January 2014

Summit Investment Funds

Quarterly Review

Markets

Markets rose again in the fourth quarter. While the US government shutdown in early October gave rise to some initial concerns, its ultimate resolution resulted in relief and hope that future political tensions would be avoided. The subsequent budget deal in December with spending being agreed for two years appears to confirm this belief. The government shutdown and disappointing economic data around that time were factors behind the delay in the beginning of Quarter End tapering and contributed to a growing view that it could be postponed until Quarter 1, 2014 which was positively received by both bonds and equities.

The nomination of Janet Yellen, a perceived monetary dove, as the new Fed Chairperson increased the perception that monetary policy would remain relatively accommodative in the medium term. With markets expecting Quarter End 3 tapering to begin shortly, the Fed tried to separate the decision on tapering from interest rate rises and emphasized that interest rates would remain low for an extended period with other central banks giving similar commitments.

The ECB even cut interest rates by an additional 25 base points as inflation fell to a surprisingly low level of 0.7% year on year. In December as economic data began to recover, the Fed surprisingly announced the beginning of Quarter End 3 tapering with asset purchases set to reduce by $10bn to $75bn per month from January. However, at the same time it guided that interest rates would be maintained at current levels well past the time that unemployment falls below the previously suggested threshold of 6.5% which supported equities with investors also focusing on the positive economic backdrop which contributed to the Fed's decision to taper. Improving global economic news flow into year-end provided additional support for equities while the announcement of an economic reform agenda in China which will improve its medium growth potential was also well received.

Over the quarter, the FTSE World equity benchmark rose 8.1% in local currency (5.7% in €). The US gained 10.4% (8.4% in €) while Japan rose 9.7% (0.6% in €). The Pacific Basin lagged, rising 2.9% (-0.4% in €) as did Emerging Markets which rose 3.0% (0.1% in €). The Euro strengthened to 1.378 against the US$ as Quarter End 3 tapering had been delayed beyond the initial expected start date in September and improving current account positions across the Eurozone.

During the quarter, cyclical sectors generally tended to outperform as global economic data improved and exceeded expectations. Both technology and industrials outperformed. Healthcare stocks however also outperformed given stock specific news flow in some large cap names. Defensive sectors generally tended to underperform with utilities and consumer staples both lagging the market. Commodity stocks also underperformed as commodity prices fell with notable weakness in precious metals and agricultural crops.

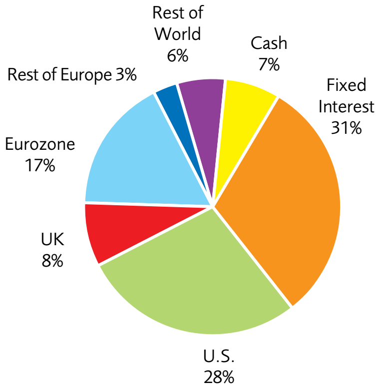
Summit Balanced Fund

Review

During the quarter, we added to the position in Daimler, the German auto company, given high returns being generated on its investment programme, improving sales data in China, good take up of its new car models and increasing order intake in its North American and trucks operations.

Civil aerospace supplier, **Spirit** gained 40% as improving results and continued restructuring activity increased investor confidence in strong cash flow and improving earnings delivery.

Stocks which were sold or reduced during the quarter included Valeo, the French auto component company, Dell, Hewlett Packard and Microsoft.



Equity Sector Distribution	%
Capital Goods	21.9%
Financial	14.4%
Consumer Staples	13.8%
Telecomms & Technology	11.4%
Pharmaceuticals	9.2%
Energy	8.4%
Consumer Cyclicals	7.6%
Industrial Commodities	7.0%
Industrial Services	3.8%
Utilities	2.4%

Top 10 Holdings	%
CRH	1.13%
Ryanair	0.89%
Kerry Group	0.81%
Exxon Mobil	0.74%
Apple	0.68%
HSBC	0.62%
Microsoft	0.61%
Aryzta	0.61%
Nestle	0.59%
Norvartis	0.59%

Bid/Exit price at 31/12/2013
237.70

***Past Performance**
1 Year – 7.68
2 Years – 9.75
5 Years – 8.19
10 Years – 3.59

Source Moneymate ©

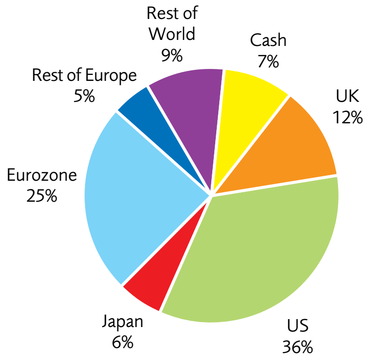
Summit Growth Fund

Review

During the quarter we bought Symantec the US software company was also purchased given the potential for significant margin improvement and earnings growth in coming years and the attractive valuations at which the stock was trading.

Macys' gained 24% after evidence emerged of a strong shopping season after the company comfortably beat quarterly earnings expectations with revamped advertising and promotions activity.

Oil refiner, **Valero** was up 48% on reported better than expected results and improving fundamentals, as its ability to process lower cost crude oil has increased earnings expectations for the company.



