



October 2022 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

Despite global equity and bond markets reaching new year-to-date lows during October, both finished the month higher, with equities in particular generating strong gains over the month. Continued upward surprises in inflation readings and inflation-fighting rhetoric from central banks contributed to the initial falls. Equity markets recovered before bonds, with early third-quarter earnings results ahead of expectations. A slight change in tone from global central banks, and the resultant renewed speculation about a possible lessening of the speed of interest rate rises, was a key catalyst behind the late-month rally.

MARKET ROUND-UP

Equities

Over the month, the MSCI AC World equity index rose 6.1% (5.1% in euros). US equities rose 7.9% (7.0% in euros) on suggestions that the US Federal Reserve (Fed) could begin to slow the pace of interest rate rises from December. European equities also outperformed, rising 7.2% (6.6% in euros) as the European Central Bank (ECB) suggested the scale of interest rate rises could be lower than previously indicated. Pacific Basin equities underperformed, rising only 0.6% (-0.4% in euros) as Hong Kong was sharply lower after the 20th Chinese Party Congress. Emerging market equities also lagged, falling -2.6% (-3.9% in euros).

Bonds

The Eurozone >5-year bond index rose slightly, by 0.3%. German 10-year yields initially rose to 2.53%, the highest since 2011, as investors feared ongoing increases of interest rates in a persistently high inflation environment. However, yields fell into month-end as global central bank rhetoric became less aggressive. The ECB's suggestions that fewer interest rate rises might be implemented compared to previous guidance contributed to the fall in yields, with the German 10-year yield eventually ending the month only 3 basis points (bps) higher at 2.14%.

Currencies and commodities

The euro rose slightly by 0.8% against the dollar to 0.9887. The euro initially weakened against the dollar amid the ongoing 'risk-off' environment and the Fed's aggressive inflation-fighting stance. The dollar then began to weaken against the euro in the second half of the month on reports that the Fed could slow the pace of interest rate rises in December.

Commodities rose 6.7% (5.8% in euros). Brent oil rose 8.9% as OPEC+ announced plans to cut production by 2 million barrels per day to support the oil price.

Gold was down -1.5%, with the initial strength in the US dollar acting as a drag.

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2021 Return (%)
MSCI Ireland	10.1	-22.0	17.1
MSCI United Kingdom	5.1	-0.7	27.5
MSCI Europe ex UK	6.6	-14.8	25.4
MSCI North America	6.9	-6.3	36.6
MSCI Japan	2.1	-12.5	9.8
MSCI EM (Emerging Markets)	-3.9	-18.5	5.2
MSCI AC World	5.1	-8.9	28.1
10-Year Yields	Yield Last Month (%)	2021 Yield (%)	2020 Yield (%)
US	4.05	1.51	0.91
Germany	2.14	-0.18	-0.57
UK	3.52	0.97	0.20
Japan	0.25	0.07	0.02
Ireland	2.62	0.24	-0.30
Italy	4.29	1.17	0.54
Greece	4.62	1.34	0.63
Portugal	3.15	0.47	0.03
Spain	3.23	0.57	0.05
FX Rates	End last month	2021 Rates	2020 Rates
U.S. Dollar per Euro	0.99	1.14	1.22
British Pounds per Euro	0.86	0.84	0.90
U.S. Dollar per British Pounds	1.15	1.35	1.37
Commodities (USD)	MTD Return (%)	YTD Return (%)	2021 Return (%)
Oil (Brent)	7.8	15.1	55.0
Gold (Oz)	-1.5	-10.6	-3.4
S&P Goldman Sachs Commodity Index	6.7	30.0	40.4

Source: ILIM, Bloomberg. Data is accurate as at 1 November 2022.

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MARKET OUTLOOK

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

The outlook for equity markets over the next 12 months is dependent on several factors including central bank policy, growth, inflation (both expected and realised) and the evolution of the Russia/Ukraine crisis.

Equities have declined over the year to date as central banks have tightened policy, bond yields have risen and growth forecasts have fallen.

Post the falls, equities now look attractive on an absolute valuation basis, trading on a 12-month forward price-to-earnings (P/E) multiple of 14.2x against a long-term average of 16.0x.

