A VIEW FROM THE SUMMIT

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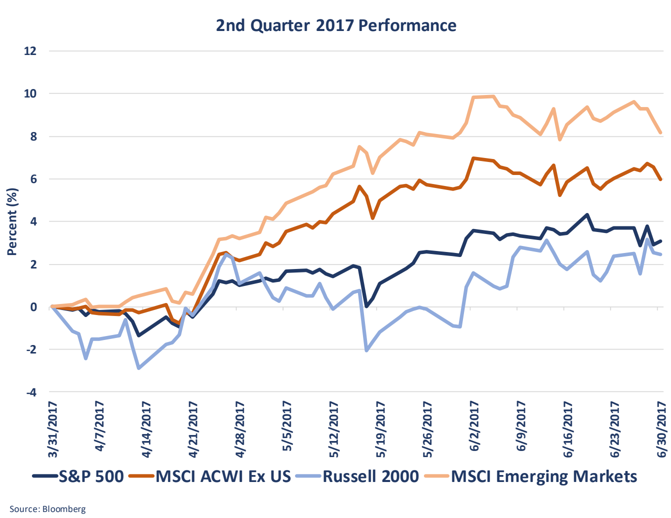
MARKET COMMENTARY

Markets

During the second quarter, equity markets had strong returns with non-U.S. stocks (MSCI ACWI ex US Index®) outperforming domestic stocks with a total return of 5.99% followed by U.S. large cap stocks (S&P 500 Index®) at 3.09% and U.S. small cap stocks (Russell 2000 Index®) at 2.46%. Emerging markets led with a return of 8.19% for the quarter and 18.65% year-to-date.



Growth stocks, as a style, significantly outperformed value stocks both domestically and internationally as well as across all capitalization ranges.

Overall, the U.S. Dollar declined relative to a trade weighted basket of currencies, and especially versus the Euro. These currency movements further contributed to the outperformance of non-U.S. stock markets in U.S. Dollar terms. Oil price, defined as the West Texas Intermediate Crude, dropped 9.01% during the quarter reaching a low of $42.53. This put significant pressure on energy related stocks.

Performance	Q2 2017	YTD	1 Year	3 Years
S&P 500 Total Return	3.09%	9.34%	17.90%	9.60%
Russell 2000 Total Return	2.46%	4.99%	24.60%	7.35%
MSCI EAFE (USD)	6.37%	14.23%	20.83%	1.61%
MSCI EAFE Small-cap (USD)	8.30%	17.04%	23.64%	5.96%
MSCI EM (USD)	8.19%	18.65%	18.57%	3.38%
MSCI ACWI (USD)	4.45%	11.81%	19.42%	5.39%
MSCI USA Min Vol	3.15%	9.40%	8.30%	12.00%
Barclays Aggregate (ETF: AGG)	1.47%	2.30%	-0.36%	2.44%
Barclays High Yield 2% Issuer Cap	2.17%	4.93%	12.69%	4.49%
Barclays Global Aggregate ex US	3.55%	6.12%	-3.80%	-2.42%
Gold (ETF: IAU)	-0.27%	7.04%	-6.18%	-2.12%
Oil (ETF: USO)	-10.88%	-19.14%	-18.11%	-37.52%
USD Trade Weighted (ETF: UUP)	-4.49%	-6.36%	-0.57%	5.17%

The S&P 500 Index and the Dow Jones Industrial Average both achieved their seventh quarterly increase in a row, which has not been seen since the fourth quarter of 2006. Another major U.S. index, the NASDAQ composite, returned 4.21% in the quarter, reaching a new all-time high. In terms of style, defensive sectors performed the best, up 3.63%, followed by cyclicals, up 3.13%, while economically sensitives fell 1.13%.

Economy

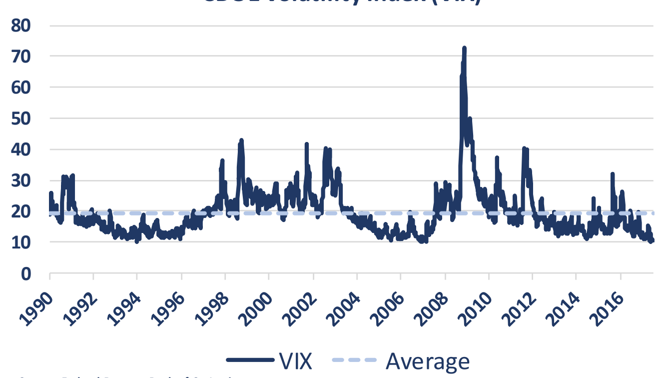
The economy continued to grow modestly. The previous quarter real GDP growth was upwardly revised to 1.4%. The Federal Reserve Leading Index for the United States, which estimates future economic growth, forecasts 1.40% growth. Inflation expectations, measured by the 10-Year Breakeven Inflation Rate, fell from 1.97% to 1.72% during the second quarter. New housing starts fell slightly during the quarter but remained at double the rate of the recession lows in 2009. As of May, auto sales remained flat at an annualized rate of 16.6 million units but were down from a peak of 18.3 million units in December of 2016.

