



# August 2024 in review

## Summit Mutual Funds

Summit Mutual 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 stock markets began August with a significant selloff but recovered to finish higher for the month. At the start of the month, soft US labour market data raised recessionary fears, and slowing inflation data also increased expectations for interest rate cuts. Federal Reserve (Fed) Chair Powell indicated US rate cuts would begin in September. The recessionary fears early in the month pushed bond yields sharply lower. Subsequent economic data, however, suggested a 'soft landing' for the economy was still likely (inflation moderating without a recession). US Treasury yields rose slightly from their lows but were down overall over August (and so bond prices rose). The US dollar fell against the euro as more US interest rate cuts in 2024 were priced in, which weighed on the dollar.

### Equities

The MSCI All Country World index rose by 1.8% (0.3% in euros) in August, with the MSCI USA rising by 2.4% (0.1% in euros). Disappointing second-quarter earnings and guidance from some big tech companies in the US weighed on the index somewhat, with stocks outside the 'Magnificent Seven' tech stocks performing well. European ex-UK equities rose by 1.4% (1.8% in euros), supported by improved earnings and further expected interest rate cuts from the European Central Bank (ECB).

### Bonds

The recessionary fears early in the month pushed bond yields sharply lower. Subsequent economic data, however, suggested a 'soft landing' for the economy (inflation moderating without a recession) was still likely. US Treasury yields rose slightly from their lows but were down overall over August (and so US Treasury prices rose).

Eurozone government bond returns were positive because of their yields, with the 10-year German bund yield unchanged over the month at 2.30%. The ICE BofA 5+ Year Euro Government bond index returned 0.3% over August. Corporate bond prices were supported by falling yields. European investment grade corporate bonds returned 0.3% as yields fell by 4 basis points (bps) to 3.52%. Global high yield bonds returned 1.3% as yields declined by 21bps to 6.41%.

## MARKET SNAPSHOT

### Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2023 Return (%)
MSCI Ireland	-0.8	29.0	20.6
MSCI United Kingdom	1.0	14.9	10.3
MSCI Europe ex UK	1.8	12.1	18.5
MSCI North America	0.2	18.6	22.3
MSCI Japan	-1.7	13.0	16.7
MSCI EM (Emerging Markets)	-0.6	9.6	6.5
MSCI AC World	0.3	16.1	18.6
10-Year Yields	Yield last month (%)	2023 Yield (%)	2022 Yield (%)
US	3.90	3.88	3.87
Germany	2.30	2.02	2.57
UK	4.02	3.54	3.67
Japan	0.90	0.61	0.42
Ireland	2.67	2.38	3.13
Italy	3.70	3.69	4.70
Greece	3.36	3.06	4.62
Portugal	2.91	2.66	3.59
Spain	3.13	2.99	3.66
FX Rates	End last month	2023 Rates	2022 Rates
U.S. Dollar per Euro	1.10	1.10	1.07
British Pounds per Euro	0.84	0.87	0.89
U.S. Dollar per British Pounds	1.31	1.27	1.21
Commodities (USD)	MTD Return (%)	YTD Return (%)	2023 Return (%)
Oil (Brent)	-2.4	2.3	-10.3
Gold (Oz)	3.1	21.3	13.1
S&P Goldman Sachs Commodity Index	-1.7	5.3	4.3

Source: ILIM, Bloomberg. Data is accurate as at 1 September 2024.

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## MARKET OUTLOOK

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

Sovereign bond yields have fallen overall since the peak in October 2023 as concerns around inflation have abated. Although yields have been volatile in 2024 amid sticky inflation earlier in the year, both German and US 10-year yields are below their 2023 highs. With inflation having fallen significantly and central banks indicating (further) rate cuts, bond yields are expected 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 2.30% and 3.90% to 1.75% and 3.50%, respectively.

We believe fixed income offers a strong risk-reward profile at this stage in the cycle, as it is attractive from an income perspective while the risks of materially higher bond yields have reduced. It also offers the potential, from capital gains via falling yields, to provide protection if the economy slows. 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.