If consensus economic and earnings forecasts prove to be correct and we are just in a mid-cycle slowdown, there is double-digit upside in equity markets on a one-year view. A moderation in inflation with no additional interest rate rises beyond what is currently discounted in markets would also be supportive.

However, equities continue to face several headwinds. Due to the persistence of high inflation, central banks continue to raise rates and withdraw policy accommodation, which has been supportive of equity markets in recent years. Given the significant rise in bond yields, equities are no longer cheap on a relative valuation basis and are now expensive versus bonds. Earnings are at risk of being downgraded due to margin pressures from higher input and labour costs with risks also to top line growth in a slowing growth environment.

For equities to form a bottom and rise from there, investors need to believe that we are at the peak of central bank policy tightening and that growth risks are fading. Given the risks around inflation and central banks' policy responses, the potential downside in growth and earnings forecasts, the failure to find resolutions to geopolitical issues and the removal of the undervaluation of equities versus bonds in the higher yield environment, we see risks in equities as still being skewed to the downside.

Navigating equity markets is difficult even in a benign environment, but it has become more arduous against the current backdrop, with heightened uncertainty on many issues. As a result, the increased volatility evident this year is likely to continue.

While our outlook for equity markets suggests limited upside in the short term, the prospects remain positive over the medium to long term, with upside of approximately 6% per annum expected on a 5-10 year view.



Outlook dependent on economic and earnings growth. Uncertainty evident post Russia's invasion of Ukraine. Monetary policy accommodation is being removed at a faster pace than expected.



Global economy contracted in 2020 by -3.6% with a rebound of 6.0% in 2021. Growth of 2.8% is expected in 2022 post recent downgrades. Rising risks of a recession in 2023 given tighter monetary policy, high inflation, falling business and consumer confidence.



Russia/Ukraine, monetary policy tightening, fiscal stimulus, inflation developments, energy prices, supply chain issues will all be key for growth.



Equity valuations in absolute terms have fallen below long term averages although when more realistic earnings growth assumptions are used, they are higher than the long term average of 16.0x. Equities' relative undervaluation against bonds has been removed with the rise in bond yields YTD.



Following the downgrades to growth forecasts, expected downward revisions to earnings and the rise in bond yields YTD, equity markets appear close to fair value with limited upside. Risks appear skewed to the downside.



Volatility likely to remain a feature due to uncertainty over impact of Russia/Ukraine crisis, risks around inflation, tighter monetary policy, slower growth and other geopolitical risks.

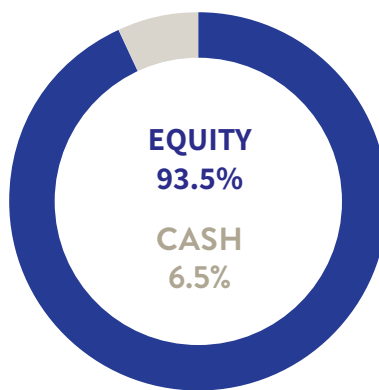
SUMMIT GROWTH FUND

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 Summit Growth Fund returned +5.0%, net of fund management fee, over October. From a sector perspective, Energy and Materials, Industrials and Consumer Discretionary were the best performing sectors. The Consumer Staples and Healthcare sectors lagged over the month. The stocks contributing most to the Fund's return were Oracle, McDonald's and ExxonMobil. The stocks that detracted most were Tencent, Taiwan Semiconductor and Ericsson.

