

Summit Mutual Funds

Second Quarter Comment 2016

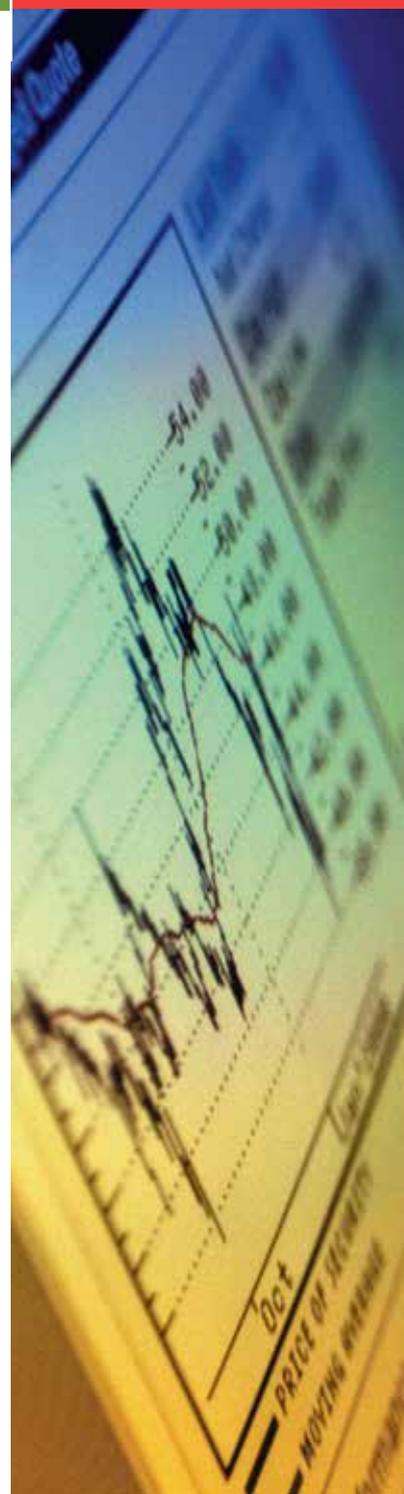
Markets

Over the quarter, the MSCI AC World equity benchmark rose 1.4% (3.8% in €). The UK rose 6.7% (1.8% in €) despite being at the centre of the uncertainty following the Brexit vote as the weakness in sterling post the result was a positive for the large export base within the UK equity market. Pacific Basin equities rose 2.7% (3.3% in €), benefiting from easing of Chinese growth concerns and an improvement in regional economic releases through the quarter. The US rose 2.6% (5.2% in €) as Fed commentary ultimately turned more dovish with the suggestion of a slower pace of interest rate rises while the earnings backdrop for US corporates became more favourable with the rebound in oil prices, a more stable US dollar and the improvement in second quarter US GDP growth. Japanese equities fell -7.8% (+3.6% in €) as the Bank of Japan failed to meet investor expectations regarding additional monetary policy announcements while the stronger Yen negatively impacted exporters. European markets fell -0.6% (-0.5% in €), impacted by the feared negative political contagion post the Brexit vote and the possible resultant rise in Eurosceptic sentiment following the UK's decision to leave the EU.

The Eurozone > 5 year sovereign bond benchmark rose 3.3% during the quarter. German 10 year yields fell to new all-time lows of -0.16% before ending the quarter at -0.14%. Yields continued to fall on the back of continued low levels of inflation, declining inflation expectations, expectations of additional ECB stimulus measures and a flight to safe haven assets following the uncertainty generated by the Brexit referendum outcome. Peripheral spreads against Germany rose by approx. 20/25bps through the quarter on the back of feared political and economic contagion post Brexit and ongoing concerns regarding the Italian bank sector. Spreads did widen out to 200bps points immediately after the Brexit referendum announcement but ECB buying via its asset purchase programme led to these narrowing to approx. 130bps by the end of the quarter.

The Euro fell against the US dollar over the quarter from 1.140 to 1.111 given political concerns relating to fears of a possible rise in Eurosceptic sentiment in the EU and Eurozone post Brexit, expectations of additional ECB easing and strength in the US dollar which is viewed as a safe haven asset in times of uncertainty.

