

# Harmony US Dollar Balanced Fund (Class E)

## Fund details

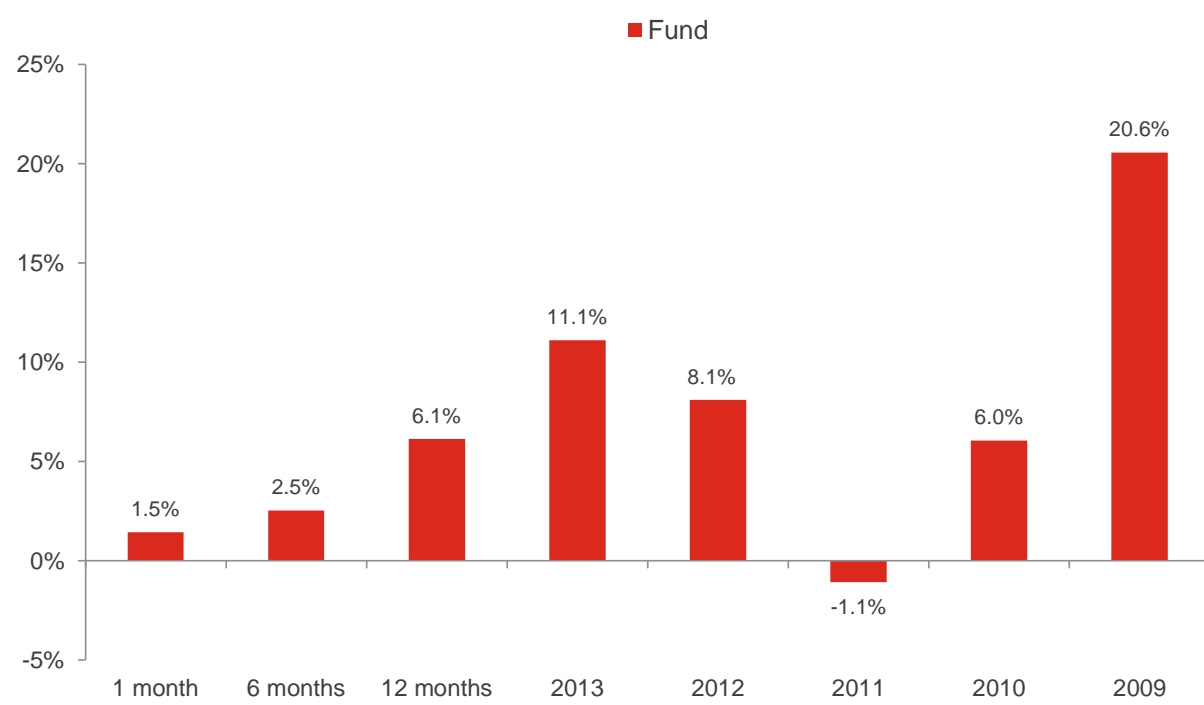
Investment manager: <b>Momentum Global Investment Management</b>	ISIN: <b>LU0795381242</b>
Currency: <b>USD</b>	Price per share: <b>USD 1.1533</b>
Inception date (fund): <b>12 August 2011</b>	Minimum investment: <b>USD 250,000</b>
Structure: <b>SICAV - Part 1 Luxembourg 2002 Law (UCITS)</b>	Subscriptions / redemptions: <b>daily</b>
Investment timeframe: <b>3 years +</b>	

