



# March 2022 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

Global equities continued to fall in the early part of March, given the uncertainty over the potential fallout from the Russian invasion of Ukraine. As inflation readings inched higher, amid more inflation-combative guidance from central banks, interest rate expectations ratcheted up and bond yields rose to their highest levels in several years. Equities, however, bottomed in the second week of March and recovered to end the month in positive territory. While growth forecasts have been revised down and inflation expectations have risen because of the Ukraine crisis, some of investors' worst fears have, to date, been avoided.

## MARKET ROUND-UP

### Equities

Over March, the MSCI AC World equity index rose 2.6% (3.2% in €). Japan rose 5.0% (0.6% in €) as the Bank of Japan maintained an accommodative policy stance and the Yen weakened which was supportive of exporters. The Pacific Basin rose 4.6% (7.9% in €) with Australia being strong on the back of the positive commodity price backdrop. Europe lagged, rising 0.6% (0.9% in €) as it is most sensitive to developments in Ukraine as well as to the outlook for Russian energy supplies. Emerging markets fell -2.0% (-1.3% in €) with Russian assets being removed from the index following the invasion of Ukraine.

### Bonds

The Eurozone >5-year bond index fell -3.1% as yields rose to multi-year highs. With Eurozone inflation continuing to surprise to the upside, and the European Central Bank (ECB) guiding towards more inflation-combative policy, German 10-year yields rose to their highest level since 2018 and ended the month at 0.55%. Investment grade corporate bonds fell -1.4% as yields rose from 1.34% to 1.60%. High yield corporate bonds fell -0.6% as yields rose to 5.36%.

### Currencies and commodities

The euro fell to 1.1082 against the US dollar, as the dollar benefited from a faster pace of Fed rate rises being discounted by investors, while the euro continued to suffer from the uncertainty related to the Ukraine crisis and its impact on the European economy.

Commodities rose +9.6% (+10.7% in euros) as prices continued to move higher, although they were off their early month highs. Brent crude oil rose +6.9% as supplies remained tight and the US and UK placed embargos on the import of Russian oil. Oil fell from its highs as the US committed to release oil from its strategic reserves in coming months while the US and the West also sought alternative sources to Russian oil. European gas prices rose 23.5% as concerns remained over the supply of Russian gas to Europe. Wheat rose 7.7% given ongoing concerns over Russian and Ukrainian production. Gold rose 2.4%, benefitting from the continued uncertainty in markets.

## MARKET SNAPSHOT

### Market returns (EUR)

Equity Markets (EUR)	QTD Return (%)	YTD Return (%)	2021 Return (%)
MSCI Ireland	-18.2	-18.2	17.1
MSCI United Kingdom	4.1	4.1	27.5
MSCI Europe ex UK	-7.8	-7.8	25.4
MSCI North America	-2.7	-2.7	36.6
MSCI Japan	-4.4	-4.4	9.8
MSCI EM (Emerging Markets)	-4.9	-4.9	5.2
MSCI AC World	-3.2	-3.2	28.1
10-Year Yields	Yield last month (%)	2021 Yield (%)	2020 Yield (%)
US	2.34	1.51	0.91
Germany	0.55	-0.18	-0.57
UK	1.61	0.97	0.20
Japan	0.22	0.07	0.02
Ireland	1.07	0.24	-0.30
Italy	2.04	1.17	0.54
Greece	2.67	1.34	0.63
Portugal	1.35	0.47	0.03
Spain	1.44	0.57	0.05
FX Rates	End last month	2021 Rates	2020 Rates
U.S. Dollar per Euro	1.11	1.14	1.22
British Pounds per Euro	0.84	0.84	0.90
U.S. Dollar per British Pounds	1.31	1.35	1.37
Commodities (USD)	QTD Return (%)	YTD Return (%)	2021 Return (%)
Oil (WTI)	33.3	33.3	55.0
Gold (Oz)	6.3	6.3	-3.4
S&P Goldman Sachs Commodity Index	33.1	33.1	40.4

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

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## 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 Russia/Ukraine crisis.

Global growth forecasts for 2022 have been revised down to 3.4% but remain well above trend growth of 2.7%. Looking into 2023, some further slowdown is expected, particularly when taking account of the recent flattening of the yield curve and the expected pace of central bank policy tightening in response to rising inflation threats.

While equity markets have fallen over the year to date – and, as a result, absolute valuation levels have declined – price-to-earnings multiples remain above the long-term average. In recent years, equities have consistently remained attractive on a relative valuation basis against bonds given the historically low level of bond yields. With the recent sharp rise in bond yields, this relative valuation support for equities has been removed and equities now appear close to fair value against bonds. Equities, however, are still supported by the persistence of negative real yields.

