April 2013

Summit Investment Funds

Quarterly Review

Investment markets made a positive start to the year, particularly equities with more modest gains evident in bonds. The resolution of the US fiscal cliff at year end removed uncertainty and provided an early boost as did improving global economic news flow with the notable exception of Europe. Global central bank monetary support remained in place with expectations of increased stimulus in Japan and the possibility of additional measures also in the UK while the current pace of asset purchases is likely to be maintained in the US for at least most of 2013, despite debate within the Federal Reserve as to when and how it should begin to be reduced. Significant positive inflows into equity funds and a pick up in M&A activity provided further support. Developments in Europe such as the inconclusive Italian general election and moves to place a levy on bank deposits as part of the Cypriot bailout package led to uncertainty and concerns over the pace of progress in terms of addressing the Eurozone sovereign debt crisis but not enough to destabilise global markets as the Dow Jones Industrial Average and S&P 500 hit new all-time highs in the US.

Over the quarter, the FTSE© World equity benchmark rose 8.9% in local currency (9.8% in €) with Japan gaining 21.2% (14.5% in €) while the US rose 10.7% (13.7% in €). Despite the uncertainties in Europe, equities there rose 5.5%. Eurozone bond markets were up 0.4% as German 10 year yields fell to 1.29% as investors moved back to safe haven assets following developments in Italy and Cyprus. Over the quarter, Italian 10 year yields rose 24bps to 4.68% while Spanish yields fell 17bps to 5.06%. Following strength early in the quarter, the Euro fell to 1.284 against the US dollar on the news flow from Italy and Cyprus.

The global economy showed improving momentum through the quarter, particularly in the US where distortions caused by Hurricane Sandy and the fiscal cliff negotiations had led to a dip in growth in the fourth quarter. The US housing market continued to strengthen, the labour market showed further improvement while consumption proved to be far more resilient than many had expected despite some elements of tax increases in the quarter. The Chinese economy also maintained the recovery evident since the previous quarter as exports, industrial production, retail sales and Purchasing Managers Indices (PMI) all remained strong and consistent with GDP growth of over 8.0% in 2013 despite some seasonal weakness around Chinese New Year. Japan also began to show signs of stabilisation with retail sales and output returning to positive growth while business and consumer sentiment also showed significant improvement. In a global context, Europe was a notable exception where economic releases continued to remain weak. While business sentiment surveys had continued to improve through January and February, suggesting a recovery might be evident by the second quarter, all these surveys reversed again through March indicating that the European economy would continue to lag with a modest recovery likely in the second half at the earliest.

In relation to monetary policy, in the US minutes from the Fed meetings gave rise to concerns over the possible early withdrawal of monetary stimulus as members debated the benefits and costs of quantitative easing and discussed when and how asset purchases under QE3 should begin to be reduced. The Fed Chairman, Ben Bernanke however eased investors concerns by emphasising the maintenance of an easy monetary bias and indicating that further substantial improvement in the labour market was required before any reduction in the rate of monthly purchases would be justified with the extent of progress in terms of meeting its economic objectives determining the pace of asset purchases. This suggests purchases will be maintained at a level of $85bn per month for at least most of the remainder of 2013. In Japan, the Bank of Japan agreed to a doubling of its inflation target to 2% and the new governor vowed to consider all monetary policy options to achieve this target. With the new governor only chairing his first meeting in April, the expectation through the quarter was that significant new policy initiatives would be announced, superseding the earlier announcement of an open ended asset purchase programme of Y13trn per month beginning in January 2014. The equity market rallied in expectation of the boost to growth from the monetary stimulus and the Yen fell to 94 against the US$. In the UK, comments from the Bank of England governor designate, Mark Carney, who is due to take over in June, suggesting greater flexibility when setting monetary policy and the move by two additional members of the committee to vote for an increase to the current level of asset purchases, both point to possible further easing by the Bank of England, particularly if the economic outlook remains sluggish as it has done in recent months. In Europe, the ECB has been reluctant to reduce interest rates further but the recent deterioration in economic news flow increases the likelihood of additional action in coming months.

Summit Balanced Fund

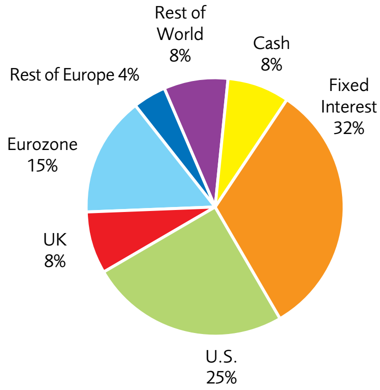
Review

Stocks which were bought during the quarter included **Coach**, the US luxury brand retailer, after a quarterly earnings miss provided a compelling entry level. This retailer has a strong brand, significant US market share and is growing rapidly overseas. **Coach** is highly profitable and is in a strong financial position, allowing share buybacks and dividend growth.

