



October 2021 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

Following the first 5% pullback in almost a year in September, equity markets are again at fresh highs. A number of headwinds eased through the month of October and strong earnings reports provided a boost to markets. The meaningful gap between Covid-19 cases and hospitalisations, and the development of viral treatments for the infection, remain encouraging; significant new restrictions are unlikely in the US and Western Europe. Supply constraints, which have acted as a drag on the global economy, are potentially peaking as Asia begins to reap the benefits of increased vaccination uptake, just as energy prices look to be coming off recent highs. Bond markets, however, have seen 2–5 year yields rising as investors bet that inflation will prove more persistent than central banks expect.

MARKET ROUND-UP

Equities

Over the month the MSCI AC World equity index rose 5.0% (5.3% in €). The US rose 7.0% (7.1% in €) on the back of a strong start to the Q3 earnings reporting season. European equities rose 4.2% (4.8% in €) as economic data remains strong and earnings surprised positively. Emerging markets rose 0.9% (1.1% in €), underperforming the broader market, as some disappointing earnings reports fed fears about supply chain woes hitting global growth momentum. Japan fell -1.2% (-3.2% in €) ahead of the country's first election under newly elected Prime Minister Fumio Kishida.

Bonds

The Eurozone >5-year bond index returned -0.6% in October as bond markets continued their sell-off for the year. This brought the total return in 2021 to -4.8%, which leaves the index in line for its worst performance since 1999. Ten-year German bond yields rose to -0.10% from -0.20% during the month. Peripheral spreads widened with Italian and Spanish 10-year spreads at 128bps and 72bps respectively as the ECB provided no guidance on asset purchases post-PEPP at its October meeting. Investment grade corporate bonds fell -0.7% while high yield bonds were down -0.3%. Spreads widened with investment grade credit spreads at +87bp and high yield at +282bp.

Currencies and commodities

The euro fell slightly to 1.1558 against the US dollar having reached 1.1687 intra month on the back of perceived hawkish ECB commentary.

Commodities rose 5.8% (6.0% in €) driven by sharply higher energy prices as the world continues to grapple with an energy crunch. The prices of gas, coal, and oil all rose over the month. WTI oil rose 11.4%, to above \$80 a barrel, amid strong demand, and shortages in natural gas and coal have led to substitution to oil. OPEC+ announced only a gradual increase in production levels in September, which boosted oil prices.

Gold was up 1.5% over the month as market-based inflation expectations pushed higher.

Source: ILM, Bloomberg. Data is accurate as at 1 November 2021

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MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2020 Return (%)
MSCI Ireland	1.57	15.98	5.97
MSCI United Kingdom	4.16	23.41	-17.83
MSCI Europe ex UK	4.85	21.96	2.43
MSCI North America	7.16	30.64	10.64
MSCI Japan	-3.22	8.53	5.42
MSCI EM (Emerging Markets)	1.15	5.73	8.89
MSCI AC World	5.28	23.92	7.18
10-Year Yields	Yield Last Month (%)	2020 Yield (%)	2019 Yield (%)
US	1.55	0.91	1.92
Germany	-0.11	-0.57	-0.19
UK	1.03	0.20	0.82
Japan	0.10	0.02	-0.02
Ireland	0.33	-0.30	0.11
Italy	1.17	0.54	1.41
Greece	1.33	0.63	1.43
Portugal	0.52	0.03	0.43
Spain	0.61	0.05	0.46
FX Rates	End last month	2020 Rates	2019 Rates
U.S. Dollar per Euro	1.16	1.22	1.12
British Pounds per Euro	0.84	0.90	0.85
U.S. Dollar per British Pounds	1.37	1.37	1.33
Commodities (USD)	MTD Return (%)	YTD Return (%)	2020 Return (%)
Oil (WTI)	11.38	72.24	-20.54
Gold (Oz)	1.43	-5.86	24.40
S&P Goldman Sachs Commodity Index	5.80	46.28	-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 forecasts and earnings growth forecast over the next two years, upside of around mid to high single 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, 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. Given elevated absolute valuations and the array of short-term risks, 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 5.8% 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.



Mid to high single digit upside possible over 12 months due to economic and earnings recovery and supportive policies.