Given the removal of the undervaluation of equities against bonds, the potential for higher bond yields and possible risks to economic growth, equities appear fair value at current levels with limited upside. If anything, the balance of risks is probably skewed to the downside in an environment of heightened uncertainty and volatility.

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



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



Global economy contracted in 2020 by -3.6% due to Covid-19 with an estimated rebound of 5.9% in 2021. Growth of 3.4% expected in 2022 post recent downgrades due to the Russia/Ukraine crisis.



Russia/Ukraine, Covid-19, 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 although remain above long term averages when more realistic earnings growth assumptions are used. Equities relative undervaluation against bonds has been removed with the recent rise in yields.



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



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

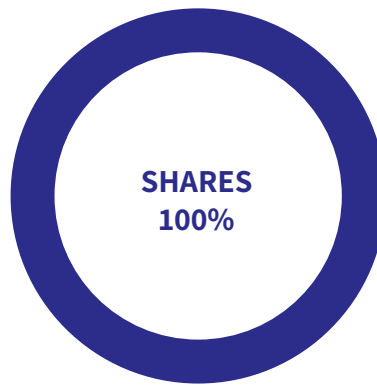
# SUMMIT GLOBAL LEADERS FUND

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 March

The Summit Global Leaders fund returned +5.04% (net of fund management fee) in March. Tesla, the electric vehicle manufacturer, was up 23.8% in local currency (LC) during the month. The Russian invasion of Ukraine has prompted more focus on energy independence and potentially helps to accelerate the transition to electric cars. Chevron, the US energy company, rose 13.1% (LC) as the war in Ukraine led to higher oil and gas prices. Citigroup, the US diversified bank, fell -9.8% (LC) in March. The increased risk of recession and the prospect of fewer interest rate hikes weighed on the shares. Unilever, the Anglo-Dutch consumer staples company, declined -7.8% (LC) in the period, input cost inflation threatening to crimp profit margins.

## Asset allocation

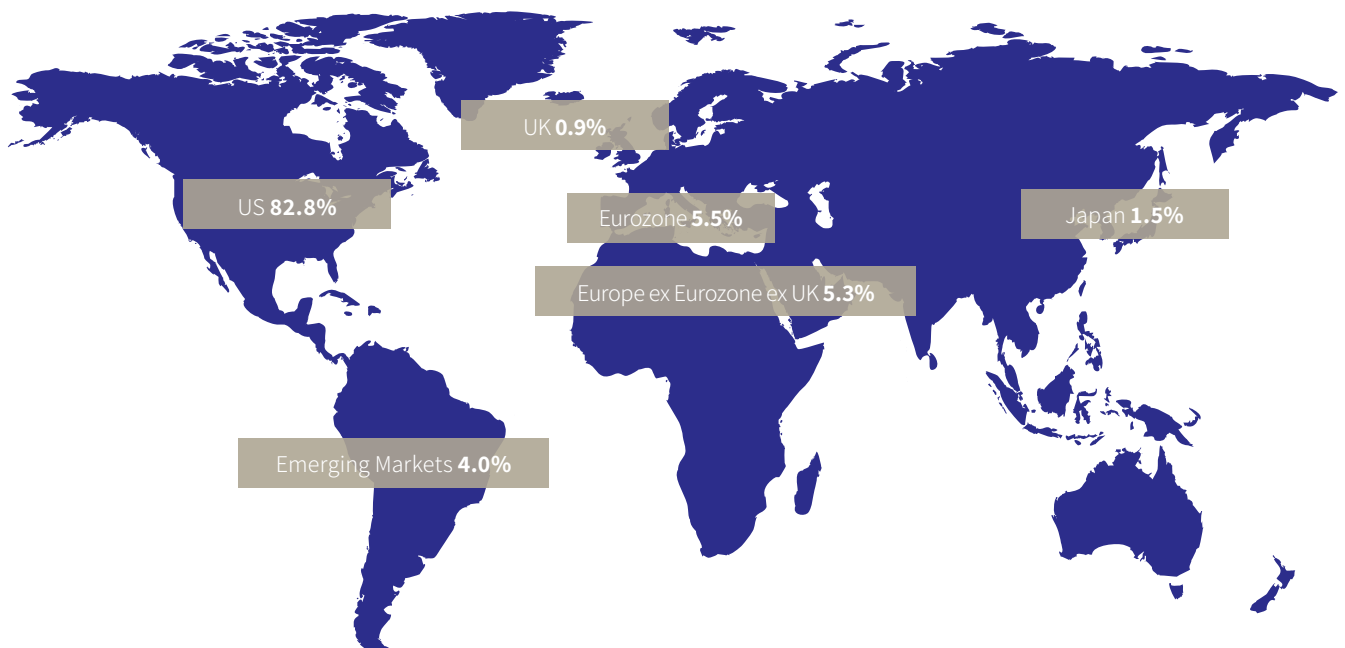


## Top Ten Share Holdings

Stock name	% of fund
Apple	8.7
Alphabet	8.3
Amazon.com	8.1
Microsoft	8.0
Tesla	5.1
Nvidia	4.0
Meta Platforms	3.1
Johnson & Johnson	2.8
JP Morgan Chase & Co	2.5
Exxon Mobil	2.3

