

Summit Investment Funds

Quarterly Review

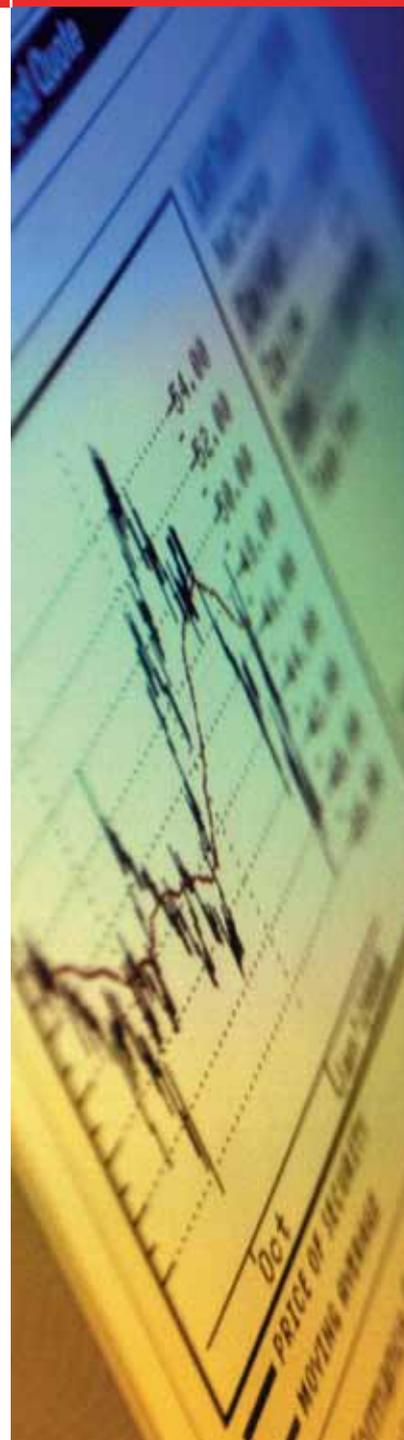
The fourth quarter was positive for investment markets with both equities and bonds providing solid gains. Improving momentum in the key economies of the US and China, combined with continued provision of monetary support by global central banks and on-going reduction of tail risks across Europe supported markets. There was a period of volatility immediately post the US Presidential election relating to uncertainty over negotiations on the 'fiscal cliff' issue in the US but as confidence grew that an eventual resolution would be found, markets steadied and continued to make progress towards year end. Over the quarter, the FTSE World equity benchmark rose 3.3% in local currency (0.5% in €) with Japan leading among major markets, rising 17.6% (3.2% in €) followed by Europe which rose 6.3% (6.2% in €) and the Pacific Basin which gained 4.4% (2.9% in €). The US lagged given the uncertainties surrounding the 'fiscal cliff', falling -0.2% (-2.6% in €). European bond markets were up 4.4% as yields fell in both core and peripheral markets, the latter benefiting from the earlier announcement of a bond buying programme by the ECB. The Euro also continued to benefit from policy initiatives to resolve the sovereign debt crisis and rose to 1.318 against the US dollar.

Markets continued to move higher early in the quarter as economic data continued to surprise positively in the US and the already abundant global monetary stimulus was further added to with the Bank of Japan again increasing its level of asset purchases, something it had done in three of the last four months of the year by the end of December in response to the weaker domestic economy. US equities however began to lag a little towards the end of October as earnings forecasts for 2013 were downgraded by about 1% through the earnings reporting season and the increasingly tight Presidential election led to some uncertainty and concerns over the upcoming negotiations on the 'fiscal cliff' which related to the expiration of tax breaks and implementation of automatic spending cuts which if allowed to fully go through could have taken up to 4% off 2013 GDP.

In November, immediately after President Obama was re-elected, equity markets fell sharply as the requirement to find a resolution to the 'fiscal cliff' prior to year end came more sharply into focus. At the same time there were concerns in Europe that the Troika support package for Greece could unravel given disagreement between members of the Troika over the framing of fiscal targets for Greece. Ultimately, a compromise was reached providing Greece with an acceptable path towards debt sustainability and targeting a debt/GDP level of 124% by 2020 and substantially below 110% by 2022. The new package included interest rate reductions or temporary suspension of interest payments on loans, an indirect redistribution of ECB profits on Greek bond holdings back to Greece and a buyback of Greek debt at a third of its issue price. This added further to the sense of increasing stability across Europe as the threat of a Greek exit from the Euro was substantially reduced. The agreement to appoint the ECB as the central regulator of Eurozone banks by March 2014 added to the belief that the European crisis was at last being properly addressed, all of which contributed to the on-going fall in peripheral yields across Europe.

Encouraging statements from political leaders in the US had suggested a resolution to the fiscal cliff would be found which supported a rebound in markets through December, but a partial compromise was only reached on the last day of the year which maintained tax reductions for approx. 99% of the population but only delayed spending cuts for two months while discussions will be held to address the longer term fiscal budget deficit and debt ceiling issues being faced by the US. The outcome of the partial resolution is that the negative impact on GDP in 2013 was reduced from the worst case outcome of -4% to around -1%.

