



September 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

Equity markets were marginally down over the quarter as a late September drawdown erased prior gains and brought an end to a seven-month winning streak for global equities. Positive momentum carried forward into the third quarter as markets were supported by an accelerating global vaccination rollout, strong quarter two earnings reports and ongoing dovish central bank policies. However, concerns over the global growth outlook on the back of peaking growth momentum, higher than expected inflation prints as well as a resurgence in delta driven Covid-19 cases began to introduce volatility into markets through July. While equity markets continued to push higher despite intermittent corrections, it was the end September drawdown which left the biggest mark on global equities and pushed the return for the quarter marginally into negative territory. This came as a culmination of multiple factors including increased concerns over global growth, the potential contagion from corporate failures in China, lingering global supply constraints, a slightly more hawkish US Fed, surging gas prices, power cuts in China and political uncertainty in the US swayed sentiment and led to an equity market correction just as the quarter came to a close.

MARKET ROUND-UP

Equities

Over the quarter, the MSCI AC World equity benchmark fell -0.3% (+1.4% in €). The US rose 0.4% (2.7% in €) as a strong Q2 earnings season and planned infrastructure spending offset more hawkish Fed rhetoric at its September meeting. Europe gained 0.2% (0.5% in €) as vaccine delivery and growth remained strong. Japan outperformed, rising 5.3% (7.1% in €) on expectations of increased fiscal stimulus post the election of a new Prime Minister. EM equities underperformed, falling -6.6% (-5.8% in €).

Bonds

Global bond markets were marginally down over the quarter. US 10-year yields rose from 1.47% to 1.49% on hawkish Fed commentary and inflation fears. UK 10-year yields increased 30 bps to 1.02%, pulled higher by a more hawkish Bank of England commentary. Japanese 10-year yields rose to 0.07% pulled higher by US Treasuries and strength in the broader Topix index. The ICE BofA Merrill Lynch Eurozone > 5-year sovereign bond benchmark was flat over the quarter with the German 10 year yield rising 1bp to -0.20%.

Currencies and commodities

The Euro fell to 1.1571 against the US dollar. Commodities rose 5.2%, despite deteriorating economic sentiment, as energy prices moved higher. European gas prices have risen 4/5x in 2021 due to stronger demand and lower than normal supplies. Oil prices rose at a slower pace than in previous quarters with West Texas Intermediate increasing 2.1% as OPEC+ agreed to add 400,000 bpd each month from September. Metal and agricultural prices were generally lower due to rising growth concerns. Gold fell -0.8% as a strong US dollar, higher US Treasuries and strong hints of Fed tapering weighed on prices.

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

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MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	QTD Return (%)	YTD Return (%)	2020 Return (%)
MSCI Ireland	2.37	14.19	5.97
MSCI United Kingdom	2.03	18.47	-17.83
MSCI Europe ex UK	0.49	16.32	2.43
MSCI North America	2.61	21.91	10.64
MSCI Japan	7.13	12.14	5.42
MSCI EM (Emerging Markets)	-5.83	4.52	8.89
MSCI AC World	1.35	17.70	7.18
10-Year Yields	Yield Last Month (%)	2020 Yield (%)	2019 Yield (%)
US	1.49	0.91	1.92
Germany	-0.20	-0.57	-0.19
UK	1.02	0.20	0.82
Japan	0.07	0.02	-0.02
Ireland	0.18	-0.30	0.11
Italy	0.86	0.54	1.41
Greece	0.88	0.63	1.43
Portugal	0.36	0.03	0.43
Spain	0.46	0.05	0.46
FX Rates	Current	2020 Rates	2019 Rates
U.S. Dollar per Euro	1.16	1.22	1.12
British Pounds per Euro	0.86	0.90	0.85
U.S. Dollar per British Pounds	1.35	1.37	1.33
Commodities (USD)	QTD Return (%)	YTD Return (%)	2020 Return (%)
Oil (WTI)	2.12	54.64	-20.54
Gold (Oz)	-0.79	-7.18	24.40
S&P Goldman Sachs Commodity Index	5.22	38.27	-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 18/19x one year from now. With strong economic and earnings growth forecast over the next two years, upside of around double 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, as authorities are determined to ensure the recovery is complete and self-sustaining.

In the short term, equities could be vulnerable to some further modest downside given the risks outlined above. However, we believe these will eventually be overcome. 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 facing markets, volatility is expected to remain a feature.



