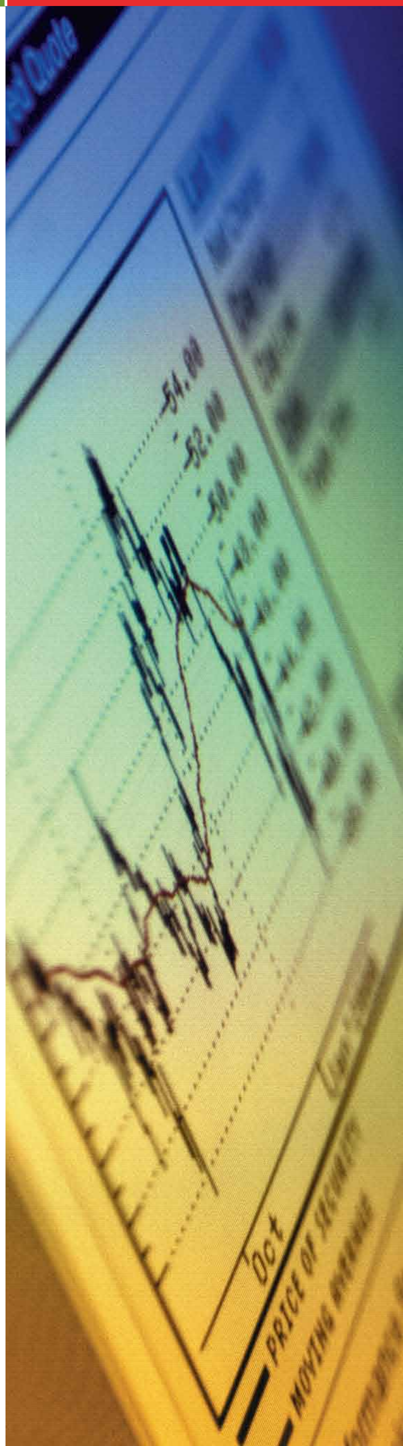
July 2012

Summit Mutual Funds

Quarterly Review



Markets

The second quarter of 2012 proved to be a volatile and negative period for equity markets. The positive effects of the Long Term Refinancing Operations quickly began to wear off as negative news flow in Europe continued. Slippage of fiscal deficit targets in Italy, official downgrades of Greek GDP forecasts, collapse of the Dutch government over budget disagreements and rising concerns over the true level of Spanish property prices and health of the Spanish banking sector led peripheral bond yields higher and equities lower. The crisis escalated to a new level as the first Greek election failed to result in the formation of a government and fears rose about an imminent Greek exit from the Euro and the possible contagion to other markets. Spain became the focus of attention following upward revisions to its fiscal deficit estimates while it became apparent that there were insufficient resources in the domestic economy to adequately recapitalise the banking sector if the full extent of property losses were recognised. Significant deposit outflows from Spanish banks were seen and the belief grew that Spain would be forced to accept a financial package.

Questions were raised about the level of funds available in Europe's rescue funds and whether they were sufficient to bail out both Spain and Italy if required. Political tensions between Europe's leaders were more evident as Francois Hollande was elected French President. France and others also pushed for the introduction of Eurobonds which would involve a sharing of the debt burden across Eurozone countries. This was contrary to Germany's and other core countries philosophy while further divides were highlighted as the ECB rejected Spain's funding proposals when it was forced to nationalise its fourth largest bank.

Markets became frustrated at the lack of progress on the policy front in Europe and Spanish ten year yields rose to new highs and spreads against Germany rose to the widest level since the creation of the Euro while the Euro itself fell to two year lows. In contrast, perceived safe haven markets such as German and US bonds continued to see inflows and ten yields fell to new all-time lows of 1.17% and 1.45% respectively. Volatility continued after the announcement of a €100bn package to recapitalise Spanish banks due to concerns over whether this was sufficient, what it implied for the Italian banks sector and whether Spain itself would require a full bailout programme. Tensions rose as Cyprus became the fifth European state to be forced to avail of a support package. Global economic data also began to deteriorate through the quarter, particularly in Europe and even spread to core markets such as Germany where manufacturing activity levels and business confidence fell sharply. Chinese data also indicated the economy was slowing more than expected and export orders suggested the outlook would remain soft.

