Momentum Global Funds
Société d'Investissement à Capital Variable

# Harmony Euro Balanced Fund – Class E

momentum

*month ended 28 February 2013*

## Fund details

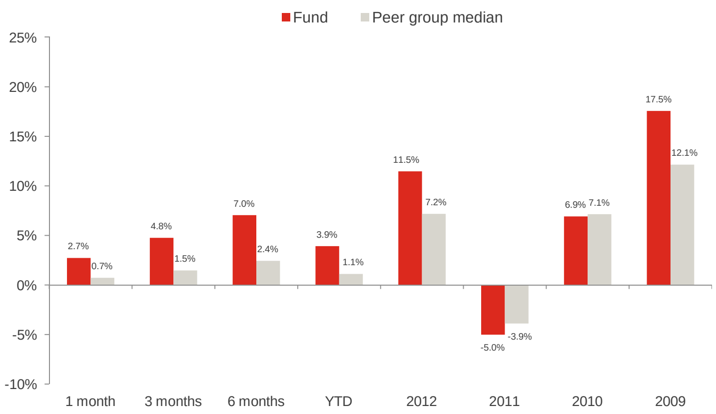
| | |
|---|---|
| Investment manager: **Momentum Global Investment Management Limited** | ISIN: **LU0795380780** |
| Currency: **EUR** | Price per share: **EUR 1.0734** |
| Inception date (fund): **12 August 2011** | Minimum investment: **USD 250,000 (EUR equivalent)** |
| Structure: **SICAV - Part 1 Luxembourg 2002 Law (UCITS)** | Subscriptions / redemptions: **daily** |
| Peer group: **Bloomberg Active Index for Funds - Global Balanced Offshore Funds (returns in EUR)** | Investment timeframe: **3 years +** |

## Investment objective

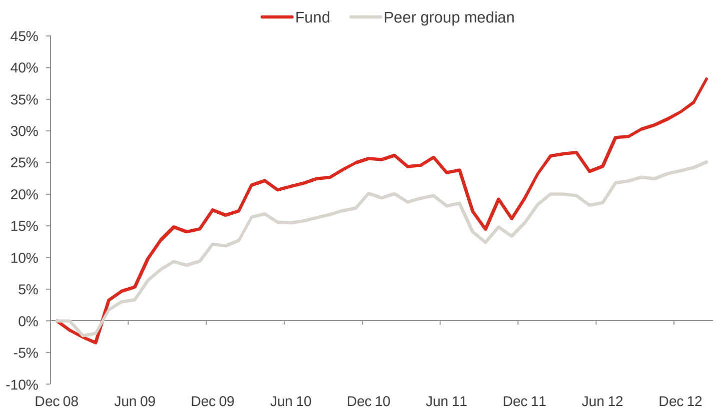
The portfolio will be biased to investments in Europe, but could also hold investments outside this region. The portfolio aims to provide a balance between capital preservation and capital growth in euros with a reduced level of volatility, via strategic exposures to a wide range of asset classes.

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

## Fund performance[1]




## Cumulative returns[1]



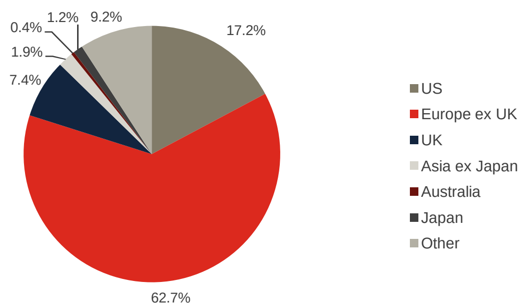

## All holdings

| Holdings | Asset type | Weight |
|---|---|---|
| Jupiter European Special Situations | Equity | 15.7% |
| Henderson European Special Situations | Equity | 15.0% |
| Cash | Cash | 11.2% |
| Old Mutual Dublin Global Bond | Fixed Income | 10.0% |
| Cohen & Steers Global Real Estate | Property | 7.2% |
| RWC Global Convertibles | Fixed Income | 6.2% |
| Momentum IF Global Equity | Equity | 6.1% |
| BlackRock European Corporate Bond Index | Fixed Income | 6.0% |
| Jupiter Dynamic Bond | Fixed Income | 4.9% |
| Muzinich EnhancedYield Short-Term | Fixed Income | 4.5% |
| Threadneedle European High Yield Bond | Fixed Income | 3.9% |
| iShares $ TIPS | Fixed Income | 3.0% |
| First State Global Listed Infrastructure | Equity | 2.9% |
| Morgan Stanley Global Brands | Equity | 2.1% |
| Dimensional Emerging Markets Value | Equity | 1.3% |

