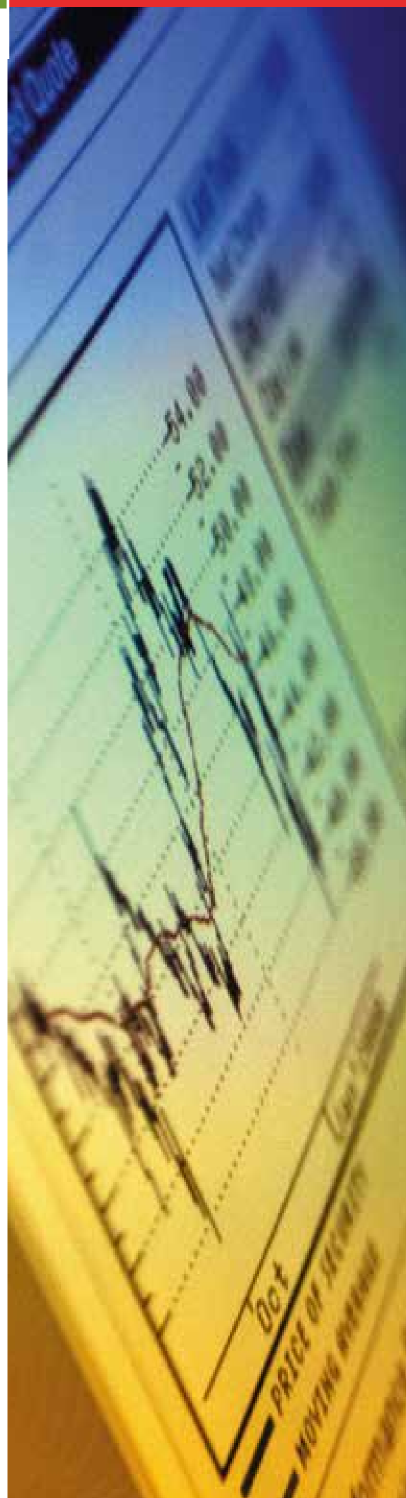
July 2017

Summit Mutual Funds

Second Quarter 2017



Markets

Both global equities and Eurozone bonds rose during the quarter although the strength of the Euro resulted in returns from global equities being negative in Euro terms over the period. Equities were supported by the solid economic and earnings backdrop which were features across all regions. While hard economic activity data continued to lag the very strong sentiment surveys, the improving trend in underlying economic activity levels across the global economy compared to recent years were clearly evident, particularly in Europe. The UK was a notable exception with a slowdown in economic activity associated with the impact of Brexit. The generally positive economic backdrop in turn contributed to strong growth in global earnings which underpinned global equity markets.

Political developments and central bank policies were also key influences on markets during the quarter. Investors were relieved at the election of Emmanuel Macron as French President although political controversies in the US relating to continued speculation over possible collusion between Russia and the Trump campaign during the US Presidential election unsettled markets on occasions. Tensions in Syria and North Korea also led to some uncertainty during the quarter. The outcome of the UK general election with the Conservatives failing to maintain their majority also created new uncertainties over the potential outcome of Brexit negotiations.

Central Bank rhetoric was somewhat mixed during the quarter but there was a noticeable shift to a more hawkish stance towards quarter end with many central banks indicating that monetary policy is likely to become less accommodative in the coming months and quarters

The Eurozone > 5 year sovereign bond benchmark rose 0.8% during the quarter despite German 10 year yields rising to 0.47%. The positive benchmark returns were driven by French and peripheral spreads narrowing during the quarter following the easing of political concerns post the French Presidential election and the expected delay in the Italian general election until early 2018. French 10 year spreads against Germany had fallen back to 34bps by quarter end while Spanish and Italian spreads had narrowed to 107bps and 169bps respectively.

The Euro was strong, rising from 1.065 to 1.1426 against the US$ on the easing of European political concerns, speculation over tighter ECB monetary policy and political controversies in the US which contributed to a weaker dollar.

