Momentum Global Funds

Société d'Investissement à Capital Variable

Harmony Europe Diversified Fund

(Formerly known as the Harmony Euro Balanced Fund)

momentum

month ended 29 January 2016

Fund details

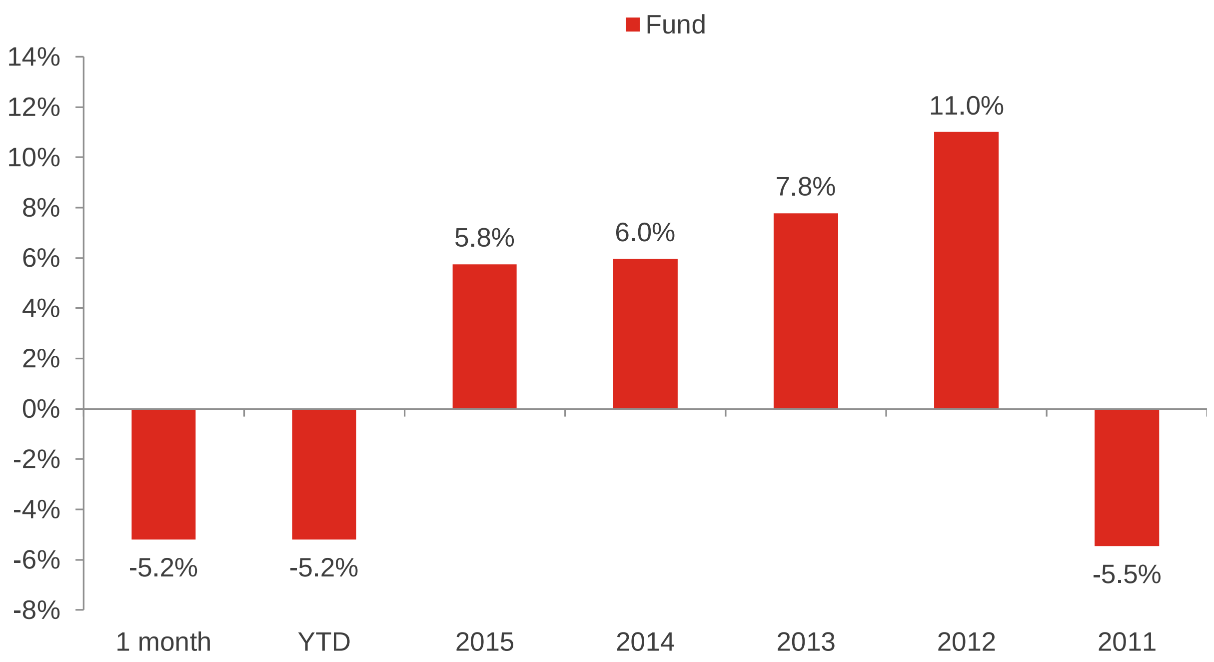
Investment manager: **Momentum Global Investment Management**	ISIN A Class: **LU0651984873**	Price per share A Class: **EUR 1.1254**
Currency: **EUR**	ISIN B Class: **LU0651984956**	Price per share B Class: **EUR 1.0605**
Inception date (fund): **12 August 2011**	ISIN C Class: **LU0651985094**	Price per share C Class: **EUR 1.1945**
Structure: **SICAV - Part 1 Luxembourg 2002 Law (UCITS)**	ISIN D Class: **LU0651985177**	Price per share D Class: **EUR 1.2192**
Minimum investment: **Share classes A, B, C & D: USD 7,500 (EUR equivalent)**	Subscriptions / redemptions: **daily**	Investment timeframe: **3 years +**