Stocks which were sold included MasterCard, Danske Bank, DNB, the Norwegian bank.

Equity Sector Distribution	%
Capital Goods	24.1%
Financial	12.7%
Consumer Staples	11.8%
Telecoms & Technology	10.5%
Pharmaceuticals	9.4%
Consumer Cyclicals	8.9%
Energy	8.7%
Industrial Commodities	6.9%
Industrial Services	4.2%
Utilities	2.8%

Top 10 Holdings	%
CRH	1.03%
Ryanair	0.82%
Kerry Group	0.81%
HSBC	0.78%
Exxon Mobil	0.74%
Nestle	0.68%
Novartis	0.62%
Shell	0.61%
Apple	0.58%
AT & T	0.57%



Bid/Exit price at 31/3/2013
230.00

***Past Performance**
1 Year – 10.59
2 Years – 6.75
5 Years – 3.03
10 Years – 4.55

Source Moneymate ©

Summit Growth Fund

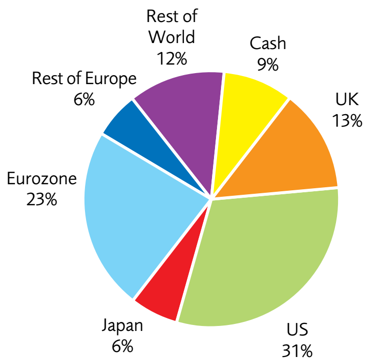
Review

During the quarter **EMC Corp**, the enterprise storage company, was purchased as their strong technology position and medium-term growth prospects are not fully reflected in the current valuation. We believe EMC will continue to growth revenues at an impressive rate and a mix shift to software will drive margin expansion, delivering double digit earnings growth. Canadian banks **Toronto Dominion** and **Royal Bank of Canada** were also bought given their strong franchises and visible earnings profiles combined with healthy balance sheets.

Stocks which were sold included Pepco Holdings, Southern Company and two US electric utilities.

Equity Sector Distribution	%
Consumer Goods	18.4%
Consumer Staples	12.2%
Financial	12.7%
Telecom & Technology	10.4%
Pharmaceuticals	9.3%
Energy	8.6%
Industrial Commodities	7.4%
Consumer Cyclicals	8.8%
Industrial Services	6.2%
Capital Goods	5.9%

Top 10 Holdings	%
CRH	1.64%
Ryanair	1.29%
Kerry Group	1.24%
HSBC	1.18%
Exxon Mobil	1.11%
Nestle	1.02%
Novartis	0.93%
Apple	0.88%
Shell	0.88%
Aryzta	0.86%