Commodities fell -5.4% (-11.4% in €) with WTI oil falling -9.3% as inventory levels rose on the back of the continued rise in US shale oil production and higher levels of oil production in Libya and Nigeria.

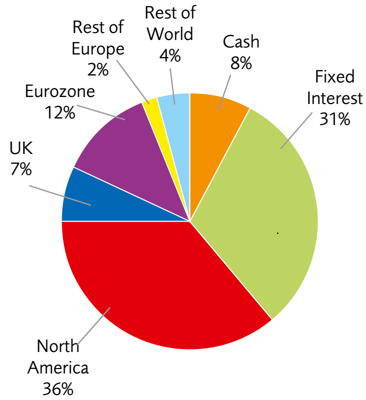
Summit Balanced Fund

Review

During the quarter we bought **Priceline** in Q2 2017 after monitoring the business for a long time. Priceline's main business is Booking.com, which is the world's leading Online Travel Agent or OTA. Booking.com is essentially a booking engine that enables people to book hotel rooms online.They may process in the region of 650m hotel nights this year. The economics of the transaction are fairly simple: the customer pays the hotel in cash after they stay and the hotel pays Booking.com a 15% commission 30 days later. At a forward FCF/EV of almost 5%, if Priceline can grow room nights at double digits for the next 3-5 years this is an attractive proposition.

Equity Sector Distribution	%
Financial	21.85%
Telecomms & Technology	20.26%
Pharmaceuticals	12.32%
Consumer Cyclicals	9.37%
Consumer Staples	7.63%
Energy	7.26%
Industrial Commodities	7.06%
Capital Goods	6.05%
Industrial Services	5.40%
Utilities	2.80%

Top 10 holdings	%
Owens Inc	2.40%
DCC	2.10%
CRH	1.94%
Berkshire Hathaway	1.88%
Leucadia Natl	1.78%
Oshkosh Truck Corp	1.66%
Johnson & Johnson	1.43%
Federated Invs	1.32%
Nike	1.32%
Microsoft	1.31%



Bid/Exit price at 30/06/17 213.00

***Past Performance**
1 Year – 6.35
2 Years – 4.81
5 Years – 9.41
10 Years – 3.32

Source Moneymate ©

Summit Growth Fund

Review

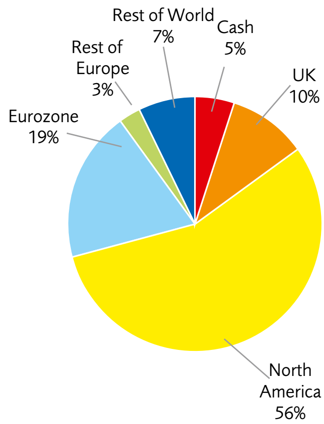
During the quarter we purchased **Harley Davidson** who make and finance iconic, premium-priced motorcycles globally. Harley has a fantastically-loyal customer base that feels very much part of a family. Harley Davidson has a c.50% + market share of large cruiser and touring bikes in the US (its main market), with Honda its nearest competitor and there are only 5-6 credible competitors in total. The business generates very decent returns on capital and management is sound.

We have our concerns, as always. Front and centre is the risk that Harley's current aging rider population won't be replaced. Bike riding is significantly more dangerous than driving a car and today's youth are more interested in screen time than the open roads. They are also looking to grow their appeal with women (c.10% of unit sales), as well as continuing to grow internationally (c.40% of unit sales.

We believe the market is likely paying insufficient attention to the company's quality factors in its current valuation and the downside in adverse scenarios should be manageable. However, in recognition of the risk we are wrong, we have made this stock a modest weighting in the fund for now.