Even the US which had proven to be relatively resilient saw signs of weakness across the labour market, consumer spending and confidence and regional manufacturing activity although the key housing sector did show some signs of stabilisation and small improvement. June proved to be a better month for equity markets as the second Greek election was conclusive and a coalition was formed which was committed to staying within the Euro and implementing the policies to restore fiscal discipline. The removal of the immediate risk of Greek exit was followed by growing hope that breakthrough policy initiatives would be forthcoming at the late June EU Summit. The eventual announcement of plans to enable the European Stability Mechanism to directly recapitalise banks rather than direct funds through the sovereign led to sharp gains on the last trading day of the quarter, with European markets in particular benefiting in the rally. Recognition by global monetary authorities of the slowing economic growth backdrop and official comment suggesting that further interest rate reductions and increased level of quantitative easing were likely in coming months also supported equity markets in the latter part of the quarter. The last trading day of the quarter also saw significant moves in European peripheral bond yields following the policy announcements in Europe as Spanish and Italian ten year yields fell to 6.25% and 5.79% respectively, although these were still higher than end March levels. Similarly, German and US ten year yields moved higher through June to finish at 1.58% and 1.64% respectively, although in contrast to European peripheral yields, these levels were lower than those at the end of the first quarter.

Summit Balanced Fund

Review

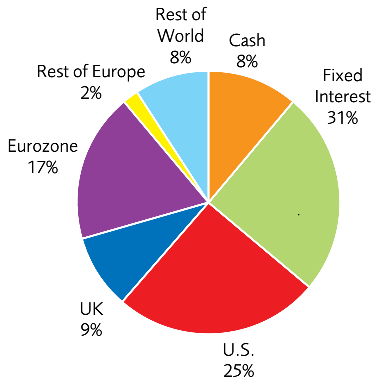
During the quarter we bought Berkshire Hathaway, the holding company managed by Warren Buffet with interests in a variety of activities, the largest one being insurance. The stock is trading at one of its lowest historic valuations and has $34bn of cash on the balance sheet which could be used for share buybacks if no alternative uses are found. It has significant capacity in its reinsurance operations and is set to benefit from improving property reinsurance rates.

Strong earnings growth is expected from its railroad, manufacturing, service, retail and utilities activities with very low intrinsic values being discounted for these operations in the current share price. McDonald's was bought after recent weakness in same store sales figures provided an opportunity as valuation levels fell to two year lows.

Over the quarter, Verizon Communications, the US telecoms company gained 16.2% as average revenue per user for mobile phones rose to $55.43 due to the growth in wireless data.

Equity Sector Distribution	%
Capital Goods	24.12%
Financial	11.84%
Consumer Staples	11.64%
Telecomms & Technology	10.85%
Pharmaceuticals	9.89%
Energy	9.38%
Consumer Cyclicals	8.56%
Industrial Commodities	7.03%
Industrial Services	3.65%
Utilities	3.04%

Top 10 Holdings	%
CRH	1.23%
HSBC	0.84%
Microsoft	0.79%
Ryanair	0.79%
IBM	0.75%
AT & T	0.75%
Kerry Group	0.74%
Exxon Mobil	0.74%
Shell	0.71%
Vodafone	0.67%



Bid/Exit price at 30/06/2012
135.90

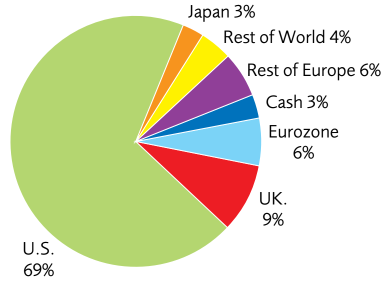
***Past Performance**
1 Year – 2.67
2 Years – 3.72
5 Years – - 2.43
10 Years – 2.41

