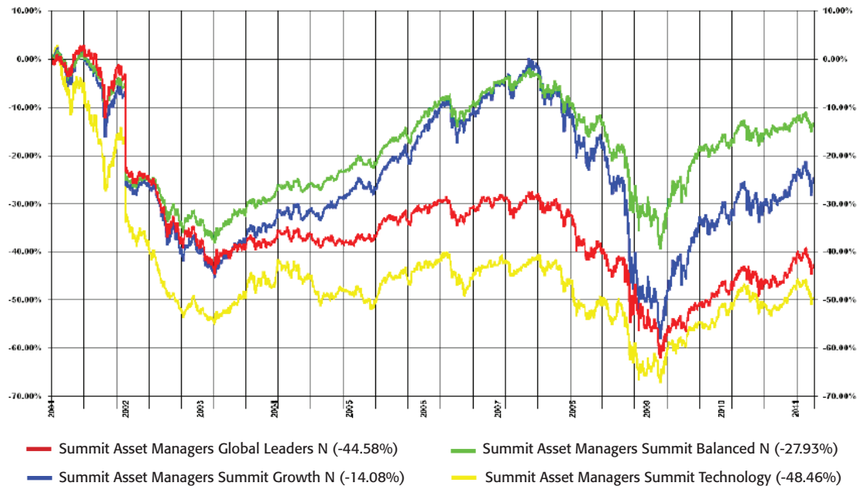
Fund Performance

Performance Report - 01 January 2001 to 01 April 2011



Investment Outlook

Although the economic outlook has remained robust there are significant headwinds facing equity investors over the coming weeks that could lead to a continued increase in equity market volatility. Despite this, we also consider that the undemanding valuations as well as our conservative expectations that earnings can grow by 10% in 2011 will push equity markets modestly higher during the year.

Business confidence in the US and Europe is currently close to record high levels implying that the global economic recovery is well in tact. However at these levels, we are concerned that business confidence may weaken and hence negatively impact equity markets in the near term. Most notably in Europe we are concerned that the strength of the currency may negatively impact the robust export led recovery that has been evidence over the past eighteen months. Elsewhere the recent surge in oil prices may also hamper the purchasing power of consumers and could result in some weakness in the domestic economies in Europe and the US in the second and third quarter of 2011.

Elsewhere central bank tightening is gathering momentum. This has been evident in the emerging economies since the latter quarter of 2011; however the ECB increased interest rates in April, which was well ahead of expectations at the start of the year. It is likely that the Bank of England will follow in the second half of 2011. At the start of previous tightening cycles, equity markets volatility has tended to increase.

Analysts are expecting that earnings in the US will grow by 16% in 2011, however it is possible that this estimate is too high. Already there are concerns that the first quarter reporting season will disappoint expectations as companies may be limited in passing on the increase in input prices to consumers, given the lacklustre economic environment this was already evident in the Europe during the fourth quarter reporting season, where companies reported strong revenue growth but disappointing margins. As a result we expect earnings growth of 10% in Europe and the US in 2011.

As equity market valuations are reasonable at the moment, it is likely that prices will increase in line with earnings growth for the year. However continued volatility is likely as the on going risks associated with high public and private debt levels as well as rising commodity prices, geopolitical concerns and the unknown impact of the nuclear uncertainty in Japan continue to play out.

31st March 2011

Summit Investment Funds

Quarterly Review

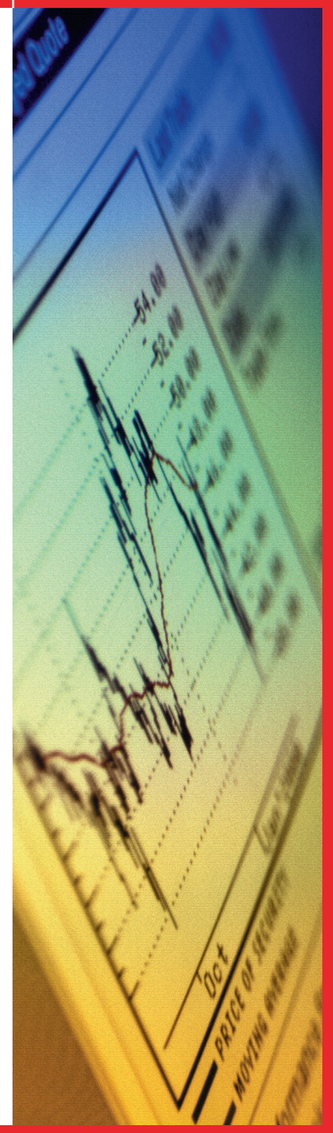
Markets

The first quarter proved to be a positive period for most major equity markets although markets did give up some gains in March following the devastating earthquake in Japan and rising tensions in the Middle East and North Africa. Markets began the year well as the US earnings season again surprised to the upside with results approx 6% ahead of forecasts while earnings in Europe also beat forecasts although by a smaller margin. Equities were also supported by confirmation that monetary policy would remain loose in the US and economic releases globally which continued to exceed expectations.