Asset allocation

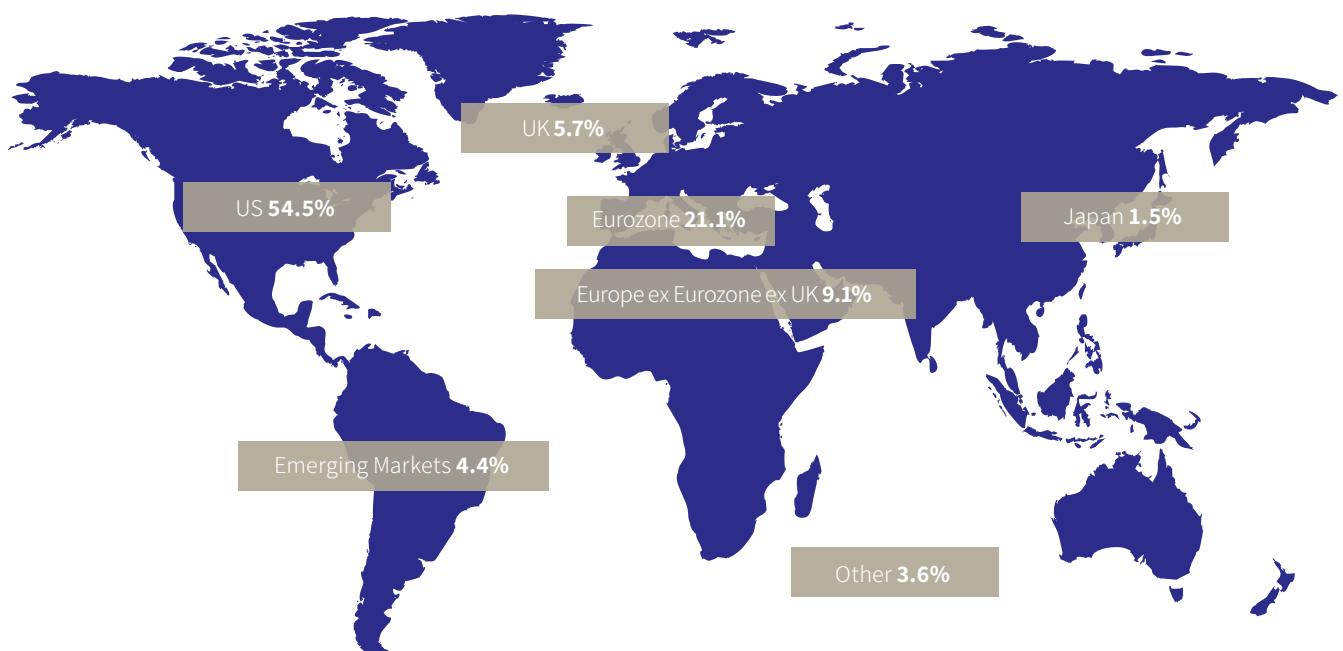


Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.1
Berkshire Hathaway	3.7
Oracle	3.1
Costco Wholesale	3.0
McDonald's	3.0
Johnson & Johnson	2.8
Alphabet	2.7
Keysight Technologies	2.5
Johnson Controls International	2.4
Samsung Electronics	2.2

Source: ILIM, Factset. Data is accurate as at 31 October 2022.

Share regional distribution



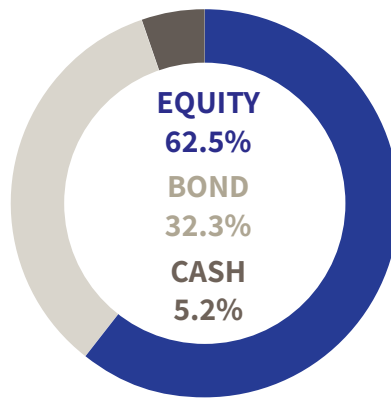
SUMMIT BALANCED FUND

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 October

The Summit Balanced Fund returned +3.3%, net of fund management fee, over October. From a sector perspective, Energy and Materials, Industrials and Consumer Discretionary were the best performing sectors. The Consumer Staples and Healthcare sectors lagged over the month. While global equity and bond markets hit new year-to-date lows in October, both rallied to finish the month higher. Continued upward surprises in inflation readings, combined with continued inflation-fighting rhetoric from central banks, contributed to the initial falls. A change in tone from global central banks towards month-end, as they began to slightly 'dial down' their rhetoric, contributed to the recovery in equities and bonds.

