Investment Outlook

The risks to the economic recovery have increased in recent months, particularly as more countries take austerity measures which are likely to curb economic growth in the developed economies. This has been acknowledged by financial markets and has therefore resulted in increased volatility in bond, equity, commodity and currency markets as well as a notable flight to safer assets. As a result gold is trading close to record high levels, while AAA government bonds have also traded higher.

Leading indicators are being closely watched for signs that activity has slowed as a result of the austerity measures that governments are introducing. In the Eurozone and the US the business confidence surveys continue to point to growth, although there has been a modest decline in investor confidence in the Eurozone and consumer confidence in the US.

Elsewhere, economic growth in the developed world has become more broad based as economies become less reliant on government stimulus. For example first quarter US growth was driven by a boost in business spending, while in the Eurozone growth was buoyed by domestic demand. The labour markets in these regions, which are seen as lagging indicators are also stabilizing. There has been job growth in the US for the past five consecutive months, while employment in the Eurozone was unchanged in France, Germany and Spain in the first quarter. As a result many economic forecasters such as the IMF and OECD increased their forecasts for the global economy, which is now expected to grow by 4.4%, with the emerging economies continuing to drive growth.

The recovery has also been evident in companies' earnings reports, as companies noted a pick up in activity and were more positive about the outlook for the second half of 2010. However many companies in the US were unwilling to fully accept that a full recovery had begun given the high level of unemployment and subdued consumer sentiment.

The sell-off in equity markets and on going improvement in earnings has resulted in valuations improving to more attractive levels than seen in the first quarter of 2010. However volatility is likely to continue for investors as the risks to the recovery continue to play out and investors adjust to a lower growth environment as global economies rebalance from the financial crisis. More subdued returns for equity market than seen in 2009 are likely, with expectations somewhere between 0-10%.

If you have any further enquiries please do not hesitate to contact EBS Savings and Investments on 01 665 8027.

July 2010

Summit Mutual Funds

Quarterly Review

Markets

April began well with a very strong earnings reporting season in the US as almost 80% of companies beat expectations with profits up to 15% ahead of forecasts and sales almost 1% ahead. Earnings forecasts for the year were upgraded by about 4% post the reporting season. Markets reached their peak towards the end of April and began to sell off as concerns over increased regulation in the financial sector re-emerged. The SEC in the US charged Goldman Sachs with fraud in relation to disclosure of information related to a transaction involving mortgage assets which it helped structure. The bill to regulate and restrict banking activities was debated in both houses of Congress through the remainder of the quarter and gave rise to much uncertainty as proposals were continually amended and updated.

In Europe, it became apparent that the initial €45bn Greek support package was insufficient to deal with the fiscal difficulties. Greek bond spreads continued to widen versus German yields and fears of contagion led to widening spreads in other peripheral European markets. The agreement of a second and much larger package of €750bn to support other countries in Europe gave some temporary respite to markets but investors quickly began to focus on the negative economic consequences of fiscal tightening and austerity measures which will have to be introduced to reduce the level of government debt across Europe and elsewhere. Divisions among European leaders had become apparent during negotiations of the package and questions were raised about the future of the Euro. The package failed to calm fears over possible default in Greece and other countries such as Portugal, Spain, Ireland and Italy and bond yields continued to rise in these countries while they fell sharply in perceived higher quality markets such as Germany and the US. The Euro fell to its lowest level since 2006. Stresses began to appear in the financial sector again given banks holdings of sovereign bonds in the peripheral markets and concerns over potential write downs on these assets. Funding costs began to rise, particularly for banks in peripheral markets as wholesale markets began to tighten and become less accessible.

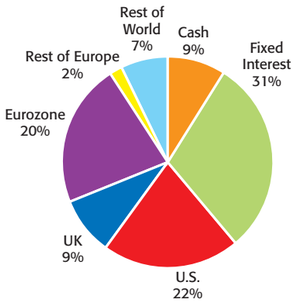
Markets attempted to rally again in early June as the credit rating agencies indicated they believed European banks would cope with write downs of bond holdings without needing to raise capital while China moved to facilitate the strengthening of the Renminbi, the Chinese currency, should ease global economic pressures. Credit and wholesale funding markets also began to stabilise. A number of weak economic data points in the US and China however give rise to renewed concerns over the level of growth in the second half of the year. A number of negative earnings guidance from US companies ahead of the July reporting season also contributed to the weakness in markets and overall earnings forecasts for the US market fell for the first time since last year. In Europe, sovereign debt concerns remained and bond spreads widened in peripheral markets as Greece was downgraded to below investment grade and Moody's announced a review of Spain's credit rating. Credit spreads generally began to widen again in the second half of June and bank funding conditions also got tighter despite European banks taking less funding from the ECB than expected.

