Janaury 2016

Summit Investment Funds

Fourth Quarter Comment 2015

Investment markets rebounded in the fourth quarter following the sharp losses in equities the previous quarter on the back of concerns regarding the growth outlook in the Chinese economy. A greater level of comfort among investors relating to the growth prospects for China in particular but also the global economy contributed to the recovery in markets during the recent quarter. Expectations of additional monetary stimulus from central banks and greater expressions of confidence by the US Fed in the US domestic economy also supported markets.

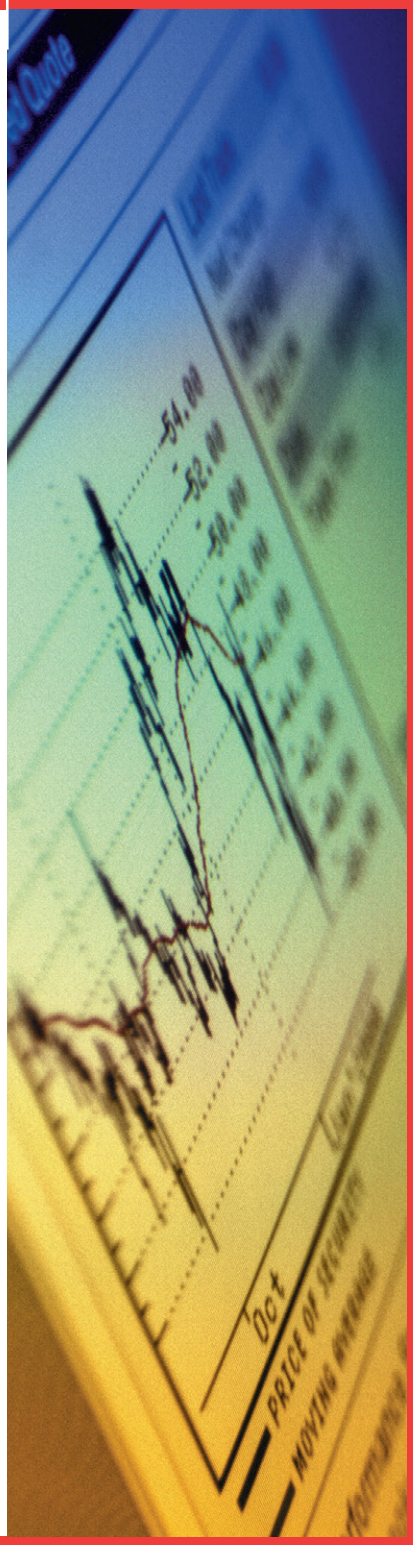
Bonds generated more modest gains, having already made positive returns during the third quarter and were supported by continued sovereign bond purchases by the ECB and narrowing of peripheral spreads against Germany.

Through the fourth quarter, Chinese economic data began to stabilise, easing fears which had been evident during the third quarter regarding the possibility of a hard landing in the Chinese economy and potential negative consequences for the global economy. While there was still a general belief that official GDP releases overstate the level of growth in the Chinese economy, more reliable indicators suggested growth levels are still running somewhere around 5/6%. While this is slower than growth in recent years, it is still running at relatively strong levels, sufficient to prevent negative spill overs to the global economy. During the quarter, the Chinese authorities cut interest rates again which also improved sentiment towards the economy.

Markets were also supported by increasing expectations of additional monetary stimulus from the ECB. At the October meeting the ECB indicated it would probably need to increase the level of accommodation it was providing given perceived downside risks to growth and inflation. In the build up to the December policy meeting, expectations grew regarding the scale of the measures the ECB would announce which supported both bonds and equities. Ultimately the ECB disappointed relative to these expectations which contributed to weakness in markets in December.

In its October meeting, the US Fed was much more confident and upbeat regarding the outlook for the US economy, dropping previous references to concerns regarding the impact of slowing growth in emerging markets on the US economy. It suggested it would raise interest rates at the December meeting which it subsequently did. The Fed's expression of confidence in the economic backdrop contributed to improved investor sentiment and gains in equity markets.

Global economic data was somewhat mixed during the quarter but generally improved, particularly from November onwards. Most notable in this regard was the strength in the US labour market and continued recovery in sentiment surveys in Europe. This general improvement in economic news flow relative to the growth fears which had been evident in the third quarter also supported markets.



