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 February 2016

Fund details

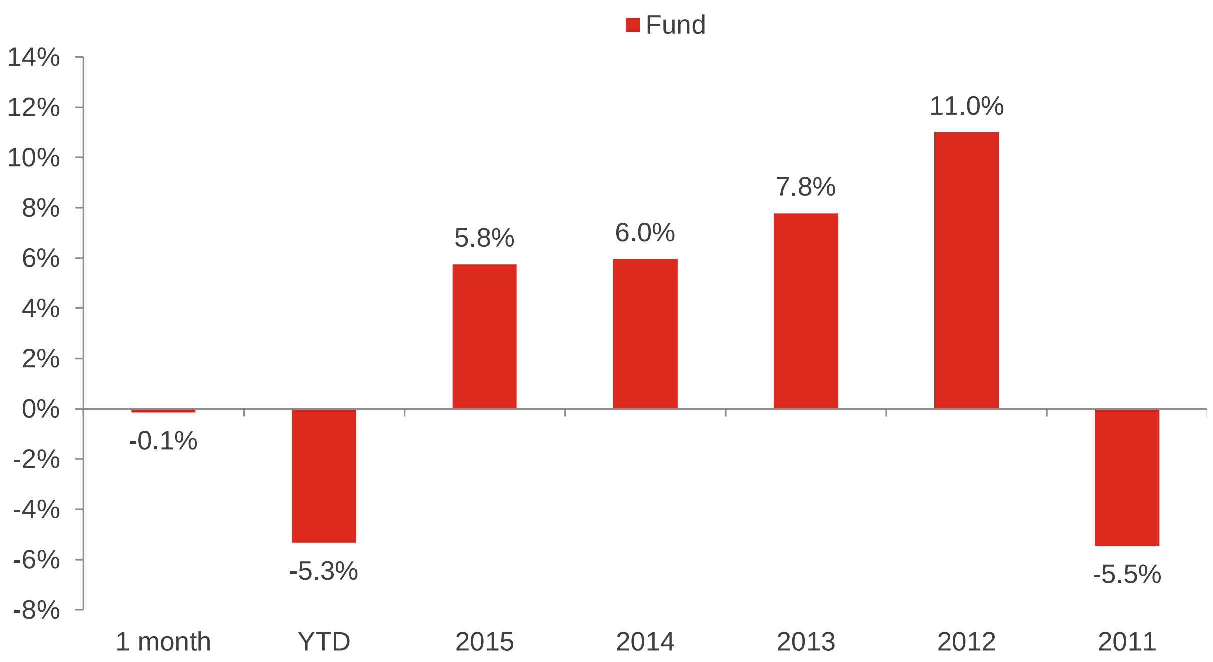
Investment manager: **Momentum Global Investment Management**	ISIN A Class: **LU0651984873**	Price per share A Class: **EUR 1.1238**
Currency: **EUR**	ISIN B Class: **LU0651984956**	Price per share B Class: **EUR 1.0590**
Inception date (fund): **12 August 2011**	ISIN C Class: **LU0651985094**	Price per share C Class: **EUR 1.1923**
Structure: **SICAV - Part 1 Luxembourg 2002 Law (UCITS)**	ISIN D Class: **LU0651985177**	Price per share D Class: **EUR 1.2167**
Minimum investment: **Share classes A, B, C & D: USD 7,500 (EUR equivalent)**	Subscriptions / redemptions: **daily**	Investment timeframe: **3 years +**