Commodities rose 12.7% (15.2% in €) with Brent oil rising 25.5% on falling US shale oil production, supply disruptions in other regions and drawdowns of oil inventories. Gold gained 6.8%, benefiting from the expected slower pace of US interest rate rises and also the flight to safety given the uncertainty in markets.



Summit Balanced Fund

Review

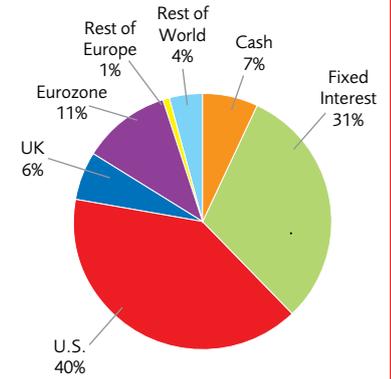
During the quarter VWR was purchased. VWR is one of two dominant distributors of laboratory suppliers in the US and Europe. We believe it is a high quality business that earns good returns on capital and has very high barriers to entry. The business is unlikely to be subject to big swings in customer demand and we think that demand should grow steadily over time. VWR carries a higher debt load than we normally accept, but we give it a pass for a couple of reasons. Firstly the quality and stability of the business means that interest costs are should be easily covered by cash flows and secondly management plans to reduce debt going forward. On our estimates, VWR trades on a debt-free price-to-earnings ratio of 20x. While at first glance this does not appear very attractive, it must be seen in the context of the confidence we have in VWR's long-term future and its ability to sustain and grow profits. In fact, VWR is a great example of our approach to valuation outlined above: cheap or expensive cannot be adequately captured in a P/E ratio.

Equity Sector Distribution %

Sector	%
Financial	21.4%
Technology	13.9%
Pharmaceuticals	12.7%
Consumer Cyclicals	11.3%
Energy	9.9%
Consumer Staples	7.9%
Industrial Commodities	6.2%
Telecomms	5.7%
Capital Goods	4.4%
Industrial Services	3.7%
Utilities	3.0%

Top 10 holdings %

Company	%
DCC	2.28%
Berkshire Hathaway	1.97%
Owens Inc	1.96%
CRH	1.91%
Oshkosh Truck Corp	1.71%
Fairfax Financial	1.63%
Johnson & Johnson	1.57%
Federated Inv	1.49%
Leucadia Natl	1.48%
Markel Corp	1.45%
Tyco Intl	1.41%



Bid/Exit price at 30/06/2016
200.30

***Past Performance**
1 Year - 3.30
2 Years - 8.55
5 Years - 8.76
10 Years - 3.81

Source Moneymate ©

Summit Growth Fund

Review

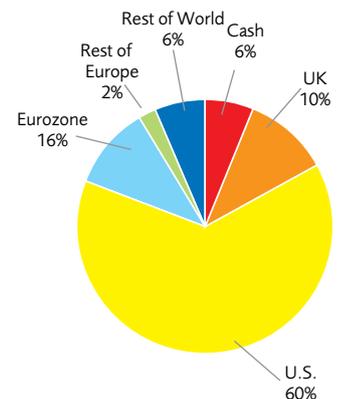
In the energy sector we purchased UK-listed Tullow Oil, the oil exploration and development company with assets primarily in West Africa and in particular Ghana. Tullow is considered a successful pioneer in the African oil markets. Like most energy companies, the current low oil price environment has taken its toll. However, an additional negative for Tullow has been its debt load, which it took on to develop a handful of large and highly promising oil fields. The combination of the oil price, the high debt load as well as a loss of confidence from the investment community resulted in an 80%+ fall in the share price since 2012. We think this share price move is over-done and that the value of Tullow's net assets will eventually prove to be worth a multiple of the current market cap.

