Irish Life

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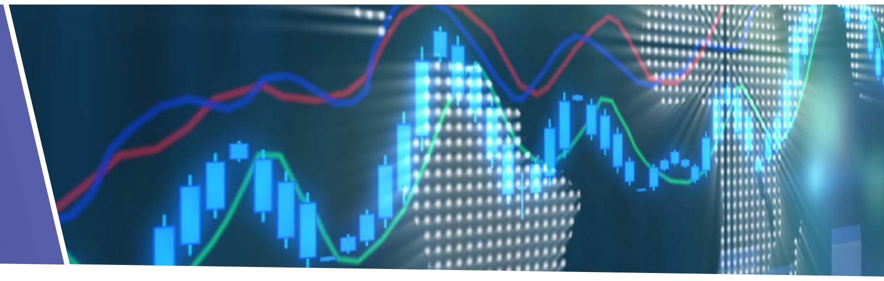
May 2024 in review
Summit Mutual Funds

Helping people build
better futures

MARKET REVIEW



MARKET ROUND-UP

Market Review

In May, global stock markets rallied to new all-time highs, supported by tech stocks and softer US inflation data. Global economic data showed signs of improving activity, although US growth showed some signs of moderating as inflation in the country slowed, leaving the potential for the Federal Reserve (Fed) to cut interest rates in the coming months. In Europe, while the European Central Bank (ECB) was set to ease policy in June, the rise in Eurozone inflation led to a slight reduction in the scale of expected rate cuts for 2024, and central-bank speakers played down the extent of future cuts. European bond prices declined slightly.

Equities

Global stock markets rallied to new all-time highs in May, aided by strong earnings from the technology sector, especially from companies related to artificial intelligence (AI) like Nvidia. Softer inflation and activity data in the US also supported the case for some interest rate cuts and equity-market sentiment.

The MSCI All Country World index rose by 3.8% (2.6% in euros) over the month, with the MSCI USA rallying by 4.8% (3.2% in euros) and European ex-UK equities up by 3.6% (3.9% in euros).

Nvidia's earnings announcement for the latest quarter once again exceeded market expectations – revenue rose by 262% year-on-year amid strong demand for its chips and graphics processing units that are used to power AI applications. This helped to propel the stock and other tech names higher, pushing the S&P 500 and NASDAQ up to new historical highs during the month.

Bonds

Eurozone government bond prices were slightly lower in May as expectations for ECB rate cuts in 2024 were pared back, from 66 basis points (bps) to 55bps, amid sticky inflation. The ICE BofA 5+ Year Euro Government bond index returned -0.3% over the month as price falls offset gains from income.

Corporate bonds performed better than European sovereign bonds in May. European investment-grade corporate bonds returned +0.2% as yields rose marginally, with the income stream offsetting the rise in yield. Global high-yield bonds returned +1.1% as yields declined, supported by lower US Treasury yields.

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2023 Return (%)
MSCI Ireland	5.4	27.2	20.6
MSCI United Kingdom	2.0	10.7	10.3
MSCI Europe ex UK	3.9	10.7	18.5
MSCI North America	3.1	12.6	22.3
MSCI Japan	-0.2	9.1	16.7
MSCI EM (Emerging Markets)	-0.9	5.3	6.5
MSCI AC World	2.6	11.0	18.6

10-Year Yields	Yield last month (%)	2023 Yield (%)	2022 Yield (%)
US	4.50	3.88	3.87
Germany	2.66	2.02	2.57
UK	4.32	3.54	3.67
Japan	1.07	0.61	0.42
Ireland	3.04	2.38	3.13
Italy	3.98	3.69	4.70
Greece	3.69	3.06	4.62
Portugal	3.26	2.66	3.59
Spain	3.39	2.99	3.66

FX Rates	End last month	2023 Rates	2022 Rates
U.S. Dollar per Euro	1.08	1.10	1.07
British Pounds per Euro	0.85	0.87	0.89
U.S. Dollar per British Pounds	1.27	1.27	1.21

Commodities (USD)	MTD Return (%)	YTD Return (%)	2023 Return (%)
Oil (Brent)	-7.1	5.9	-10.3
Gold (Oz)	1.4	12.8	13.1
S&P Goldman Sachs Commodity Index	-1.9	9.5	4.3