Investment objective

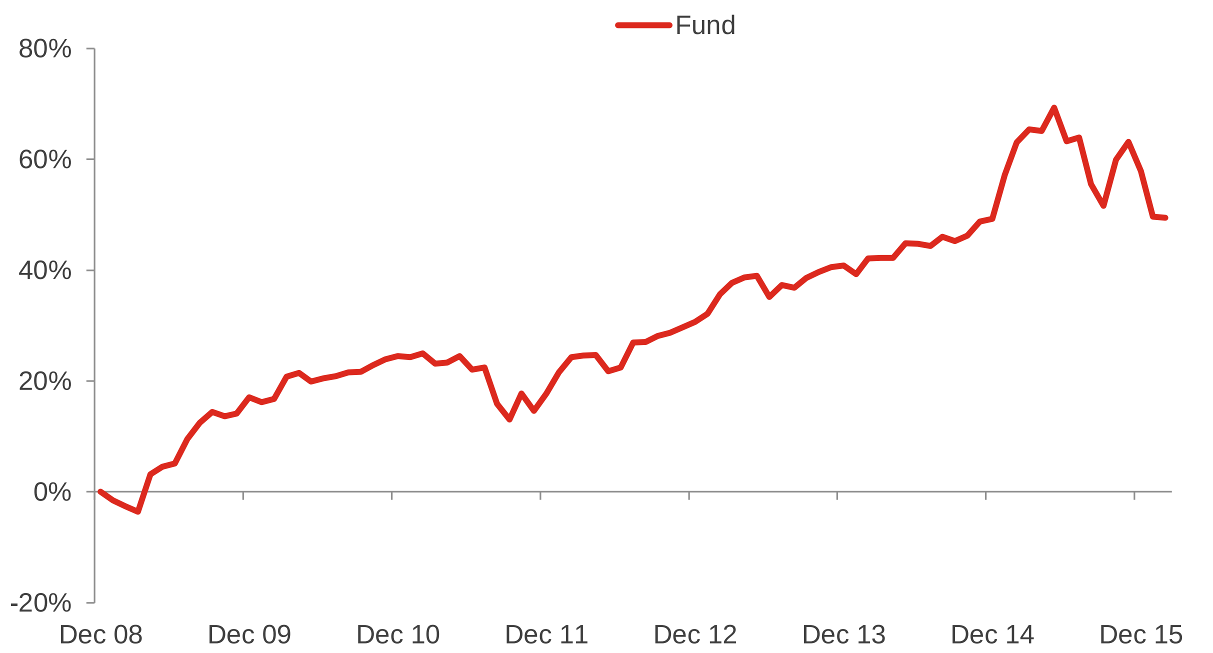
The portfolio will be biased to investments in Europe, but could also hold investments outside this region. The portfolio aims to provide a balance between capital preservation and capital growth in euros with a reduced level of volatility, via strategic exposures to a wide range of asset classes.