Source Moneymate ©

Summit Global Leaders Fund

Review

During the quarter, we added to the position in Old Mutual, the UK insurance company with significant exposure to South Africa and operations also in Europe, the UK and US. The company has strong growth potential in South Africa and across the African continent as it expands into other countries with current low penetration levels in the insurance market. The company is restructuring by disposing of non core assets and becoming more streamlined and focused on growth markets. In the UK, the Skandia investment platform is well positioned to win market share as new regulations facilitate a switch of business to this distribution channel and is likely to result in greater concentration in the market place with larger, successful players gaining more share. We reduced positions in HSBC and Barclays, the two UK banks



Equity Sector Distribution	%
Technology	23.10%
Energy	18.03%
Pharmaceuticals	14.72%
Consumer Staples	12.51%
Financial	8.76%
Telecomms	7.84%
Consumer Goods	6.48%
Consumer Cyclicals	4.05%
Capital Goods	3.05%
Industrial Commodities	1.45%

Top 10 Holdings	%
Apple	7.12%
Exxon Mobil	5.26%
Microsoft	3.00%
General Electric	2.95%
IBM	2.89%
AT & T	2.85%
Texaco	2.77%
Nestle	2.67%
Johnson & Johnson	2.45%
Prizer	2.26%

Bid/Exit price at 30/06/2012
97.40

***Past Performance**
1 Year – 15.23
2 Years – 10.31
5 Years – -3.00
10 Years – -1.15

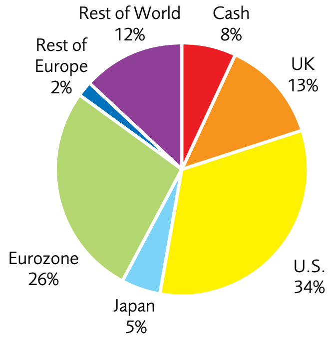
Source Moneymate ©

Summit Growth Fund

Review

During the quarter stocks held performed as follows. Walmart gained 15%. Shares enjoyed a rerating after it delivered a second quarter of positive sales The defensive merits of the company (strong balance sheet and cash flow) increasingly valued by the market.

Swiss Re rose 9%. Results were 72% ahead of consensus. Renewals have been strong with risk adjusted pricing up 17%. Further price rises are expected. Solvency was strong at 213%. At its investor day it reiterated its financial targets and was more constructive on a special dividend payment if alternative uses are not found for its excess capital.



Equity Sector Distribution	%
Capital Goods	23.78%
Financial	11.85%
Consumer Staples	11.75%
Telecomms & Technology	10.83%
Pharmaceuticals	9.80%
Energy	9.51%
Consumer Cyclicals	8.58%
Industrial Commodities	7.04%
Industrial Services	3.88%
Utilities	2.98%

Top 10 Holdings	%
CRH	1.80%
HSBC	1.29%
Microsoft	1.16%
IBM	1.14%
Exxon Mobil	1.14%
Ryanair	1.14%
AT & T	1.11%
Vodafone	1.05%
Kerry Group	1.04%
Novartis	0.99%