In Europe, markets and in particular financials, were buoyed by suggestions that a final resolution would be found to the sovereign debt issue which had hindered the region for the last year. The ECB also agreed to continue to provide liquidity at fixed rates to the European banking system. Markets sold off in early March with tensions rising in the Middle East as the number of protests and demonstrations against ruling regimes spread across an increasing number of countries and culminated in fierce fighting in Libya. Oil prices rose to a two and a half year high of $106.72bl giving rise to inflationary pressures and threatening the pace of global economic growth. The earthquake in Japan and resultant nuclear disaster at the Fukushima power plant gave rise to further uncertainty and caused supply disruptions across numerous industries, putting further downside pressure on growth expectations.

In Europe, while the size of the European Financial Stability Facility bailout fund to tackle the sovereign debt crisis was increased to €440bn and it was given the ability to buy primary bond issuance from stressed sovereigns, other improvements were not forthcoming and further clarification on the terms and workings of the support fund which had been expected before the end of March will not now be available until the summer, which disappointed markets. Portugal also appeared to move closer to applying for aid as the government fell when it failed to pass a further round of austerity measures in parliament.

In the US, there were mixed signals from various representatives regarding further loosening of monetary policy with some indicating that the current phase of Quantitative Easing 2 may not be completed while others have been more supportive of monetary policy remaining loose. Equity markets rallied over the last week or so of the quarter as there were signs of containment of the tensions in the Middle East while there were hopes that reconstruction efforts in Japan would lead to a rebound in growth in the second half of the year and into 2012 following weakness in the current quarter. Pre-announcement season ahead of results in the US was quiet, indicating there should not be too many surprises when companies begin to report in mid April.



Summit Balanced Fund

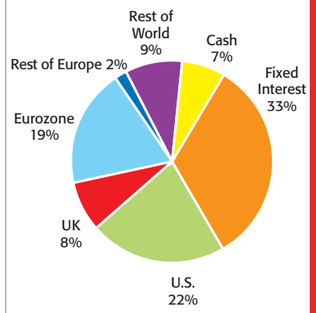
Review

Stocks which were bought during the quarter included **Morrison**, the UK supermarket operator. It was trading at a significant discount to Sainsbury despite a similar earnings progression and has a strong balance sheet with relatively low debt levels. **Enel**, the Italian utility was also purchased. It is one of the cheapest stocks in the sector, provides a visible earnings profile, operates in a market with higher than average prices which are seen as sustainable, has a strong balance sheet, healthy dividend and is likely to improve cash generation in the future.

Volvo was purchased given evidence of a sharp recovery in demand for trucks in the US. A demand recovery is also expected in Europe given the improving economic backdrop while cost savings in recent years should provide operating leverage as volumes recover. Strong cash flow generation should result in increased shareholder returns and the shares are attractively valued.

Equity Sector Distribution	%
Capital Goods	25.58%
Industrial	10.85%
Telecomms & Technology	10.52%
Financial	10.45%
Energy	10.12%
Consumer Staples	9.33%
Consumer Cyclicals	8.55%
Pharmaceuticals	7.74%
Insurance	3.63%
Utilities	3.23%

Top 10 Holdings	%
CRH	1.20%
HSBC	0.76%
Exxon Mobil	0.75%
Ryanair	0.72%
Shell	0.61%
Vodafone	0.61%
Novartis	0.59%
Total	0.59%
Texaco	0.58%
IBM	0.58%



Bid/Exit price at 31/03/2011
201.80

*Past Performance
1 Year – 0.69
2 Years – 14.88
5 Years – -1.17
10 Years – -1.19

Source Moneymate ©

Summit Growth Fund

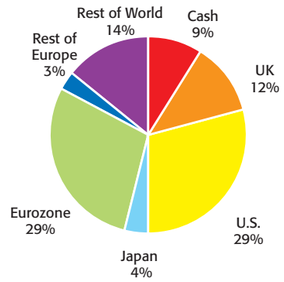
Review

Stocks which were bought during the quarter included **Philips Electronics** as it is well positioned to benefit from the structural change in the lighting industry due to regulatory changes requiring a move to LED from incandescent bulbs. We bought **Energias de Portugal**, the electric and gas utility. It operates with a supportive government which encourages additional capacity, has a resilient earnings profile with 60% of earnings from regulated assets and was attractively valued against peers and its own history.

