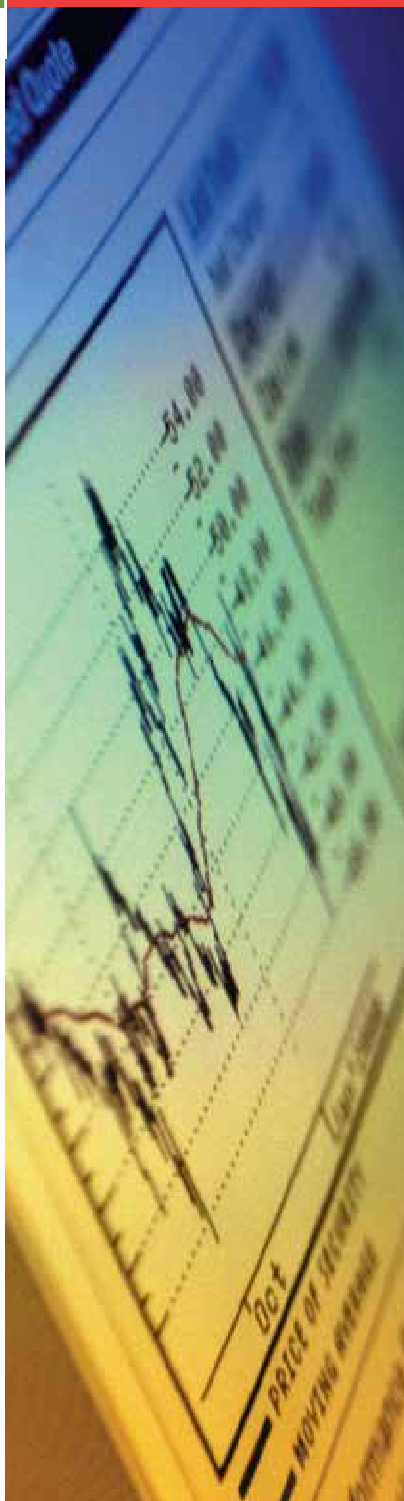
January 2018

Summit Mutual Funds

Fourth Quarter 2017



Markets

Both global equities and Eurozone bonds rose during the quarter although further strength in the Euro resulted in lower returns from global equities in Euro terms while gains in bonds were more modest than those from equities.

Equities were again supported by the solid economic and earnings backdrop which was evident across most regions. Economic momentum continued to surprise positively as growth forecasts were revised higher through the period with manufacturing activity and investment being particularly strong. The global economy grew 3.7% annualised in Q3 with a modest slowdown to approx 3.5% expected in Q4 which is still well above the 2.5/3% range evident most of the time since the recovery from the financial crisis began. The UK continued to lag with Brexit related uncertainty acting as an overhang although there were some signs of modest improvement in UK growth in the second half of the year. The improving economic backdrop again fed through to global earnings with solid growth in absolute earnings and relative to expectations in all major regions. Growth expectations were also underpinned by the growing hopes for and ultimate passing of a fiscal package in the US in late December.

With regards to central banks, the ECB succeeded in delivering a 'dovish' reduction in the level of QE (Quantitative Easing) when it extended asset purchases at a lower level of €30bn per month out to at least September which was longer than expected by investors. The US Fed raised interest rates for a fifth time this cycle by 0.25% although doubts over the likelihood of inflation rising to the Feds 2% target meant consensus expectations regarding future rate rises were still below the Feds guidance. The Bank of England raised interest rates for the first time this cycle by 0.25% although it indicated only two further rate rises were expected over the next three years.

On the political front, the Catalonian independence issue gave rise to some temporary weakness in Spanish bonds although concerns over the potential market impact have since subsided with Catalonia expected to remain part of Spain. Brexit negotiations progressed to phase 2 with the UK and EU expected to begin talks early in 2018 on the transition process and future trade relationship. The possibility of a 'softer' Brexit is now viewed as having increased which eased some of the Brexit related overhang on markets towards year end.

Over the quarter, the MSCI AC World equity benchmark rose 5.5% (4.2% in €). Japan rose 8.6% (6.8% in €) supported by an improving economic backdrop and the expectation of a consistent policy agenda following the increased majority for the incumbent government in the general election. The Pacific Basin ex Japan rose 7.1% (5.4% in €), boosted by strong economic and earnings data and the upcycle in the technology sector. Europe lagged, slipping very marginally by -0.01% (-0.6% in €), impacted by the stronger Euro, which is negative for exporters and speculation that the ECB would tighten policy at a faster pace than it is currently suggesting. The UK also underperformed, rising 4.9% (4.1% in €) impacted by Brexit related uncertainty, relatively sluggish growth and the 0.25% interest rate rise by the Bank of England.