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

## Share regional distribution



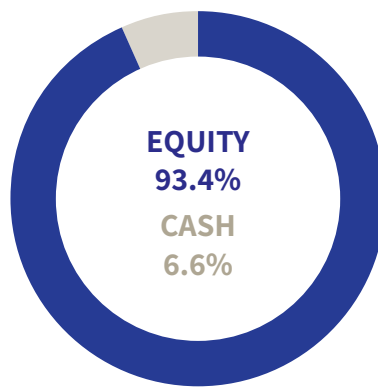
# SUMMIT GROWTH FUND

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 March

The Summit Growth Fund returned +2.04% (net of fund management fee) in March. From a sector perspective, Financials, Healthcare, and Infrastructure were the best performing sectors. The Industrials and Consumer Staples sectors lagged over the month. The stocks contributing most to the fund’s return were Berkshire Hathaway, Costco Wholesale, and Oracle. The stocks that detracted the most were Playtech, Melrose Industries and Oshkosh.

## Asset allocation

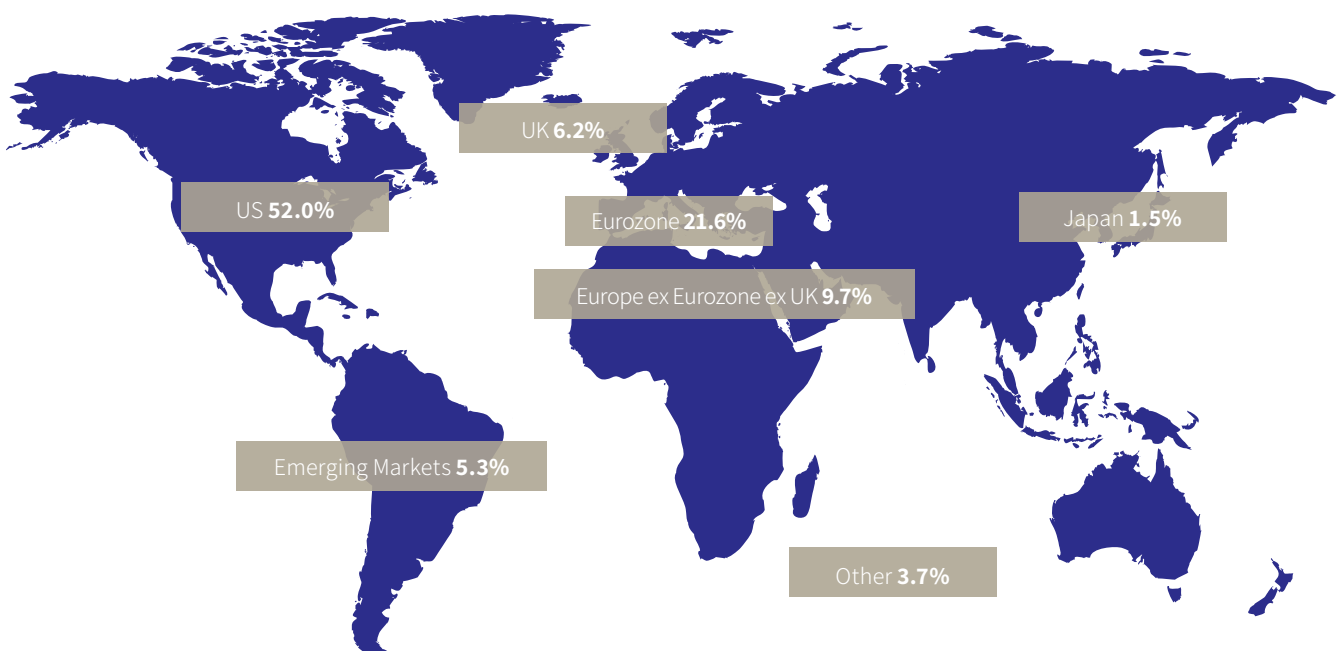


## Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.7
Berkshire Hathaway	3.9
Alphabet	3.4
Costco Wholesale	2.9
Oracle	2.8
McDonald’s	2.7
Samsung Electronics	2.6
Johnson & Johnson	2.3
DCC	2.2
Johnson Controls International	2.2

