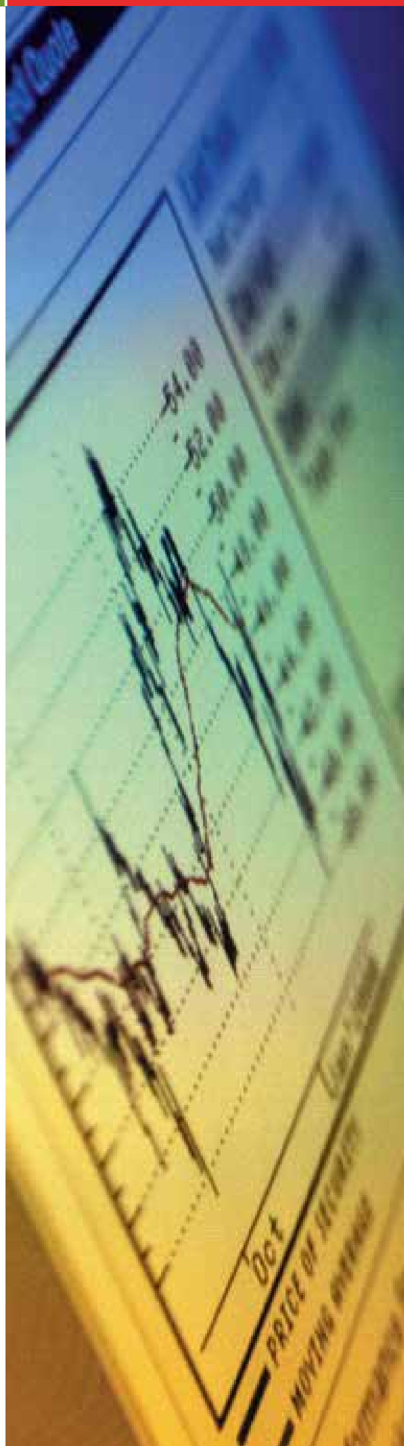
October 2014

Summit Mutual Funds

Third Quarter Comment 2014



Markets

Investment markets produced positive returns over the quarter although equities were somewhat more volatile than recent periods. Through July, the escalation of geo-political crises in Ukraine, Iraq and Gaza proved to be negative for equities but benefited bond markets through a flight to safe haven assets. Through August, equity markets began to recover on the back of positive earnings reporting seasons in the US, Europe and Japan and a move towards positive earnings estimate revisions across many regions. High levels of corporate merger and acquisition (M&A) activity, the highest level in seven years, also supported equity markets. Global central banks continued to indicate monetary policy would remain accommodative with the Fed justifying the maintenance of low rates on evidence of significant underutilisation of resources in the labour market. Most notable among central banks was the announcement of an asset purchase programme by the ECB to include asset backed securities and covered bonds in an effort to boost the supply and lower the cost of credit across the Eurozone. These announcements supported both European equities and bonds. Modestly improving global economic news flow through the quarter, focused mainly in the US, was also supportive of equities. Equity markets reached new highs in mid-September but drifted lower into quarter.

Over the quarter, the FTSE World equity benchmark rose 0.9% (5.9% in €). Japan rose 5.9% (6.0% in €) as the sluggish recovery following the April sales tax rise increased the potential for further fiscal and monetary stimulus which led to renewed weakness in the Yen which was positive for exporters and the economy. The US rose 0.9% (9.4% in €) on the better domestic macro and earnings backdrop. Pacific Basin equities fell -0.9% (+3.1% in €) as economic data in China weakened through the quarter while the UK fell -0.9% (+1.8% in €) due to uncertainties relating to the Scottish referendum and the future political landscape following the result.

Eurozone >5 year bonds rose 4.3%, benefiting from continued low inflation and the new policy initiatives from the ECB with increasing potential for a sovereign bond asset purchase programme if actual inflation and inflation expectations fail to rise. Peripheral bond spreads also continued to narrow following the ECB policy announcements. The Euro fell significantly to 1.262 against the US dollar as the monetary policy paths between the ECB and the US and UK becomes increasingly divergent. Commodities fell -12.5% with Brent oil down -15.7% despite tensions in the Middle East, due to increased inventories and supplies. Agricultural prices fell -19.2% due to favourable growing conditions while industrial metal prices were down -2.8% on the weaker Chinese economic data.

