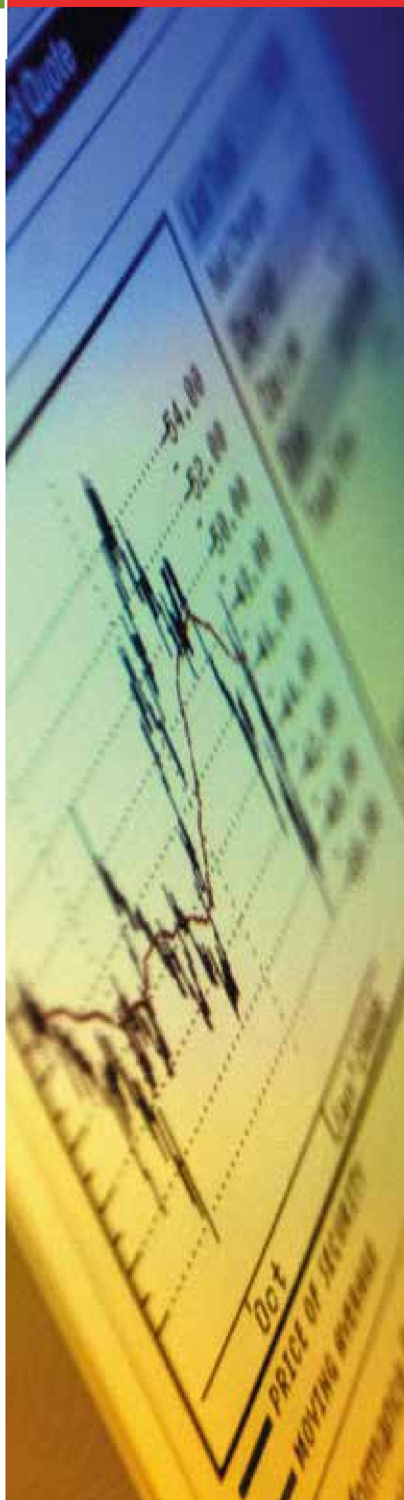
October 2017

Summit Mutual Funds

Third Quarter 2017



Markets

Both global equities and Eurozone bonds were up during the quarter, the continued strength of the Euro resulted in lower returns from global equities in Euro terms while gains in bonds were more modest. Equities continued to be supported by the solid economic and earnings backdrop which were evident across all regions. In contrast to earlier in the year, hard economic activity data caught up with the stronger sentiment surveys which it had been lagging in the first half of the year. The global economy grew approximately 3.7% annualised in Q2, an improvement from the 3.1% growth in Q1 and 2.5% growth achieved in 2016 as a whole. The improvement in growth was broadly spread across all major economic regions and economic sectors although the UK continued to lag with Brexit related uncertainty acting as an overhang. The improving economic backdrop again fed through to global earnings with solid growth in absolute earnings and relative to expectations in all major regions.

Political developments were also key drivers of markets. In the US, the need to provide relief aid to states impacted by a number of severe hurricanes led to bipartisanship between President Trump and the Democrats and the postponement of looming risks related to the issues of an agreement on the annual budget and debt ceiling. This evidence of cross party co-operation increased hopes that some agreement could ultimately be reached on a fiscal programme in the US with tax proposals subsequently being outlined by the Republicans before the end of the quarter. In Europe, the German election result is likely to lead to the creation of a new coalition which is expected to be less in favour of supporting the increased integration of the EU being proposed by French President Macron. On the global front, tensions in North Korea initially had a temporary impact on markets but as the rhetoric and provocations continued, markets become much less sensitive to the issue due to the belief that the crisis was unlikely to escalate into military conflict.

The Eurozone > 5 year sovereign bond benchmark rose 0.8% during the quarter although bonds were somewhat volatile through the period, impacted by speculation over the likely path of ECB policy and the persistence of low inflation. German 10 year yields were effectively unchanged at 0.46%. Spanish spreads were slightly wider at 114bps ahead of the Catalonia referendum vote on 1st October.

Commodities rose 7.2% (3.4% in €). WTI oil rose 12.2% as OPEC suggested it might extend oil production cuts beyond March next year. A slowdown in the pace of oil rig build out in the US, falls in oil inventories, increased oil demand expectations from industry forecasters and concerns over potential supplies from Kurdistan and Iraq all contributed to the rise in the oil price.