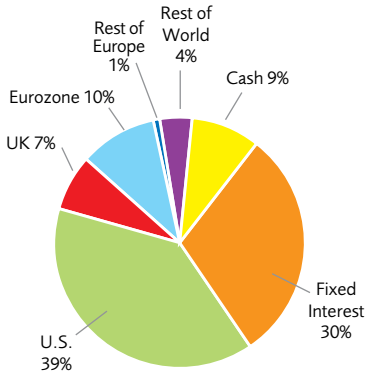
Summit Balanced Fund

Review

During the 4th quarter, the fund became an owner of **Hewlett Packard** Enterprises. This came about when **Hewlett Packard**, an existing fund holding, split itself into two parts – HP Inc., comprised of Hewlett's legacy / mature businesses such as PCs and printers, and **Hewlett Packard** Enterprises, the group's faster growing enterprise-focused hardware and software divisions. In theory splitting up doesn't create any value for shareholders, but management felt that the investors were under-valuing the group's sum-of-the-parts. We agree about the undervaluation, though it remains to be seen whether splitting into two helps in rectifying the situation.

Equity Sector Distribution	%
Financial	21.60%
Technology & Telecomms	19.57%
Pharmaceuticals	11.96%
Energy	11.27%
Consumer Cyclicals	11.26%
Consumer Staples	7.85%
Industrial Commodities	5.85%
Industrial Services	4.63%
Capital Goods	3.16%
Utilities	2.85%

Top 10 holdings	%
DCC	2.08%
Berekshire Hathway	1.86%
CRH	1.82%
Owens Inc	1.77%
McDonalds	1.71%
Fairfax	1.66%
Johnson & Johnson	1.52%
Federated Inves	1.47%
Leucadia Corp	1.45%
Markel Corp	1.42%



Bid/Exit price at 31/12/2015
273.20

***Past Performance**
1 Year – 3.37
2 Years – 7.14
5 Years – 6.15
10 Years – 2.88

Source Moneymate ©

Summit Growth Fund

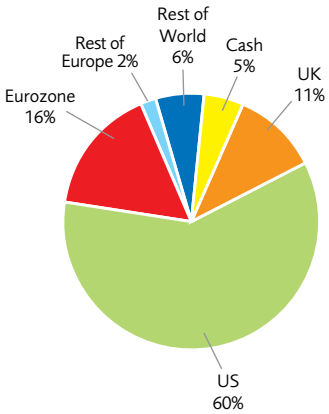
Review

During the middle of 2015 **Liberty Global** issued a tracking stock, Lilac, to existing shareholders. Lilac will track Liberty's faster growing LatAm media assets. While these are currently limited in scope (and thus the fund's exposure to Lilac is tiny), it is likely that Lilac will be used as an acquisition vehicle for consolidation of media assets in the Latin American / Caribbean region and eventually spun out of the group.

We sold out of Contango Oil & Gas in the final quarter, though its weight had been reduced throughout the year.

Equity Sector Distribution	%
Financial	21.49%
Technology & Telecomms	19.33%
Pharmaceuticals	12.11%
Consumer Cyclicals	11.42%
Energy	11.19%
Consumer Staples	8.03%
Industrial Commodities	5.70%
Industrial Services	4.77%
Capital Goods	3.17%
Utilities	2.79%

Top 10 holdings	%
DCC	3.40%
Berkshire Hathaway	2.89%
CRH	2.73%
Owens Inc	2.69%
McDonalds	2.68%
Fairfax Financial	2.59%
Johnson & Johnson	2.40%
Leucadia Natl Corp	2.23%
Federated Inv	2.22%
Nike Inc	2.18%