## Investment objective

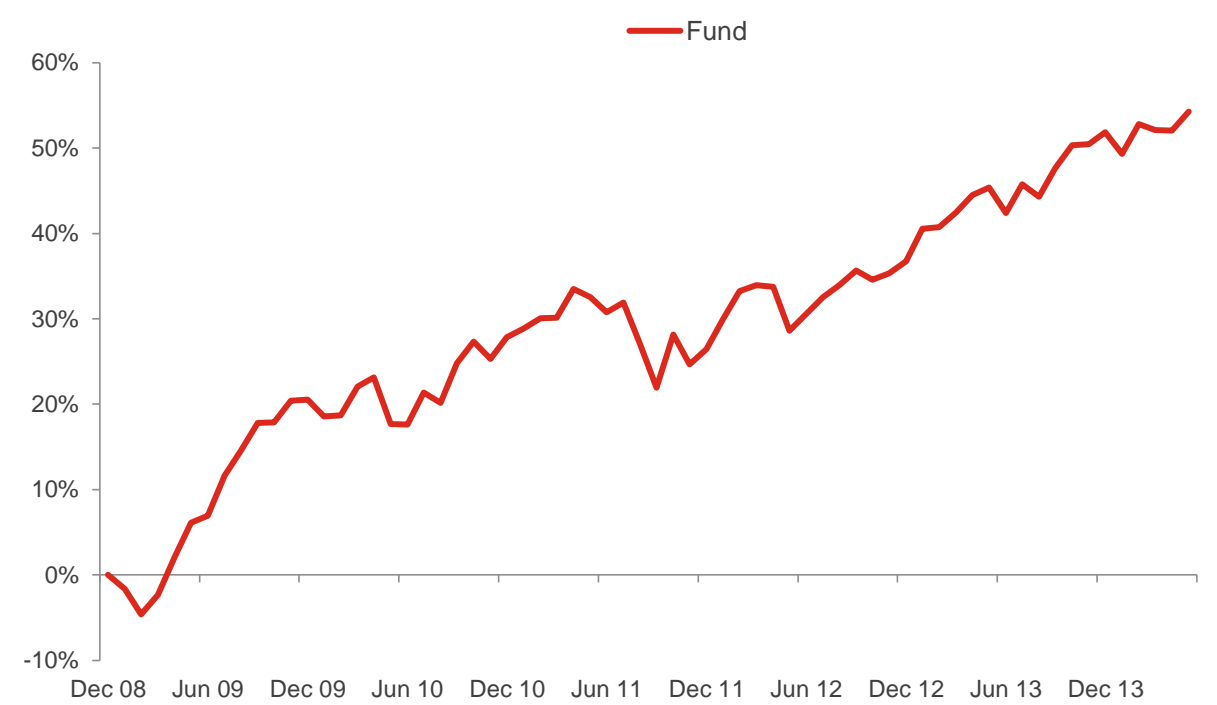
The portfolio will be biased to investments in the United States, but could also hold investments outside this country. The portfolio aims to provide a balance between capital preservation and capital growth in US dollars with a reduced level of volatility, via strategic exposures to a wide range of 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