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



Global economy contracted in 2020 by -3.6% due to Covid 19 with a 6.0% rebound expected in 2021 and 4.5% 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.



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 with risk of some further short term downside.

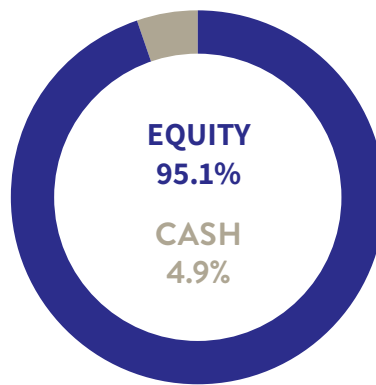
SUMMIT GROWTH FUND

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 September

The Growth Fund (-1.85%) underperformed in September. The relative underperformance was driven by stock selection. From a sector perspective, Energy & Materials and Consumer Discretionary were the best performing sectors. The Industrials and Healthcare sectors lagged over the month. The stocks contributing most to the fund return during the month were Playtech, Booking Holdings and McDonalds. The stocks that detracted most from the fund return were Nike, Microsoft, and Alphabet.

Asset allocation

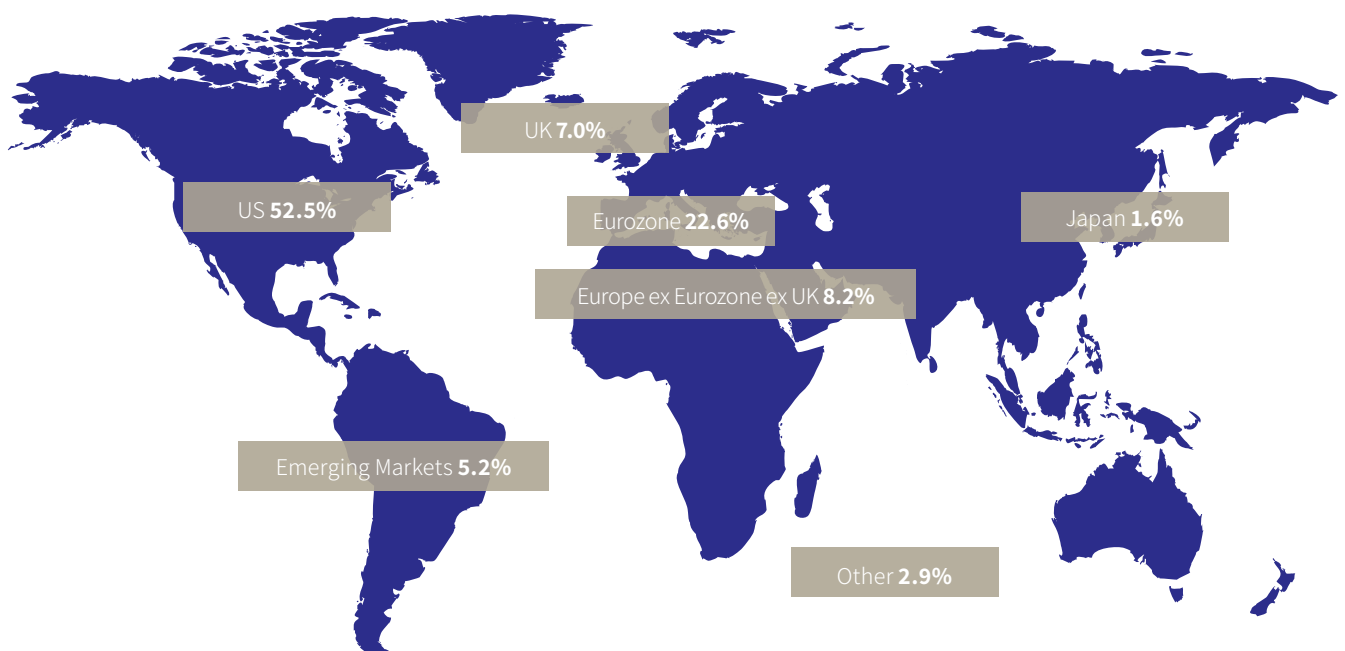


Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.8
Alphabet	3.4
Berkshire Hathaway	3.0
Oracle	2.9
McDonald's	2.8
Johnson Controls International	2.5
DCC	2.4
Costco Wholesale	2.4
Nike	2.3
Booking Holdings	2.3

Source: ILIM, Factset. Data is accurate as at 30 September 2021.