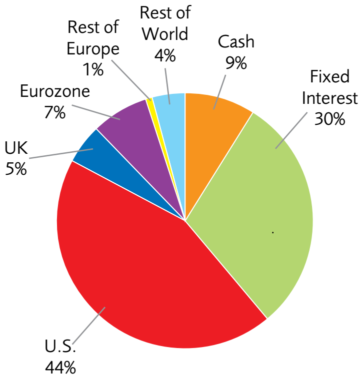
During the quarter, Healthcare was up on continued M&A activity in the sector. The Telecommunications sector benefited from some consolidation speculation too while Technology also outperformed. The Energy and Commodity sectors were weak on the back of falling oil / commodity prices while Utilities also underperformed.

Summit Balanced Fund

Review

Stock markets have rallied persistently for over 5 years now, assisted greatly by highly unconventional monetary policies, which have pushed yields on government debt to record lows. Incredibly, 10 year Spanish government bond yields are at the lowest level in over 200 years and are priced more than 0.3% tighter than 10 year US Treasuries. 2 year bonds issued by France, Germany, the Netherlands and Switzerland are all priced with negative yields. The S&P 500 has not suffered a 10% correction in more than two years; an unusually long period.

Volatility is low with the VIX index (which measures estimated future volatility implied in options' prices), in the past quarter, reaching lows not seen since the boom times of 2007. Risk is priced cheaply. We are concerned that complacency levels in financial markets seem high.



Equity Sector Distribution	%
Berkshire Hathaway	2.01%
DCC	1.95%
Owens Inc	1.86%
Fairfax Financial	1.77%
Sysco Corp	1.54%
Johnson & Johnson	1.51%
Markel Corp	1.42%
Nike Inc	1.35%
Brookfield	1.20%
Microsoft Corp	1.18%

Top 10 holdings	%
Financial	20.41%
Industrial Services	14.88%
Technology	13.36%
Pharmaceuticals	12.35%
Consumer Staples	11.55%
Energy	9.57%
Consumer Cyclicals	6.30%
Telecomms	5.21%
Utilities	3.31%
Capital Goods	3.06%

Bid/Exit price at 30/09/2014
173.80

***Past Performance**

1 Year	**– 11.76**
2 Years	**– 10.59**
5 Years	**– 7.14**
10 Years	**– 4.36**

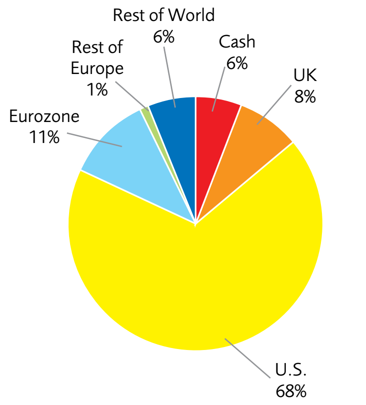
Source Moneymate ©

Summit Growth Fund

Review

Melrose, a recent addition to the fund, is a UK listed company that excels in acquiring under-performing industrial/manufacturing businesses, improving them and then selling at a higher valuation. It finances the acquisitions through equity and typically makes improvements through redirecting management focus and investing in the business. Recently Melrose was demoted from the FTSE 100, which has led to some share price weakness. We believe the current market price implies little or no value creation in the future which has given us the opportunity to open a position in the stock.

JD Wetherspoon plc was recently purchased in the fund. The company develops, owns and manages pubs, and aims to have them in strategic positions in all major town centers in the UK.