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

## Share regional distribution



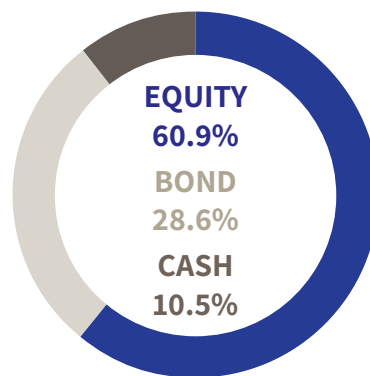
# SUMMIT BALANCED FUND

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 March

The Summit Balanced Fund returned +0.38% (net of fund management fee) in March. From a sector perspective, Financials, Healthcare, and Infrastructure were the best performing sectors. The Industrials and Consumer Staples sectors lagged over the month.

## Asset allocation

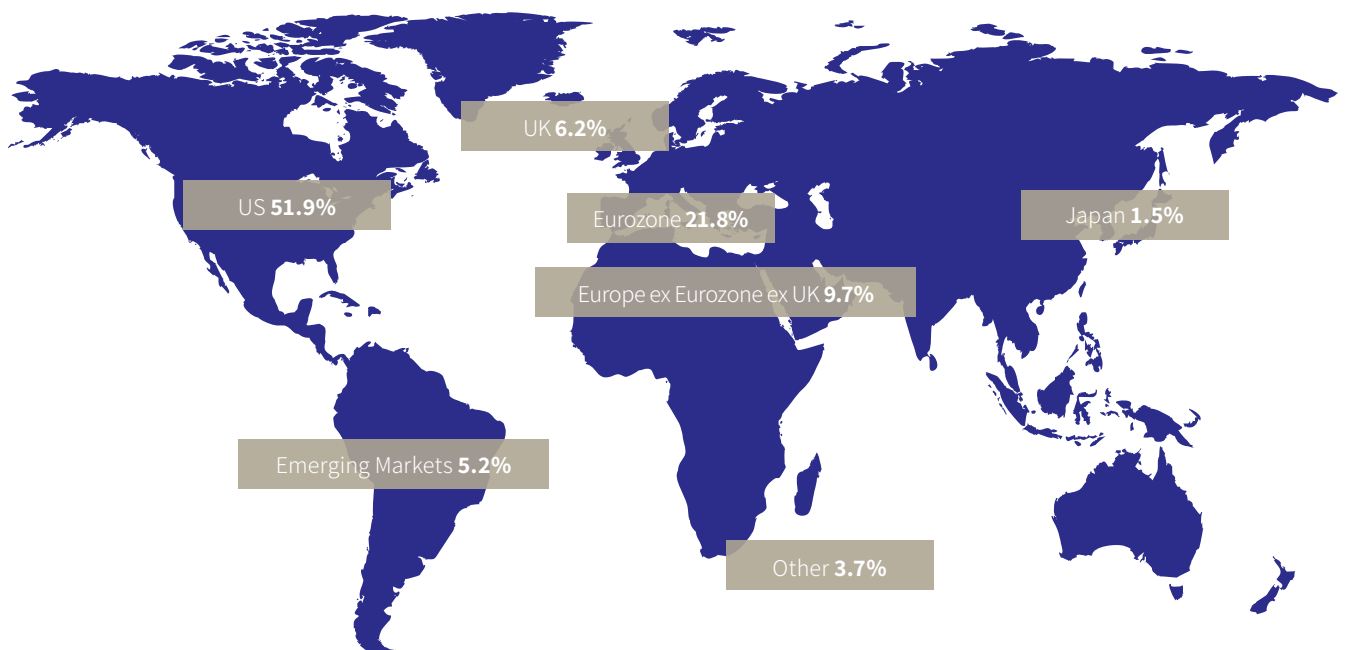


## Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.7
Berkshire Hathaway	3.8
Alphabet	3.3
Costco Wholesale	2.9
McDonald's	2.8
Oracle	2.7
Samsung Electronics	2.5
Johnson & Johnson	2.5
DCC	2.2
Johnson Controls International	2.2

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

## Share regional distribution



# SUMMIT FUND PERFORMANCE



## At 31 March 2022

Fund returns after fund management fee	Balanced	Growth	Global Leaders
1 Month	0.38%	2.04%	5.04%
QTD	-3.76%	-2.93%	-3.93%
3 Month	-3.76%	-2.93%	-3.93%
YTD	-3.76%	-2.93%	-3.93%
1 Year	5.53%	12.63%	19.77%
2 Years pa	14.36%	25.27%	27.80%
3 Years pa	4.70%	8.30%	17.46%
5 Years pa	3.98%	6.54%	13.52%
10 years pa	6.74%	9.68%	13.05%

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.