Equities remain expensive against both bonds and cash given the high yields currently available on these assets. Valuations are also above long-term averages, with global equities trading on a 12-month forward price-to-earnings (P/E) multiple of 17.9x against a long-term average of 16.0x.

Despite this, the outlook for equities on a 12-month view is positive. While global earnings fell by 0.2% in 2023, they are expected to grow by 11.0% in 2024 as growth remains firm and margins improve. Central banks are pivoting towards looser policy in 2024 as inflation falls. 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. The ongoing green-related capex cycle could also boost earnings over the medium term. 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, with a recession being avoided, have been supportive of equity markets. A continued fall in inflation, enabling central banks to cut interest rates further in 2024, could contribute to additional gains.



Global growth surprised positively in 2023 at 2.7%, led by a resilient US economy. Growth is forecast to decelerate slightly to 2.6% in 2024. The US economy has been robust despite some recent moderation in growth, while Europe has struggled as higher interest rates have impacted activity levels and demand. Recent stabilisation in European sentiment and activity indicators suggest an improvement in growth in 2024.



After an initial reopening surge in 2023, Chinese growth stalled. The authorities have announced additional stimulus measures to boost growth, although the target of 5% growth might be difficult to achieve.



Equities are above long-term average valuation multiples but, with positive economic and earnings growth in 2024, 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 eventual growth outcome, inflation path, monetary policy and geopolitical events. Modest short-term drawdowns in markets are possible, which could provide opportunities to add to exposures.

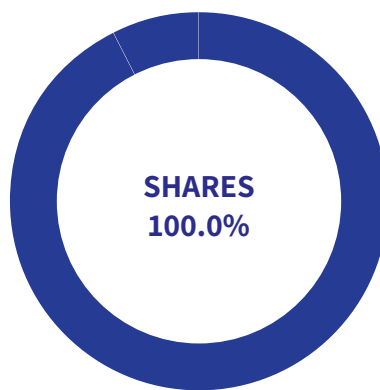
# SUMMIT GLOBAL LEADERS FUND

The Summit Global Leaders Fund invests in stocks with large market capitalisations. From July 2014, equity management has been sub-advised to Setanta Asset Management.

## Fund update for August

The Summit Global Leaders Fund returned -0.51%, net of fund management fee, over August. Leading performers over the period included Eli Lilly (+19.5% in US\$) and Netflix (+11.6% in US\$). The former raised its full-year revenue forecast after reporting strong Q2 performance from its blockbuster diabetes and weight-loss drugs. Netflix benefited from optimism on its revenue-growth outlook and potential for margin expansion and cash flow generation. Laggards included Samsung Electronics (-11.4% in KRW) and Tesla (-7.7% in US\$). There are concerns that profit recovery in Samsung's semiconductor memory business may be delayed by sluggish demand. Meanwhile, slowing electric vehicles sales and rising investments in AI infrastructure weighed on Tesla's shares.