Investment objective

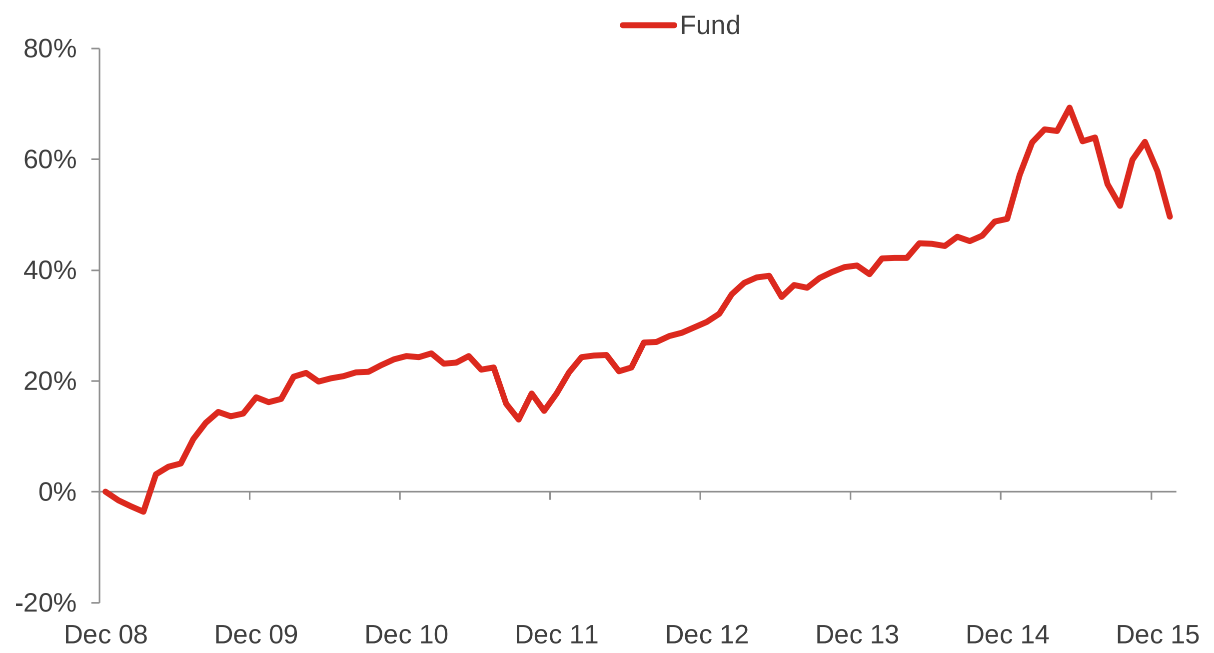
The portfolio will be biased to investments in Europe, but could also hold investments outside this region. The portfolio aims to provide a balance between capital preservation and capital growth in euros with a reduced level of volatility, via strategic exposures to a wide range of asset classes.

Please refer to the Prospectus for full details of the fund, its charges, the investment objective and investment policy.