Equity Sector Distribution	%
Capital Goods	21.9%
Financial	14.4%
Consumer Staples	13.3%
Telecomms & Technology	11.5%
Pharmaceuticals	9.1%
Energy	8.5%
Consumer Cyclicals	7.6%
Industrial Commodities	7.0%
Industrial Services	4.3%
Utilities	2.5%

Top 10 Holdings	%
CRH	1.73%
Ryanair	1.35%
Kerry Group	1.18%
Exxon Mobil	1.12%
Apple	1.03%
HSBC	0.94%
Aryzta	0.93%
Microsoft	0.92%
Novartis	0.88%
Pfizer	0.83%

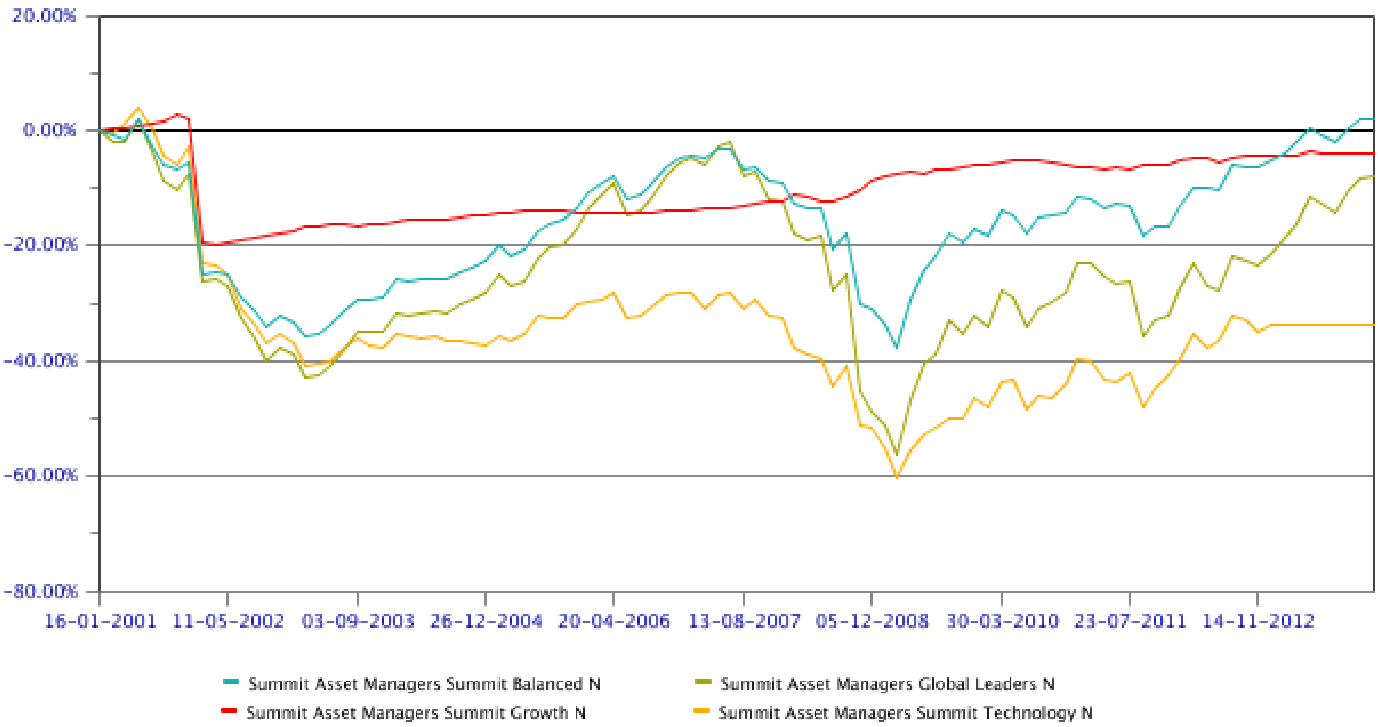
Bid/Exit price at 31/12/2013
256.80

***Past Performance**
1 Year – 17.09
2 Years – 15.01
5 Years – 12.46
10 Years – 3.41

Source Moneymate ©

Fund Performance

Performance Report - 16/01/2001 to 01/01/2014



Investment Outlook

Equity Outlook

Equities remain attractive on valuations both in absolute terms and particularly relative to other asset classes, even after gains since the middle of 2012. Markets, however, will remain sensitive to political and economic news flow, particularly in relation to central bank stimulus measures. Despite beginning to reduce the level of asset purchases under Quarter End 3, the commitment by the Fed and other central banks to maintain interest rates at low levels for an extended period underpins equity markets. The improving economic backdrop which contributed to the decision to begin to taper Quarter End 3 should also be positive for equities and help offset the negative impact of reduced monetary support. Over the next twelve months, global equities could rise between 5 -10%.

Overall, equity markets should continue to benefit from the supportive policies of global central banks and moves to reduce the tail risks across Europe. Global economic momentum should continue to improve through 2014 and be supportive of equity markets.

Bond Outlook

Global bond yields have risen since May as reduced levels of bond purchases by the Fed became more likely and the global economic backdrop improved. With Quarter End 3 tapering now beginning and economic momentum apparently improving further, German 10 year yields could drift up towards 2.5% over 2014. Continued relatively low levels of inflation should prevent any further significant upward move in yields beyond 2.5%.

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