Share regional distribution



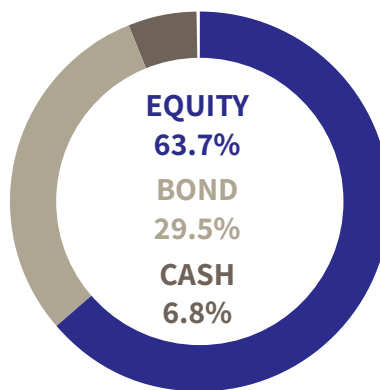
SUMMIT BALANCED FUND

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 September

The Summit Balanced Fund returned -1.54% in September. From a sector perspective, Energy & Materials and Consumer Discretionary were the best performing sectors. The Industrials and Healthcare sectors lagged over the month. Eurozone >5 year bonds fell -1.8% with the German 10 year yield rising to -0.20% as the ECB announced a moderate reduction in asset purchases and inflation forecasts were revised higher due to higher gas prices.

Asset allocation

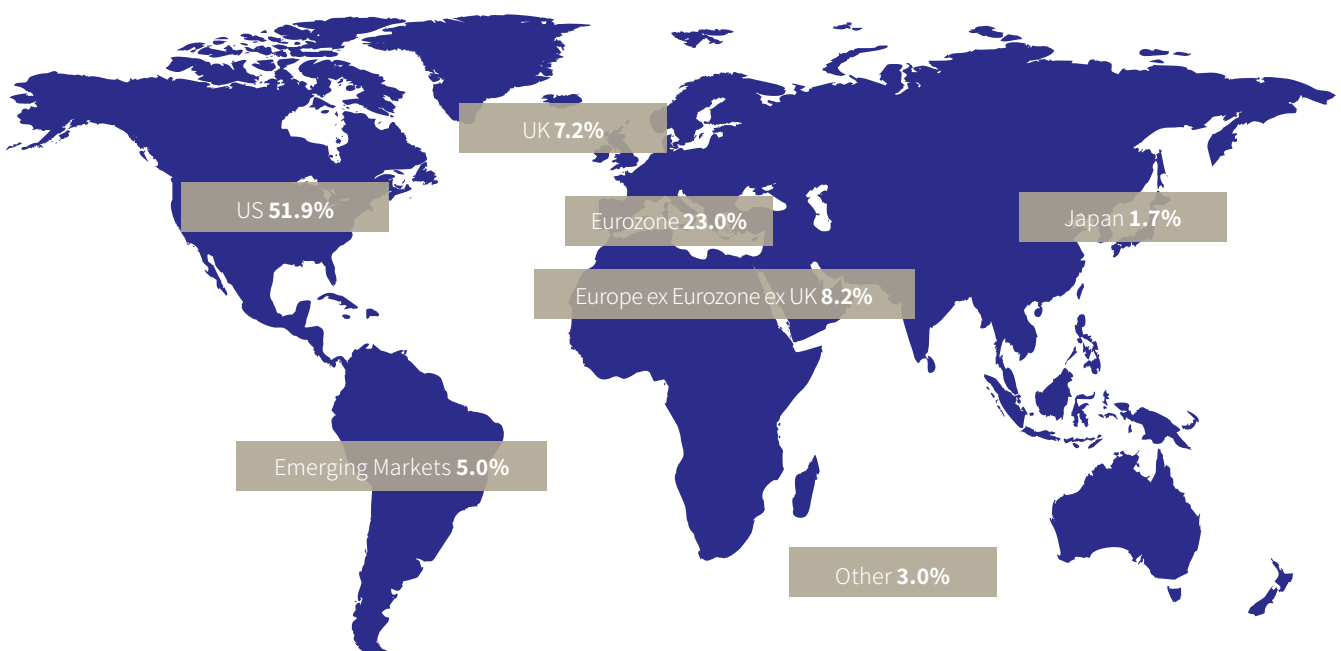


Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.8
Alphabet	3.2
Berkshire Hathaway	2.9
Oracle	2.8
Johnson Controls International	2.6
McDonald's	2.6
DCC	2.4
Costco Wholesale	2.4
Nike	2.4
Booking Holdings	2.1

Source: ILIM, Factset. Data is accurate as at 30 September 2021.

