh and Alphabet. The largest detractors from performance were Electronic Arts, Booking Holdings and Tencent Holdings.

Asset allocation

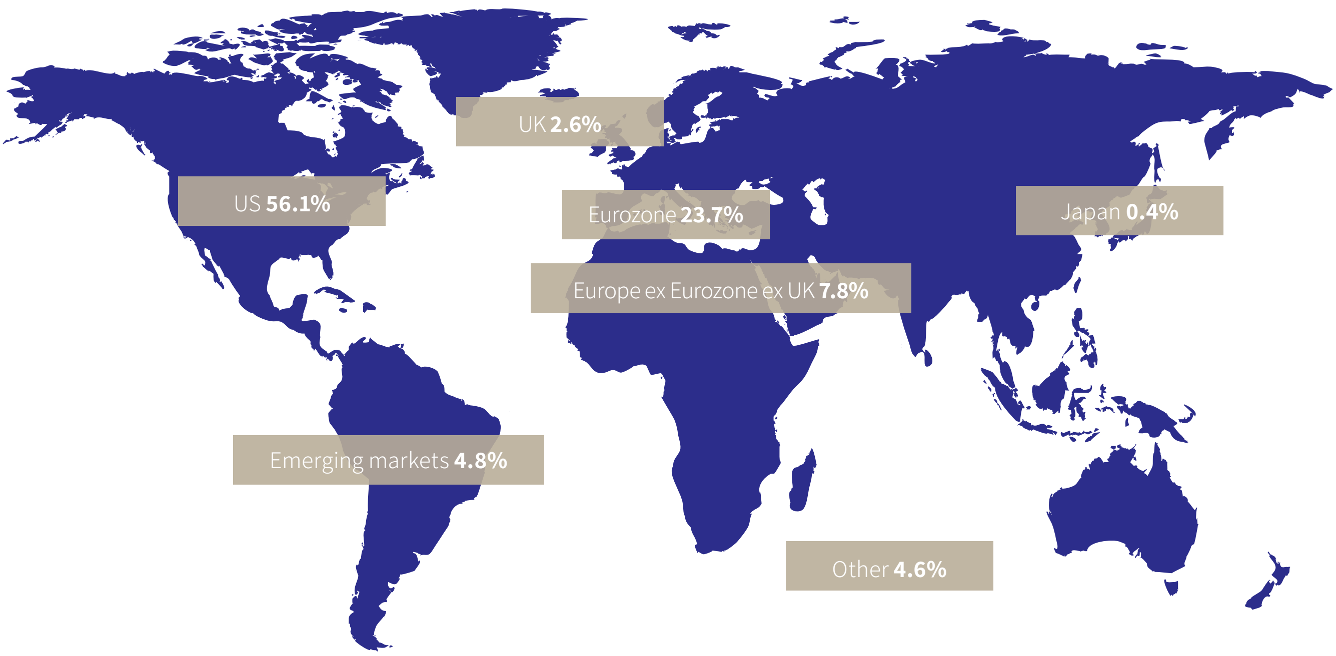


Top 10 share holdings

Stock name	% of fund
Berkshire Hathaway	4.5
Alphabet	4.2
Microsoft	4.1
Oracle	3.9
Taiwan Semiconductor	3.6
Booking Holdings	3.4
Meta Platforms	2.4
CRH	2.4
S&P Global	2.2
Marsh & McLennan	2.2

Source: ILIM, Factset.
Data is accurate as at 31 January 2025.

Share regional distribution



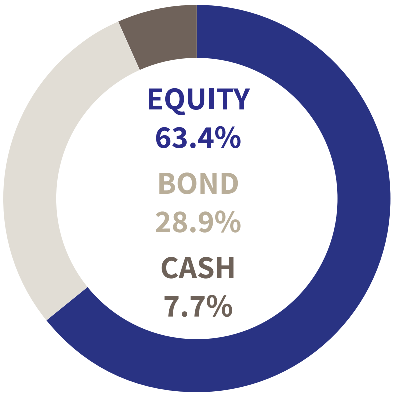
SUMMIT BALANCED FUND

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 January

The Summit Balanced Fund returned +2.0%, net of fund management fee, over January. Industrials, Healthcare and Materials were the best performing sectors, while the Consumer Discretionary, Energy and Technology sectors lagged over the month. The global growth backdrop showed signs of improvement. The start of the Trump presidency led to a number of executive orders that signalled the administration's intent to implement policies outlined during the election campaign. Global stock markets rebounded from losses in December, aided by a strong rally in European stocks amid a rosier growth outlook. US stocks rose overall, but AI bellwether Nvidia declined due to the release of a lower cost, less chip-intensive AI model from China's DeepSeek. German bond yields rose amid speculation of possible increased debt issuance after elections in February.