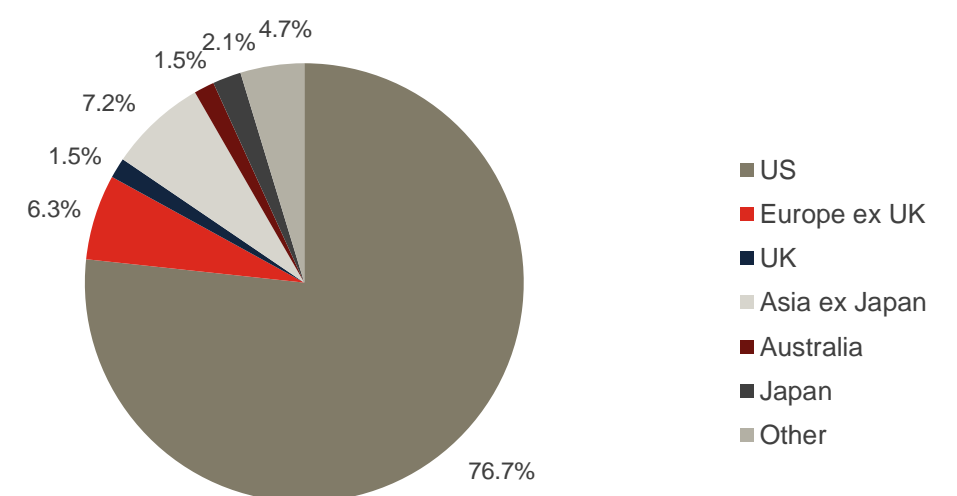
## Holdings

Holdings	Asset type	Weight
Cash	Cash	18.8%
Old Mutual Dublin Global Bond	Fixed Income	9.1%
Wells Fargo US All Cap Growth	Equity	8.3%
Harris Associates Concentrated US Equity	Equity	8.2%
Cohen & Steers Global Real Estate	Property	6.6%
Artisan Global Value	Equity	6.4%
RWC Global Convertibles	Fixed Income	6.1%
Vulcan Value Equity	Equity	5.4%
Yacktman US Equity	Equity	5.4%
BlackRock US Corporate Bond Index	Fixed Income	5.0%
RWC Asia Convertibles	Fixed Income	4.7%
Muzinich EnhancedYield Short-Term	Fixed Income	3.1%
iShares JP Morgan Emerging Markets Bond	Fixed Income	3.0%
First State Global Listed Infrastructure	Equity	2.9%
Dimensional Emerging Markets Value	Equity	2.5%
American Century Concentrated Global Growth	Equity	1.5%
Morgan Stanley Global Brands	Equity	1.4%
Granahan US Focused Growth Fund	Equity	0.8%
iShares Gold Producers	Commodities	0.7%
Jupiter Dynamic Bond	Fixed Income	0.1%

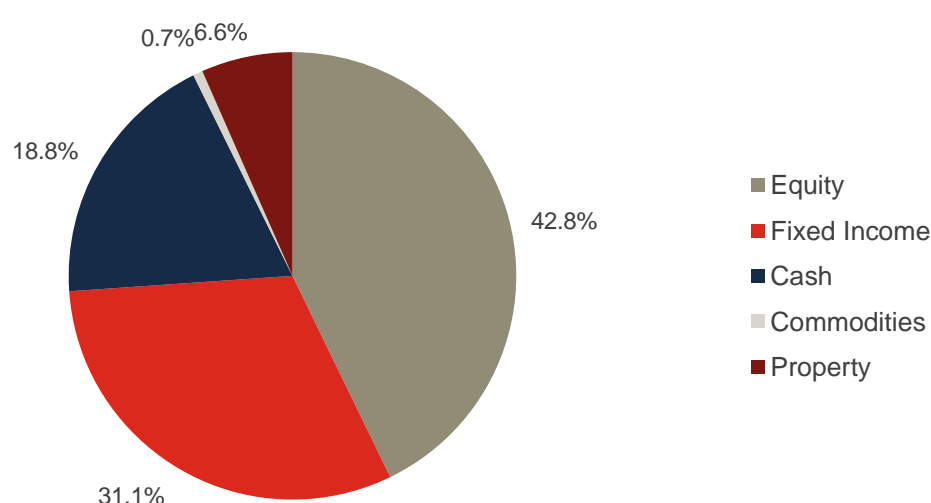
## Investment statistics (since 1 January 2009)

Current month return:	1.5%
Cumulative return:	54.3%
Annualised return:	8.3%
Annualised volatility:	7.4%

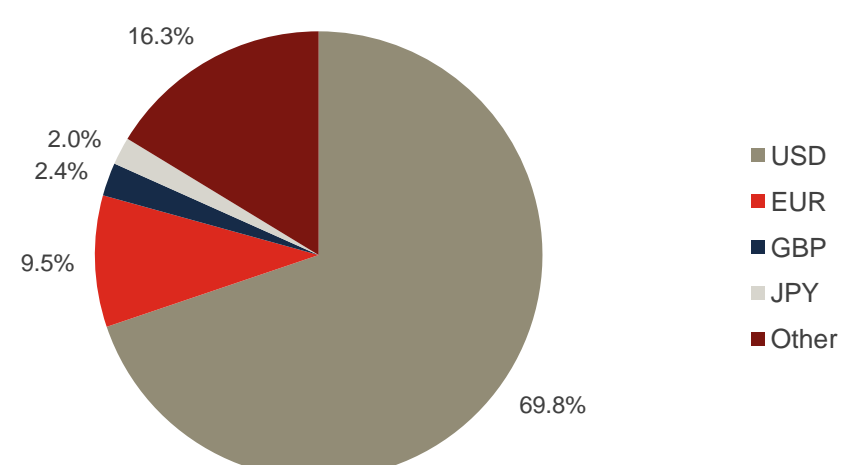
## Regional allocation



## Asset allocation



## Currency allocation



## ■ Manager commentary

The majority of asset classes followed an upward trend in May. Equities returned 2.0% in developed markets while emerging markets added 3.5% (both in US dollar terms), to move them marginally ahead of their developed counterparts for the year. Bond yields continued on their downward trajectory in May, despite already moving significantly at the beginning of the year. This resulted in government bonds returning around 1.0% in the US, UK and the euro area (in their respective currencies), to take the year-to-date returns of the Citigroup WorldBIG index to 4.1% in US dollar terms.