During the quarter, financials outperformed as the announcement of the ECB bond buying programme continued to lower peripheral bond yields, helped to reopen bank funding markets and generally removed some of the tail risks across Europe. In the US, the bank sector was strong following broker upgrades of the sector on expectations of higher dividends and buybacks post the anticipated passing of capital stress tests in March. Stocks also saw earnings upgrades on an improving housing market, benefiting loan volumes and credit costs while investment banking operations also performed well. Cyclical sectors such as consumer discretionary stocks and industrials also outperformed as the global economy showed signs of improving. Energy stocks lagged as oil prices were flat to marginally down as Saudi Arabia committed to keeping prices low. The technology underperformed given stock specific weakness in some large cap stocks. Telecom stocks underperformed as prices and revenues are under pressure across the sector.



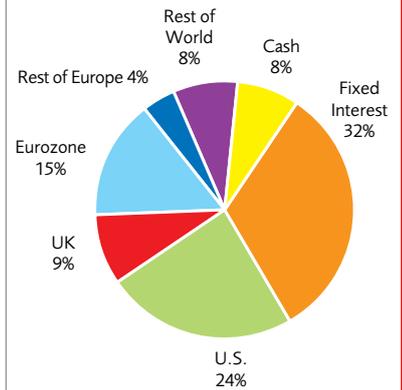
Summit Balanced Fund

Review

Stocks which were bought over the quarter included Meggitt, which manufactures aerospace equipment, sensors and combat systems. The company offered an attractive valuation in light of higher organic growth potential and is seeing high single digit growth in civil aircraft equipment due to order backlogs and increasing content on new aircraft platforms. The company is the sole source supplier on a number of key defence related platforms which are not expected to be impacted by automatic spending cuts scheduled to reduce the US budget deficit.

We also added to the position in MetLife, the US life insurance company. The company was trading at very attractive valuation levels and has been held back by delays in disposing of its banking operations. This disposal is expected to be completed shortly which should remove the requirement for MetLife to be subject to capital stress tests which are regularly carried out on US banks and which to date have led the company to hold excess capital which it has been unable to return to shareholders. When banking activities have been sold, capital is expected to be returned to shareholders and return on equity should improve.

Equity Sector Distribution	%	Top 10 Holdings	%
Capital Goods	23.4%	CRH	0.94%
Financial	13.5%	HSBC	0.85%
Consumer Staples	11.0%	Apple Computers	0.76%
Telecomms & Technology	10.3%	Exxon Mobil	0.75%
Consumer Cyclical	9.4%	Kerry Group	0.72%
Pharmaceuticals	9.1%	Ryanair	0.71%
Energy	9.1%	Shell	0.65%
Industrial Commodities	7.5%	IBM	0.6%
Industrial Services	3.7%	Microsoft	0.60%
Utilities	3.0%	Nestle	0.58%



Bid/Exit price at 31/12/2012
220.80

***Past Performance**
1 Year - 12.01
2 Years - 4.50
5 Years - 0.86
10 Years - 3.74

Source Moneymate ©

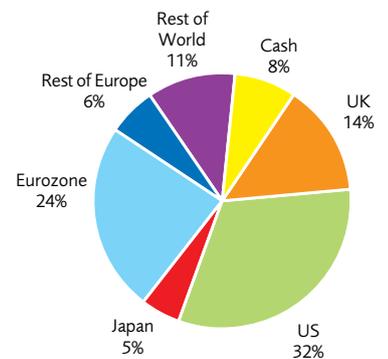
Summit Growth Fund

Review

Stocks which were bought during the quarter include Humana, which offers insurance products and health and wellness services, was also bought. There is a significant growth opportunity driven by the growing 65+ population and increased private healthcare penetration which is at 27% currently. There is a margin recovery opportunity in 2013 from re-pricing, clinical investment and selling, general and administration spending in 2012. The company has a strong balance sheet and has limited exposure to the threat of the negative commercial risk underwriting cycle.

Aetna, a health care benefit provider was also purchased. The valuation was attractive for a high return business while recent acquisitions provide growth opportunities. Synergy targets from its acquisition of Coventry Health appear very achievable with good revenue opportunities also available. There is potential for significant share buybacks while healthcare reform proposals do not appear to be problematic for the company.