Asset allocation

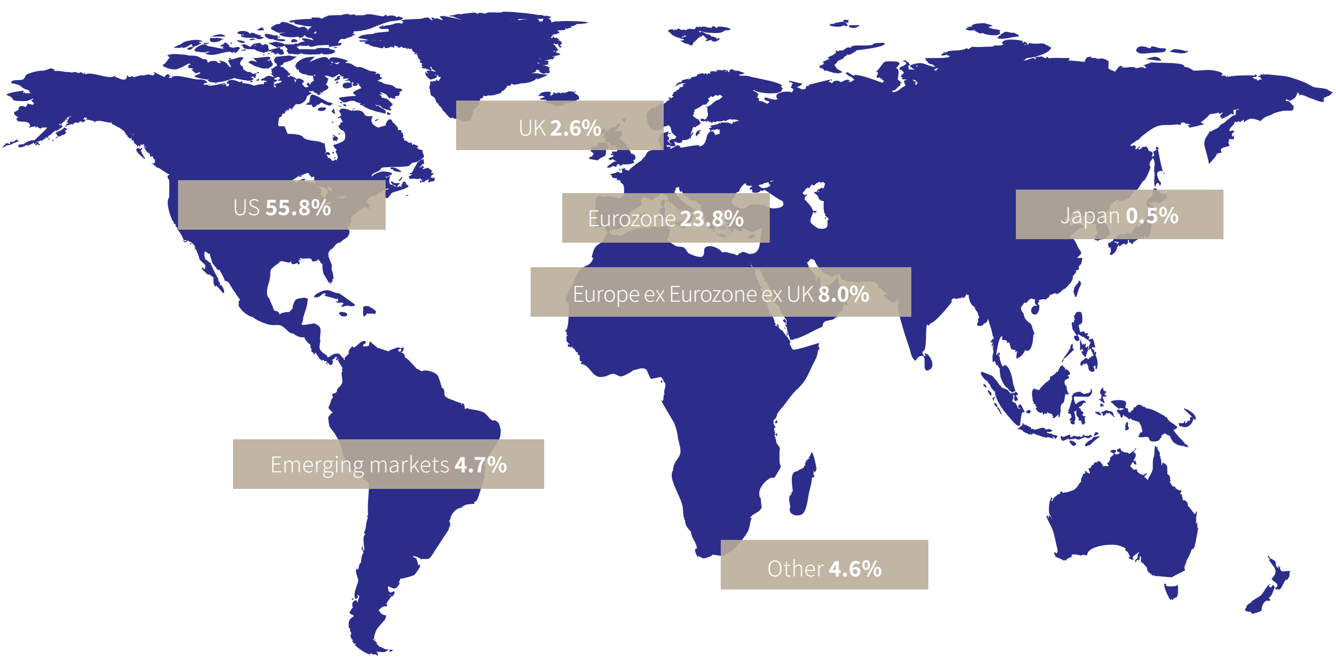


Top 10 share holdings

Stock name	% of fund
Berkshire Hathaway	4.4
Alphabet	4.2
Microsoft	4.0
Oracle	3.8
Taiwan Semiconductor	3.5
Booking Holdings	3.3
Meta Platforms	2.4
CRH	2.3
Marsh & McLennan	2.2
S&P Global	2.2

Source: ILIM, Factset.
Data is accurate as at 31 January 2025.

Share regional distribution



Information is correct at 31 January 2025.

