Momentum Global Funds

Société d'Investissement à Capital Variable

Harmony Europe Diversified Fund

(Formerly known as the Harmony Euro Balanced Fund)

momentum

month ended 31 March 2016

Fund details

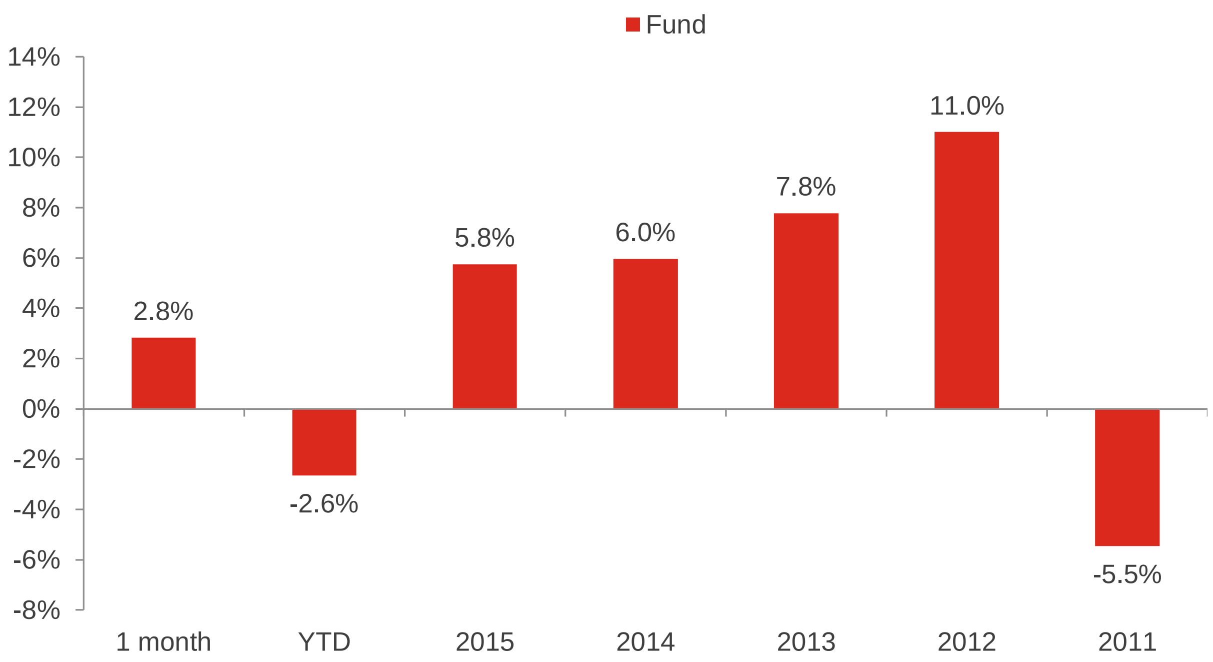
Investment manager: **Momentum Global Investment Management**	ISIN A Class: **LU0651984873**	Price per share A Class: **EUR 1.1556**
Currency: **EUR**	ISIN B Class: **LU0651984956**	Price per share B Class: **EUR 1.0890**
Inception date (fund): **12 August 2011**	ISIN C Class: **LU0651985094**	Price per share C Class: **EUR 1.2255**
Structure: **SICAV - Part 1 Luxembourg 2002 Law (UCITS)**	ISIN D Class: **LU0651985177**	Price per share D Class: **EUR 1.2500**
Minimum investment: **Share classes A, B, C & D: USD 7,500 (EUR equivalent)**	Subscriptions / redemptions: **daily**	Investment timeframe: **3 years +**