Share regional distribution



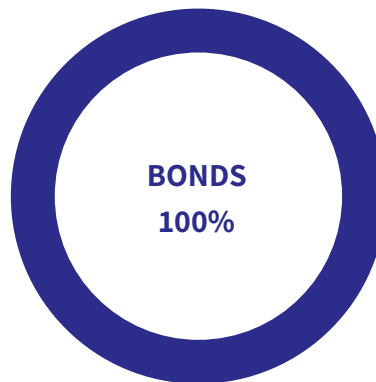
SUMMIT STABLE FUND

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

Fund update for September

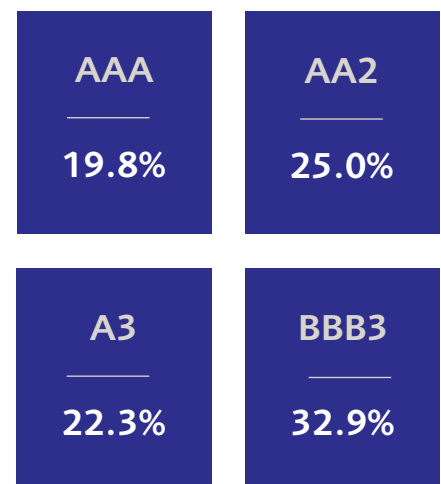
The Summit Stable fund (-0.18%) underperformed in September. The negative interest rate environment is still leading to negative overall returns and this is expected to persist for at least the next three years. The fund is positioned to benefit from outperformance by higher yielding peripheral countries, such as Italy.

Asset allocation

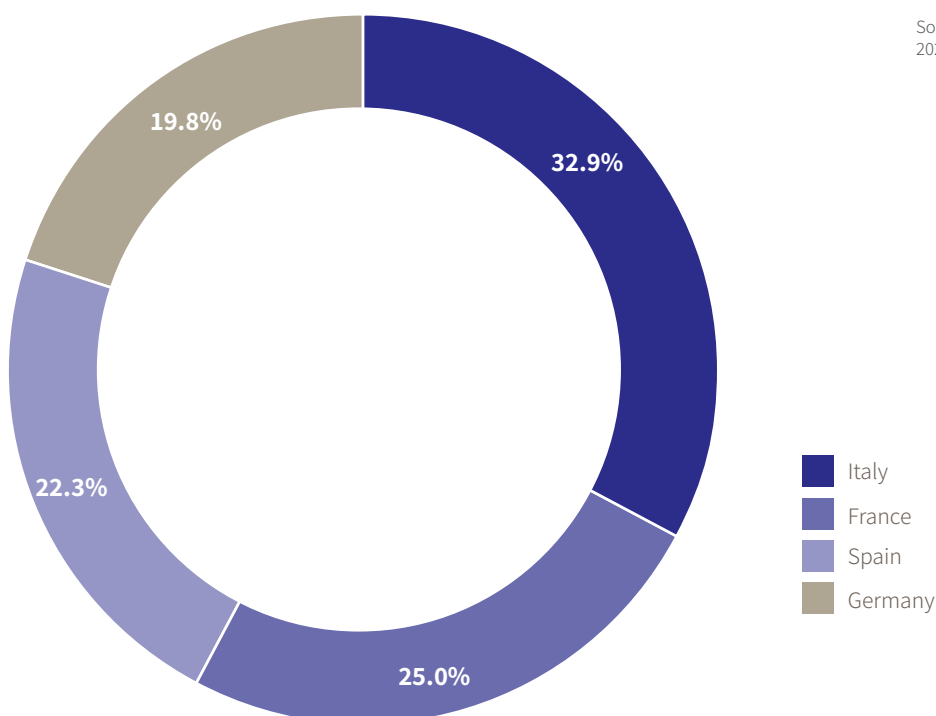


Bond portfolio credit quality

Rating / percentage of fund



Bond country distribution



Source: ILIM, Factset. Data is accurate as at 30 September 2021.

SUMMIT FUND PERFORMANCE



At 30 September 2021

Fund returns after fund management fee	Stable	Balanced	Growth
1 Month	-0.18%	-1.54%	-1.85%
QTD	-0.27%	0.52%	0.92%
3 Month	-0.27%	0.52%	0.92%
YTD	-1.32%	7.69%	13.29%
1 Year	-1.41%	12.81%	21.62%
2 Years pa	-1.27%	3.74%	6.18%
3 Years pa	-0.85%	3.42%	4.76%
5 Years pa	-1.05%	3.83%	5.90%
10 years pa	-0.26%	5.18%	7.52%

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:



This is intended as a general review of investment market conditions. It does not constitute investment advice and has not been prepared based on the financial needs or objectives of any particular person, and does not take account of the specific needs or circumstances of any person.

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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.