July 2014

Summit Investment Funds

Quarterly Review

Markets

Markets were strong during the quarter with solid gains in equities. Central banks generally remained committed to maintaining accommodative monetary policy, even as QE3 tapering continued. The US Fed justified the maintenance of low interest rates on continued slack in the labour market, a slower housing recovery and global geo political concerns. An unexpected pick-up in inflation was described by the Fed as 'noise', easing fears of early rate rises.

ECB commentary became increasingly dovish through the quarter as inflation remained low and culminated in a number of policy announcements in June which included a reduction in rates to historic lows. Policy guidance from the Bank of England was more mixed and having indicated earlier in the quarter that rates would remain low for some time, there were suggestions in June that rates could rise later in 2014.

Global economic data was somewhat mixed over the period. While weakness in the first quarter in the US proved to be much greater than expected, data through Q2 pointed to a strong rebound. UK releases remained strong and Chinese data began to stabilise while the negative impact in Japan from the sales tax rise appeared to be less than feared. A positive US corporate earnings season led to marginal upgrades to 2014 and 2015 earnings forecasts, supporting equity markets. Tensions in Ukraine and Iraq gave rise to some uncertainties and contributed to the gains in bonds.

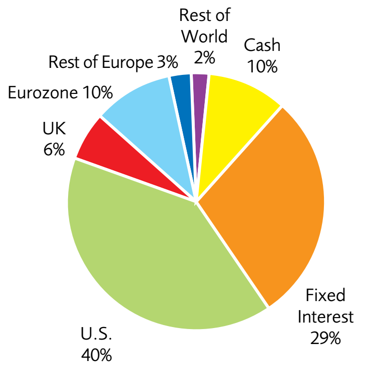
During the quarter sector performance was somewhat mixed. Energy stocks outperformed on higher oil prices following tensions in Iraq. Technology stocks were strong given their sensitivity to improving economic news flow and evidence of increasing corporate IT spend. Utilities also outperformed given their yield attractions in an environment of lower sovereign bond yields. Financials lagged as large fines were imposed on some banks as regulatory enforcement increased. Telecom stocks underperformed on increasing competition and price pressures while consumer discretionary stocks also underperformed.

Summit Balanced Fund

Review

During the quarter Molson Coors gained 27%, as stronger than expected Q1 earnings and recent press reports suggesting further M&A in the global beer industry could lead to full consolidation of the Miller Coors US joint venture.

Oil majors, **ENI** gained 13% and **Total** rose 12% as both benefited from good Q1 results, improving earnings momentum, greater capital discipline and attractive dividend yields.



Top 10 Holdings	%
OWENS-ILLINOIS INC	1.92%
BERKSHIRE HATHAWAY	1.69%
JOHNSON & JOHNSON	1.37%
TESCO	1.36%
SYSCO CORP	1.36%
MICROSOFT CORP	1.19%
MCDONALD'S CORP	1.14%
CRH ORD	1.13%
LEUCADIA NATL CORP	1.12%
NIKEY INC	1.09%

Bid/Exit price at 30/06/2014

247.20

***Past Performance**

1 Year – 8.86
2 Years – 8.39
5 Years – 7.57
10 Years – 3.60

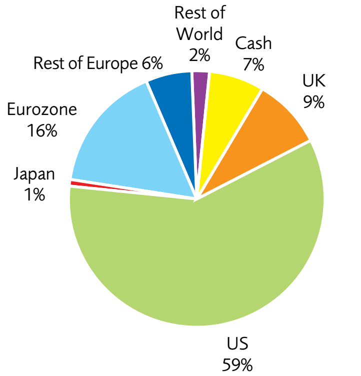
Source Moneymate ©

Summit Growth Fund

Review

The Utility sector also rallied as bond yields fell and peripheral spreads narrowed. The Industrial Services sector was also strong. Banks, Capital Goods and Consumer Cyclicals were the weakest sectors.

The market reacted favourable to **Energizer's** gained 22% announcement to split the business into two publicly quoted companies, separating the structurally challenged Household Products business (batteries) from the growing Personal Care business.



Top 10 Holdings	%
OWENS-ILLINOIS	2.97%
BERKSHIRE HATHAWAY	2.61%
JOHNSON & JOHNSON	2.12%
TESCO ORD	2.10%
SYSCO CORP	2.09%
MICROSOFT CORP	1.84%
MCDONALD'S CORP	1.76%
CRH ORD	1.75%
LEUCADIA NATL	1.74%
NIKEY INC	1.69%

