

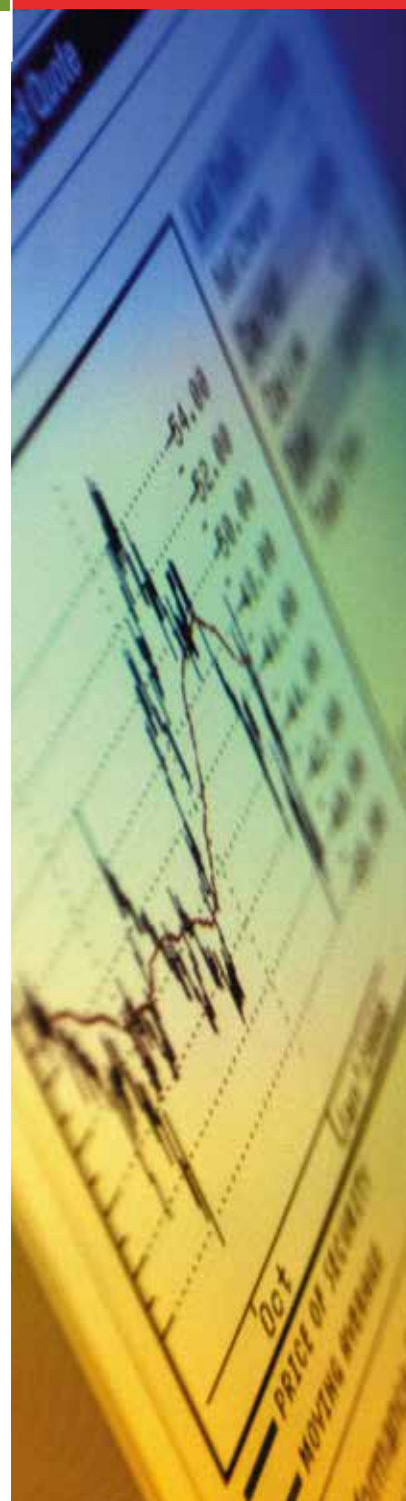
Summit Mutual Funds

Fourth Quarter 2019

Global equities have generated strong gains over the last twelve months, rising 26.9% with returns slightly better in Euro terms at 29.6% given weakness in the Euro. The strong gains partly reflect the low starting level for global equities at the beginning of 2019 following the extreme weakness experienced at the end of 2018. In 2019, equities have mainly been supported by more accommodative monetary policy at global central banks. While global economic and earnings growth have been positive in 2019, forecasts have steadily declined over the course of the year as fundamentals have deteriorated, mainly related to uncertainties associated with the trade war between the US and China.

Equities fell sharply in the fourth quarter of 2018 on the back of trade war fears, evidence of slowing global growth and concerns over the level of monetary policy tightening being implemented by the US Fed. Equities however, rebounded this year as the Fed and other central banks turned more dovish and adopted more accommodative policy stances to combat the perceived risks to economic growth. Markets however have remained volatile in 2019 with two corrections in equities of over 5% as trade tensions escalated following the breakdown of trade talks between the US and China and the subsequent imposition of additional tariffs. Equities have recovered to reach new all-time highs due to continued loose monetary policies being adopted by global central banks, renewed hopes of a truce in the trade war and signs of a stabilisation in the global manufacturing sector which has been at the centre of the slowdown in global growth over the last 15 to 18 months.

Eurozone bonds have been strong over the last twelve months with the Eurozone 5y+ sovereign bond benchmark up 10.4%. Core German yields fell to new all-time lows in September on slowing Eurozone growth, persistent weak inflation, ongoing political tensions and expectations of looser monetary policy from the ECB. Improved sentiment around global growth following progress in trade talks and Brexit negotiations has however resulted in yields rising from their September lows. Peripheral spreads against Germany have generally tightened over the last year due to the ongoing search for yield and were supported further by the recent resumption of ECB asset purchases in November. The formation of a more EU friendly government in Italy also helped lower Italian spreads.