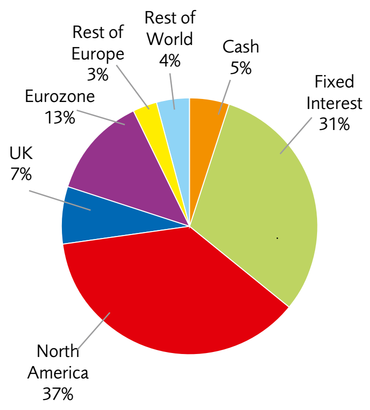
Summit Balanced Fund

Review

During the quarter we made an investment in Ericsson, which is a fundamentally good business experiencing some difficulties that we think are fixable. Ericsson has a very strong position in the market for telecom equipment and ancillary software and services, used to operate wireless networks. Chinese competitors, Huawei and ZTE have made significant inroads over the past decade but Ericsson has been able to maintain market share and we feel the Chinese competitors will find it harder to gain market share from here, particularly given wariness in the US of potential national security issues see good value in the stock on that basis.

Equity Sector Distribution	%
Financial	22.2%
Telecomms & Technology	21.3%
Pharmaceuticals	11.2%
Consumer Cyclicals	9.1%
Consumer Staples	7.9%
Energy	7.4%
Industrial Commodities	6.9%
Capital Goods	6.0%
Industrial Services	5.3%
Utilities	2.6%

Top 10 holdings	%
Owens Inc	2.45
Berkshire Hathaway	2.03
CRH	1.96
DCC	1.95
Oshkosh Truck Corp	1.93
Leucadia Natl	1.69
Fairfax	1.47
Johnson Ctls	1.46
Federated Invests	1.45
Microsoft	1.45



Bid/Exit price at 30/09/17 214.20

***Past Performance**
1 Year – 5.00
2 Years – 7.72
5 Years – 8.55

Source Moneymate ©

Summit Growth Fund

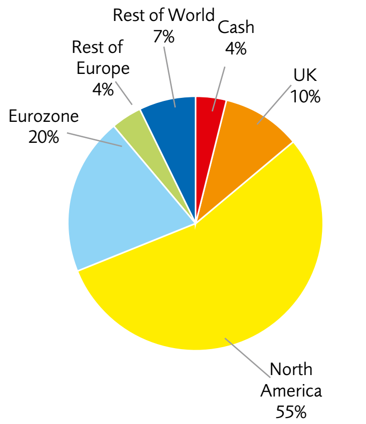
Review

The share price of Oshkosh Corporation (+16% Q3:17) rose robustly despite little in the way of 'news' in quarter. Our view was that the company was materially undervalued in Q1 2016 and we added significantly to our shareholding on the belief that the private market value of their four businesses in Defence, Access Equipment, Fire & Emergency and Commercial vehicles was not reflected in the prevailing market price.

That thesis is now playing out as a recovery in Access equipment demand brings into focus very strong prospects for 2018. Moreover the economics of their key US Department of Defense contract is better understood, as are the international prospects for the defence business as a whole. Fire & Emergency is progressing towards management's 10% operating margin objective. The company is in a very good place currently and while valuation is no longer cheap there is sufficient strategic and balance sheet optionality for us to remain constructive on the investment case.

Equity Sector Distribution	%
Financial	22.12%
Telecomms & Technology	21.17%
Pharmaceuticals	11.36%
Consumer Cyclicals	9.17%
Consumer Staples	7.85%
Energy	7.34%
Industrial Commodities	6.87%
Capital Goods	5.91%
Industrial Services	5.43%
Utilities	2.79%

Top 10 holdings	%
Owens Inc	3.66%
Berkshire Hathaway	3.08%
CRH	2.93%
DCC	2.93%
Oshkosh Truck	2.86%
Leucadia Natl Corp	2.58%
Johnson Ctls	2.28%
Fairfax	2.25%
Federated Invs	2.21%
Microsoft	2.18%



Bid/Exit price at 30/09/17 225.00

***Past Performance**
1 Year – 10.08
2 Years – 11.43
5 Years – 11.80

Source Moneymate ©

Summit Global Leaders Fund

Review

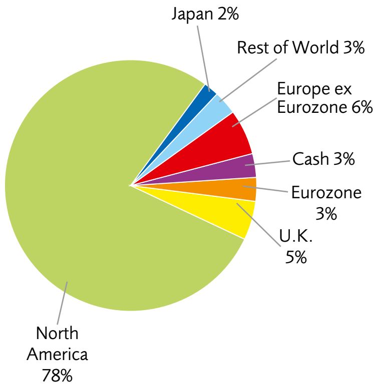
The third quarter saw a modest advance for stock markets in euro terms. The Energy and Commodity sectors bounced back from a weak Q2. The Consumer Staples sector was a relative laggard during the period.