Asset allocation

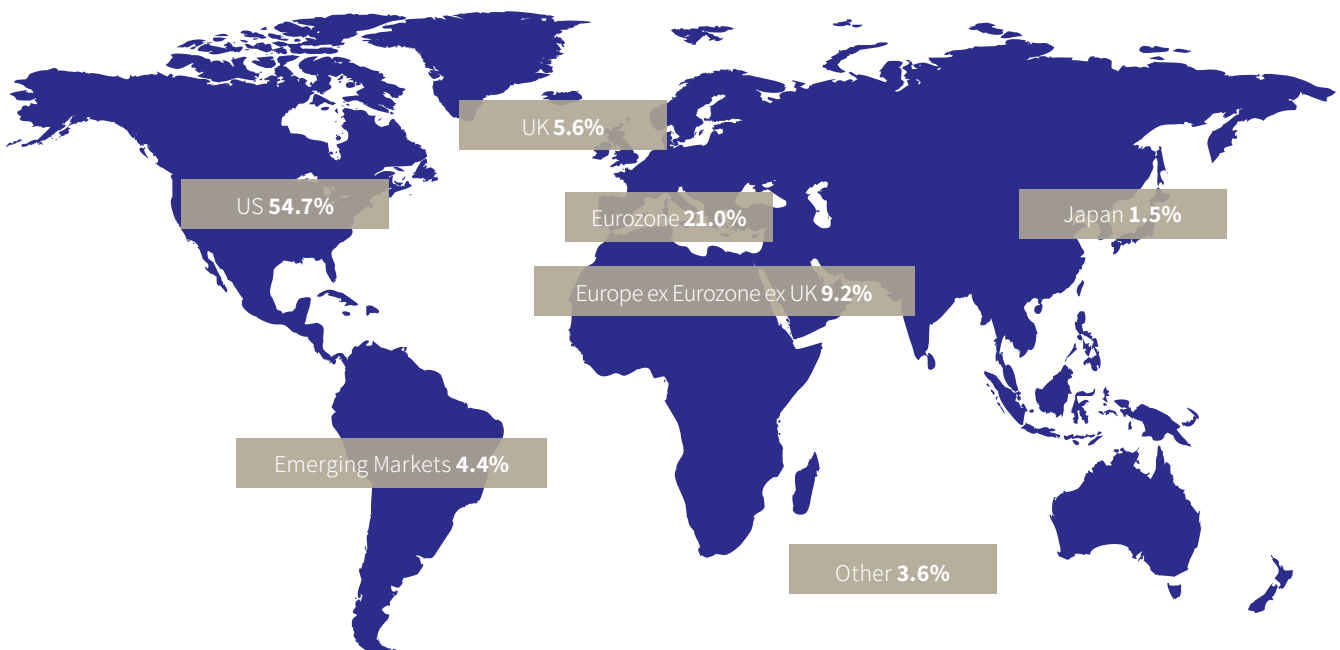


Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.1
Berkshire Hathaway	3.8
Oracle	3.1
McDonald's	3.0
Costco Wholesale	3.0
Alphabet	2.8
Johnson & Johnson	2.8
Keysight Technologies	2.4
Johnson Controls International	2.3
Samsung Electronics	2.2

Source: ILIM, Factset. Data is accurate as at 31 October 2022.