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

MARKET OUTLOOK

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

Sovereign bond yields have fallen back since the peak in October 2023 as concerns around inflation have abated. Although yields have risen in recent months, both German and US 10-year yields remain below their October highs. With inflation having fallen significantly and central banks now suggesting rates will be cut in 2024, 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 2.66% and 4.50% to 1.75% and 3.75% respectively. We believe fixed income offers a strong risk-reward profile at this stage in the cycle, with the potential to offer protection if the economy slows, and is attractive from an income perspective while also providing potential for capital gains via falling yields. We believe that the risks of materially higher bond yields have reduced and, 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.

Global equities valuations are above long-term averages, trading on a 12-month forward price-to-earnings (P/E) multiple of 17.5x against a long-term average of 16.0x. Equities remain expensive against both bonds and cash given the high yields currently available on these assets. Despite equities appearing expensive on a relative valuation basis, however, the outlook on a 12-month view is positive. While global earnings fell by 0.3% in 2023, they are expected to grow by 11.2% in 2024 as growth remains firm and margins improve. Central banks are likely to pivot towards looser policy in 2024 as inflation falls. An increasing probability of growth remaining firm with a recession being avoided, contributing to a rebound in earnings in 2024, is supportive. 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 robust with a recession being avoided have been supportive of equity markets. A continued fall in inflation, enabling central banks to cut interest rates in 2024, could contribute to additional gains in equity markets.

Global growth surprised positively in 2023 at an estimated 2.8%, led by a resilient US economy. Growth is forecast to decelerate very slightly to 2.6% in 2024, following recent upgrades. In developed markets, the US economy has been robust 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, and recent data has begun to stabilise.

Equities are above long-term average valuation multiples, but with positive economic and earnings growth in 2024 can continue to grind higher with higher multiples supported by the artificial intelligence (AI) theme.

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, the inflation path, monetary policy and geopolitical events. Modest short-term drawdowns in markets are possible, which could provide opportunities to add to exposures.

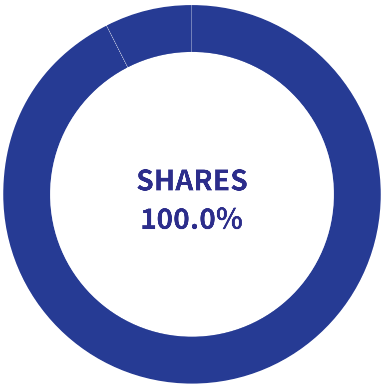
SUMMIT GLOBAL LEADERS FUND

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 May

The Summit Global Leaders Fund returned +3.65%, net of fund management fee, over May. Leading performers over the period included NVIDIA (+26.7% in US$) and Netflix (+16.5% in US$). The former reported huge revenue growth for the three months to April and a very positive outlook driven by demand for AI chips. Netflix reversed the weakness seen in April as market confidence rose over the development of its advertisement tier offering. Laggards included Salesforce (-12.8% in US$) and Toyota (-6.5% in JPY). Salesforce declined in the wake of Q1 results which saw revenue growth fall short of market expectations and a weaker outlook for Q2. Toyota forecast a 20% decline in profit in 2024 as it increases spending in electric vehicles and AI to combat Chinese rivals.