Toyota, the Japanese car manufacturer, was up 13.9% in local currency (lc) in the third quarter. The negative impact from incentives in the highly competitive North American market shows signs of abating. Stabilising used car prices reduces the earnings risk from the leasing business.

Intel, the US technology company, gained +13.7% (lc) in the period. The company reported better than expected results for the second quarter driven by strength in its Client Computing Group business. With a strong first half, higher expectations for the PC business and cost cutting tracking ahead of plan, the outlook for 2017 was also raised.

Equity Sector Distribution	%
Technology	34.2%
Pharmaceuticals	14.0%
Financial	13.8%
Consumer Cyclicals	10.4%
Consumer Staples	10.1%
Energy	9.6%
Telecomms	4.6%
Capital Goods	3.2%

Top 10 holdings	%
Apple	7.49%
Microsoft	5.48%
Facebook	3.78%
Amazon	3.57%
Berekshire Hathaway	3.47%
JP Morgan	3.39%
Johnson & Johnson	3.38%
Exxon Mobil	3.35%
Alphabet Inc	2.76%
Bank of America	2.58%



Bid/Exit price at 30/09/17
169.30

*Past Performance	
1 Year	**– 10.87**
2 Years	**– 12.15**
5 Years	**– 10.51**

Source Moneymate ©

Equity Outlook

An improving global economic and earnings backdrop in recent months has supported equity markets year to date. Global economic data has been stronger than expected in recent months suggesting global growth in 2017 can move towards the top end and possibly even exceed the 2.5/3% range which has been in place since the current recovery began in 2009. With an expected recovery in global earnings due to this improving growth backdrop and an earnings rebound in sectors such as energy, commodities and financials as sector specific fundamentals improve, equities are expected to generate positive returns in 2017, especially as equities remain relatively attractive on a valuation basis compared to bonds and cash. Recent evidence of improved flows into equity funds is also supportive of equity markets.

Uncertainties continue to provide an overhang on markets with political controversies in the US and policy paralysis potentially negatively impacting consumer and business confidence.

Other issues could also potentially negatively impact markets. These include valuations being full in absolute terms, the expected reduction in monetary policy support from global central banks in 2017 and beyond, potential political risks in the US, Europe and globally most notably tensions in North Korea, ongoing uncertainty over the impact of Brexit, potentially slower growth in China in the second half of 2017 and possible upward pressure on global bond yields all potentially limiting the upside in equity markets over the course of the year.

Bond Outlook

Global and European sovereign bond yields generally hit new all-time lows immediately after the Brexit referendum in July 2016. Since then global bond yields have drifted higher on the back of improving global growth since the middle of 2016, a rise in inflation due to the base effects of higher oil prices and expectations of reduced levels of policy accommodation from global central banks.
This trend towards higher yields was exacerbated by Donald Trump's election as US President. The expectation of a boost to US and global growth through fiscal stimulus contributed to a further rise in inflation expectations and hence higher yields.US 10 year Treasury yields were 2.12 at the end of August, down from end 2016 levels of 2.44% as inflation has remained stubbornly low and expectations around fiscal stimulus plans in the US have eased.

The upward pressure on core European yields relative to the US from the lows has been limited by the lower prospects for fiscal stimulus in Europe, the existence of large output gaps in most European economies and the fact that inflation in the Eurozone is expected to remain below the ECB's target of close to but just below 2% over the medium term. While the ECB has reduced the level of asset purchases under its Quantitative Easing programme from €80bn per month to €60bn, it has indicated asset purchases will continue until at least December 2017 and probably through much of 2018 although at lower levels. As a result, with the ECB remaining as a significant buyer of sovereign bonds for the time being, while some upward pressure on core Eurozone bond yields is expected in 2017. Trends and developments in the oil price, Eurozone inflation readings, ECB policy announcements, political developments and other economic data will determine where within the range yields are trading at any particular point.