

Summit Mutual Funds

Second Quarter 2019

Equity markets recovered from their mid quarter lows as central banks adopted an easing bias in response to deteriorating economic news flow, increasing risks around trade tensions and the persistence of inflation well below central bank targets. The US Fed once again led the way in terms of suggesting it would cut interest rates in coming months but was followed by others, including the ECB which indicated rates could be cut and asset purchases restarted if there was not a quick improvement in economic and inflation fundamentals across the Eurozone. A better than expected Q1 earnings reporting season provided support to equity markets in the early part of the quarter as did more positive economic news flow in the first weeks of April although by quarter end economic data had begun to deteriorate. Eurozone sovereign bonds were strong, outperforming equities in the period as core sovereign bond yields fell to new all-time lows on the back of ongoing growth concerns across Europe. Continued low levels of inflation and suggestions of increased policy accommodation from the ECB.

Over the quarter, the MSCI AC World equity benchmark rose 3.4% (2.3% in €). The Pacific Basin ex Japan rose 5.8% (3.7% in €) with central bank rates across Asia expected to see downward pressure on the back of the easing bias at the US Fed. Australia outperformed, aided by becoming the first G10 country to cut interest rates this year. While macro data was mixed, some key economic releases for the region surprised positively during the quarter. European ex UK equities rose 4.9% (4.9% in €) supported by increasing speculation of further policy easing by the ECB and the increased attractiveness of equities relative to bonds as core sovereign bond yields hit new all-time lows. Japan lagged, falling -1.6% (-0.4% in €) with the stronger Yen being a negative for exporters. Weak business sentiment surveys and concerns over the potential negative impact of the planned VAT increase in October also contributed to the negative returns. Emerging markets also underperformed, rising 0.3% (-0.7% in €) on the back of rising trade tensions.

The ICE BofA Merrill Lynch Eurozone > 5 year sovereign bond benchmark rose 5.0% during the quarter. The German 10 year yield ended the quarter in negative territory at new all-time lows of -0.33%, as economic sentiment readings continued to disappoint, suggesting a continuation of subdued levels of growth. Peripheral yield spreads continued to narrow given the attractive yield pickup available in an environment of declining yields. Suggestions that the ECB could restart asset purchases also added to the downward pressure on peripheral spreads. At quarter end, Spanish 10 year spreads against Germany had fallen to 73bps while Portuguese spreads had declined to 80bps. Despite a renewed stand-off with the EU in relation to fiscal targets, Italian spreads also narrowed during the quarter to 243bps.



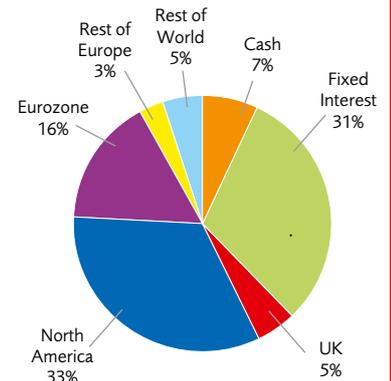
Summit Balanced Fund

Review

Portfolio Activity – We sold out of Swatch, which we've held the Fund for more than 10 years. The current management team have been excellent at developing their flagship brands Omega and Longines, particularly in Asia. However, their move to acquire and develop luxury jeweller, Harry Winston, has yet to bear fruit. Also their low and mid-priced brands are coming under increasing pressure from Wearables. The stock price has fallen a lot from its high and it could be argued that it represents good value here but we felt that Booking Holdings represented better value and we added to our position here with the proceeds from our Swatch sale.

Equity Sector Distribution	%
Financials	18.78%
Information Technology	18.23%
Health Care	13.07%
Consumer Discretionary	11.04%
Industrials	10.48%
Consumer Staples	8.89%
Materials	6.10%
Energy	6.00%
Communication Services	4.23%
Utilities	3.18%

Top 10 holdings	%
Microsoft	2.10%
Berkshire Hathaway	1.97%
DCC	1.8%
Federation Investments	1.62%
Lancashire Holdings	1.57%
Steris Plc	1.43%
Melrose Industrial	1.39%
Keysight Tech	1.38%
Johnson Ctl	1.38%
CISCO System	1.38%