Volatility likely to remain a feature linked to risks around inflation concerns, reduction of policy accommodation, slower growth.

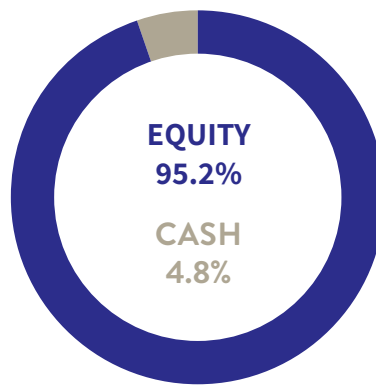
SUMMIT GROWTH FUND

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 October

The fund (4.0%) underperformed the benchmark (5.2%) in October. The fund return is quoted net of tax, the considerations of which are complex. An indicative rate of 20% can be used for comparison with the stated benchmark which is gross of tax. The relative underperformance was driven by stock selection. From a sector perspective, Technology, Consumer Discretionary and Financials were the best performing sectors. The Industrials and Infrastructure sectors lagged over the month. The stocks contributing most to the fund return during the month were Playtech, Microsoft and Alphabet. The stocks that detracted most from the fund return were Lancashire Holdings, Melrose Industries and O-I Glass.

Asset allocation

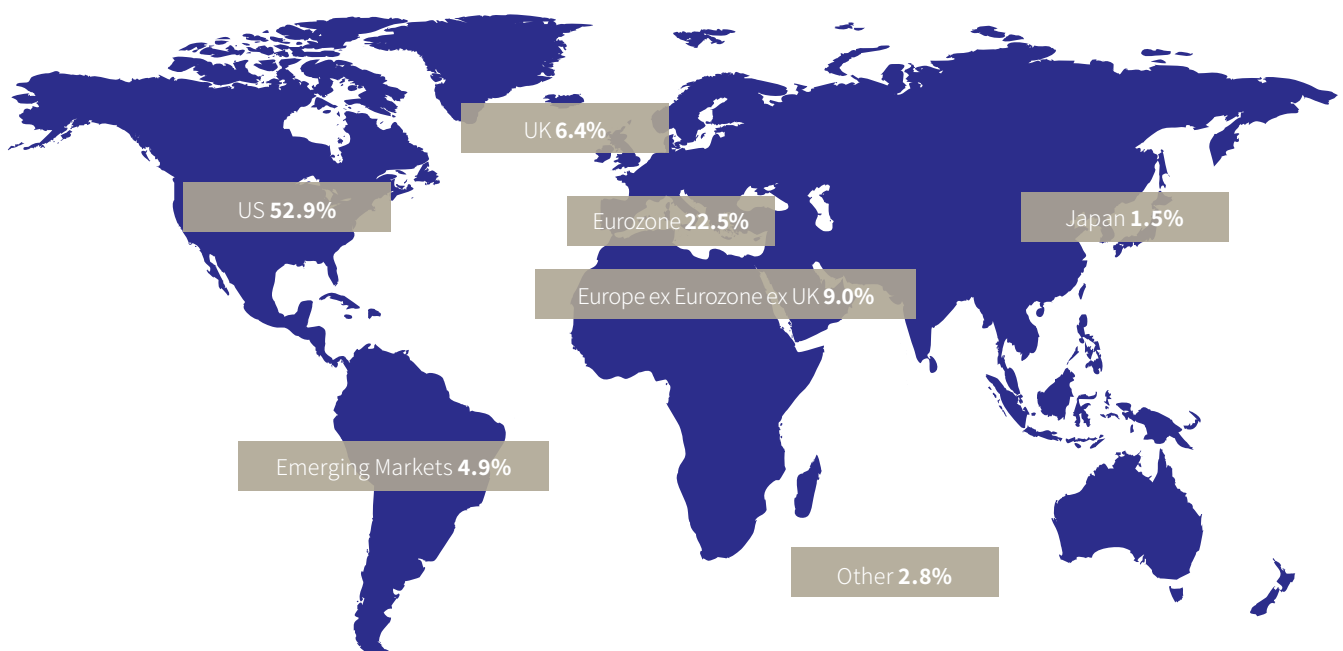


Top Ten Share Holdings

Stock name	% of fund
Microsoft	5.5
Alphabet	3.6
Oracle	3.1
Berkshire Hathaway	3.0
Playtech	2.7
McDonald's	2.6
Johnson Controls International	2.6
Nike	2.5
Costco Wholesale	2.4
DCC	2.4