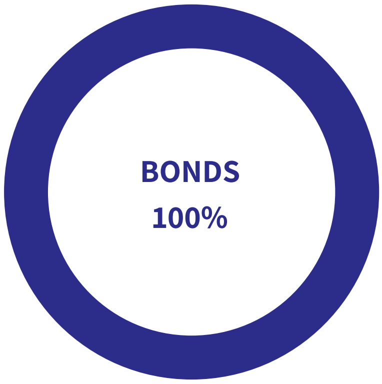
SUMMIT STABLE FUND

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

Fund update for January

The Summit Stable Fund returned 0.0%, net of fund management fee, over January. Bond yields rose modestly over the month as two-year German bond yields increased from 2.08% to 2.11%. Core eurozone inflation was unchanged, posting a reading of +2.7% on a 12-month basis. The ECB continued its rate-cutting cycle and reduced its deposit rate by 25bps to 2.75%, the lowest level since early 2023.

Asset allocation



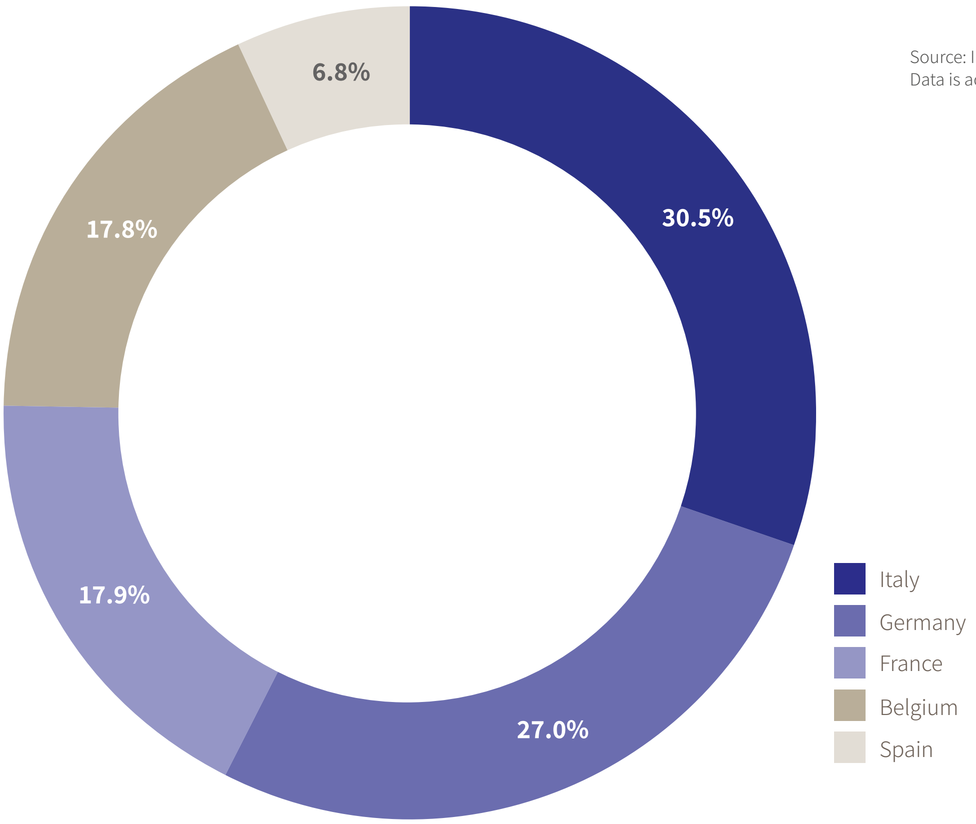
Bond portfolio credit quality

Rating / percentage of fund

Rating	Percentage of fund
AAA	27.0%
AA3	35.7%
A3	6.8%
BBB2	30.5%

Source: ILIM, Factset.
Data is accurate as at 31 January 2025.

Bond country distribution



SUMMIT FUND PERFORMANCE

At 31 January 2025

Fund returns after fund management fee	Stable	Balanced	Growth
1 Month	0.00%	2.03%	3.28%
QTD	0.00%	2.03%	3.28%
3 Month	0.28%	3.89%	6.17%
YTD	0.00%	2.03%	3.28%
1 Year	1.11%	8.87%	14.45%
2 Years pa	0.98%	6.30%	9.84%
3 Years pa	-0.66%	2.31%	5.87%
5 Years pa	-0.98%	3.29%	6.71%
10 Years pa	-0.90%	3.49%	5.92%

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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