Share regional distribution



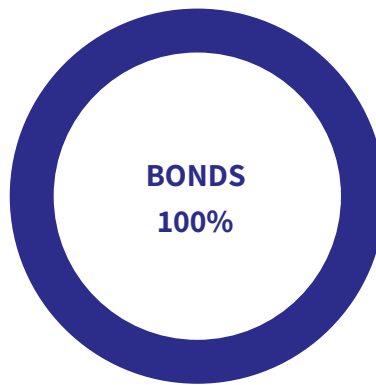
SUMMIT STABLE FUND

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

Fund update for October

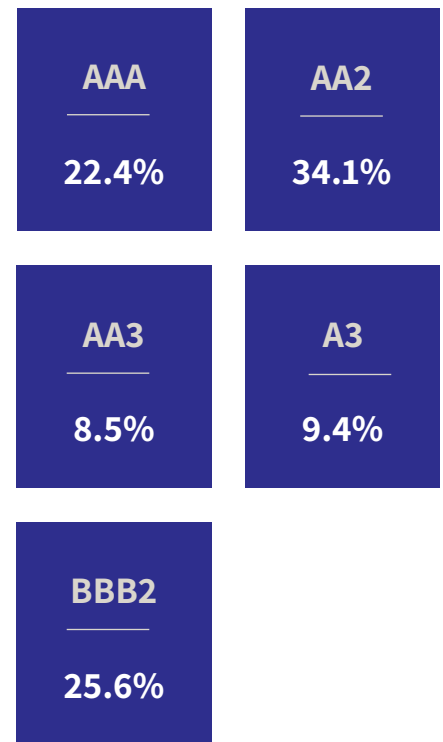
The Summit Stable Fund returned +0.0%, net of fund management fee, over October. The European Central Bank (ECB) raised its deposit rate to 1.5% during the month. Bond yields remained stable in the month, which meant that the Fund's performance was flat. Further modest rate hikes are expected, according to the goal of bringing inflation down from a generational high of over 10%, with the deposit rate expected to rise to at least 2% by the end of the year.

Asset allocation

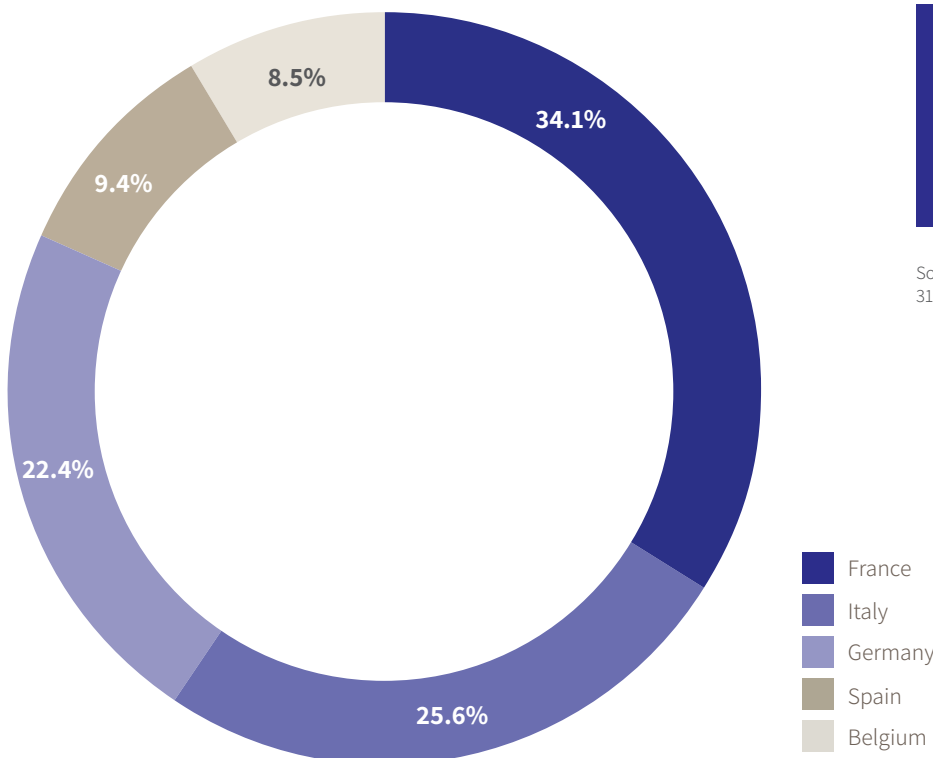


Bond portfolio credit quality

Rating / percentage of fund



Bond country distribution



Source: ILIM, Factset. Data is accurate as at 31 October 2022.

SUMMIT FUND PERFORMANCE



At 31 October 2022

Fund returns after fund management fee	Stable	Balanced	Growth
1 Month	0.00%	3.32%	5.03%
QTD	0.00%	3.32%	5.03%
3 Month	-1.47%	-4.00%	-2.79%
YTD	-3.50%	-7.15%	-4.79%
1 Year	-3.76%	-5.19%	-1.70%
2 Years pa	-2.76%	5.11%	12.32%
3 Years pa	-2.14%	1.68%	4.95%
5 Years pa	-1.61%	2.03%	4.35%
10 years pa	-0.89%	4.47%	7.18%

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.