Summit Balanced Fund

Review

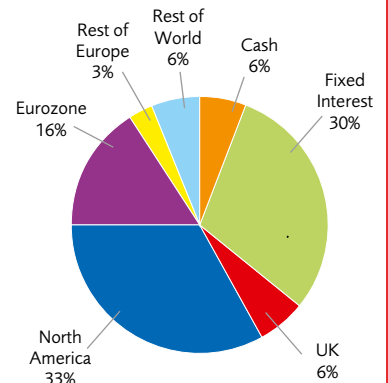
Microsoft was up 60% in 2019 and was the biggest contributor to fund performance. It is now the largest fund weight (3.3% at year-end) and our history with it is worth a recap as it demonstrates the capriciousness of investors and the rewards of a long-term investment approach. We have owned the stock since the fund's inception in mid-2000 but between 2009 and 2013 Microsoft's valuation de-rated from 20-25x earnings to just 10x, on fears that new cloud based competitors, primarily Google and Apple with their strong consumer franchises, would entrench in Microsoft's stronghold, the Enterprise. We thought this was highly unlikely, as Microsoft software is so deeply embedded in the corporate world and replacing it would be a major upheaval for businesses. We materially increased our Microsoft weight in the fund in the years after the financial crisis.

Equity Sector Distribution %

Sector	%
Financials	19.2%
Information Technology	18.0%
Health Care	13.0%
Consumer Discretionary	10.9%
Industrials	10.8%
Consumer Staples	9.5%
Materials	5.8%
Energy	4.9%
Communication Services	4.6%
Utilities	3.3%

Top 10 holdings %

Company	%
Microsoft	2.37%
Berkshire Hathaway	1.97%
Melrose Industrial	1.76%
Lancashire Holdings	1.69%
DCC	1.67%
Federation Investments	1.47%
Oshkosh Corp	1.47%
Keysight Tech	1.36%
Johnson Ctl	1.27%
Nike Inc	1.24%



Bid/Exit price at 31/12/2019
239.90

***Past Performance**
1 Year - 13.55
2 Years - 4.66
5 Years - 5.42
10 Years - 6.72

Source Moneybate ©

Summit Growth Fund

Review

During the quarter we purchased a starter position in **Close Brothers**, the UK financial services company that, among other things, lends into a host of niches in the UK – from loans and invoice financing to small and mid-sized companies, to insurance and motor financing in the consumer space. The lending business is based around strong relationships and high levels of service, consistent underwriting standards through the cycle and conservative funding, capital and liquidity. We believe there is an entrepreneurial spirit at the company (in contrast to the large banks) that continually seeks out under-served areas of the market in which to grow, so long as minimum return hurdles are met.

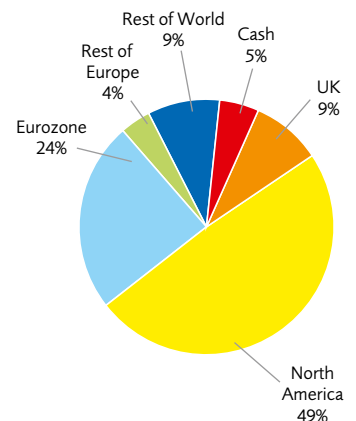
Within our Consumer Discretionary sector, we sold out of US restaurant chain **The Cheesecake Factory** and purchased Alphabet in the fourth quarter. **Alphabet** is a conglomerate with several different businesses housed under the parent structure (including Google Search, YouTube, Waymo, Google Cloud Partners and Android). Although we think we bought Alphabet at about a 4% free cash flow to enterprise value, we think the search business alone is capable of earning well over \$25bn in free cash a year for the next few years. This should give us a respectable return and is a worthy replacement for the proceeds of the Cheesecake sale.

Equity Sector Distribution %

Sector	%
Financials	19.40%
Information Technology	18.15%
Health Care	12.91%
Industrials	10.99%
Consumer Discretionary	10.83%
Consumer Staples	9.13%
Materials	5.98%
Energy	4.81%
Communication Services	4.54%
Utilities	3.26%

Top 10 holdings %

Company	%
Microsoft	3.46%
Berkshire Hathaway	3.2%
Melrose Indust	2.85%
Lancashire Holdings	2.65%
DCC	2.60%
Federate Investment	2.45%
Oshkosh Corp	2.34%
Keysight Tech	2.16%
GPE Bruxelles	2.02%
Johnson Ctls	2.01%



Bid/Exit price at 31/12/2019
263.40

***Past Performance**
1 Year - 19.58
2 Years - 6.33
5 Years - 7.80
10 Years - 8.80

Source Moneybate ©

Summit Global Leaders Fund

Review

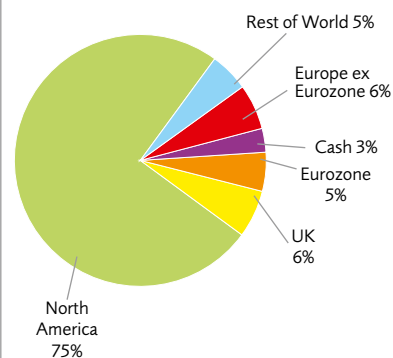
Apple, the US technology company, was up 31.5% (lc) in the last three months of 2019. The company has demonstrated strong growth outside of the iPhone with impressive sales of accessories such as watches and headphones in the third quarter and a strong holiday season expected.