We added to the position in **Citigroup** given the strong capital build in coming years which should lead to significant shareholder returns, the growth potential provided by its international operations and the benefits which should accrue from writing back the relatively large provisions it has taken as credit quality improves.

Equity Sector Distribution	%
Capital Goods	22.01%
Industrial	11.81%
Financial	11.00%
Telecomms/Technology	10.89%
Energy	10.73%
Consumer Staples	9.94%
Consumer Cyclicals	8.46%
Pharmaceuticals	8.02%
Insurance	3.80%
Utilities	3.33%

Top 10 Holdings	%
CRH	1.80%
HSBC	1.16%
Ryanair	1.08%
Exxon Mobile	1.08%
Total	0.91%
Vodafone	0.90%
IBM	0.90%
Novartis	0.90%
Kerry Group	0.85%
Aryzta	0.83%



Bid/Exit price at 31/03/2011
208.80

*Past Performance
1 Year – 3.94
2 Years – 25.49
5 Years – -3.71
10 Years – -2.49

Source Moneymate ©

Summit Global Leaders Fund

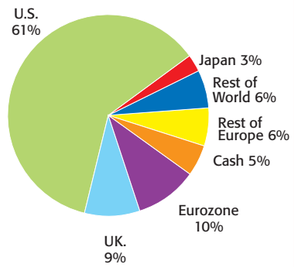
Review

During the quarter we added to the position in **Cisco** following recent underperformance after disappointing news on margins. It remains a leading provider of telecoms equipment and is expected to be able to fix its problems and capitalise on a strong product cycle.

Over the quarter, **Gazprom** rose 28.2% due to expected higher gas prices following higher oil prices due to tensions in the Middle East and an expected refocus away from nuclear based power stations and a switch to other fuels such as gas following the accident at the Fukushima plant in Japan. It also replaced supplies of gas to Italy which had previously been supplied through Libya but were disrupted given the turmoil experienced in the region. **Chevron** and **ConocoPhillips** gained 17.8% and 17.3% respectively as oil rose to $106.72bl.

Equity Sector Distribution	%
Technology	20.07%
Energy	19.97%
Pharmaceuticals	12.46%
Consumer Staples	12.27%
Financial	11.36%
Capital Goods	11.21%
Telecomms	7.39%
Industrial Commodities	2.29%
Consumer Cyclicals	1.80%
Utilities	1.17%

Top 10 Holdings	%
Exxon Mobile	5.17%
Apple Computers	4.06%
Microsoft	2.91%
IBM	2.60%
Nestle	2.59%
General Electric	2.56%
AT & T	2.52%
Procter & Gamble	2.52%
HSBC	2.47%
Johnson & Johnson	2.43%



Bid/Exit price at 31/03/2011
89.80

*Past Performance
1 Year – 2.82
2 Years – 17.22
5 Years – -4.13
10 Years – -5.27

Source Moneymate ©

Summit Technology Fund

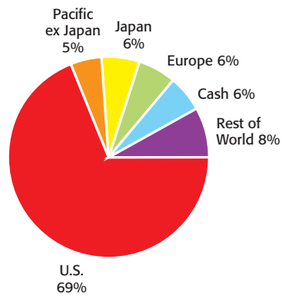
Review

Over the quarter the technology sector fell approx 4.5% in Euro terms.

During the quarter we added to the position in **Intel** following underperformance against the sector. The acquisition of **McAfee** should improve earnings given the importance of security in software offerings while the Infineon wireless acquisition should also be earnings accretive. The trend for software companies to re-write codes to take advantage of performance improvements in server hardware should benefit **Intel** as the shift to multi core processors improves. The stock was also trading close to the bottom of its five year range. We also added t o the position in **Microsoft**. The company is devoting significant resources to developing Windows 'Next' with details expected to be released later this year. Its cloud offerings have a significant lead in the market and a significant installed base of customers.

Over the three months, **EMC** the storage system provider rose 16.0%. Network storage is expected to enjoy strong secular growth and being one of the main players in this space, **EMC** is expected to capture much of this growth. **SAP**, the German software company gained 13.4% as sales beat forecasts and were the best in the company's history. It forecast profits growth of 16% for this year.

Top 10 Holdings	%
IBM	9.49%
Apple	9.34%
Microsoft	8.53%
Intel	5.40%
Samsung	4.68%
Oracle	4.61%
Hewlett Packard	4.38%
Cisco	4.36%
Google	4.28%
Qualcomm	4.13%



Bid/Exit price at 31/03/2011
74.80

*Past Performance
1 Year – -2.64
2 Years – 16.96
5 Years – -3.27
10 Years – -5.85

Source Moneymate ©