Equity Sector Distribution	%
Berkshire Hathaway	3.07%
DCC	2.97%
Owens Inc	2.89%
Fairfax Financial	2.51%
Sysco Corp	2.39%
Johnson & Johnson	2.33%
Markel Corp	2.20%
Nike Inc	2.21%
Brookfield	1.86%
Microsoft Corp	1.83%

Top 10 holdings	%
Financial	20.1%
Technology	13.5%
Industrial Services	13.0%
Pharmaceuticals	12.6%
Consumer Staples	9.8%
Energy	9.4%
Consumer Cyclicals	8.3%
Telecomms	5.2%
Industrial Commodities	4.9%
Utilities	3.3%

Bid/Exit price at 30/09/2014
167.90

***Past Performance**

1 Year	**– 13.65**
2 Years	**– 14.19**
5 Years	**– 8.70**
10 Years	**– 3.87**

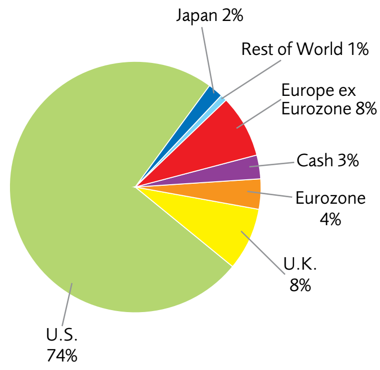
Source Moneymate ©

Summit Global Leaders Fund

Review

Sanofi, the French healthcare company, rose 15.4% after it reported a good set of H1 results and positive pipeline newsflow on alirocumab for the treatment of high cholesterol levels in the blood and its vaccine for dengue fever.

Novartis, the Swiss healthcare company, gained 12.3% as commercial expectations for novel heart failure drug LCZ696 rose sharply following very strong trial data which showed a marked reduction in cardiovascular death and hospitalisations versus the current standard of care.



Equity Sector Distribution	%
Apple	6.70%
Exxon Mobile	4.43%
Microsoft	4.16%
Johnson & Johnson	3.28%
General Electric	2.84%
Novartis	2.83%
Berkshire Hathaway	2.75%
Nestle	2.64%
Texaco	2.51%
J.P. Morgan	2.47%

Top 10 holdings	%
Technology	24.6%
Pharmaceuticals	17.3%
Energy	13.7%
Financial	12.7%
Consumer Staples	11.5%
Telecomms	7.3%
Industrial Services	5.0%
Consumer Cyclicals	4.9%
Capital Goods	2.9%