Fund performance



Cumulative returns



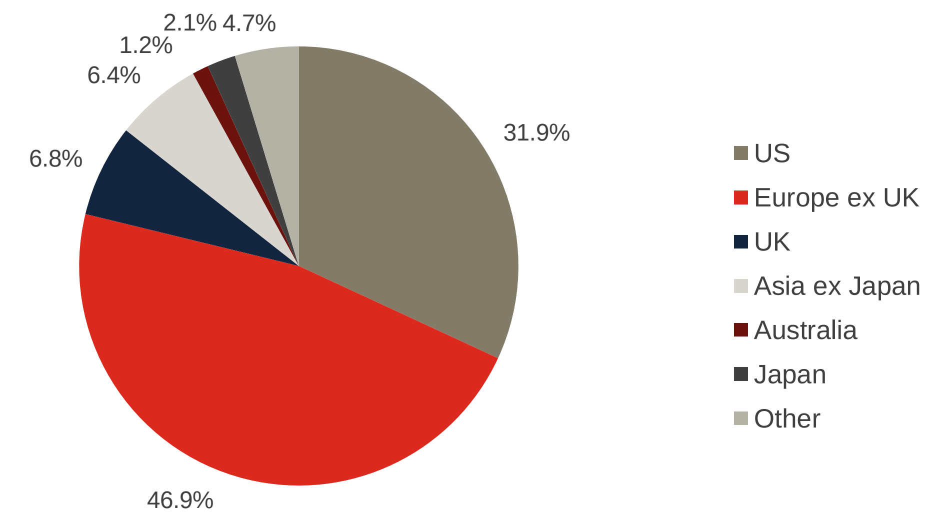
Holdings

Holdings	Asset type	Weight
Jupiter European Special Situations	Equity	19.2%
FP Crux European Special Situations	Equity	19.2%
Third Avenue Real Estate Value	Property	5.5%
Artisan Global Value	Equity	5.0%
AXA US High Yield (EUR hedged)	Fixed Income	4.9%
PFS Twentyfour Dynamic Bond	Fixed Income	4.9%
RWC Global Convertibles	Fixed Income	4.1%
Muzinich EM Short Duration (EUR hedged)	Fixed Income	3.9%
AXA US Short Duration High Yield (EUR hedged)	Fixed Income	3.7%
Schroder UK Recovery	Equity	3.5%
Dimensional Emerging Markets Value	Equity	3.4%
iShares JP Morgan Emerging Markets Bond	Fixed Income	3.4%
Muzinich EnhancedYield Short-Term (EUR hedged)	Fixed Income	3.3%
RWC Asia Convertibles	Fixed Income	3.0%
American Century Concentrated Global Growth	Equity	3.0%
Cash	Cash	2.7%
Heptagon Kopernik Global All-Cap Equity	Equity	2.4%
First State Global Listed Infrastructure	Equity	2.2%
Morgan Stanley UK Global Brands	Equity	0.9%
Westwood Strategic Global Convertibles (EUR hedged)	Fixed Income	0.8%
Morgan Stanley Global Brands	Equity	0.8%
iShares Gold Producers	Commodities	0.2%

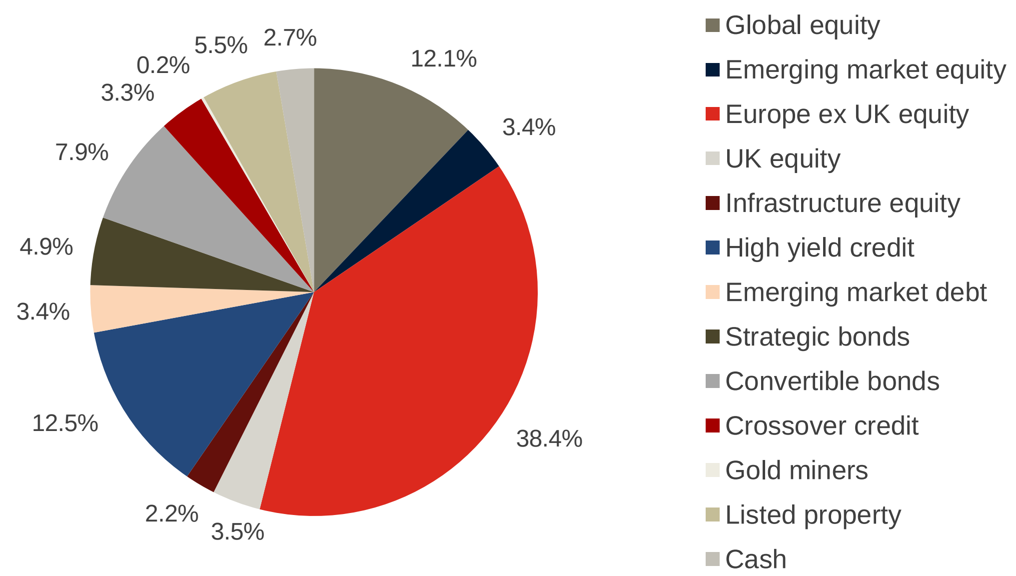
Investment statistics (since 1 January 2009)

Current month return:	-5.2%
Cumulative return:	49.7%
Annualised return:	5.9%
Annualised volatility:	7.6%