## Asset allocation

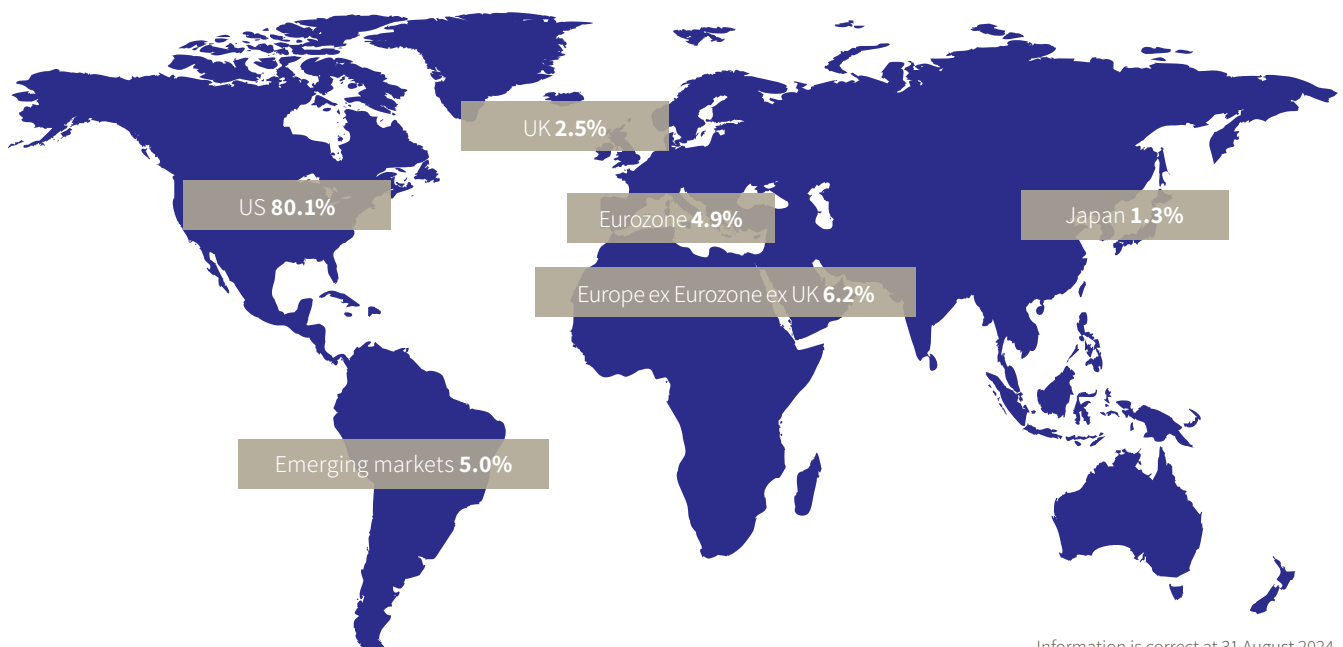


## Top Ten Share Holdings

Stock name	% of fund
Apple	8.6
Nvidia	7.6
Alphabet	7.4
Microsoft	7.1
Amazon.com	7.0
Meta Platforms	4.5
Taiwan Semiconductor	3.5
Eli Lilly	3.4
Broadcom	3.1
JP Morgan Chase	2.9

Source: ILIM, Factset. Data is accurate as at 31 August 2024.

## Share regional distribution



Information is correct at 31 August 2024.

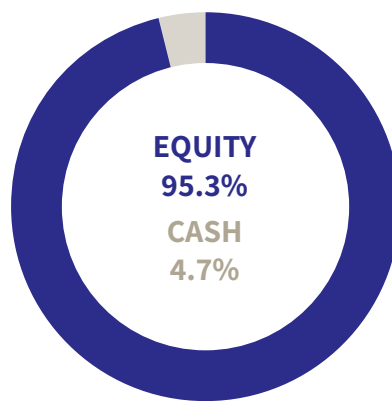
# SUMMIT GROWTH FUND

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 August

The Summit Growth Fund returned +0.53%, net of fund management fee, over August. Consumer Discretionary, Financials and Consumer Staples were the best performing sectors, while the Energy, Industrials and Technology sectors lagged. The stocks contributing most to the fund's return over the month were Berkshire Hathaway, Nike and Costco Wholesale. The largest detractors from performance were Samsung Electronics, Alphabet and Melrose Industries.