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

Share regional distribution



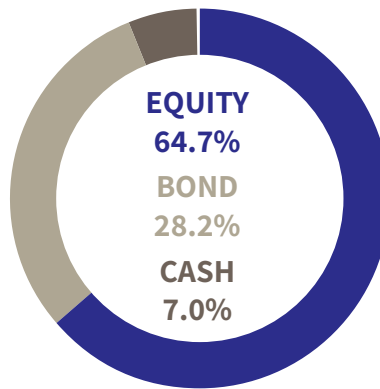
SUMMIT BALANCED FUND

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 October

The Summit net Balanced Fund returned 2.6% compared to the benchmark return of 3.5% during October. The fund return is quoted net of tax, the considerations of which are complex. An indicative rate of 20% can be used for comparison with the stated benchmark which is gross of tax. From a sector perspective, Technology, Consumer Discretionary and Financials were the best performing sectors. The Industrials and Infrastructure sectors lagged over the month. Eurozone bonds fell on a higher inflation reading and the discounting of lower ECB asset purchases and a possible interest rate rise in 2022.

Asset allocation

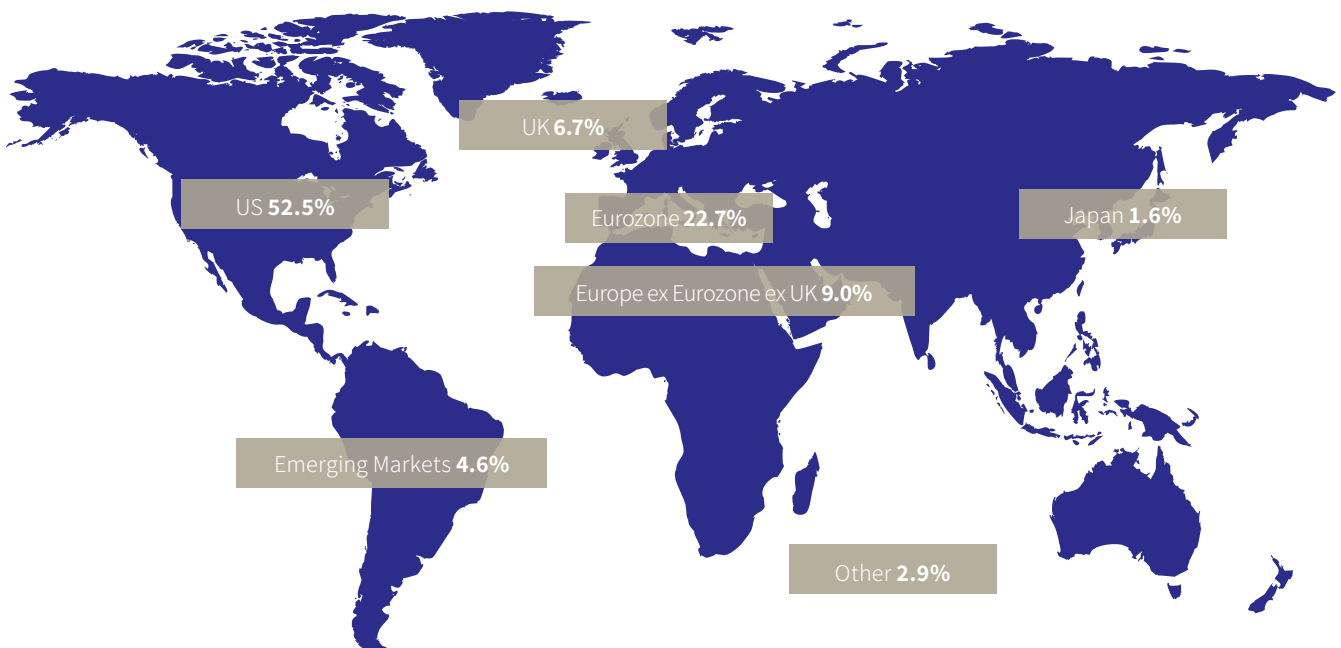


Top Ten Share Holdings

Stock name	% of fund
Microsoft	5.4
Alphabet	3.4
Oracle	3.0
Berkshire Hathaway	2.9
Playtech	2.8
Johnson Controls International	2.6
McDonald's	2.5
Nike	2.5
Costco Wholesale	2.4
DCC	2.4