Bid/Exit price at 30/06/2019
231.4

***Past Performance**
1 Year - 4.90
2 Years - 4.24
5 Years - 6.37
10 Years - 7.74

Source Moneymate ©

Summit Growth Fund

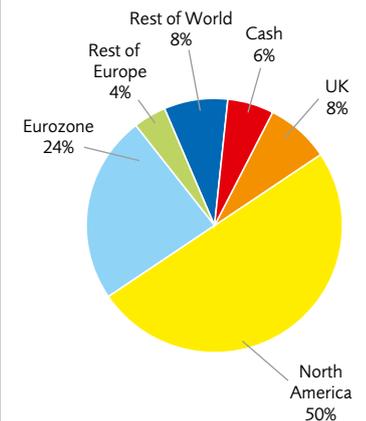
Review

During the quarter the fund made five new purchases, sold out of seven companies and received two spins from existing holdings. The oil price is the primary driver of businesses in the energy sector; utility and telecom companies are often fairly homogeneous. The upshot is there can be limited insights gained from deep-dive company research – the basis for our investment approach. The decision was made to bring together the Energy and Materials sectors. Similarly Real Estate, TV Broadcasters, Cable & Satellite have been brought together with the Telecom & Utilities sectors; we have named this new collection the Infrastructure sector.

Along with greater choice and relevance, we believe similarities and linkages will make these new sector combinations easier to analyse. For example, oil is the primary input for chemical companies in the Materials sector; wireless telecom towers and data centre companies in the Real Estate sector are an integral part of the broadband network, which in turn is increasingly affecting TV networks' business models.

Equity Sector Distribution	%
Financials	18.99%
Information Technology	18.22%
Health Care	12.85%
Consumer Discretionary	10.92%
Industrials	10.74%
Consumer Staples	8.64%
Materials	6.27%
Energy	5.92%
Communication Services	4.31%
Utilities	3.14%

Top 10 holdings	%
Microsoft	3.24%
Berkshire Hathaway	3.1%
DCC	2.93%
Federate Investment	2.51%
Lancashire Holdings	2.37%
Johnson Ctls	2.26%
Melrose Indust	2.16%
Steris Plc	2.14%
CISCO Systems	2.13%
Oshkosh Truck	2.11%



Bid/Exit price at 30/06/2019
248.00

***Past Performance**
1 Year - 5.67
2 Years - 5.40
5 Years - 8.55
10 Years - 10.02

Source Moneymate ©

Summit Global Leaders Fund

Review

Walt Disney, the US entertainment company, rose 25.8% in local currency (lc) during the quarter. The announcement of its planned streaming service was well received by the market. The company outlined ambitious subscriber targets, a relatively fast global roll-out, attractive pricing, a broad content offering and plans to be profitable within 5 years.

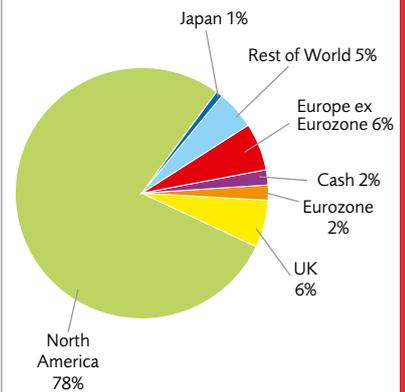
Facebook, the US social media company, climbed 15.8% (lc) in the period. The company reported strong results for the first quarter as advertising revenues continued to grow impressively while expenses came in below market expectations. Daily and monthly active users both grew at high single digits year on year.

Equity Sector Distribution %

Sector	%
Information Technology	31.93%
Health Care	14.94%
Communication Services	11.76%
Consumer Staples	10.94%
Energy	9.63%
Consumer Discretionary	9.62%
Financials	6.15%
Industrials	3.28%
Materials	1.75%

Top 10 holdings %

Company	%
Microsoft	8.66%
Apple	7.57%
Amazon	6.45%
Facebook	3.88%
JP Morgan	3.17%
Johnson & Johnson	3.04%
Alphabet Inc	2.82%
Nestle	2.70%
Exxon Mobil	2.66%
Visa Inc	2.53%