## Asset allocation

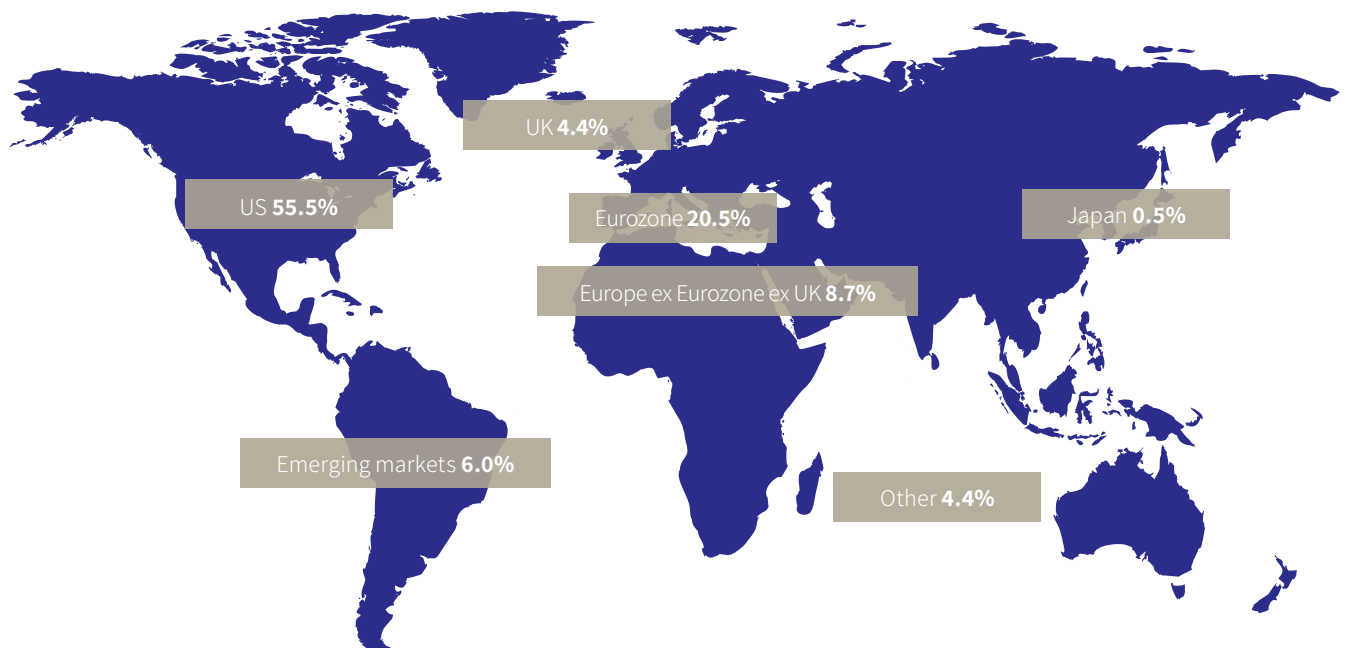


## Top Ten Share Holdings

Stock name	% of fund
Berkshire Hathaway	4.6
Microsoft	4.3
Oracle	4.0
Alphabet	3.9
Booking Holdings	3.3
S&P Global	2.8
Taiwan Semiconductor	2.8
Samsung Electronics	2.6
Nike	2.1
CRH	2.1

Source: ILIM, Factset. Data is accurate as at 31 August 2024.

## Share regional distribution



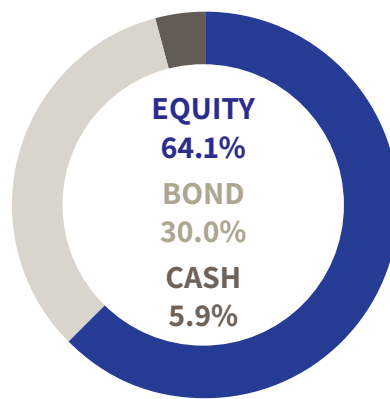
# SUMMIT BALANCED FUND

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 August

The Summit Balanced Fund returned 0.55%, net of fund management fee, over August. Consumer Discretionary, Financials and Consumer Staples were the best performing sectors, while the Energy, Industrials and Technology sectors lagged.