Investment objective

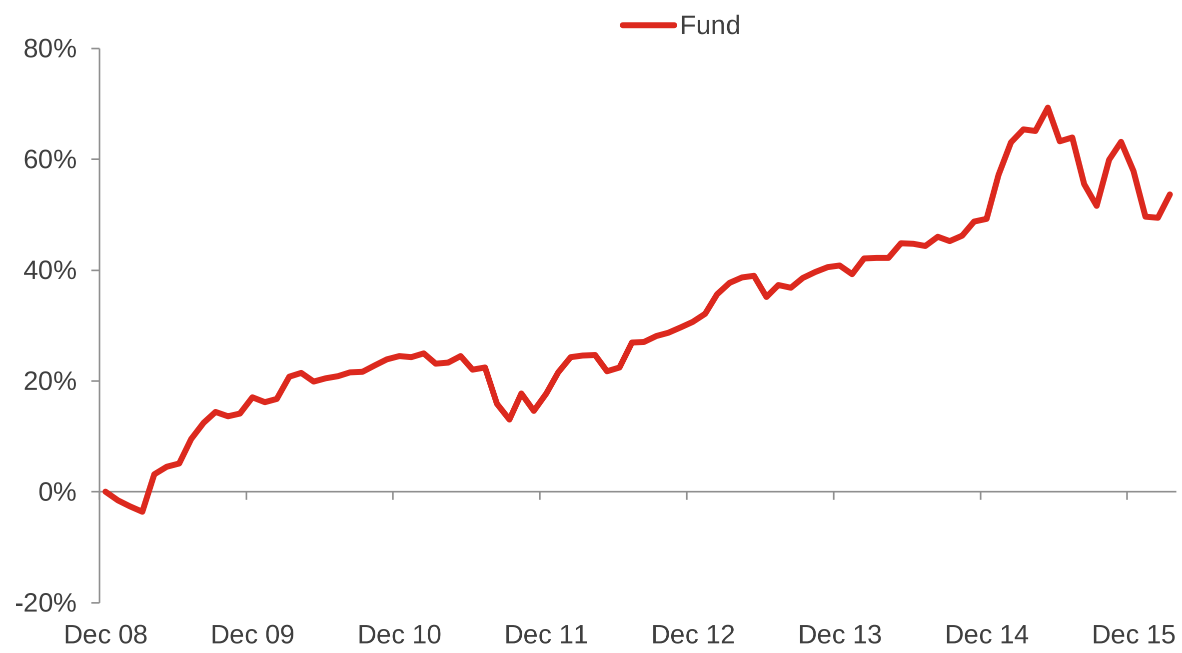
The portfolio will be biased to investments in Europe, but could also hold investments outside this region. The portfolio aims to provide a balance between capital preservation and capital growth in euros with a reduced level of volatility, via strategic exposures to a wide range of asset classes.