Summit Balanced Fund

Review

Stocks which were bought during the quarter included **Citigroup** given its relatively cheap valuation against peers, its strong capital position which is set to improve and could enable significant buy backs at some point and exposure to growth markets outside the US, particularly in Asia, Latin America and the Middle East. Its internal targets suggest earnings forecasts in the market could be conservative while the franchise has performed better than expected following the turmoil of the financial crisis. Recent results surprised positively in terms of credit quality, costs and write backs on troubled assets.

Stocks sold included William Hill and Altria, the tobacco company which only operates in the US but which was formerly part of Philip Morris.



Equity Sector Distribution	%
Capital Goods	21.55%
Financial	12.01%
Industrial	11.81%
Consumer Staples	11.03%
Technology & Telecomms	10.56%
Pharmaceuticals	8.82%
Energy	8.58%
Consumer Cyclicals	8.20%
Insurance	3.85%
Utilities	3.58%

Top 10 Holdings	%
CRH	1.59%
HSBC	0.93%
Novartis	0.78%
Ryanair	0.72%
Kerry Group	0.63%
Aryzta	0.61%
Exxon Mobil	0.60%
Siemens	0.59%
IBM	0.57%
Microsoft	0.57%

Bid/Exit price at 30/06/2010
126.3

*Past Performance
1 Year – 15.63
2 Years – 0.97
5 Years – 0.01
10 Years – N/A

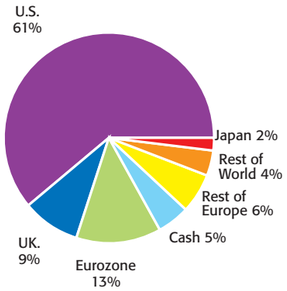
Source Moneymate ©

Summit Global Leaders Fund

Review

During the quarter we added to the position in **Apple** given the strong growth opportunities represented by new successful product launches. Over the quarter, Apple rose 7.0% as results were significantly ahead of expectations. Profits rose over 90% as i phone shipments doubled. Company guidance for second quarter sales exceeded consensus estimates while the CEO promised the launch of some extraordinary new products in the future. Subsequently, the i pad was launched, a cross between a laptop and smart phone.

We also added to the position in **BNP**, the French bank, as we believed it had been oversold on concerns regarding French banking industry exposure to Greece which in the case of BNP is actually minimal. The bank remains a well managed disciplined company with its domestic market being relatively defensive and secure.



Equity Sector Distribution	%
Telecomms & Technology	30.24%
Energy	17.40%
Pharmaceuticals	14.37%
Consumer Staples	12.57%
Capital Goods	10.81%
Financial	10.47%
Consumer Cyclicals	1.79%
Insurance	1.18%
Utilities	1.17%

Top 10 Holdings	%
EXXON MOBIL	4.36%
Apple	3.93%
Microsoft	3.17%
Procter & Gamble	2.84%
Johnson & Johnson	2.77%
General Electric	2.64%
Nestle	2.64%
IBM	2.62%
HSBC	2.57%
JP Morgan	2.46%

Bid/Exit price at 30/06/2010
80.00

*Past Performance
1 Year – 17.35
2 Years – -1.56
5 Years – -4.95
10 Years – N/A

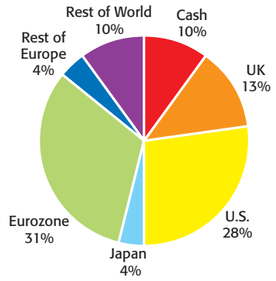
Source Moneymate ©

Summit Growth Fund

Review

Stocks which were bought during the quarter included **Philip Morris International**, the tobacco company which operates outside the US. It owns Marlboro, the leading global cigarette brand and its geographic exposure gives it superior sales growth to other tobacco companies. It is able to increase prices and is strongly cash generative and underleveraged with an attractive buy back programme and has been able to make attractive bolt on acquisitions. Litigation risks are reducing for the sector generally while the risks have been the greatest in the US to which Philip Morris is not exposed.

Kingfisher, the UK home improvement retail operator. The stocks valuation did not reflect the potential for a recovery in earnings, the potential for sales and profit growth through international expansion and cost saving opportunities from increased product commonality and direct sourcing. The company also offers a strong balance sheet and should be debt free by year end.



Equity Sector Distribution	%
Capital Goods	16.97%
Financials	12.82%
Industrial	12.00%
Technology & Telecoms	11.30%
Consumer Staples	11.16%
Consumer Cyclicals	9.90%
Pharmaceuticals	9.19%
Energy	8.83%
Utilities	3.95%
Insurance	3.88%

Top 10 Holdings	%
CRH	2.38%
HSBC	1.48%
Novartis	1.22%
Kerry Group	0.94%
Siemens	0.92%
Exxon Mobil	0.90%
Aryzta	0.89%
Ryanair	0.86%
IBM	0.85%

Bid/Exit price at 30/06/2010
112.80

*Past Performance
1 Year – 19.12
2 Years – -4.76
5 Years – -2.79
10 Years – N/A

Source Moneymate ©

Fund Performance

Performance Report - 01 January 2001 to 30 June 2010