Equity Sector Distribution	%
Financial	22.04%
Telecomms & Technology	20.60%
Pharmaceuticals	12.06%
Consumer Cyclicals	9.58%
Consumer Staples	7.77%
Energy	7.08%
Industrial Commodities	6.81%
Capital Goods	5.88%
Industrial Services	5.33%
Utilities	2.85%

Top 10 holdings	%
Owens Inc	3.58%
DCC	3.14%
Berkshire Hathaway	2.94%
CRH	2.90%
Leucadia Natl Corp	2.80%
Oshkosh Truck	2.46%
Johnsons & Johnson	2.23%
Federated Inv Inc	2.15%
Nike	2.09%
Microsoft	2.05%



Bid/Exit price at 30/06/17 223.30

***Past Performance**
1 Year – 12.39
2 Years – 6.48
5 Years – 12.81
10 Years – 2.59

Source Moneymate ©

Summit Global Leaders Fund

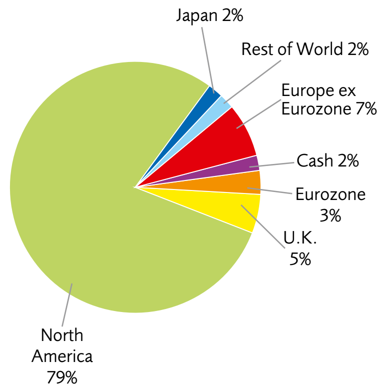
Review

The second quarter was a mixed bag for equities. The Energy sector was notably weak as the oil price fell back on oversupply concerns. The Healthcare and Technology sectors saw better performance. In the case of the former, rhetoric on US drug pricing has abated since the Presidential election last year. The latter benefited from strong results from a number of bellwether names during the period.

Samsung, the Korean technology company, was up 16.4% in the three months to the end of June. Results for the first quarter were strong. Pricing remains very positive in semiconductor memory chips, the mobile business is helped by the positive launch of the Galaxy 8 smartphone and the Consumer Display division is seeing market share gains. Share buybacks have also helped drive the share price higher.

Equity Sector Distribution	%
Technology	32.58%
Pharmaceuticals	14.22%
Financial	13.45%
Consumer Staples	10.85%
Energy	9.23%
Consumer Cyclicals	8.76%
Telecomms	6.29%
Capital Goods	4.62%

Top 10 holdings	%
Apple	7.35%
Microsoft	5.14%
Amazon	3.84%
Johnson & Johnson	3.51%
Exxon Mobile	3.45%
Facebook	3.40%
JP Morgan	3.33%
Berekshire Hathaway	3.30%
Nestle	2.81%
Alphabet Inc	2.76%