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

Fund performance



Cumulative returns



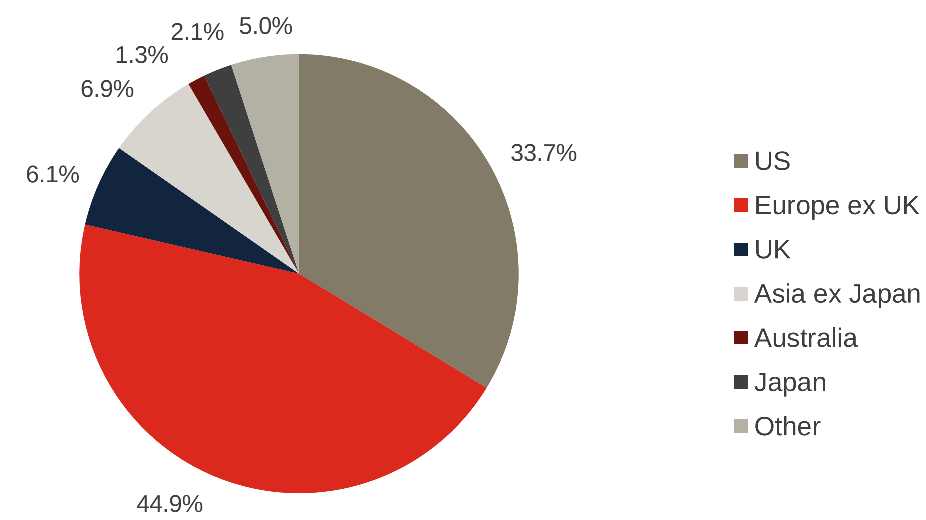
Holdings

Holdings	Asset type	Weight
FP Crux European Special Situations	Equity	19.7%
Jupiter European Special Situations	Equity	19.2%
Third Avenue Real Estate Value	Property	5.6%
Artisan Global Value	Equity	5.1%
AXA US High Yield (EUR hedged)	Fixed Income	5.1%
MI Twentyfour Dynamic Bond	Fixed Income	4.6%
Schroder UK Recovery	Equity	4.3%
BlackRock US Corporate Bond Index	Fixed Income	4.0%
Dimensional Emerging Markets Value	Equity	4.0%
iShares JP Morgan Emerging Markets Bond	Fixed Income	3.3%
First State Global Listed Infrastructure	Equity	3.2%
RWC Global Convertibles	Fixed Income	3.0%
RWC Asia Convertibles	Fixed Income	3.0%
AXA US Short Duration High Yield	Fixed Income	3.0%
American Century Concentrated Global Growth	Equity	2.9%
Heptagon Kopernik Global All-Cap Equity	Equity	2.7%
Muzinich EnhancedYield Short-Term (EUR hedged)	Fixed Income	2.0%
Westwood Strategic Global Convertibles (EUR hedged)	Fixed Income	1.6%
Cash	Cash	1.2%
BlackRock Developed Real Estate	Property	1.0%
Morgan Stanley Global Brands	Equity	0.7%
Morgan Stanley UK Global Brands	Equity	0.6%
iShares Gold Producers	Commodities	0.2%

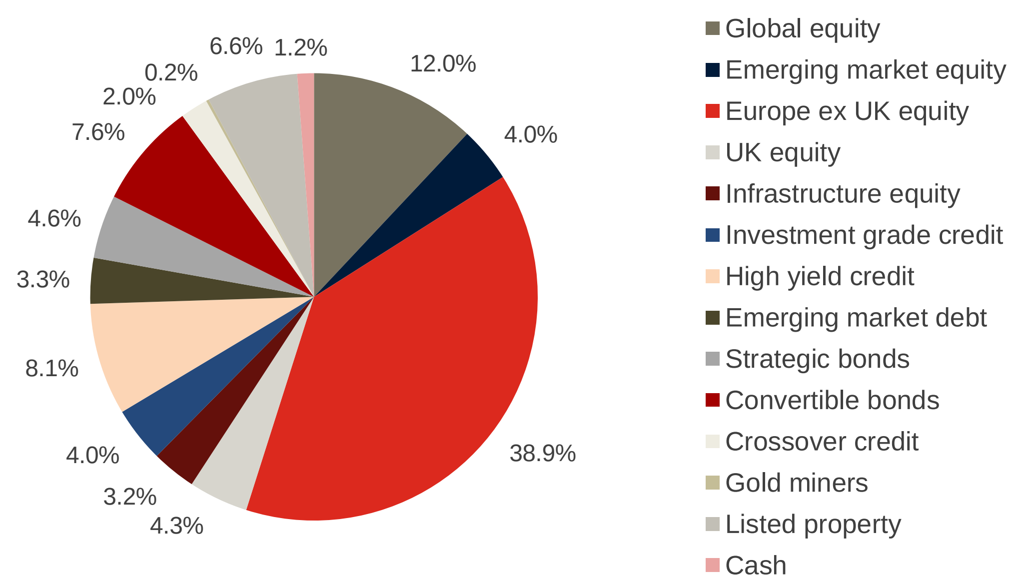
Investment statistics (since 1 January 2009)

Current month return:	2.8%
Cumulative return:	53.7%
Annualised return:	6.1%
Annualised volatility:	7.6%