Amgen, the US biotechnology company, climbed 25.4% (lc) in the quarter. The company beat expectations for third quarter earnings and raised forecasts for the full year. Strong growth from Repatha, a drug for high cholesterol, helped offset declining sales for cancer drugs which have lost exclusivity.

Taiwan Semiconductor, the Taiwanese technology company, rose 22.6% (lc) in the final quarter. It reported record sales for the month of November on the back of solid demand for chips for smartphones and high performance computing devices. The outlook for 2020 is also positive.

Equity Sector Distribution	%
Information Technology	33.9%
Health Care	16.8%
Communication Services	12.3%
Consumer Staples	12.1%
Consumer Discretionary	8.7%
Energy	8.7%
Financials	6.2%
Industrials	1.4%

Top 10 holdings	%
Apple	9.48%
Microsoft	9.15%
Amazon	5.79%
Facebook	3.76%
JP Morgan	3.40%
Alphabet Inc	3.13%
Johnson & Johnson	2.98%
Visa Inc	2.46%
Nestle	2.45%
Proctor & Gamble	2.37%



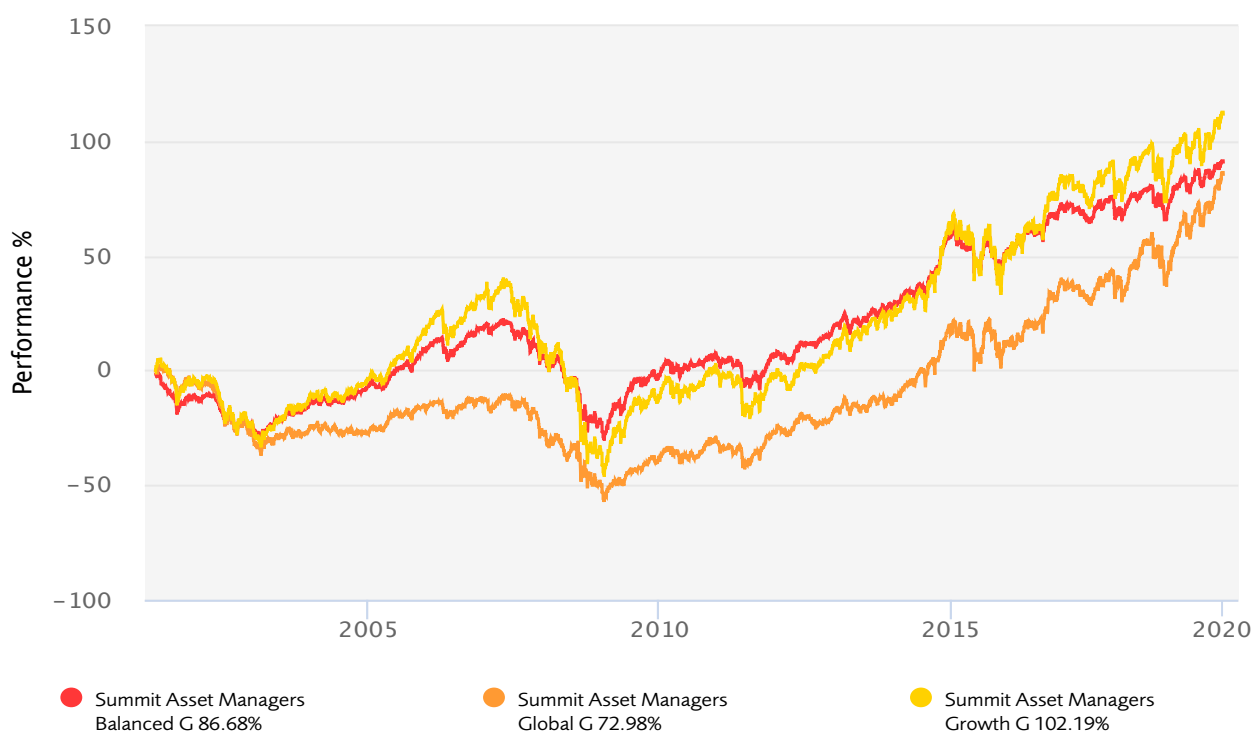
Bid/Exit price at 31/12/2019
233.00

***Past Performance**
1 Year - 31.90
2 Years - 14.93
5 Years - 11.71
10 Years - 11.25

Source MoneyMate ©

Fund Performance

Performance Report - Performance - 06/05/2001 to 01/01/2020



Investment Outlook

The outlook for equity markets over the next twelve months is dependent on a number of factors including the level of growth in the global economy, the scale of monetary policy support from global central banks and the amount of fiscal stimulus provided by governments.

With recent progress in the trade war and Brexit reducing downside risks for the global economy, growth is expected to remain positive with a recession in 2020 now unlikely. However with the majority of existing tariffs remaining in place and without a full resolution of the trade war, global growth is expected to remain relatively modest at around 2.5% in 2020. This level of growth should generate global earnings growth of about 4 - 5% in 2020 compared to current consensus forecasts of 10% meaning earnings downgrades are likely to continue to be a feature through 2020.

Global monetary policy was supportive of equity markets last year. While the space for further policy easing at most global central banks is now more limited, policy will nevertheless remain accommodative and thus continue to provide support for equities. Fiscal stimulus in 2020 is expected to be relatively modest. Eurozone budgets for 2020 have already been submitted and incorporate additional stimulus of only 0.3% of GDP and therefore are unlikely to provide any meaningful uplift to growth. In the US, given current political tensions and the requirement for bipartisan support for any additional spending to be implemented, additional measures to boost growth are not anticipated. In the UK the Conservative manifesto contained only limited commitments to additional fiscal stimulus although it is possible this could change during the year.