Equity Sector Distribution %

Sector	%
Financial	21.50%
Technology	13.86%
Pharmaceuticals	12.45%
Consumer Cyclicals	11.39%
Energy	9.97%
Consumer Staples	7.92%
Industrial Commodities	6.00%
Telecomms	5.91%
Capital Goods	4.26%
Industrial Services	3.54%
Utilities	3.19%

Top 10 holdings %

Company	%
DCC	3.34%
Berkshire Hathaway	3.04%
Owens Inc	2.86%
CRH	2.80%
Fairfax	2.55%
Oshkosh Truck	2.46%
Johnson & Johnson	2.39%
Federated Inv Inc	2.30%
Leucadia Natl Corp	2.30%
Markel Corp	2.18%



Bid/Exit price at 30/06/2016
198.70

***Past Performance**
1 Year - 0.87
2 Years - 9.86
5 Years - 10.38
10 Years - 2.98

Source Moneymate ©

Summit Global Leaders Fund

Review

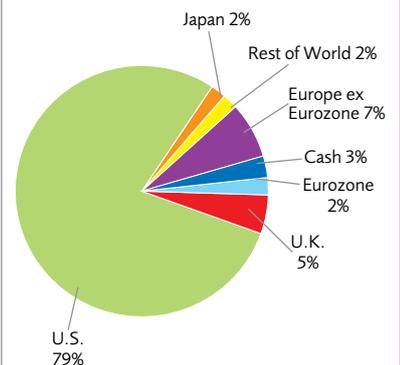
Pfizer, the US healthcare company, climbed +18.8% (local currency) in the three months to the end of June. The market reacted positively to the termination of the proposed merger with Allergan. Management indicated that they are once again reviewing a potential split-up of the company and will make a decision by year-end.

Amazon, the US online retailer, was up +20.6% (local currency) in the second quarter. Results for the first quarter highlighted strong revenue growth for the retail business and Amazon Web Services as well as significant gross margin expansion. The market sees significant potential for increasing margins if and when Amazon pulls back from investing for growth.

Financial markets were subject to significant volatility following the UK's vote to leave the European Union. The worst performing sectors during the second quarter were Consumer Discretionary and Financials, both of which are particularly sensitive to the macroeconomic outlook. On the flip side, Energy stocks gained as the oil price recovered while more defensive sectors like Healthcare and Utilities also outperformed.

Equity Sector Distribution	%
Technology	28.50%
Pharmaceuticals	15.63%
Consumer Staples	12.60%
Energy	10.79%
Financial	10.45%
Consumer Cyclical	9.80%
Telecomms	6.85%
Capital Goods	5.38%

Top 10 holdings	%
Apple	5.79%
Microsoft	4.43%
Exxon Mobile	4.35%
Johnson & Johnson	3.74%
General Electric	3.30%
Amazon	3.18%
Berkshire Hathaway	3.06%
AT & T	2.97%
Facebook	2.89%
Nestle	2.75%