Retail sales increased a solid +4.0% from a year ago. Industrial production grew +2.2% from a year ago. Another bright spot for the economy was total construction spending which increased +6.7% year-over-year. Finally, the unemployment rate dropped to 4.3% from 4.8% in December of 2016. Overall, economic conditions were decent with enough strength to avoid a recession.

Volatility Matters

Stock market volatility, measured by the CBOE Volatility Index: VIX®, fell below 10 during the second quarter to twenty-seven year lows. Why is volatility so low when uncertainty of Washington politics, infrastructure spending, tax reform, and healthcare changes remains so high? It may be that investors remain complacent with a "wait-and-see" attitude toward these uncertainties. Earnings reports for the second quarter will begin soon. If companies deliver growth and meet earnings expectations then volatility may remain low, however, if significant misses occur then volatility should rise. In periods of extreme low volatility, it becomes increasingly difficult for low volatility strategies to outpace and differentiate themselves from the market. However, in each historical period where volatility has reached such lows the index has spiked up significantly during the next 12 months. Usually, low volatility investment strategies perform well during periods of high or rising market volatility.

CBOE Volatility Index (VIX)



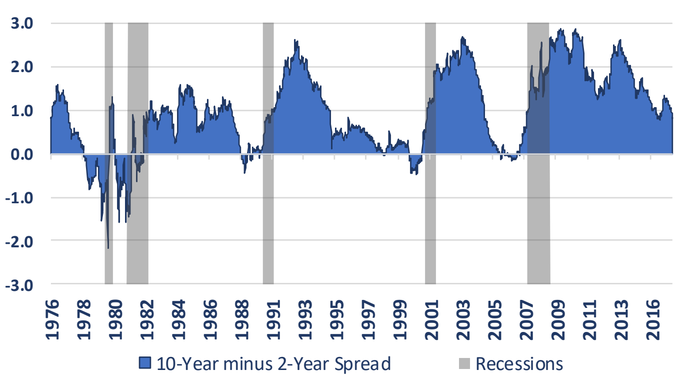
Source: Federal Reserve Bank of St. Louis

Interest Rates

In June, the Federal Reserve increased the Fed Funds Rate by 0.25% for the fourth time since December 2015. Additionally, central banks around the world indicated future monetary policy will be less accommodative than has been the case during the past nine years.

Historically, an inverted yield curve, measured by the difference between the 10-Year Treasury yield and the 2-Year Treasury yield, has been an excellent indicator of oncoming recessions. During the second quarter, the yield curve flattened somewhat but did not fall enough to invert.

10-Year minus 2-Year Treasury Constant Maturity Spread

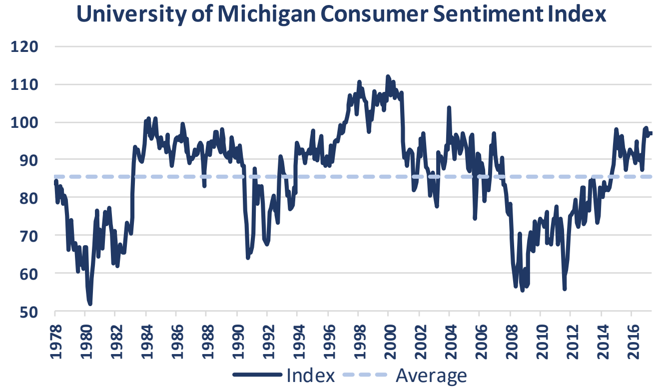


Source: Federal Reserve Bank of St. Louis

Sentiment

Sentiment globally increased as economic growth picked up in both Europe and Asia in developed and emerging markets.

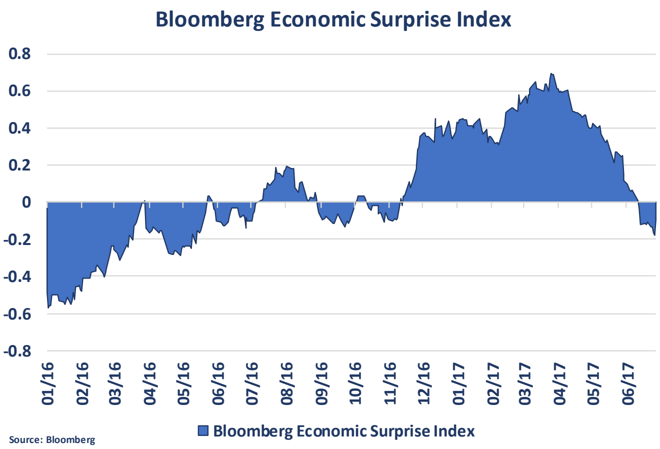
University of Michigan Consumer Sentiment Index



Source: Federal Reserve Bank of St. Louis

In the U.S., the University of Michigan Consumer Sentiment Index was flat but remains at close to its highest level in 10 years at 97.1.