Equity Sector Distribution	%	Top 10 Holdings	%
Capital Goods	23.5%	CRH	1.54%
Financial	13.4%	HSBC	1.30%
Consumer Staples	11.1%	Ryanair	1.14%
Telecomms & Technology	10.0%	Exxon Mobil	1.13%
Consumer Cyclical	9.6%	Kerry Group	1.12%
Pharmaceuticals	9.1%	Apple	1.08%
Energy	9.0%	Shell	0.96%
Industrial Commodities	7.6%	Microsoft	0.92%
Industrial Services	3.6%	IBM	0.92%
Utilities	3.0%	Nestle	0.89%



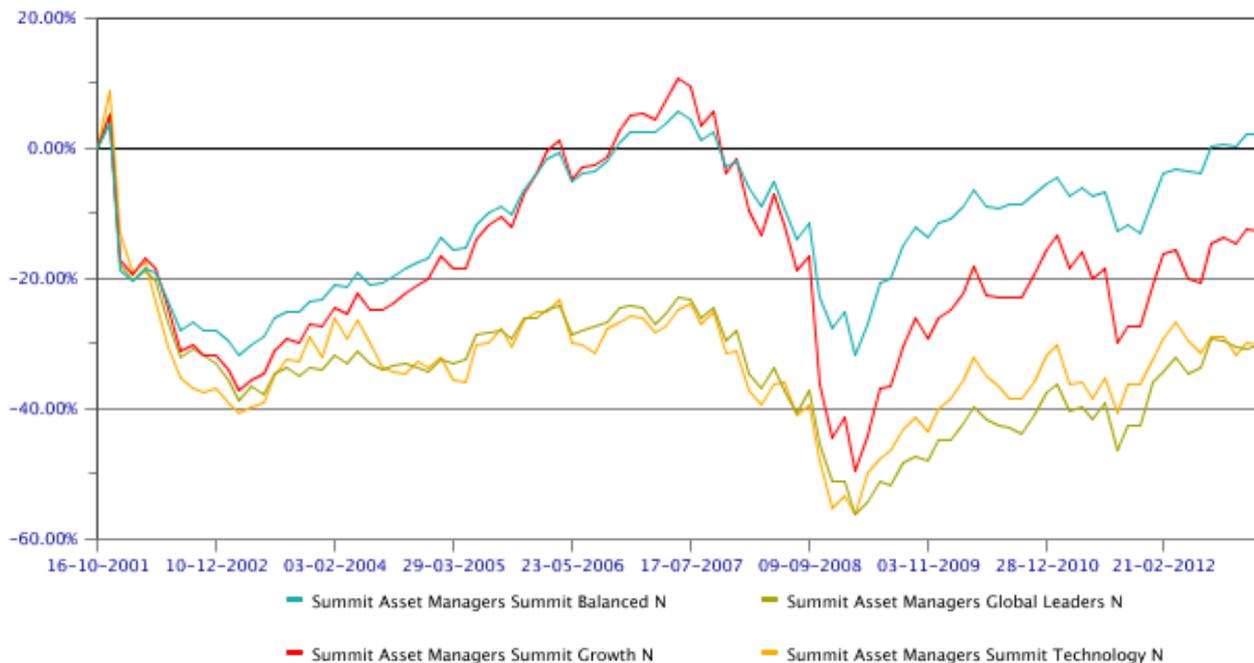
Bid/Exit price at 31/12/2012
219.30

***Past Performance**
1 Year - 13.48
2 Years - 2.80
5 Years - -2.25
10 Years - 2

Source Moneymate ©

Fund Performance

Performance Report - 16 October 2001 to 01 January 2013



Investment Outlook

Looking into 2013, 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. In China, fears over a hard landing have receded as key economic indicators have improved in recent months indicating growth should pick up again going into the new year. Even in Europe where recent economic data has been disappointing, business sentiment surveys have been improving while in Japan where growth has been even weaker, there have been some very tentative signs of stabilisation in economic trends while additional stimulus is expected following the election of the LDP party on a pro-growth fiscal and monetary policy mandate. The improving global economic backdrop should be positive for equity markets.

In terms of the European sovereign debt crisis, significant progress has been made in recent months. 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 recent 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.

Global central banks have increased monetary stimulus in recent months, 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, as the new government proposes to double the Bank of Japan's inflation target to 2%, further monetary stimulus is expected. In the UK, the Bank of England has apparently backed away from further monetary stimulus given inflation is not expected to be below the 2% target until the second half of 2014 and uncertainty over the level of spare capacity in the economy. Comments from the governor designate however suggesting the use of nominal GDP targets, forward looking language and numerical thresholds when setting monetary policy, suggest further easing might be forthcoming when he assumes the role in mid-2013. The ECB has been reluctant to provide additional stimulus as it sees policy as already being accommodative, financial market conditions having improved and business survey indicators displaying recent strength which are expected to slowly feed through to the real economy. The market consensus however is that the ECB will reduce interest rates further in 2013, particularly as inflation is forecast to be well below the ECB's 2% target level.

Overall, investment markets should continue to benefit from the supportive policies of global central banks and moves to reduce the tail risks across Europe. Improving economic momentum is also supportive while equity markets remain attractive on valuations terms even after recent gains. Markets however will remain sensitive to political and economic news flow which could cause some negative surprises from time to time but overall equity markets should continue to move higher while Eurozone bonds are likely to provide modestly positive returns through the year.

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