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

Share regional distribution



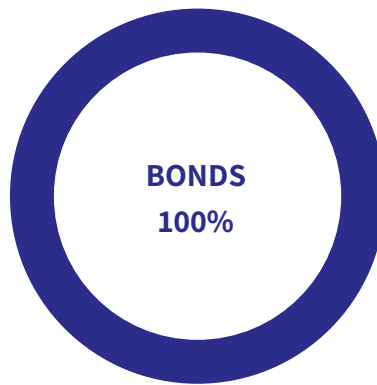
SUMMIT STABLE FUND

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

Fund update for October

The Summit Stable Fund outperformed its benchmark by 0.05% during October as core bond yields rose during the month as investors looked to an earlier date for the first interest rate hike by the ECB. The fund was underweight duration in the period and that led it to benefit from the rise in bond yields during the month. The yield on the index ended the month at -0.44% as the low interest rate environment persisted.

Asset allocation

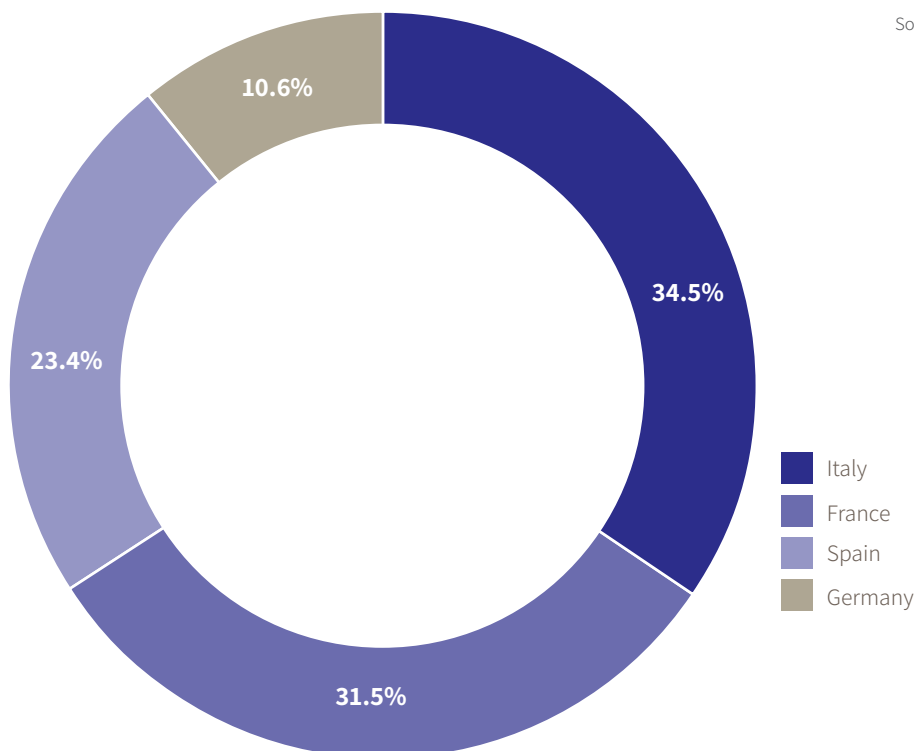


Bond portfolio credit quality

Rating / percentage of fund



Bond country distribution



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

SUMMIT FUND PERFORMANCE



At 31 October 2021

Fund returns after fund management fee	Stable	Balanced	Growth
1 Month	-0.36%	2.46%	3.97%
QTD	-0.36%	2.46%	3.97%
3 Month	-0.62%	1.93%	3.92%
YTD	-1.67%	10.33%	17.78%
1 Year	-1.76%	16.54%	28.34%
2 Years pa	-1.32%	5.30%	8.44%
3 Years pa	-0.96%	5.16%	7.54%
5 Years pa	-1.09%	4.51%	6.83%
10 years pa	-0.27%	5.07%	7.07%

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:



Summit Investment 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.

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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.