While sentiment for the economy and the markets was generally strong, the Bloomberg Economic Surprise Index, which measures actual results versus forecasts dropped precipitously during the quarter.

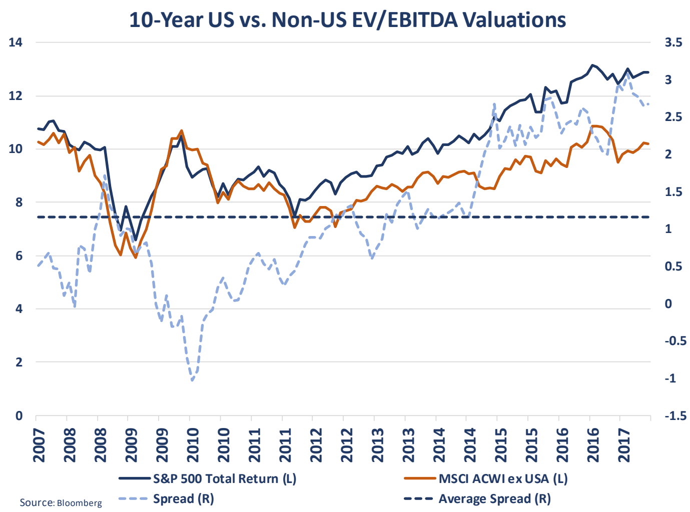


This may be a signal of future weakening of the economy, however, note that the chart only shows a full reversal of the gain in the index since the election in November of 2016.

Valuations

During the second quarter, most global valuation signals continued higher. Robust earnings growth is expected across equity markets globally. Strong earnings often support higher valuation multiples; however, risk of a market selloff is clearly increased. Historically, our low volatility, risk managed investment strategies have performed well during market downturns.

Notice that on an enterprise value to EBITDA basis, a common valuation metric, both the U.S. equity market and the non-U.S. equity market has been rising dramatically since the middle of 2011. In fact, now both domiciles are at or near their 10-year peaks. The spread between them has been rising with the U.S. approximately 25% more expensive than international markets. This spread is near its 10-year peak which is favorable for international markets.



Lastly, while the markets are expensive, there usually exists attractively valued individual companies in which to invest. Summit Global Investments seeks attractively valued low volatility companies as part of our investment discipline.

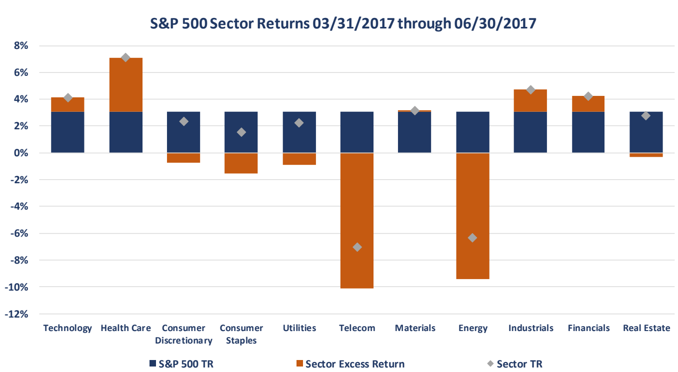
Sectors

The importance of sector allocation remained in the second quarter as the spread between the highest returning sector, Health Care, and the lowest returning sector, Telecommunication Services, was large at 14.15%. Over the past year the differential between the best and worst performing sectors was an extremely large 50.43%.

The quarterly outperformers were led by Health Care with a return of 7.10% and modest outperformers in Industrials, Financials, and Information Technology, at 4.73%, 4.25%, 4.14% respectively. The Health Care sector reacted favorability to the Senate GOP health care bill which was deemed more favorable to the sector, particularly hospitals, than the House of Representatives bill. Information Technology continued its rise, particularly in a narrow subset of stocks, as valuations in the sector further tested its bounds. Financials continued its rise as optimism on reform continues and banks nearly unanimously aced their stressed tests.