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

Fund performance



Cumulative returns



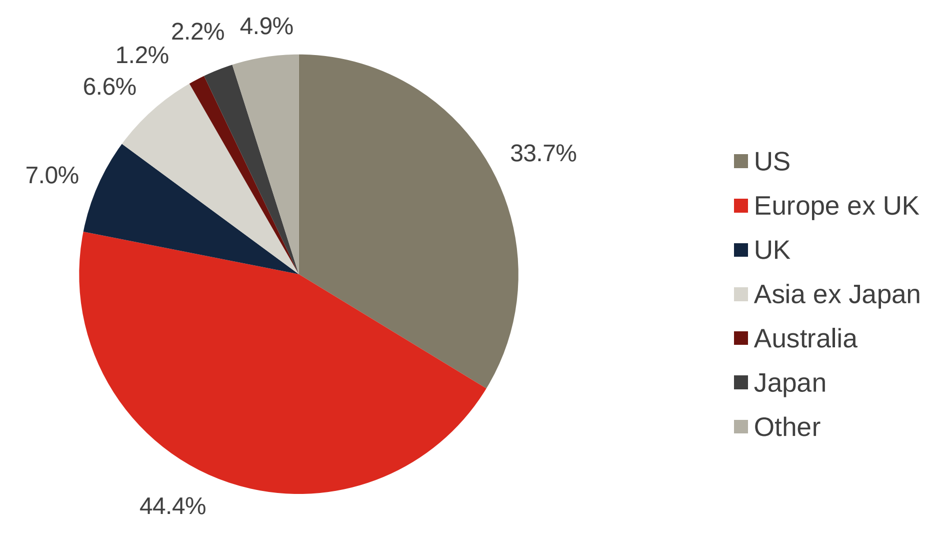
Holdings

Holdings	Asset type	Weight
FP Crux European Special Situations	Equity	18.7%
Jupiter European Special Situations	Equity	18.6%
Third Avenue Real Estate Value	Property	5.3%
Artisan Global Value	Equity	4.9%
AXA US High Yield (EUR hedged)	Fixed Income	4.8%
PFS Twentyfour Dynamic Bond	Fixed Income	4.5%
Schroder UK Recovery	Equity	4.2%
BlackRock US Corporate Bond Index	Fixed Income	4.1%
Dimensional Emerging Markets Value	Equity	3.7%
Cash	Cash	3.5%
iShares JP Morgan Emerging Markets Bond	Fixed Income	3.3%
First State Global Listed Infrastructure	Equity	3.1%
RWC Global Convertibles	Fixed Income	3.0%
RWC Asia Convertibles	Fixed Income	2.9%
AXA US Short Duration High Yield	Fixed Income	2.9%
American Century Concentrated Global Growth	Equity	2.9%
Heptagon Kopernik Global All-Cap Equity	Equity	2.6%
Muzinich EnhancedYield Short-Term (EUR hedged)	Fixed Income	1.9%
Morgan Stanley UK Global Brands	Equity	1.7%
Westwood Strategic Global Convertibles (EUR hedged)	Fixed Income	1.5%
BlackRock Developed Real Estate	Property	1.0%
Morgan Stanley Global Brands	Equity	0.7%
iShares Gold Producers	Commodities	0.2%

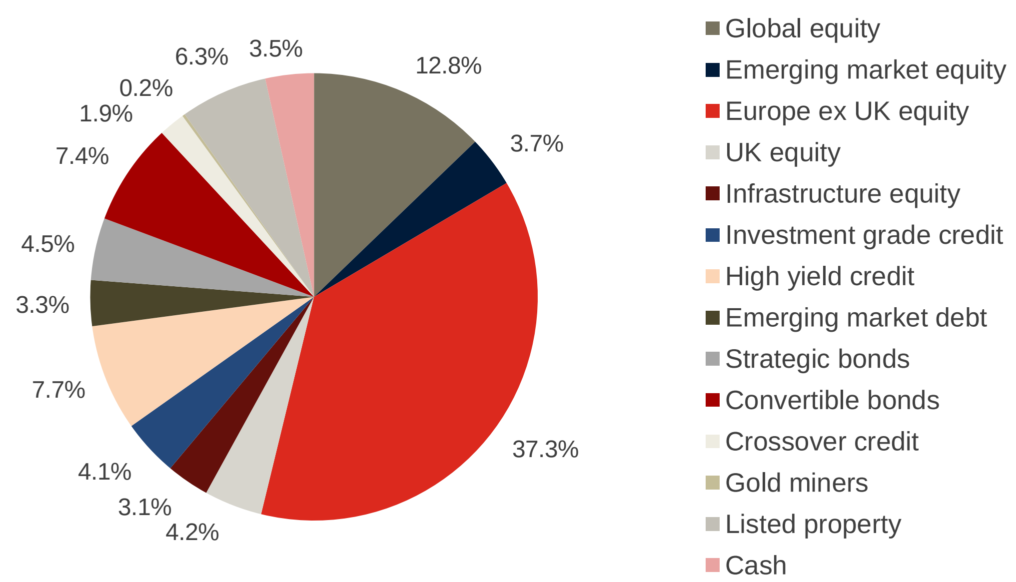
Investment statistics (since 1 January 2009)

Current month return:	-0.1%
Cumulative return:	49.5%
Annualised return:	5.8%
Annualised volatility:	7.5%