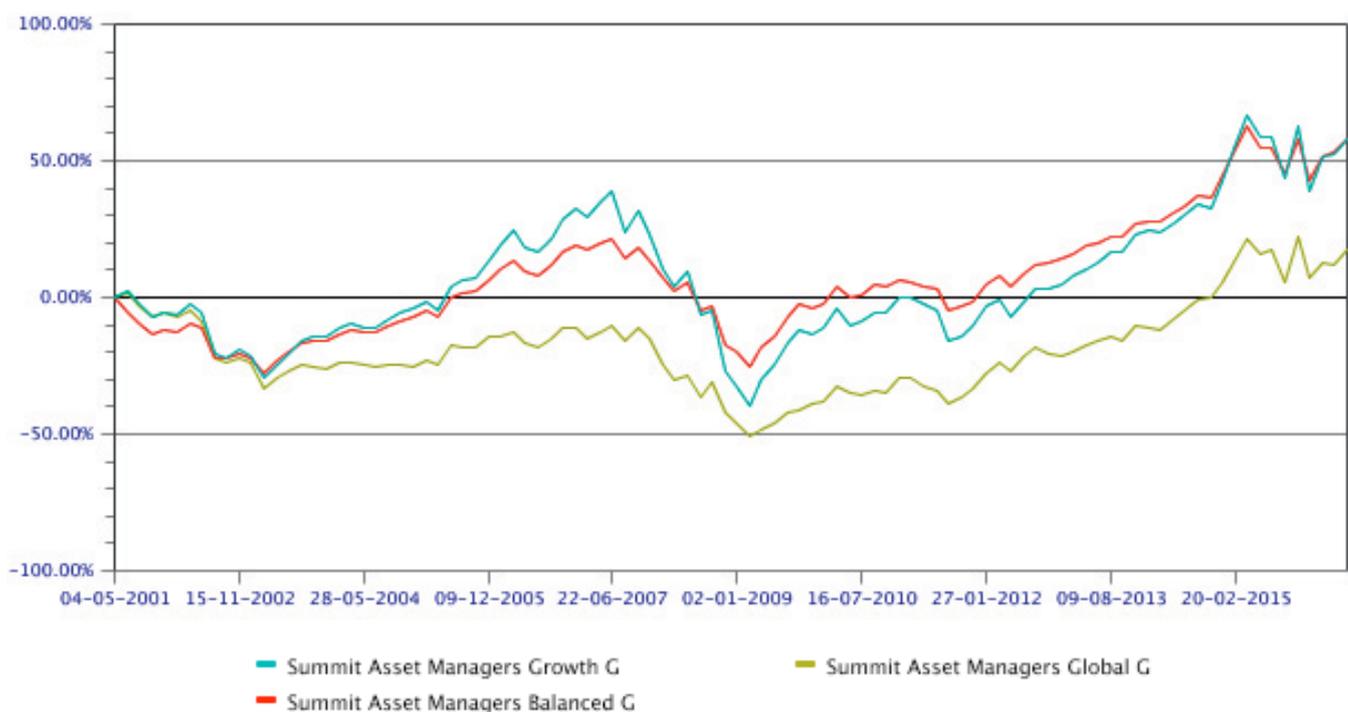
Bid/Exit price at 30/06/2016
148.70

***Past Performance**
1 Year - 2.70
2 Years - 11.28
5 Years - 12.07
10 Years - 3.52

Source Moneymate ©

Fund Performance

Performance Report - Performance - 04/05/2001 to 30/06/2016



Equity Outlook

Global equity markets have recovered from the lows of early February which were associated with concerns over Chinese growth and are now close to being flat year to date in local currency terms. On a 12 month forward P/e valuation basis, global equities are currently in line with their long term average at 15.1x. While a positive economic growth backdrop and the resultant expected modest growth in earnings provide support for equities, current consensus earnings forecasts for 2017 of 13% appear ambitious. Historically, when global economic growth has been in the region of 2.5%, global earnings growth has only been in the order of 3%. Downgrades to 2017 global earnings forecasts are thus likely to be a feature in coming months.

Equity markets initially experienced sharp falls following the Brexit referendum result but quickly recovered these losses on the back of central bank policy responses which mainly related to the provision of additional liquidity, to prevent a tightening of financial conditions and aid the smooth functioning of financial markets. However, over the last 12/15 months, the positive impact of central bank policy actions on equity markets has begun to wane and there is a risk that, the positive response in equities to the recent central bank support could soon begin to fade. While additional easing from a number of global central banks such as the ECB, Bank of England and Bank of Japan are expected in coming months, the level of support these measures could provide to equities may be less than has been the case with previous policy announcements in the past number of years.

Markets have become more volatile over the last 18/24 months and are likely to remain so. Issues such as the outlook for Chinese and global economic growth, earnings forecasts, the pace and extent of further rate rises in the US, political uncertainties and election cycles across Europe and perceived risks of deflation all can potentially continue to give rise to periods of anxiety and increased volatility in markets from time to time although these in themselves may provide opportunities to investors at some point.

Bond Outlook

The ECB asset purchase programme announced in January 2015 surpassed expectations both in terms of its size and its open ended nature. Combined with the indication from the ECB that it would buy bonds under the programme down to yields in line with the deposit rate which is currently -0.4%, Eurozone bond yields fell to new all-time lows with German 10 year yields falling to -0.16% at their low point in June 2016.

We expect German 10 year yields to trade within a range of -0.25/+0.25% through the remainder of 2016. With growth risks viewed as being to the downside, and only exacerbated by the Brexit referendum outcome, inflation and inflation expectations are likely to remain under pressure. As a result, additional ECB policy measures are expected in coming months which could include an extension in both size and length of existing asset purchases while the deposit rate could also be cut further, both of which would help maintain yields at low levels. Trends and developments in the oil price, Eurozone inflation readings, ECB policy announcements and other economic data will determine where within the range yields are trading at any particular point.

In the Eurozone, over the medium to long term, peripheral bonds are expected to outperform core bonds with spreads against Germany likely to narrow further on the back of the ECB's asset purchases.

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