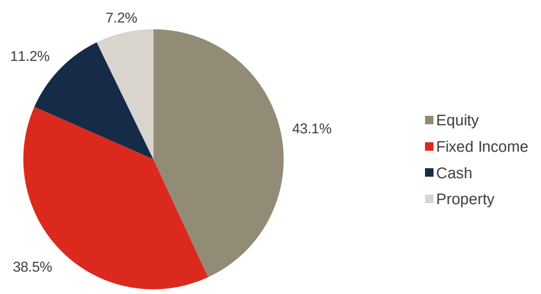
## Investment statistics (since 1 January 2009)[1]

| | |
|---|---|
| Current month return: | 2.7% |
| Cumulative return: | 38.2% |
| Annualised return: | 8.1% |
| Annualised volatility: | 7.1% |

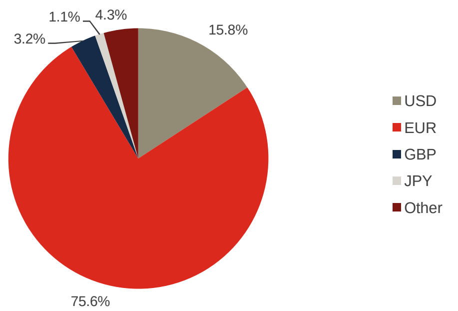
## Regional allocation




## Asset allocation




## Currency allocation




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

[1] As a result of its bias to Europe, the fund will tend to perform well versus peers when European securities and currencies outperform. The opposite will also be true when European securities underperform other regions.

## Manager commentary

After a strong January, equities consolidated their gains in February. At the same time, anxiety grew over the outlook for further central bank asset purchases (quantitative easing) in the US, the growth of the global economy, and Europe. Equity markets were more volatile as a result, with the balance of up days to down days moving closer to 50:50. Despite fresh nervousness amongst investors, global developed markets rose during February, with the US adding 5.2%, the UK 1.6%, Continental Europe 0.8%, Japan 6.5% and Asia ex Japan 6.3% (returns in euro terms). Perhaps the most notable moves last month were in currencies, with the euro facing losses against most major counterparts bar sterling. In terms of key events, the main talking point last month came from Europe; Italian elections yielded a difficult outcome, with reformist former Prime Minister Mario Monti receiving only 10% of the vote, the centre left controlling the lower house, a split vote in the Senate with no party able to take control, and a comedian the unlikely beneficiary of the polls. On the face of it, last month's vote represented a loud rejection of the EU's severe austerity programme, with investors now facing a period of uncertainty until a new government can be formed (or new elections held). Italian bond yields spiked upwards in the wake of the news, and global equity markets appeared to wobble, but importantly there was no material impact on the bonds of other European peripherals. In other news, Japan continues to move to looser monetary policy, supporting the market as it goes. Keeping the yen weak has positive implications for corporate profitability, given the large numbers of Japanese exporters. In China, the news was mixed last month, with PMIs falling to their lowest level in five months, amidst reports that Beijing is set to tighten home lending in order to control the boom in house prices in major cities. Overall, the ongoing process of deleveraging and rebalancing, which has been underway since the global financial crisis, will keep growth relatively subdued and competitive conditions for companies will remain tough.

Following a strong January, February provided reasonable global equity returns in euro terms. Indeed, given the potentially disruptive news flow, including an inconclusive Italian parliamentary election and the downgrade of the UK's credit rating, a return of 3.8% in euro terms for the MSCI AC World in February appears to be a reasonable result and is a testament to the resilient sentiment amongst market participants. Major global equity markets posted positive returns in local currency terms, with the Harmony Euro Balanced Fund returning 2.7%. From an asset allocation perspective, the fund's low weight to global government bonds and higher allocation to areas of the credit markets benefited absolute performance. The fund remains lowly allocated to government bonds, as we do not see compelling valuations available in this area of the fixed income markets. While a degree of welcome optimism appears to be returning to the markets, it is worth bearing in mind that there are still significant risks for investors to contend with in the medium-term. Consequently, while we are cautiously optimistic about the prospects for 2013, investors should look to retain a prudent level of diversification in their portfolios and avoid complacency.

From a manager selection perspective, the Jupiter European Special Situations fund, managed by Cédric de Fonclare in London, gained 2.6% in euro terms during February, outperforming the European equity index which rose just 0.8%. Over three months his strategy has returned 7.4%, again ahead of the 6.6% benchmark return. Although the manager has been selectively adding exposure to the financial sector in recent months, he continues to avoid the highest risk areas within the region, including Southern European stocks, domestically-focused companies and low quality financials. This is not least because companies in core countries such as Germany, which in his view offer much better growth prospects, are trading at similarly attractive valuations. The current strategy is similar to that employed in 2012; that is aiming to benefit from strong companies getting stronger, to try and avoid those areas exposed to political risk and to capture any international growth. The portfolio remains biased towards large and mid caps (80% and 20% respectively), with minimal exposure to mega caps.

Source: Lipper Hindsight, Momentum Global Investment Management Limited, February 2013.