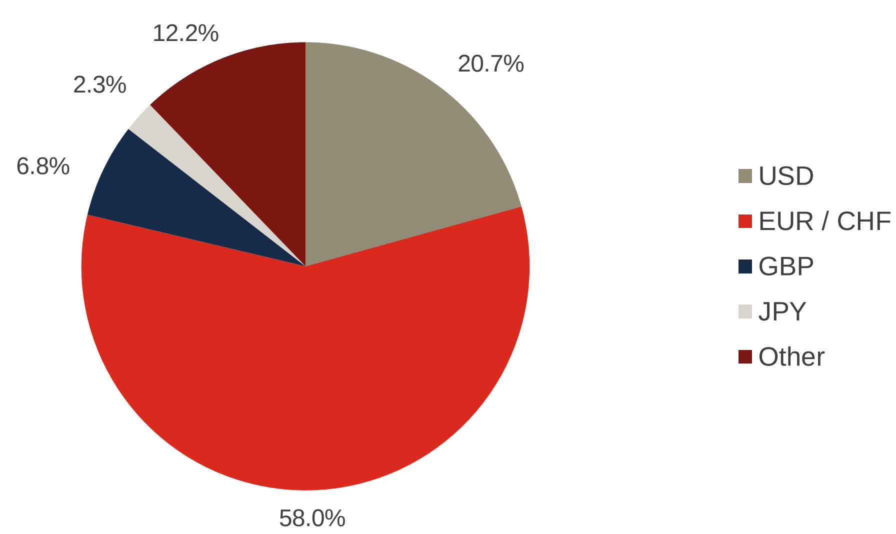
Regional allocation



Strategy allocation



Currency allocation



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

Manager commentary

The market weakness seen in January continued into February, with high levels of uncertainty and fear, notably affecting the financial sector and in particular European bank shares. However, sentiment began to improve mid-month and markets recovered significantly; by month end the MSCI World index was down by just 1.5% in February in local currency terms, up 6.4% from its 11 February low. Alongside the main factors which have triggered the global sell-off in past months – China's slowdown and the collapse in commodity markets – there have been rising concerns that monetary policy is becoming less effective, as investors reappraised the longer term profitability of banks in a negative interest rate environment. Against this background, safe haven assets continued to perform strongly. Government bond yields in Europe, Japan and the UK are at or near all-time lows, with Japanese 10-year government bonds now having negative yields. The JP Morgan Government Bond Index returned 1.2% during February in local currency terms. In contrast credit continued to underperform, suffering from concerns over the slowdown in global growth. The more positive tone in markets as the month progressed, however, saw some recovery in corporate bonds, high yield and emerging market debt. The market recovery from the worst period of performance since the global financial crisis can in part be attributed to a sharp turn in oil. Brent crude oil, having fallen to a low of circa $28 per barrel in mid-January, recovered almost 30% by 29 February. Also of note was the UK government's calling of the EU stay/leave referendum for 23 June, leading to an immediate fall in sterling which finished the month down 2.3% against the dollar.

The Harmony Europe Diversified Fund returned -0.1% in euro terms in February net of fees. This compares to a 2.6% decline for the Europe ex UK equity market. Performance benefited significantly from our equity manager selection, driven by outperformance from the fund's large holdings in two European equity strategies. In addition, despite having much smaller weightings in the Fund, strategies managed by Schroders and Kopernik made significant contributions to performance. Both managers benefited from their allocations to the materials sector, which was the strongest performing sector on both a UK and global basis over the month. More specifically fund performance benefited from exposure to gold mining companies, both through the Kopernik strategy and via a small sector ETF holding, as the sector rallied by over 30%. The Fund's fixed income component generated a small negative return, where the main detractor was the 24 Dynamic Bond fund, which offset gains in other areas including hard currency emerging market debt and US high yield bonds.

It is evident that some of the post crisis structural headwinds, in particular the high levels of debt globally, will keep growth subdued for some time. Similarly the structural slowdown in China and the severe cyclical downturn in many emerging countries and commodity markets have sent a negative pulse across the developed world, slowing growth further and increasing risks of deflation. These risks have re-priced very quickly into bond and equity markets however, and more recent data from developed economies has held up reasonably well; the US, UK, Europe and Japan should continue to grow modestly through 2016. Furthermore, some of the big factors hitting markets in the past year, including the oil rout, are showing signs of stabilising. For these reasons we believe the market fears in recent months are overdone. Central banks have become more accommodating and have made it clear that they will take further action to prevent economies falling into a deflationary spiral. While there are risks posed to the financial system by a slowdown in growth and deteriorating credit conditions, banks across the world are in a much stronger capital position than ahead of the global financial crisis, such that it is extremely unlikely that today's problems will cause a global systemic crisis. With valuations across many markets at much improved levels after the sharp falls of the past 9 months, we believe that this represents a good opportunity to add to equity positions. Indeed we adjusted the Fund's asset allocation around the start of February, adding to European equity and global listed property positions while also increasing investment grade credit within the fixed income portion.

Source: Bloomberg, Momentum Global Investment Management.

Important Information