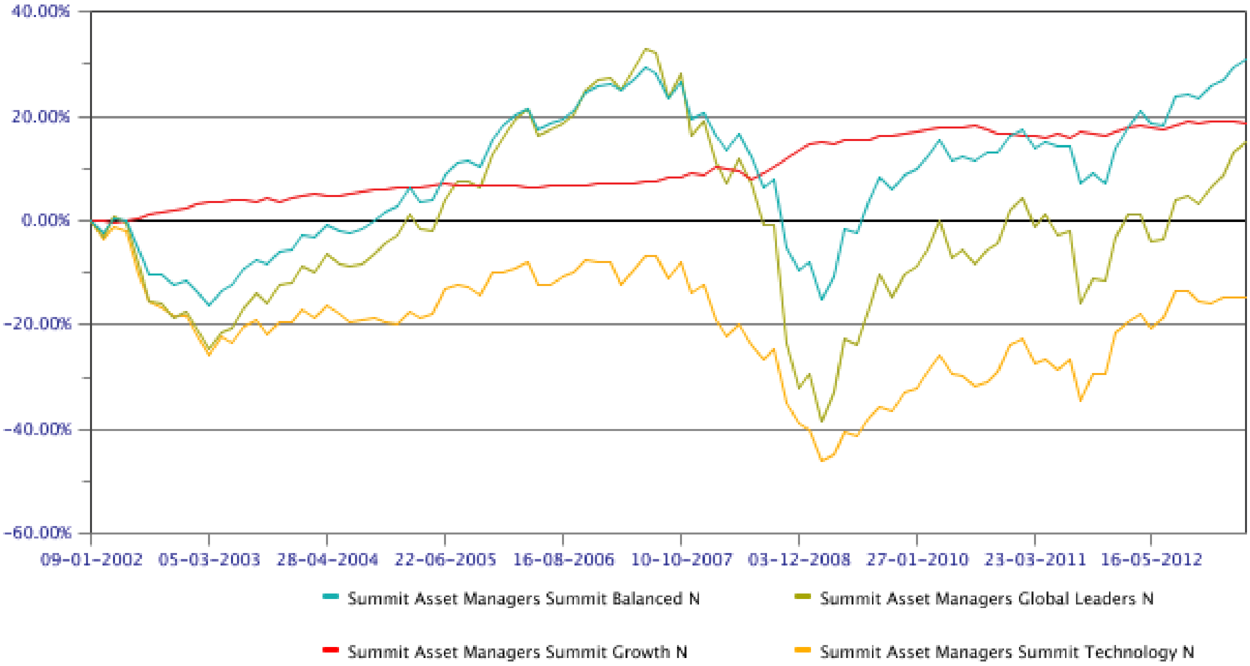
Bid/Exit price at 31/03/2013
238.90

***Past Performance**
1 Year – 13.85
2 Years – 6.93
5 Years – 1.70
10 Years – 4.29

Source Moneymate ©

Fund Performance

Performance Report - 01/01/2001 to 01/04/2013



Investment Outlook

While economic growth is likely to remain modest compared to levels evident pre the financial crisis, the outlook should improve over the course of the year. The level of global monetary stimulus, the increasing signs towards the end of 2012 that global final demand was improving and the rise in the global ratio of new orders to inventory levels should boost production levels and be supportive of an improving global economy in 2013. The US economy has improved since the middle of 2012, supported by strengthening housing and labour markets although early indications in the second quarter suggest an easing in the pace of growth compared to the first three months of the year. In China, fears over a hard landing have receded as key economic indicators have improved in recent months indicating growth should pick up going through the year. In Japan where growth has been weak, there have been some recent signs of stabilisation in economic trends. The government has announced a fiscal stimulus package while the Bank of Japan has also agreed to a new 2% inflation target and has announced a significant open ended asset purchase programme. Europe remains the main exception in terms of the economic outlook, remaining in recession and the recent reversal in business sentiment surveys suggest the previously anticipated recovery in the second quarter will be delayed until the second half of the year at the earliest. The overall improving global economic backdrop should be positive for equity markets.

In terms of the European sovereign debt crisis, significant progress has been made since the middle of 2012. The announcement of a bond buying programme by the ECB has significantly lowered yields in peripheral markets to levels where they can fund themselves in the market place. The agreement by the Troika of a new debt sustainability path for Greece and new fiscal targets has removed the threat of a Greek exit from the Euro and its potential negative consequences. The agreement to appoint the ECB as the central regulator for Eurozone banks by March 2014 is a further sign of the greater co-operation and integration across Europe which is adding to the improvement in financial stability across the region. The significant reduction in tail risks in Europe has made the region more investable again although recent events such as the inconclusive Italian election and the placing of a levy on bank deposits over €100,000 as part of the Cypriot bailout have given rise to new concerns and highlight that progress will slow and uneven at times.

Global central banks have been providing significant monetary support, most notably in the US where the third Quantitative Easing (QE3) programme was launched by the Federal Reserve and was added to in December as another asset purchase programme, Operation Twist ended on 31st December. While there is some internal debate at the Federal Reserve as to when quantitative easing should end, it is likely to remain in place for at least most of 2013 at a rate of $85bn per month which should continue to support equity markets and the economy. In Japan, the Bank of Japan has agreed to a doubling of its inflation target to 2% and announced a significant increase in the level of asset purchases, committing to buying longer dated bonds, doubling its monetary base, buying Y7trn gross assets per month and buying equity funds and property assets. In the UK, the Bank of England had backed away from further monetary stimulus in late 2012. Comments from the governor designate however suggesting more flexibility in the setting of monetary indicate further easing might be forthcoming when he assumes the role in mid-2013 while even before his arrival, additional members in the Bank of England monetary policy committee are already voting for increases in the levels of asset purchases. The ECB has been reluctant to provide additional stimulus as it saw policy as already being accommodative and financial market conditions having improved since the announcement of its bond buying programme. The recent reversal in business sentiment surveys however suggests that additional measures will be forthcoming from the ECB in coming months with both conventional (interest rate cuts) and unconventional policy measures being considered.

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