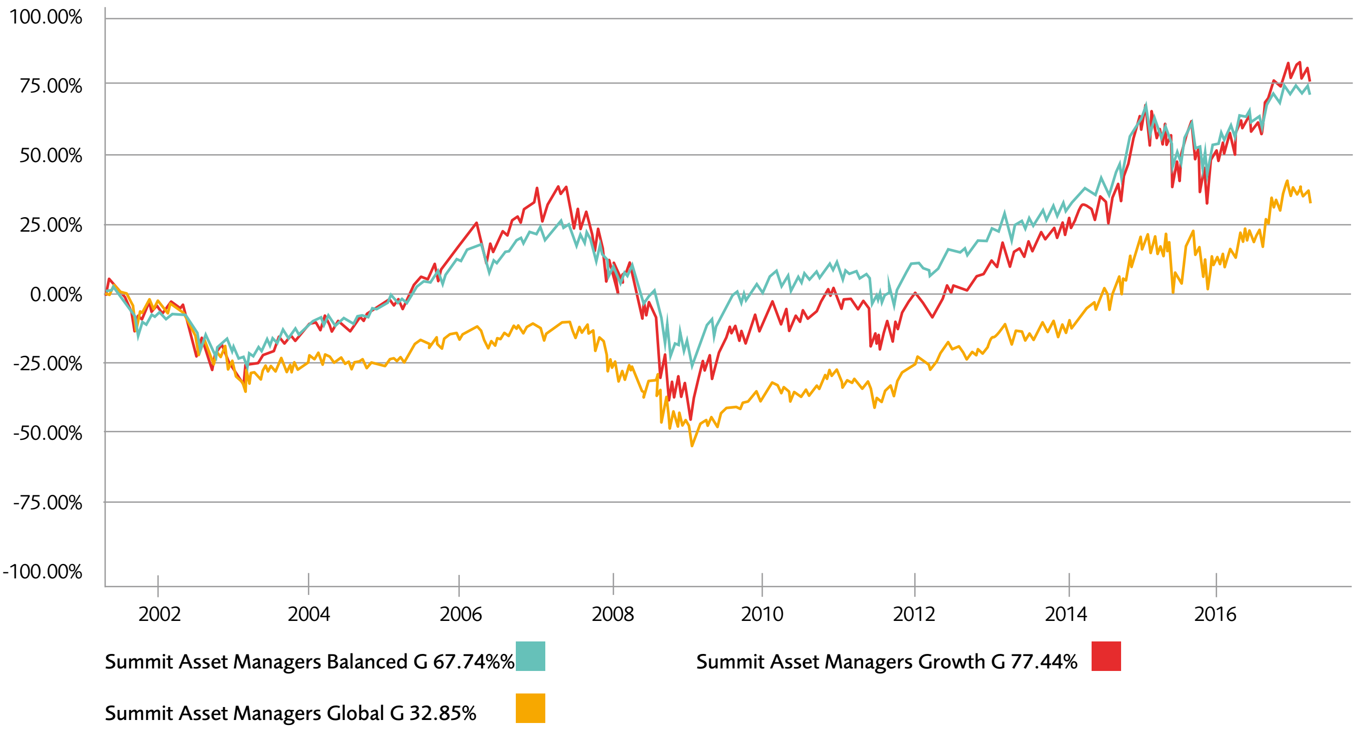
Bid/Exit price at 30/06/17 168.50

*Past Performance	
1 Year	– 13.30
2 Years	– 7.87
5 Years	– 11.59
10 Years	– 4.04

Source Moneymate ©

Fund Performance

Performance Report - Performance - 04/05/2001 to 30/6/2017



Equity Outlook

An improving global economic and earnings backdrop in recent months has supported equity markets year to date.

Global economic data has been stronger than expected in recent months suggesting global growth in 2017 can move towards the top end of the 2.5/3% range which has been in place since the current recovery began in 2009. With an expected recovery in global earnings due to this improving growth backdrop and an earnings rebound in sectors such as energy, commodities and financials as sector specific fundamentals improve, equities are expected to generate positive returns in 2017, especially as equities remain relatively attractive on a valuation basis compared to bonds and cash. Recent evidence of improved flows into equity funds is also supportive of equity markets.

Uncertainties remain however and continue to provide some overhang on markets. There is still a lack of clarity regarding policy proposals in the US both on the fiscal and trade front. Rhetoric around trade restrictions however has eased significantly compared to the time of the US Presidential election campaign and combined with relatively positive meetings between the US and other global trade partners, the likelihood of significant trade restrictions being introduced which could disrupt global trade and growth has been reduced. On the other hand, it also appears increasingly difficult for President Trump to introduce his fiscal stimulus proposals over the time frame and scale he would like and thus the potential boost to growth from these policy announcements also appears to have been reduced.

Other issues could also potentially negatively impact markets such as valuations being full in absolute terms, the expected reduction in monetary policy support from global central banks in 2017 and beyond, potential political risks in Europe over the course of the year, ongoing uncertainty over the impact of Brexit, potentially slower growth in China in the second half of 2017 and possible upward pressure on global bond yields all possibly limiting the upside in equity markets over the course of the year.

Given the above, volatility is likely to remain a feature in markets through 2017. Following the high single digit gains in local currency terms in global equities year to date, we expect further upside of low single digits in global equities over the remainder of the year. The eventual path of US policy, global growth and developments in the various risk factors will determine if and how markets vary from this potential return path with sudden or extreme moves over the course of the remainder of the year possibly presenting investors with opportunities to enhance returns at various points in the second half of the year.

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