The Euro continued to rise against the US dollar, moving to 1.2005 by quarter end. While the ECBs announcement of the reduction in the level of asset purchases was initially interpreted as having a dovish slant, the continued strength of economic data across the Eurozone led some to believe that the ECB would be forced to reduce the level of policy accommodation through 2018 at a faster rate than it is currently suggesting. The persistence of US inflation at levels below the Fed's target also led to the consensus view that the Fed would only raise interest rates very gradually through 2018/19 and at a slower pace than current guidance which also contributed to a weaker US dollar.

Commodities rose 9.9% (8.2% in €). WTI oil rose 16.9% as OPEC confirmed that production cuts would be extended to the end of 2018. Reduced inventory levels on rising demand and various supply disruptions during the quarter also contributed to higher oil prices.

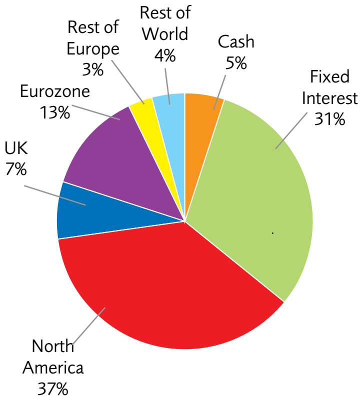
Summit Balanced Fund

Review

In Q4 the fund bought a position in The Cheesecake Factory, the US restaurant chain. For those of you that have never heard of or experienced The Cheesecake Factory, it's something of a destination restaurant that serves a wide range of high-quality food in a casual dining setting. It has c.200 restaurants mainly in the US, located in large cities and wealthy metropolitan areas. The restaurant business can be very tough, with low margins a feature due to incessant competition. Cheesecake differentiates itself in two ways. It has a high throughput due to its consistently high food and service standards (bookings can be months in advance) and it has turned minimising food waste into an art form. In both these ways the company makes margins and returns that are far higher than industry norms. We think the long-term potential for Cheesecake could be big. It will continue to roll out new US locations and has started to sell its products into food retailers (addressing the eat-at-home market). Also we are pretty confident the Cheesecake concept has huge international appeal and has only scratched the surface on this front.

Equity Sector Distribution	%
Financial	22.69%
Telecomms & Technology	21.10%
Pharmaceuticals	11.00%
Consumer Cyclicals	9.88%
Energy	8.29%
Consumer Staples	7.93%
Industrial Commodities	5.98%
Capital Goods	5.88%
Industrial Services	5.20%
Utilities	2.04%

Top 10 holdings	%
Berkshire Hathaway	2.45%
Owens Inc	2.03%
DCC	1.96%
Oshkosh Truck Corp	1.95%
CRH	1.93%
Leucadia Natl	1.69%
Federated Invests	1.47%
Microsoft	1.46%
Fairfax	1.45%
CISCO Sys	1.45%



Bid/Exit price at 31/12/17 214.20

***Past Performance**
1 Year – 3.72
2 Years – 6.79
5 Years – 8.58
10 Years – 4.43

Source Moneymate ©

Summit Growth Fund

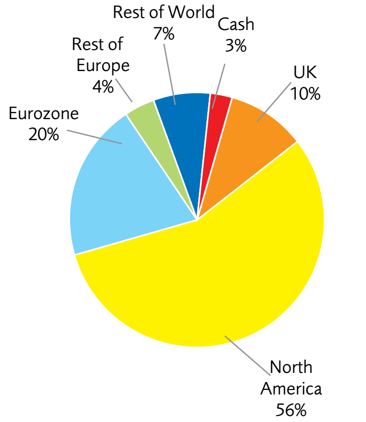
Review

During Q4 we purchased Alfresa Holdings. Alfresa is one of four dominant drug distributors in Japan, which have a market share of c.80%, including Alfresa's 24%. We have a lot of experience with distribution companies, having owned a number of them over the years. Typically they are low margin businesses. However, they put a lot of volume through their fixed assets and a well-run distributor doesn't tend to need a lot of capital, as a result they can generate a very good return on capital invested. Also, barriers to entry for dominant distributors operating in niche areas of the market can be high, not least because of strong customer relationships and the need for full trucks running all day in order for the business' economics to work. We believe all of these traits are present with Alfresa. There is a nice demand backdrop for the industry too, given Japan's aging population.

During the quarter Resolute Forest Products gained 82%, the Canadian pulp and paper firm, which benefitted from better paper pricing, capacity exiting the industry and cost-cutting. This has been a difficult investment for us, as the 2017 share price rise followed a few years of subpar performance in what is a tough industry. We continue to hold as we believe the shares are still cheap.