## Asset allocation

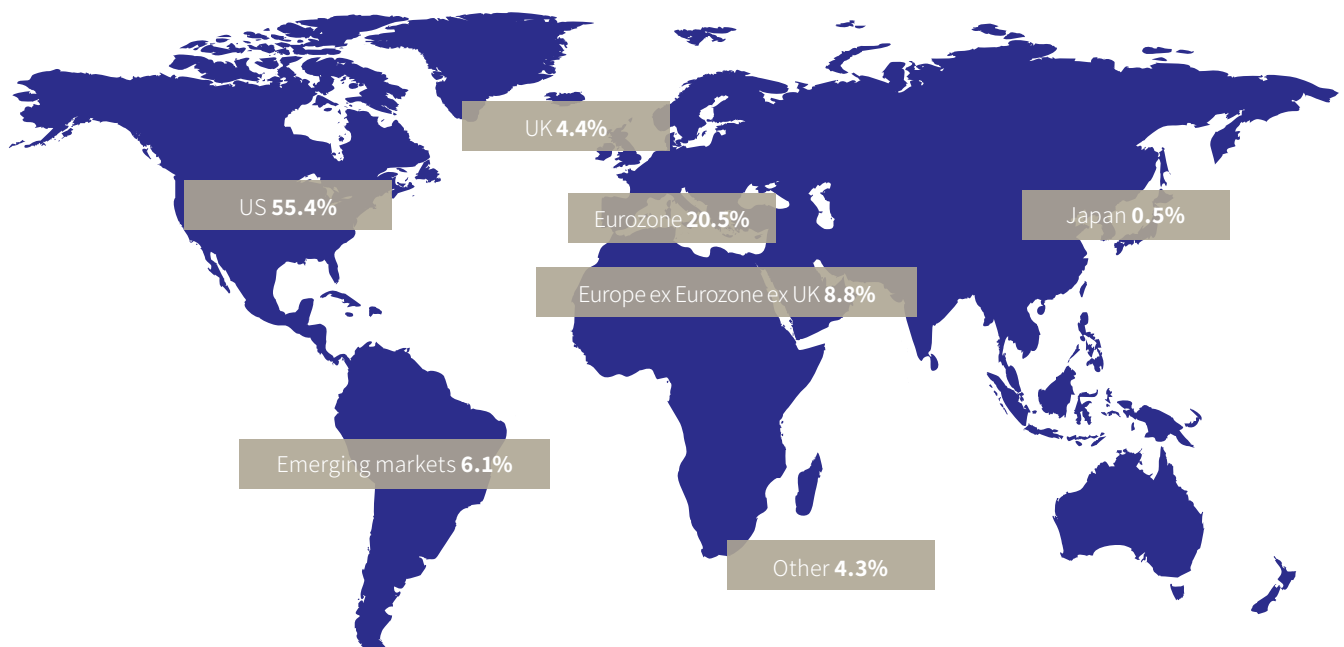


## Top Ten Share Holdings

Stock name	% of fund
Berkshire Hathaway	4.6
Microsoft	4.3
Oracle	4.0
Alphabet	3.9
Booking Holdings	3.3
S&P Global	2.8
Taiwan Semiconductor	2.8
Samsung Electronics	2.6
CRH	2.1
United Health	2.1

Source: ILIM, Factset. Data is accurate as at 31 August 2024.

## Share regional distribution



Information is correct at 31 August 2024.

# SUMMIT FUND PERFORMANCE



## At 31 August 2024

Fund returns after fund management fee	Balanced	Growth	Global Leaders
1 Month	0.55%	0.53%	-0.51%
QTD	2.68%	2.74%	-2.28%
3 Month	3.65%	4.26%	5.05%
YTD	6.37%	10.54%	23.88%
1 Year	9.33%	13.15%	27.64%
2 Years pa	5.04%	8.90%	19.32%
3 Years pa	1.53%	5.91%	10.99%
5 Years pa	3.50%	7.98%	15.28%
10 Years pa	4.70%	7.89%	13.14%

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:



Summit Mutual 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.



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.