Asset allocation

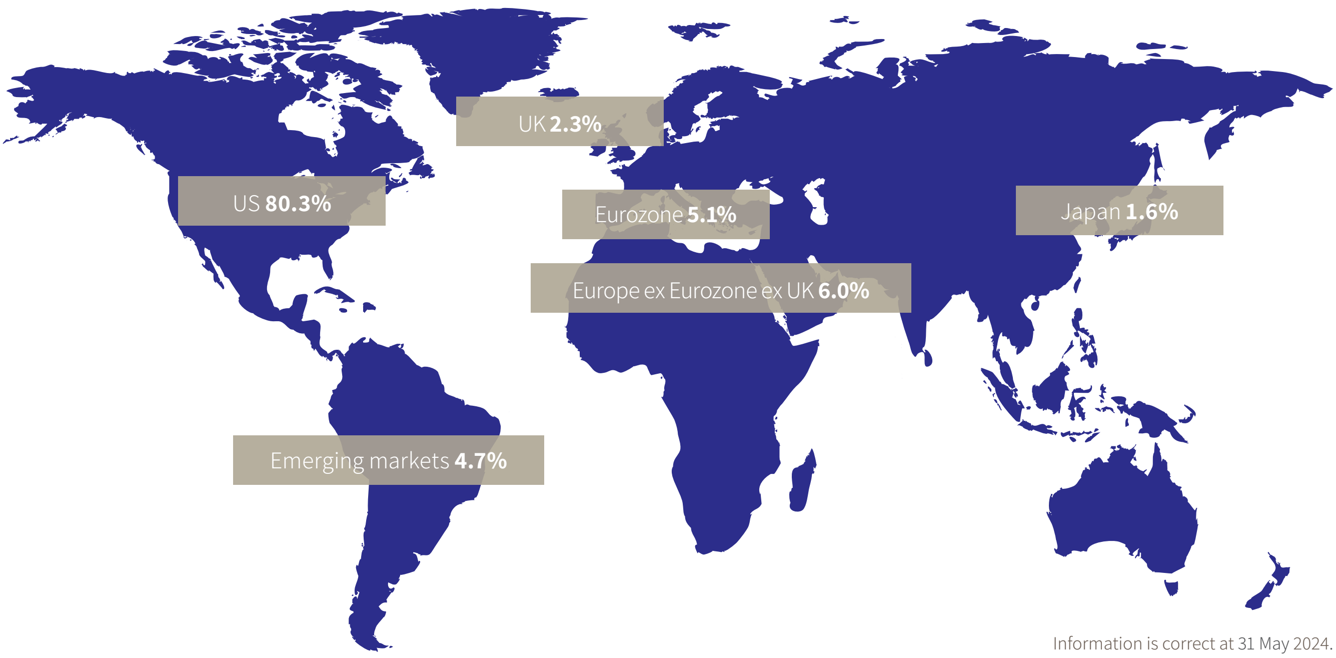


Top Ten Share Holdings

Stock name	% of fund
Nvidia	8.9
Alphabet	8.3
Apple	8.1
Microsoft	7.8
Amazon.com	6.6
Meta Platforms	4.3
Taiwan Semiconductor	3.3
Eli Lilly	3.1
JP Morgan Chase	2.8
Broadcom	2.5

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

Share regional distribution



Information is correct at 31 May 2024.

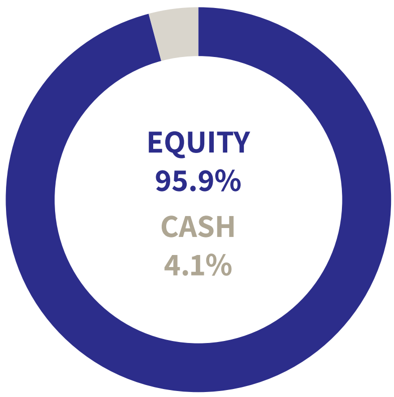
SUMMIT GROWTH FUND

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 May

The Summit Growth Fund returned +1.71%, net of fund management fee, over May. Communication Services, Utilities and Healthcare were the best performing sectors, while the Materials, Energy and Industrials sectors lagged over the month. The stocks contributing the most to the fund's return were Costco Wholesale, Nextera Energy and Booking Holdings. The largest detractors from performance were DXC Technology, Samsung Electronics and Ryanair Holdings.