Bid/Exit price at 30/07/2014
266.40

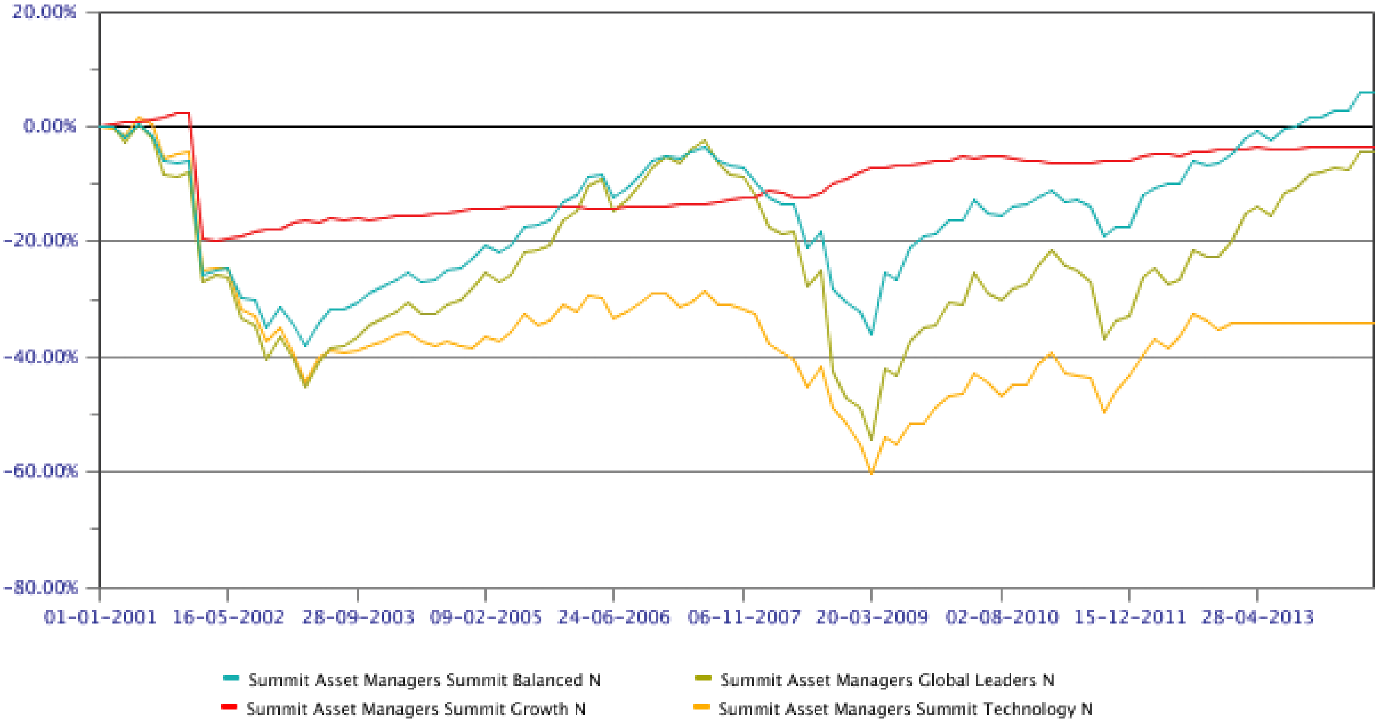
***Past Performance**

1 Year – 13.34
2 Years – 14.08
5 Years – 10.98
10 Years – 3.30

Source Moneymate ©

Fund Performance

Performance Report - 01/01/2001 to 01/04/2014



Investment Outlook

Overall, equity markets should continue to benefit from the supportive policies of global central banks and moves to reduce the tail risks across Europe. Global economic momentum should continue to improve through 2014 and be supportive of equity markets. Equities remain attractive on a valuation basis both in absolute terms, where we believe multiples have scope to move higher given where we are in the investment cycle but particularly relative to other asset classes, even after gains since the middle of 2012.

Markets however will remain sensitive to monetary policy developments and to political and economic news flow as evidenced by the impact of developments in Ukraine. The situation in Ukraine remains fluid although we do not expect any further escalation. Similarly, while militant activity in Iraq has contributed to a rise in oil prices, southern oil reserves in Iraq do not appear to be at immediate risk and so any sustained rise in oil prices which might threaten global growth appear unlikely at present.

In relation to monetary policy, despite beginning to reduce the level of asset purchases under QE3, the commitments by the Fed and other central banks to maintain interest rates at low levels for an extended period underpins equity markets.

While the UK is closer to raising rates than other developed markets with a rate rise in late 2014 now discounted by the market, this is still data dependent. The improving economic backdrop which contributed to the decision to begin to taper QE3 should also be positive for equities and help offset the negative impact of reduced monetary support. Over 2014 as a whole, global equities could rise between 5/10%.

Bond Outlook

In early 2014 global bond yields fell given tensions and stresses related to emerging markets and Ukraine, slower economic growth which was partly weather related, continued low levels of inflation, a belief that the neutral level of interest rates was now lower than in the past and expectations for and the eventual announcement of additional monetary stimulus by the ECB.

As global and European growth slowly improve from the earlier slowdown, German 10 year yields could rise towards 1.5/1.75% over the remainder of the year. However with inflation expected to remain well below the ECB's 2% target in coming years, with ECB interest rates unlikely to rise for a number of years, upside in yields beyond this level is probably limited for the time being.

Greater upward pressure is expected in US and UK yields with US inflation surprising modestly to the upside and with earlier rate rises possible in the UK as growth momentum is stronger in both regions than in the Eurozone. As result, the spread between German yields and other core global bond yields such as US and UK could continue to widen.

The policy initiatives announced by the ECB and the improving economic news flow in peripheral markets could also enable peripheral bond spreads against Germany to continue to narrow over the remainder of the year.

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