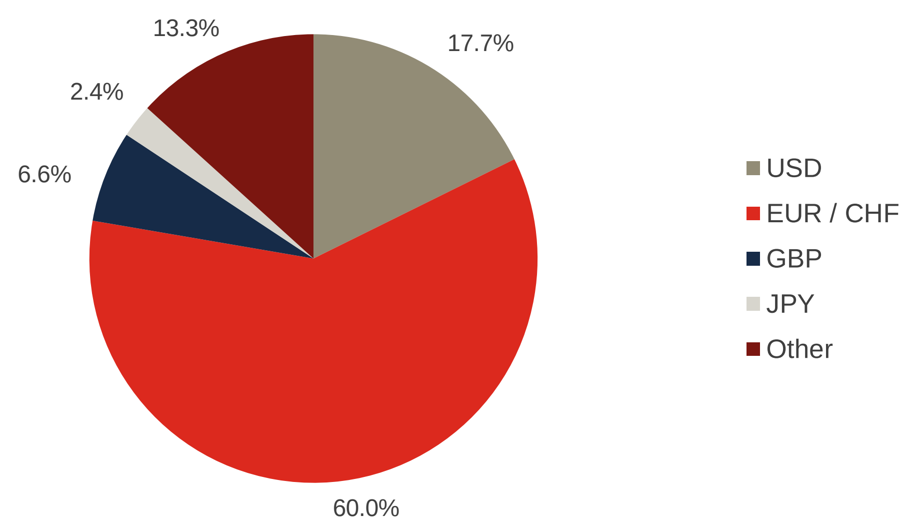
Regional allocation



Strategy allocation



Currency allocation



Sources: Momentum Global Investment Management, JP Morgan Bank (Luxembourg) S.A., Bloomberg.

Manager commentary

In the worst start to a year since the financial crisis, and one of the worst on record, equity markets plunged in January, despite a notable rally in the final two days. Global equities fell by 5.4% in local currency terms over the month, and emerging equity markets were down by 5.2%. Falls were led by China, down 12.4%, as well as Japan and the wider Asian market falling 7.6% and 6.6% respectively in local currency terms, where the technology and financial sectors in particular posted steep declines. Continental Europe's -6.0% return was driven by the financial sector falling almost 12%, while the UK lost relatively little, 2.4%, aided by the consumer staples and energy sectors posting positive returns. Gold proved its worth as a safe haven, gaining 5.2% in USD terms, while oil continued to show volatility. The price of Brent crude tumbled to USD 27.67 per barrel mid-month, before recovering to finish at USD 34.67, losing 6.8% over the period. Following a similar path, the Goldman Sachs commodity index fell by 5.2%, after falling significantly more to the 20th. In the fixed income space, high yield bonds continued to be dragged down by the energy sector, returning -1.6% and -1.1% in the US and Europe respectively. Government bonds were, as would be expected, defensive during this uncertainty, with those of the major regions advancing: most notably UK Gilts with a 3.9% return. Despite the dollar's upward trend reversing towards the end of January, the greenback remained strong over the month: of the main hard currencies Sterling lost out most to the dollar, falling 3.3%.

The Harmony Europe Diversified Fund returned -5.2% in euro terms in January net of fees. The Fund's equity content explained most of the decline, with holdings across most regions and sectors falling by over 6%. Overall, our equity manager selection had a limited impact on performance, with underperformance from value and growth orientated managers being offset by quality styles. Quality and listed infrastructure strategies held up relatively well due to their sector biases, but still posted small declines in euro terms. The fixed income portion of the portfolio also provided a degree of downside protection, with short duration high yield and hard currency emerging market debt holdings proving relatively resilient. However, the Fund's holdings in convertible and strategic bond funds delivered larger declines, due to their greater sensitivities to equity prices and credit spreads respectively.

As things stand, we believe that fears over global growth and concerns over the strength of the financial system are starting to look overdone. The global economy has softened but is still growing, central banks have become more accommodating and the fall in energy and other commodity prices, which to date has had a material negative impact on the global economy, will begin to show through in higher consumer incomes and spending as the year progresses. While the risks to the financial system – a slowdown in growth and deteriorating credit conditions – are not to be dismissed, banks across the world are in a much stronger capital position than ahead of the global financial crisis, and in the first weeks of 2016 bond and equity markets appear to have re-priced for these risks very quickly. Predicting when sentiment will turn is impossible, and given the prevailing nervousness of investors, risks of further falls in markets cannot be ruled out. Positive factors such as the boost to consumer spending to come from lower oil prices and the continuation of low interest rates are welcome and complement the now attractive valuations. We remain in a challenging environment where returns are likely to be subdued and markets volatile, but against a background of low yet steady growth in the developed world the weakness over the past nine months has taken many markets back to levels last seen in 2013: this represents a good opportunity to add to equity positions.

Source: Bloomberg, Momentum Global Investment Management.

Important Information