Asset allocation

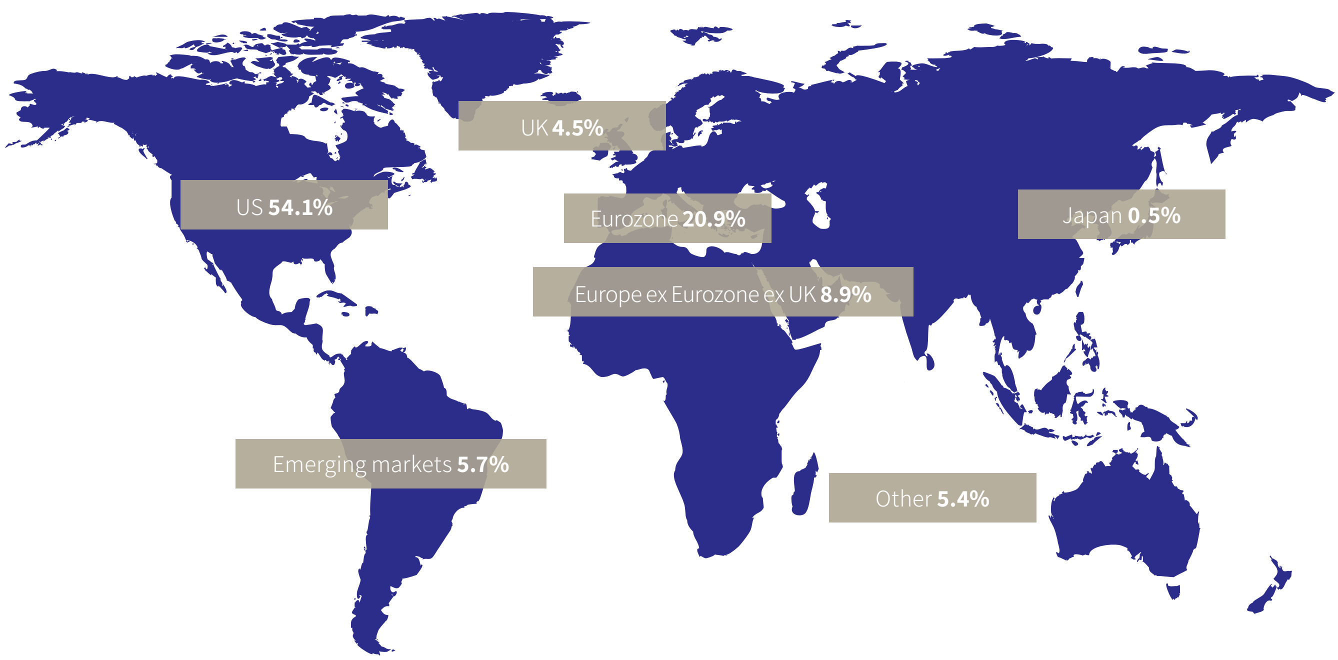


Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.8
Alphabet	4.3
Berkshire Hathaway	4.2
Oracle	3.5
Booking Holdings	3.3
Costco Wholesale	3.0
Samsung Electronics	2.5
Taiwan Semiconductor	2.4
Nike	2.2
S&P Global	2.2

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

Share regional distribution



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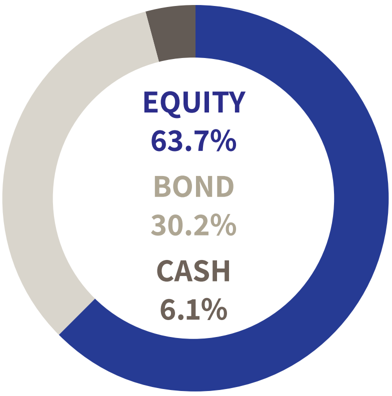
SUMMIT BALANCED FUND

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 May

The Summit Balanced Fund returned +1.03%, net of fund management fee, over May. Communication Services, Utilities and Healthcare were the best performing sectors, while the Materials, Energy and Industrials sectors lagged over the month. Global economic data in May showed signs of improving activity, although US growth showed some signs of moderating. Global stock markets rallied to new all-time highs, supported by tech stocks and softer US inflation data. European bond prices declined slightly as expectations of interest rate cuts were pushed back and reduced amid sticky inflation, and central bank speakers played down the extent of future rate cuts.