Equity Sector Distribution	%
Financial	22.38%
Telecomms & Technology	20.90%
Pharmaceuticals	10.70%
Consumer Cyclicals	10.21%
Energy	8.16%
Consumer Staples	7.81%
Industrial Commodities	6.18%
Capital Goods	6.07%
Industrial Services	5.32%
Utilities	2.26%

Top 10 holdings	%
Berkshire Hathaway	3.25%
Owens Inc	3.19%
Oshkosh Truck	3.06%
DCC	3.02%
CRH	2.79%
Leucadia Natl Corp	2.65%
Federated Invs	2.61%
Microsoft	2.47%
Fairfax	2.30%
Johnson Ctls	2.13%



Bid/Exit price at 30/09/17 233.00

***Past Performance**
1 Year – 6.58
2 Years – 9.88
5 Years – 12.13
10 Years – 4.40

Source Moneymate ©

Summit Global Leaders Fund

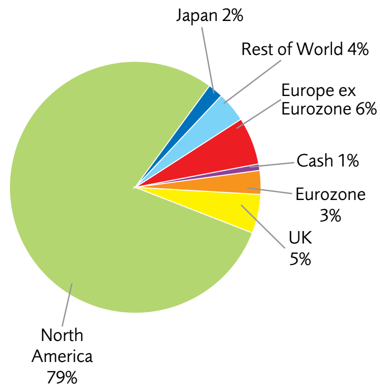
Review

Equity markets enjoyed a positive run up in the last quarter of 2017. Strong Q3 results from a number of bellwether names pushed the technology sector ahead while Commodity names benefited from rising commodity prices. The Utilities sector was a notable laggard. Often seen as a bond proxy, these names fell out of favour as the prospects for higher interest rates increased.

Intel, the US technology company, was up 21.9% in local currency (lc) in the final three months of the year. Earnings for the third quarter came in well ahead of expectations. Strong growth in the Memory, Internet of Things and Data Centre businesses were accompanied by good cost control. Guidance for full year results was also raised. Amazon, the US online retailer, rose 21.7% (lc) in the fourth quarter. Revenue growth in the third quarter accelerated to 30% year-on-year even after stripping out the Whole Foods acquisition. Strength was across the board in online retail, third party retail, Amazon Prime subscriptions, Amazon Web Services and advertising.

Equity Sector Distribution	%
Technology	35.81%
Pharmaceuticals	13.80%
Financial	13.26%
Consumer Cyclicals	10.66%
Consumer Staples	9.33%
Energy	9.26%
Telecomms	4.06%
Capital Goods	3.81%

Top 10 holdings	%
Apple	7.71%
Microsoft	5.82%
Amazon	4.18%
Facebook	3.78%
Johnson & Johnson	3.45%
JP Morgan	3.38%
Berekshire Hathaway	3.35%
Exxon Mobil	3.10%
Alphabet Inc	2.79%
Bank of America	2.64%