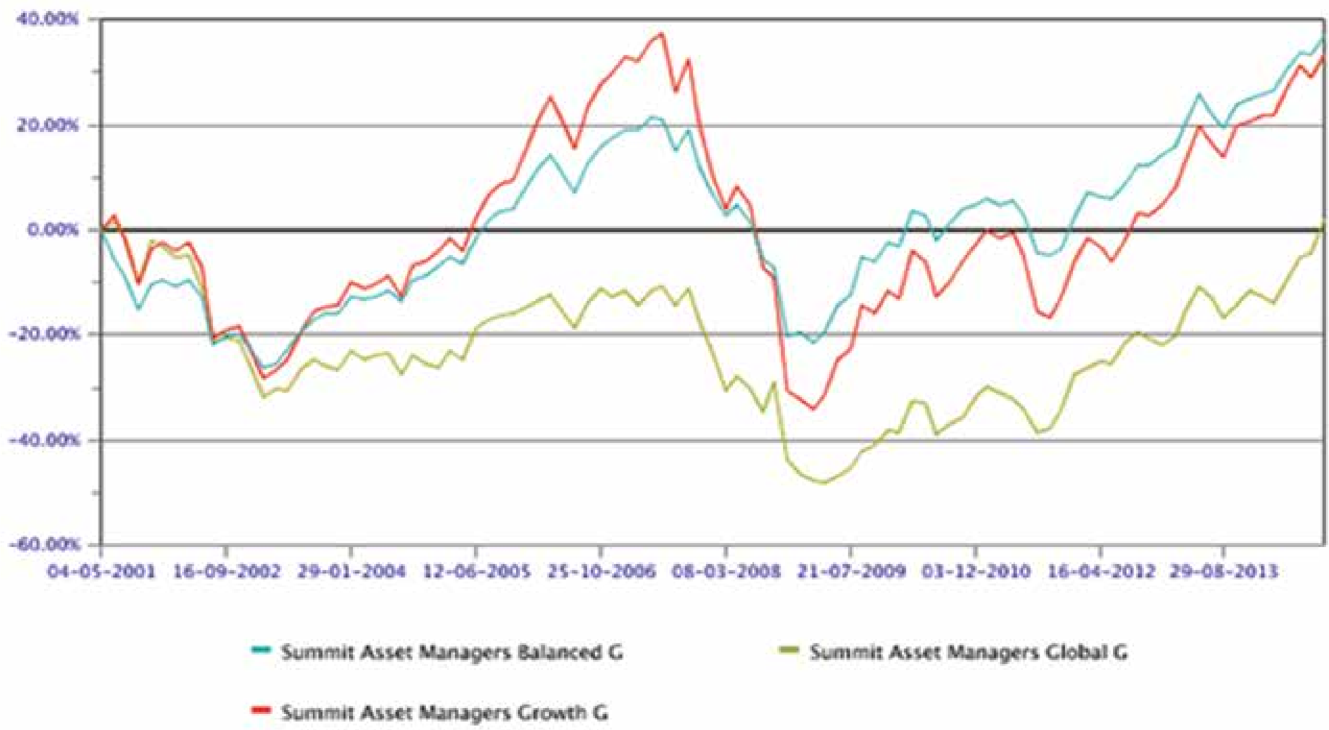
Bid/Exit price at 30/09/2014 129.30

*Past Performance	
1 Year	– 21.14
2 Years	– 12.20
5 Years	– 11.59
10 Years	– 3.17

Source Moneymate ©

Fund Performance

Performance Report - Performance - 04/05/2001 to 01/10/2014



Overall, equity markets should continue to benefit from the supportive policies of global central banks and moves to reduce the tail risks across Europe. Global economic momentum should continue to improve through 2014 and be supportive of equity markets. We do not expect the turmoil in emerging markets and concerns over growth in China evident at the beginning of the year to have a significant negative impact on global growth prospects. Equities remain attractive on a valuation basis both in absolute terms, where we believe multiples have scope to move higher given where we are in the business cycle, but particularly relative to other asset classes, even after gains since the middle of 2012.

In relation to monetary policy, despite asset purchases under QE3 scheduled to end shortly, the commitments by the Fed and other central banks to maintain interest rates at low levels for an extended period underpins equity markets. The ECB has increased the level of stimulus it is providing in recent months while the Bank of Japan could do something similar in coming months. While the UK is closer to raising rates than other developed markets with a rate rise in early 2015 now discounted by the market, this is still data dependent, particularly on price and wage inflation and both currently remain subdued. Historically however, equity markets typically tend to be higher twelve months after the beginning of rate rising cycles as they are supported by the improving economic backdrop which typically contributes to the decision to raise rates. Thus, even the beginning of interest rate rises in the UK and US over the next 12 months is not necessarily negative for equities.

Markets however will remain sensitive to monetary policy developments and to political and economic news flow as evidenced in particular by the impact of geo-political developments in Ukraine and elsewhere. The situation in Ukraine remains fluid although the recent agreement of a ceasefire is a positive development which should reduce the overhang on markets. Over 2014 as a whole, we believe global equities could rise between 5/10%.

Bond Outlook

Core global bond yields rose from May 2013 as reduced levels of bond purchases by the Fed became more likely and the global economic backdrop improved. In early 2014 global bond yields fell given tensions and stresses related to emerging markets, Ukraine and the Middle East, slower economic growth which was partly weather related, continued low levels of inflation particularly in the Eurozone, a belief that the neutral level of interest rates was now lower than in the past and expectations for and the eventual announcement of additional monetary stimulus by the ECB.

On a fundamental basis, as global and European growth slowly improve from the earlier slowdown, with asset purchases under QE3 finally ending by the fourth quarter and with deflation likely to be avoided in the Eurozone, German 10 year yields should rise towards 1.00/1.20% over the remainder of the year. However with inflation expected to remain well below the ECB's 2% target in coming years, with ECB interest rates unlikely to rise for a number of years and with the potential for further policy announcements from the ECB, upside in yields beyond this level is probably limited for the time being. In the very short term however, movements in yields are likely to continue to be dominated by inflation readings and expectations in relation to the prospects for an ECB sovereign bond purchase programme. Greater upward pressure is expected in US and UK yields with growth momentum significantly stronger in both regions compared to the Eurozone. As result, the spread between German yields and other core global bond yields such as the US and UK could continue to widen.

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