An increasingly dovish tone from central banks followed news of generally sluggish, and in some cases, disappointing economic growth. Excluding Germany, where the economy grew by 0.8%, first quarter growth in the euro area registered a disappointing 0.2%. Output fell by 0.1% in the euro area as a whole. In the US, Q1 growth was revised down to -1.0%, well below consensus expectations. However, most of the weakness has been attributed to transitory factors, notably the severe winter weather and reduced inventory accumulation. As expected, Japan produced strong first quarter growth of 6.7% annualised, due to discretionary spending being brought forward ahead of the sales tax increase at the start of April. In the immediate aftermath there has been a sharp drop-off in spending, but anecdotal evidence from Japan suggests that fears of a sustained slump in activity levels are as yet unfounded.

Away from central banks, politics was the other key feature of the month, with important elections in Europe, India and Ukraine, together with a military coup in Thailand. Elections to the European Parliament saw a notable swing towards anti-establishment parties. Although mainstream parties remain in the majority, there is no doubt that euro-sceptic and protest parties will influence policy making at both EU and individual country level going forward.

Despite the weak economic news of late, leading indicators are pointing to improved prospects for a steady pick up in the key US economy, and in Europe through the remainder of 2014. The Federal Reserve's tapering and interest rate policy is now well flagged and discounted in the markets, and its increasingly dovish tone about future interest rate rises (lower for longer) bodes well for more economically sensitive asset classes, notwithstanding the challenges posed by a Chinese slowdown and/or a misstep from policymakers.

Against this backdrop, the Harmony US dollar Balanced Fund returned 1.5% last month. While the Fund has a neutral allocation to equity markets overall, the allocation to global emerging markets (GEM) aided performance as GEM achieved returns in excess of the developed markets. Furthermore, the credit positions taken in the fund aided performance as these asset classes, in aggregate, added more value than government paper. The largest detractor from performance came from the relatively large cash holding, which was a drag on performance in a month where both equity and fixed income markets increased in value.

From a manager selection perspective, the Vulcan Value Equity fund gained 3.8% in May compared to a 2.3% return for the S&P 500 index. The manager, Vulcan Value Partners, is a boutique investment management business based in Birmingham, Alabama, running concentrated US equity strategies that adhere to one consistent investment philosophy. The highly experienced investment team, led by C.T. Fitzpatrick who founded the firm in 2007 and was formerly a principal at SouthEastern Asset Management, invest with a disciplined, benchmark-agnostic approach. The businesses they invest in must have deep 'moats' that lead to high rates of free cash flow conversion and the ability to generate dependable cash flows over the next five years. Recent purchases include the likes of Marriott; reflecting their liking for asset-light hotel businesses that are able to grow through the capital deployed by franchisees, and Aberdeen; where the valuation has contracted due to the group's significant exposure to the slowing emerging market economies. Meanwhile, the manager's keen focus on business quality is evident from their recent sale of Tesco, which has underperformed their expectations and no longer meets their quality criteria.

Source: Bloomberg, Momentum Global Investment Management.

## ■ Important Information

The value of the underlying funds and the income generated from them can go down as well as up, and is not guaranteed. Investors may not get back the original amount invested. Past performance is not a guide to future performance. Performance is calculated on a total return basis, net of all fees.

This document does not provide all the facts needed to make an informed investment decision. Prior to investing, investors should read the Key Investor Information Document (KIID) and seek professional investment advice where appropriate.

Harmony Portfolios are sub-funds of the Momentum Global Funds SICAV, which is domiciled in Luxembourg and regulated by the Commission de Surveillance du Secteur Financier. The fund conforms to the requirements of the European UCITS Directive.

Performance figures prior to the inception date of the Class E share have been simulated to show its lower fees by adjusting the Harmony US Dollar Balanced Fund Class A share's past performance. Prior to the Class A fund's inception as a sub fund of the Momentum Global Funds SICAV on 12 August 2011, the fund was managed as the Harmony US Dollar Balanced Incorporated Cell (IC) within the Momentum Mutual Fund. The historical performance of the Harmony US Dollar Balanced IC Class A fund is shown from 1 January 2009 until the inception date of the SICAV.

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