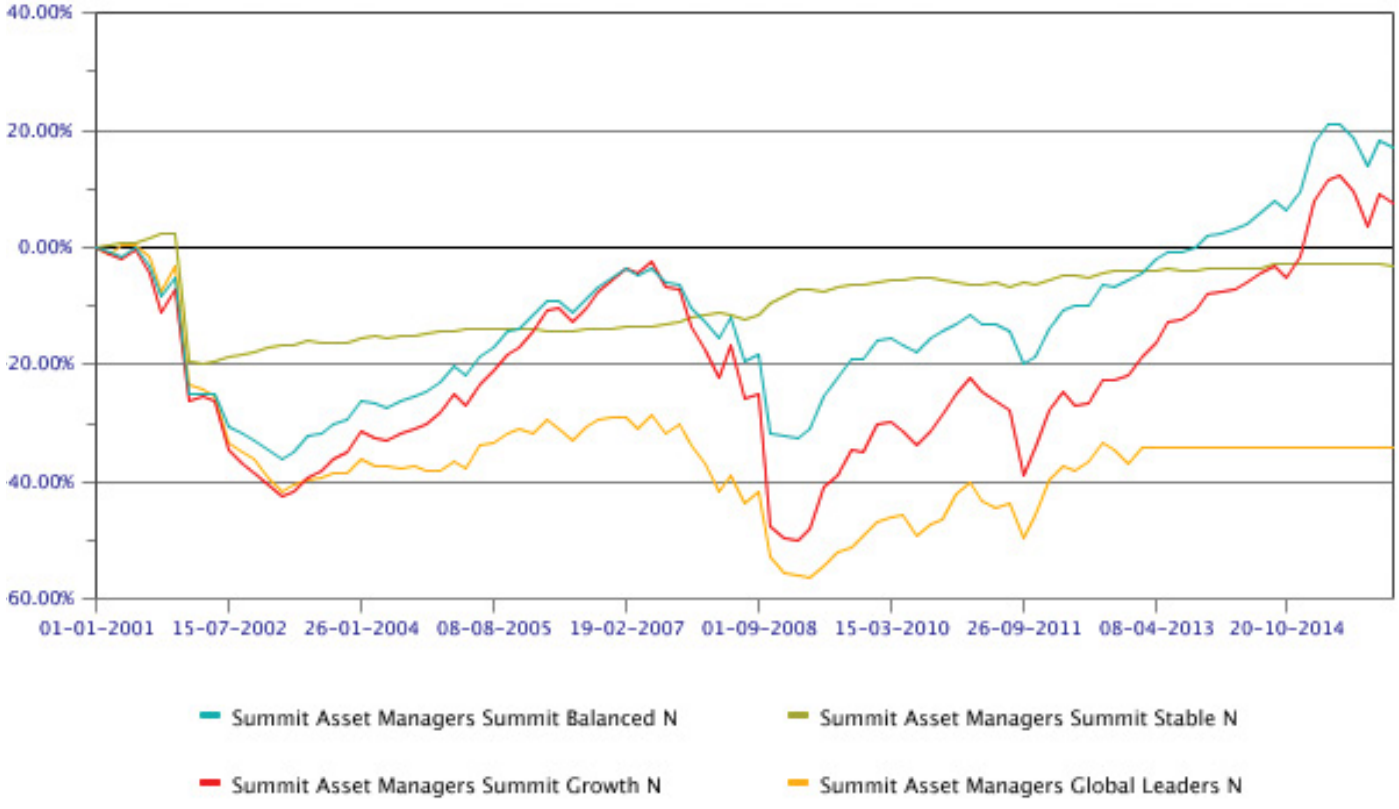
Bid/Exit price at 31/12/2015
300.30

***Past Performance**
1 Year – 4.70
2 Years – 8.06
5 Years – 7.54
10 Years – 2.38

Source Moneymate ©

Fund Performance

Performance Report - Performance - 01/01/2001 to 01/01/2016



Presented by: MoneyMate Limited
The figures shown are based on the following:
Local Currency, Offer to Offer, Gross income re-invested on Ex-dividend date
Past performance is not necessarily a guide to future performance; Unit prices may fall as well as rise

Equity Outlook

Equity markets continue to be supported by a number of factors. Fundamentals in terms of a positive economic growth backdrop, despite growth being modest, and rising earnings are supportive of equities. Our belief is that concerns related to the growth outlook in China and its possible contagion to the global economy are overdone. Equity valuations are close to fair value in absolute terms based on long term average valuations but are extremely attractive relative to other asset classes such as bonds and cash given the low absolute yields available on these assets. The economic, inflation and interest rate backdrop are supportive of current valuation multiples.

Monetary policies remain accommodative with global central banks' balance sheets continuing to expand even after the ending of QE3 in the US. Interest rates have remained lower for longer than they historically have at this stage of the cycle, facilitated by ongoing low levels of inflation. Even in markets where interest rates have begun to rise or are expected to do so, notably the US and UK respectively, the rate tightening cycles are expected to be much more gradual than has been the case previously. The ECB has extended its asset purchases by at least six month to March 2017 with additional stimulus possible in the future if downside risks to inflation persist. While the Bank of Japan appears reluctant to increase monetary stimulus at present, it could do so at some stage in 2016.

Flows into equities have generally been positive in recent years, notwithstanding outflows during the recent turmoil in markets. They are expected to remain positive over time given switching by investors into what is seen as an attractive asset class which should continue to benefit from improving fundamentals and better growth prospects. Corporate managements remain disciplined and maintain a focus on shareholder value which should also be supportive of equity markets.

Given the strong rally in equities in recent years, with absolute valuations being around fair value and with earnings growth of only 7/8% expected next year, gains in equity markets could be more modest in 2016 than in recent years, Returns from global equities of single digits are expected in 2016 with less scope for gains being boosted by a weaker Euro which has already fallen significantly over the last eighteen months. Markets have become more volatile over the last 12/15 months and perceived risks of deflation all could potentially give rise to periods of anxiety and increased volatility in markets from time to time.