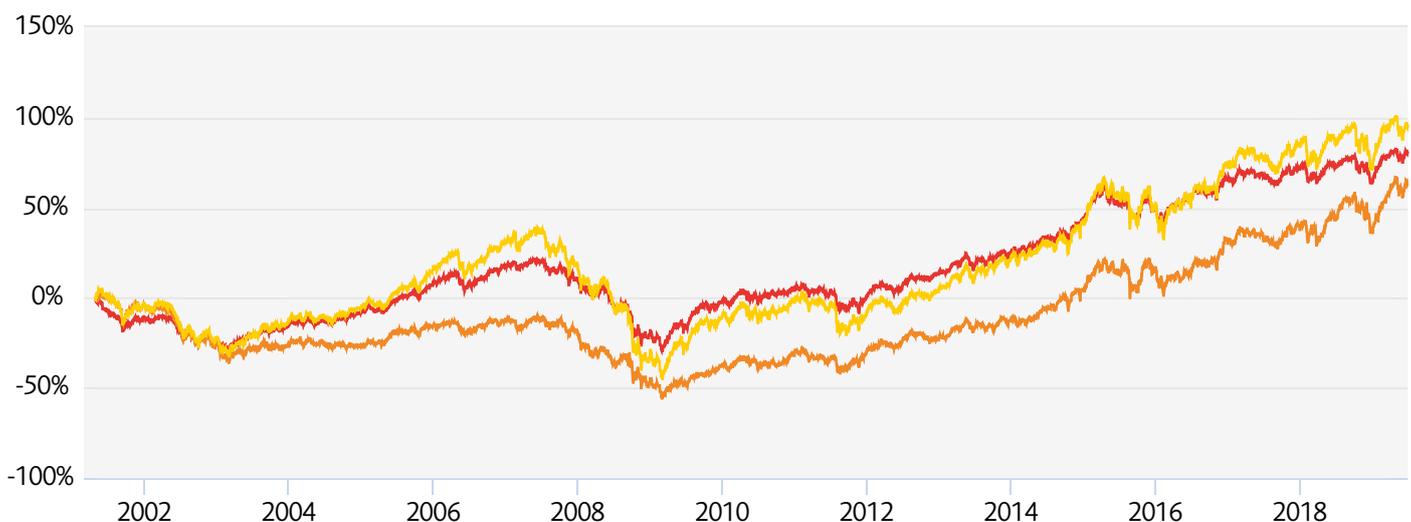
Bid/Exit price at 30/06/2019
208.20

***Past Performance**
1 Year - 13.42
2 Years - 11.16
5 Years - 11.63
10 Years - 11.75

Source: MoneyMate ©

Fund Performance

Performance Report - Performance - 06/05/2001 to 01/07/2019



● Summit Asset Managers Balanced G 82.26%

● Summit Asset Managers Global G 64.15%

● Summit Asset Managers Growth G 97.12%

Investment Outlook

Equity markets have rebounded strongly year to date, reaching new all-time highs in late June as the recession fears evident at the end of 2018 have receded. The main contributor to the gains in equity markets has been the policy pivot evident at global central banks, driven in particular by the US Fed. At the end of 2018 the US Fed was still indicating that it intended to raise interest rates twice in 2019. However early in the New Year the Fed began to suggest that it could afford to be patient and flexible in relation to future interest rate decisions.

Other central banks followed the Fed's lead and also adopted more accommodative policy stances. This policy shift by global central banks helped support equity markets by initially removing the risk to growth from excessive tightening and more recently by providing a cushion to growth in the face of the recent weakening of economic data. Following a 16.3% gains in global equities in local currency terms year to date or 17.0% in Euro terms, equity valuation levels have moved back either close to or slightly above long term averages.

In terms of the outlook for equity markets for the remainder of 2019, much will depend on developments in the global economy and the level of monetary support provided by global central banks. Global growth surprised to the upside in Q1 at 3.0% annualised. However, recent weakness in activity and sentiment readings suggests growth in the remainder of the year will be slower. With the risk of downward revisions to earnings forecasts in an environment where valuation levels are already close to our target levels, further upside in equity markets from current levels could be limited to low single digits over the next twelve months.

Closer to home, uncertainty over the eventual outcome of Brexit remains, particularly with a pro-Brexit Prime Minister now more likely following Theresa May's resignation. While a number of outcomes are still possible our sense is that a worst case scenario of a 'hard Brexit' will be avoided although a final resolution could well extend beyond the current scheduled Brexit date of October 31st.

Overall, given current valuation levels, risks of earnings downgrades and ongoing uncertainty over the economic outlook we believe equity markets offer upside of low single digits on a twelve month view. More accommodative monetary policy from global central banks should provide support to markets and help avoid a recession although a final resolution of trade related uncertainty and general recovery in economic data are probably required to justify higher levels of returns from equity markets. In contrast, continued deterioration in the global economic outlook and increasing risk of recession could contribute to renewed falls in equity markets. While our base case is for modest upside in equities on a one year view, the ongoing level of uncertainty could result in significant volatility in markets and a potentially wide range of possible returns over the next twelve months.

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