Asset allocation

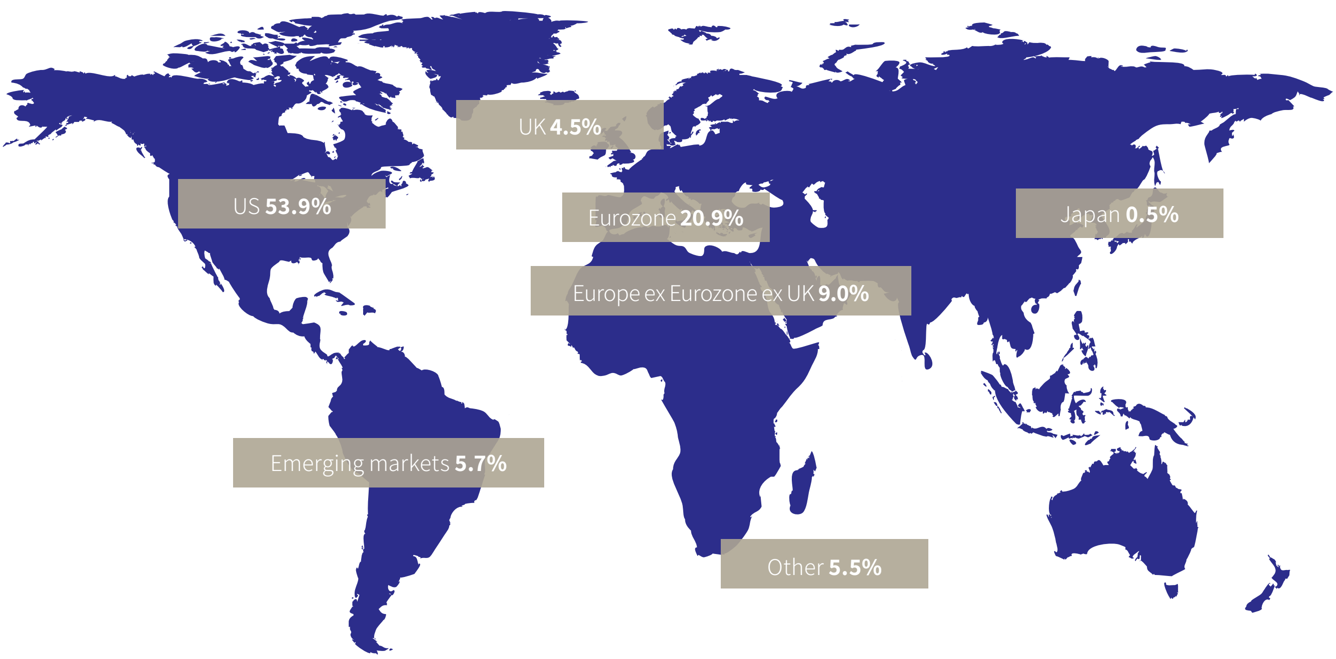


Top Ten Share Holdings

Stock name	% of fund
Microsoft	4.8
Alphabet	4.3
Berkshire Hathaway	4.2
Oracle	3.5
Booking Holdings	3.3
Costco Wholesale	3.0
Samsung Electronics	2.5
Taiwan Semiconductor	2.3
DCC	2.1
S&P Global	2.1

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

Share regional distribution



Information is correct at 31 May 2024.

SUMMIT FUND PERFORMANCE

At 31 May 2024

Fund returns after fund management fee	Balanced	Growth	Global Leaders
1 Month	1.03%	1.71%	3.65%
QTD	-1.37%	-1.06%	1.43%
3 Month	1.03%	2.25%	4.41%
YTD	2.63%	6.03%	17.92%
1 Year	6.24%	10.12%	28.40%
2 Years pa	1.92%	5.67%	16.79%
3 Years pa	1.74%	6.45%	14.06%
5 Years pa	3.48%	7.69%	15.61%
10 Years pa	4.64%	7.74%	13.24%

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:

European Pensions AWARDS 2019
WINNER
Passive Manager of the Year

European Pensions AWARDS 2018
WINNER
Passive Manager of the Year

GRESB 2023

KPMG Irish Independent PROPERTY INDUSTRY EXCELLENCE AWARDS
2019
PROPERTY INVESTMENT/

Irish Pensions AWARDS 2019
WINNER
Investment Manager of the Year

Irish Pensions AWARDS 2020
WINNER
Investment Manager of the Year

Irish Pensions AWARDS 2021
WINNER
Risk Management Provider of the Year

Irish Pensions AWARDS 2022
WINNER
Investment Manager of the Year

Irish Pensions AWARDS 2023
WINNER
Property Manager of the Year

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The author cannot make a personal recommendation for any person and you should seek personal investment advice as to the suitability of any investment decision or strategy to your own needs and circumstances. Any comments on specific stocks are intended as an objective, independent view in relation to that stock generally, and not in relation to its suitability to any specific 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.