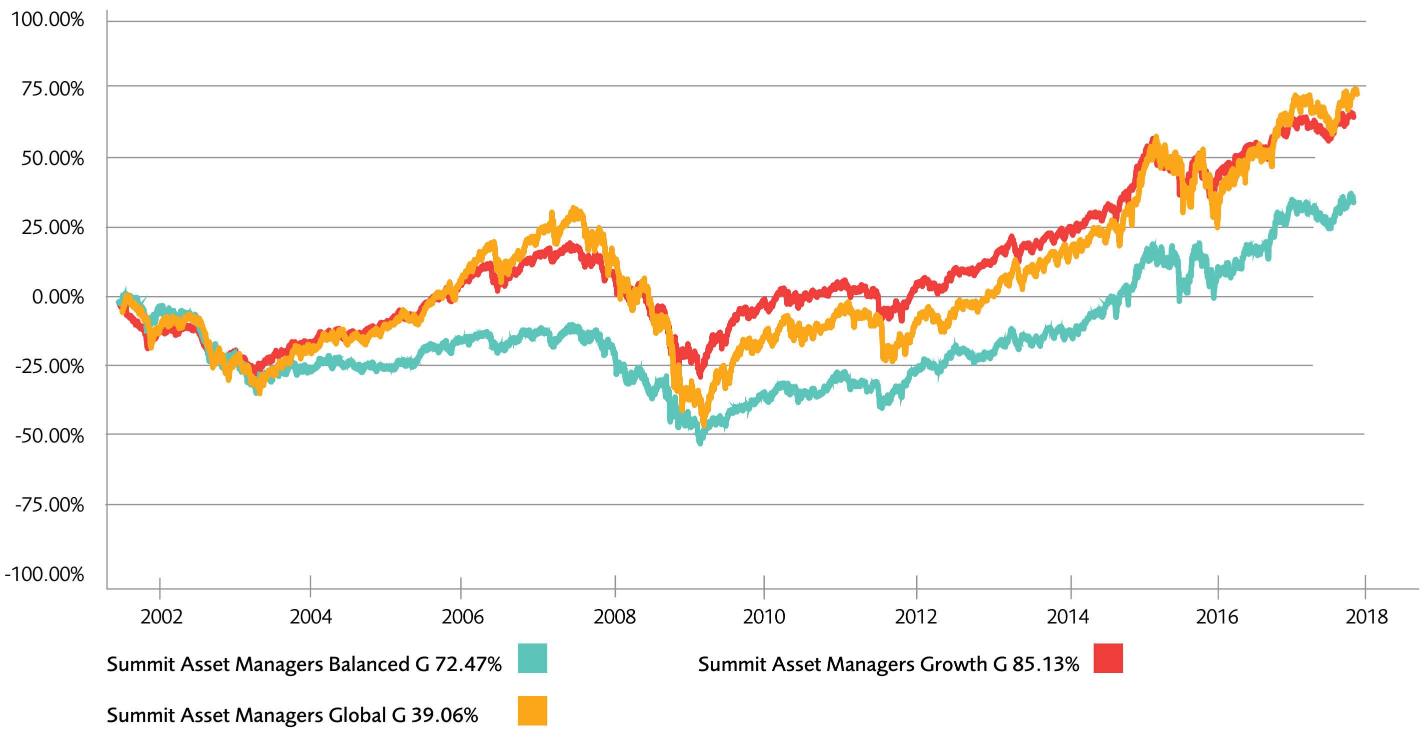
Bid/Exit price at 31/12/17
176.40

***Past Performance**
1 Year – 5.84
2 Years – 8.70
5 Years – 12.31
10 Years – 5.30

Source Moneymate ©

Fund Performance

Performance Report - Performance - 06/05/2001 to 01/01/2018



Equity Outlook

An improving global economic and earnings backdrop supported equity markets in 2017.

Global economic data has been stronger than expected in recent quarters suggesting global growth in 2018 will be approx. 3.5%, significantly above the 2.5/3% range evident from 2010 to 2016. With an expected recovery in global earnings on the back of this improving growth backdrop and an earnings rebound in sectors such as energy, commodities and financials as sector specific fundamentals improve, equities generated positive returns in 2017. Equities have also been supported by their relatively attractive valuations compared to bonds and cash. Recent evidence of improved flows into equity funds is also supportive of equity markets while the recent fiscal stimulus announced in the US also underpins the improvement in growth.

Uncertainties remain however and continue to provide a potential overhang on markets with political tensions in the US and Europe potentially giving rise to some uncertainties. While rhetoric around trade restrictions has eased significantly compared to the time of the US Presidential election campaign, recently there have been some signs of renewed focus on the implementation of measures which could negatively impact trade, specifically in relation to renegotiations of the NAFTA agreement and investigations into alleged violation of US intellectual property rights by China and the provision of state aid and support to the aluminum sector. These potentially could have negative repercussions on US/Sino trade. In Europe, the Catalonian independence issue, the failure to form a coalition in Germany, the upcoming Italian election and the formation of governments less supportive of French President Macron's call for greater EU integration have also created unease among investors.

Other issues could also potentially negatively impact markets. These include valuations being full in absolute terms, the ongoing reduction in monetary policy support from global central banks through 2018, potential global political risks most notably related to tensions in North Korea, ongoing uncertainty over the impact of Brexit, potentially slower growth in China in coming quarters and possible upward pressure on global bond yields all potentially limiting the upside in equity markets over coming months.

Given the above, bouts of volatility in markets are possible at some point in coming months. Nevertheless, following the 20% gains in local currency terms in global equities in 2017, we expect gains of mid to high single digits being possible in 2018. The eventual path of US policy, global growth and earnings and developments in the various risk factors will determine if and how markets vary from this potential return path with sudden or extreme moves possibly presenting investors with opportunities to enhance returns at some points in coming months.

Bond Outlook

Global and European sovereign bond yields generally hit new all-time lows immediately after the Brexit referendum in July 2016. Since then global bond yields have drifted higher on the back of improving global growth since the middle of 2016, a rise in inflation due to the base effects of higher oil prices and expectations of reduced levels of policy accommodation from global central banks.

This trend towards higher yields was exacerbated by Donald Trump's election as US President. The expectation of a boost to US and global growth through fiscal stimulus contributed to a further rise in inflation expectations and hence higher yields. US 10 year Treasury yields were 2.41% at the end of December, rising from their lows of earlier in 2017 as the Fed has reaffirmed its commitment to tightening interest rates on the back of low unemployment levels and the further underpinning of growth by the recently agreed fiscal stimulus package.

Political developments and ECB activity will determine whether peripheral bonds can outperform core bonds in the Eurozone over the medium to long term. Our base case is that despite periods of political uncertainty in coming months including the Catalonian independence issue and Italian general election, ultimately these will pass without any systemic risk being posed to the EU or Euro and with continued, although a reduced level of ECB bond buying over the course of 2018 and the continued search for higher yields, peripheral spreads against Germany can narrow marginally from current levels.

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