Telecommunications and energy were the only two sectors that had meaningful underperformance. Energy which lost 6.36% was dragged down by the decline in oil. In fact, the sector dramatically outperformed a popular oil ETF (ticker: USO) which declined 10.88%. OPEC nations have attempted to decrease supply, and the cartel has held firm as those nations met the reduction targets. However, the United States has continued its own supply surge counteracting the measures of OPEC. Telecommunications which lost 7.05%, continued to get squeezed by increased competition, high capital expenditures, and large debt burdens.

Both consumer sectors held steady during the sector despite extremely negative headline news. The sentiment in brick and mortar retail is extremely negative as store closures are expected to ramp up in the face of heightened competition via ecommerce. This paradigm shift in consumer behavior should allow for strong stock picking as the market determines winners and losers. Rising store closures may dramatically impact commercial REITs.



Sector styles also proved to have major bifurcation this quarter with cyclicals and defensives modestly outperforming and sensitives showing major underperformance. Defensive sectors outperformed based upon the strength of health care and the resiliency within consumer staples and utilities. The sensitives were negative for the quarter driven by laggards in energy and telecommunications.

Factors

In the second quarter factor investing produced mixed relative returns, but positive absolute returns. Our analysis below utilizes the MSCI USA Index as the benchmark index relative to MSCI factor indices. In practice, the team at Summit Global Investments utilizes proprietary factors as well as risk models from providers such as Barra and Bloomberg.

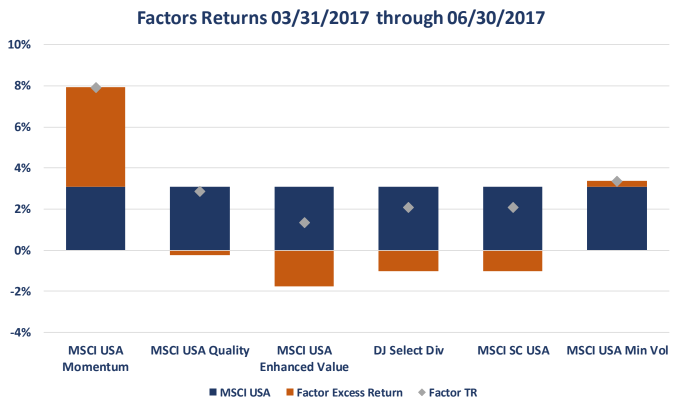
In aggregate, the momentum factor (MSCI USA Momentum Index) and the low volatility factor (MSCI Minimum Volatility Index) outperformed whereas the value factor (MSCI USA Enhanced Value Index) and the small-cap factor (MSCI Small-cap USA) underperformed. The quality and yield factors performed similarly to the benchmark.

Momentum was the big winner during the second quarter with a return of 7.91% relative to the MSCI USA Index which returned 3.10%. The momentum trade has been persisting ever since the election as investors continue to price in potentially positive economic developments. This trade has been easily visible via the technology sector which has continued its strong run through this quarter. Drilling down into stocks the FAANG (Facebook, Amazon, Apple, Netflix, Google) quintet has continued its strong upward trajectory.

The low volatility factor also outperformed this quarter by 0.05%. Even matching the index is particularly impressive given that low volatility generally underperforms in strong rising markets. Equally impressive, low volatility generally faces headwinds in low VIX market regimes.

The strategies at Summit Global Investments typically tilt towards a lower market capitalization than the index. This quarter that tilt failed to pay off as the small-cap factor detracted 1.02%.

The value factor also continued its cyclical underperformance by trailing the reference index by 1.76%. Valuations continue to be stretched by record low volatility and low interest rates. The team at Summit Global Investments remains strong proponents of reversion to the mean and all our strategies include a valuation bias.



Quality and yield performed in line with the index this quarter. However, yield outperformed in June as long-term interest rates declined.

Summit's Outlook

Our Expectations:

- Continuation of modest U.S. economic growth
- The Federal Reserve will raise the fed funds rate at least one more time in 2017
- No dramatic increase in U.S. long term interest rates because of modest U.S. economic growth and very low international interest rates
- Globally, monetary policies in major economies will be less accommodative
- Store closures for brick and mortar retailers should accelerate as eCommerce continues to gain market share
- Narrowing of the valuation difference between U.S. and non-U.S. equities
- Political battles in Washington will continue, however clarity regarding health care and trade policies could benefit the market
- Due to outsized future expectations, the FAANG stocks will ultimately disappoint
- Volatility will bounce higher from these historic lows

We are still concerned about high market valuations but enough individual investment opportunities exist. However, in the medium to long term we expect mean reversion of market valuations as normalcy returns.

We continue to adhere to our disciplined, managed-risk, multi-factor investment process. Over a full market cycle, this approach has limited downside risks and allowed for participation in market rallies. After eight plus years of an equity bull market, it is time for investors to be proactively prudent. We're grateful for the opportunity to help steward your investments.

Sincerely,

Summit Global Investments