Bid/Exit price at 30/06/2012
122.20

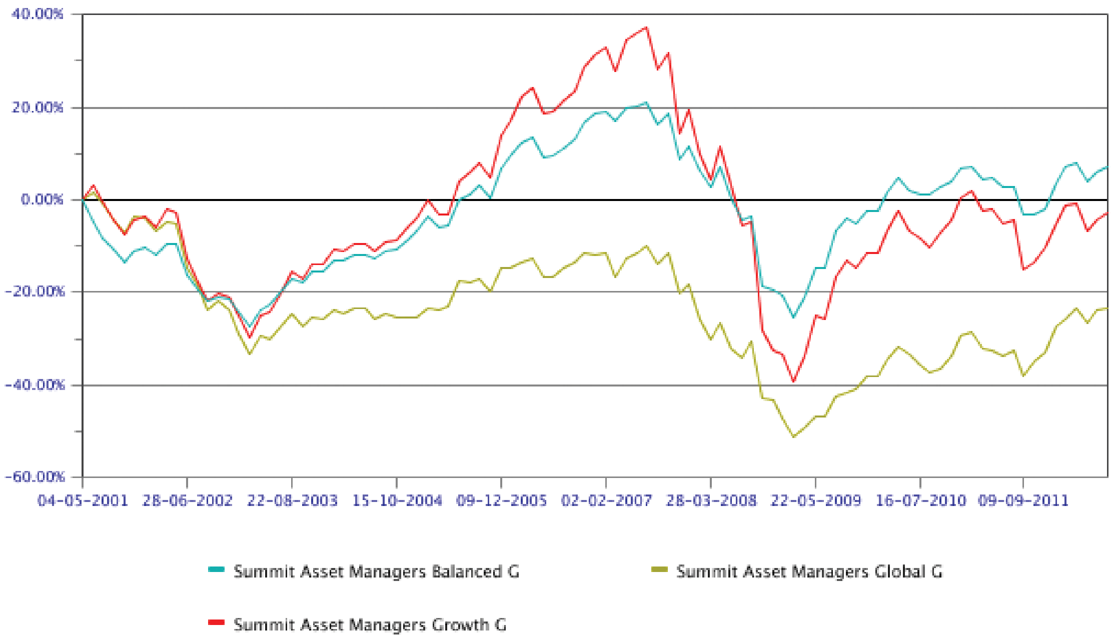
***Past Performance**

1 Year –	**-0.05**
2 Years –	**4.08**
5 Years –	**-6.71**
10 Years –	**0.96**

Source Moneymate ©

Fund Performance

Performance Report - 01 January 2001 to 01 July 2012



Investment Outlook

Looking into the second half of 2012, markets are likely to remain volatile and will be sensitive to news flow on a variety of factors.

In Europe the debt crisis rumbles on. Recent proposals to allow the European Stability Mechanism to directly recapitalise banks rather than through the sovereign and so reduce the debt burden on peripheral countries has given some temporary respite to markets with peripheral bond yields initially falling and equity markets rising in response to the measures. Details over their implementation however remains vague with progress expected to be slow as many hurdles have still to be overcome as Europe moves slowly towards greater fiscal integration. Many divisions are apparent between European leaders on how best to deal with the crisis with periods of heightened fear and risk of contagion still expected from time to time.

The global economic backdrop has noticeably deteriorated in recent months, particularly in Europe where lead indicators and activity levels suggest the recession will be deeper and longer than previously expected. Significant question marks also remain over the extent of slowdown in China which is of vital importance for the global economy. The housing market, which has been the main source of government revenue, remains under pressure and manufacturing and export order data suggest continued softness in the economy. Further weakness in China could have significant implication for commodity prices which have been supported in recent years by the level of growth and demand coming from China. The US also faces economic pressures with a 'fiscal cliff' to be faced at the beginning of 2013 as various tax breaks are set to be removed which potentially could take up to 3.0%+ off GDP. While ultimately a compromise is likely to be reached whereby only some of the tax breaks are removed and some are maintained for a further period or a decision is postponed until sometime in 2013, the short period of time post the US Presidential election in which the situation will have to be addressed could lead to some concern in markets as there will be uncertainty over the outcome and fear of the extent of the impact on growth if most measures are removed.

Risks to company earnings estimates could possibly remain to the downside given the softer economic backdrop and level of potential uncertainty on a number of issues.

Offsets to these various concerns comes mainly from the increased probability of further global monetary easing as central banks attempt to combat the slower growth environment. Through this current cycle, equity markets have tended to react well to the loosening of monetary policies and support is again expected from this source in the second half of the year. Equity markets overall also continue to look attractive on valuation measures in terms of absolute levels and relative to other asset classes which should provide further support.

The muddle through approach across Europe, attractive valuations and supportive monetary policies will probably lead equity markets higher over the medium term although volatility is expected to remain with bouts of weakness likely to be a feature from time to time.

ILA 5731 (REV 07-12)