Following the very strong returns last year and given current absolute valuation levels, short term upside in equity markets could be limited with some consolidation possible. However in a moderate global growth environment of 2.5% with earnings growth of 4 - 5%, potential upside in equities of low to mid-single digits is possible in 2020 assuming P/e multiples remain at current levels. Relative valuations for equities remain very attractive given the low yields currently available in other assets such as bonds and cash and also provide support for upside in equities.

Challenges to equity markets remain including uncertainty over the level of global economic and earnings growth, future trade developments and key political events in 2020 such as the US Presidential election and tensions in the Middle East and North Korea. These could result in periods of volatility in the market during the year. Any setback in equities due to these or other issues could provide an opportunity for investors to add to equity positions.

The longer term outlook for equities remains positive with expected returns of 6% pa over a 5 - 10 year time frame.

Bond Outlook

Having generally trended higher since the lows evident in mid-2016, global bond yields began to move lower again in late 2018 due to concerns around global growth, persistence of low levels of inflation and the more dovish policy stances adopted by central banks over the course of 2019.

The potential range in which yields are likely to trade over the next twelve months is dependent on the economic outcome. Any further deterioration in global growth would lead to lower yields while a pick-up in global growth associated with a more comprehensive resolution of trade tensions or fiscal stimulus would probably result in higher yields.

The US 10 year yield is currently 1.82% compared to a high in 2018 of 3.25%. The potential trading range over the next twelve months is estimated to be 1.25% - 2.25%. Our base case is that yields will be close to 1.75% in twelve months' time on the back of positive but modest economic growth, low inflation and the Fed maintaining a loose monetary policy stance. The German 10 year yield is currently -0.28% compared to a 2018 high of 0.77%. The potential range over the next year is seen as -0.60%/0.40% with a base case of 0.00% in twelve months' time, again on the assumption that growth remains modest and that the ECB maintains its current policy stance and continues its asset purchase programme.

Peripheral bond spreads have tightened over the last twelve months. Italian spreads have been more volatile than others due to clashes with the EU over fiscal spending plans. However the formation of a more EU friendly coalition during the summer combined with the announcement of the resumption of ECB asset purchases in November has resulted in Italian 10 year spreads against Germany narrowing to 163bps. Spanish 10 year spreads against Germany have been tighter than those in Italy in recent years and are currently 67bps reflecting the better economic, fiscal and political backdrop in Spain. Peripheral spreads are expected to continue to narrow further following the resumption of ECB asset purchases.

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