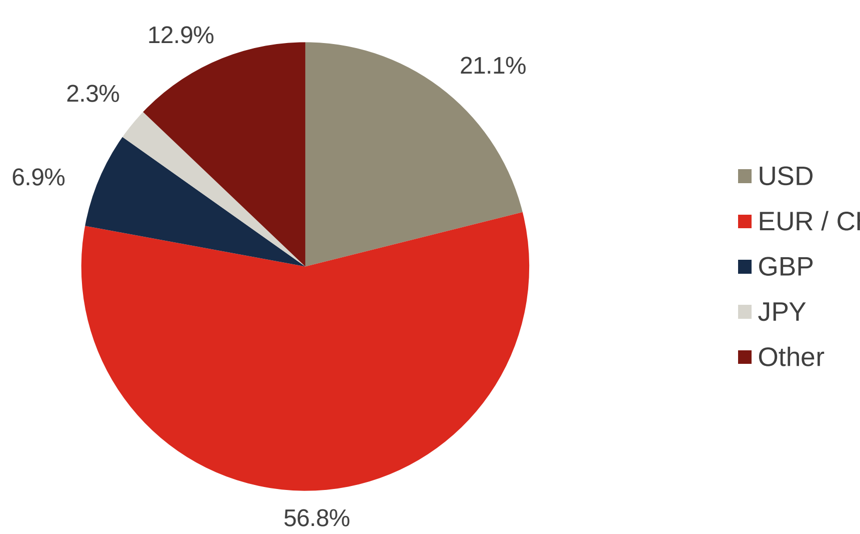
Regional allocation



Strategy allocation



Currency allocation



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

Manager commentary

The recovery in markets, which started in February, continued into March and by month-end many equity markets had recovered much of the ground lost from the sharp sell-off at the start of the year. A rally of 12.0% by the MSCI World index, from the February lows to the end of March, left the year-to-date return at -2.0% in local currency terms. Emerging markets led the way, with a return of 8.3% in March, taking the year-to-date return to 2.7% in local currency terms. Among the major developed equity markets the US produced the best return, 6.8% in March, bringing the S&P 500 index to within a whisker of its all-time high. Other areas were less strong: continental Europe was up by 1.9% in March; the UK added 1.7% and Australia rose by 4.8%. Credit participated fully in the rally in risk assets in March, with global investment grade bonds rising by 2.3%, US high yield by 4.4% and hard currency emerging market debt adding 3.2%. Several factors lay behind the recovery, aside from the fact that markets were oversold at the start of the year. Firstly, after the oil price bottomed in late January, Brent crude oil rallied over 40% to above USD 40 per barrel during the month, before settling at USD 39.6 at month-end. This eased the pressure on the oil sector, as well as on several important emerging economies. Additionally, central banks provided big support once again, with the European Central Bank over-delivering in its latest round of monetary easing. The bank cut interest rates further into negative territory, extended the size and reach of its asset purchase programme, and provided a new financing facility for Eurozone banks to help offset the problem of negative interest rates on profitability. Finally, US dollar weakness provided a much needed relief to commodities and emerging markets. The greenback's trade-weighted index fell by 3.7% in March providing a tailwind for asset class returns when translated into US dollar terms.

The Harmony Europe Diversified Fund returned 2.8% in euro terms in March net of fees. The Fund posted a decline of 2.6% for the first quarter of 2016, compared to a 7.1% decline for the MSCI Europe ex UK equity index. Asset allocation and equity manager selection contributed significantly to performance last month. In terms of asset allocation, the Fund benefited from both its developed and emerging market equity holdings, as well as from corporate bond holdings, particularly US high yield. The returns from these asset classes were substantially higher than the areas of the market where we take limited exposure, including cash and government bonds. Furthermore, our decision to increase the Fund's equity allocation at the start of February, prior to the lows reached across most equity markets around the middle of that month, also benefited performance. In terms of manager selection, the main contribution came from our large holding in the Crux European Special Situations Fund, which outperformed the continental European equity market by 3%. The Fund's value orientated equity managers also contributed significantly to performance, with outperformance of as much as 4%. Managers that benefited from that trend included the Fund's top performing holdings: the Dimensional Emerging Markets Value and Kopernik Global All Cap Equity funds, which returned 9.4% and 6.7% in euro terms respectively.

Having experienced a strong rally against a background of subdued growth, corporate profitability under pressure, continuing debt problems especially in Europe, and question marks over extraordinary monetary policy, markets may be due a period of consolidation. On the positive side, the worst fears and consequences of the crash in oil and commodity markets are now fully priced in and discounted, and we may already have seen the bottom in these markets; additionally economies continue to grow, albeit modestly, while emerging markets are five years through the down cycle and offer recovery prospects from these levels. Finally, a damaging surge in inflation seems a distant prospect, and with USD 7 trillion of government debt, or about one third of the total in issue globally, trading with negative yields, risk assets are likely to see continuing support. However, with these competing forces on markets, it is likely that the volatility we have witnessed in the first quarter of his year will be a feature in the months if not years ahead. In these conditions we believe it is important to stay invested, broadly diversified, and patient. Alongside risk assets, safe havens such as investment grade bonds and gold or gold producers, offer good diversification and some protection from periods of market dislocation. Finally the big shift from growth to value stocks in the past quarter illustrates the benefit of diversification across equity styles, and with value still trading at historically low levels, widespread opportunities still exist globally.

Source: Bloomberg, Momentum Global Investment Management.