Momentum Global Funds

Société d'Investissement à Capital Variable

Harmony Euro Balanced Fund (Class E)

momentum

month ended 30 June 2014

Fund details

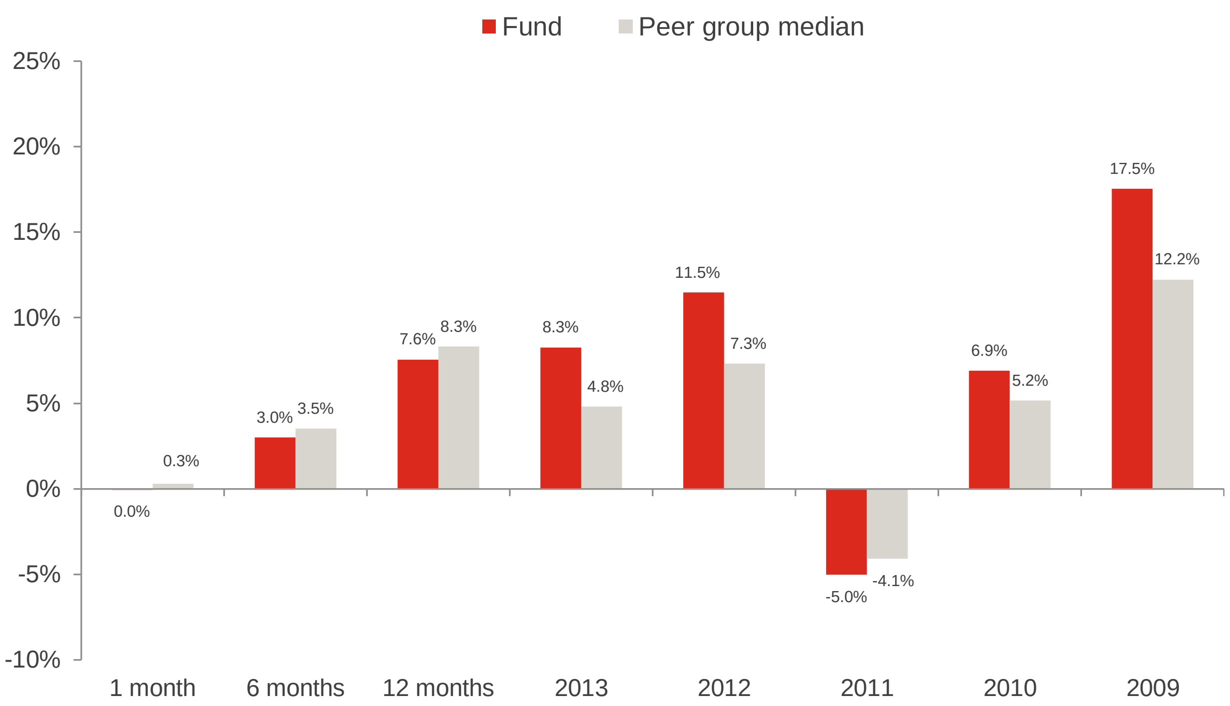
Investment manager: **Momentum Global Investment Management**	ISIN: **LU0795380780**
Currency: **EUR**	Price per share: **EUR 1.1519**
Inception date (fund): **12 August 2011**	Minimum investment: **USD 250,000 (EUR equivalent)**
Structure: **SICAV - Part 1 Luxembourg 2002 Law (UCITS)**	Subscriptions / redemptions: **daily**
Peer group source: **Bloomberg**[1]	Investment timeframe: **3 years +**

Investment objective

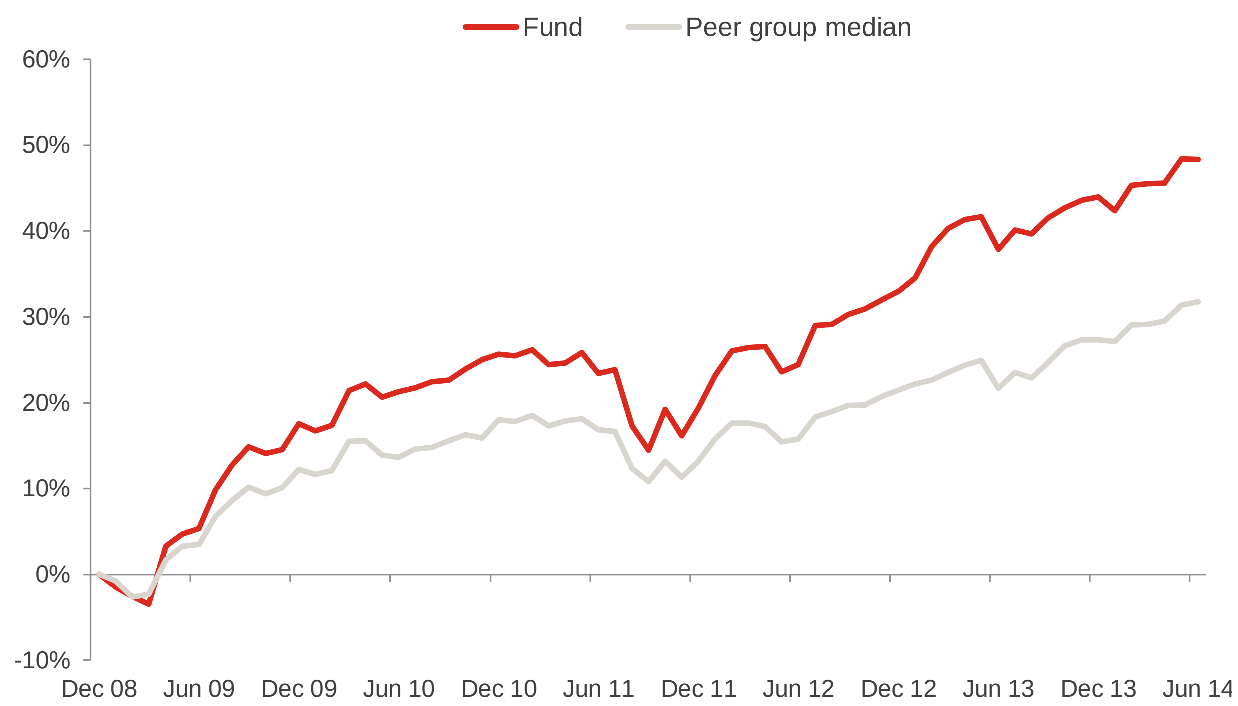
The portfolio will be biased to investments in Europe, but could also hold investments outside this region. The portfolio aims to provide a balance between capital preservation and capital growth in euros with a reduced level of volatility, via strategic exposures to a wide range of asset classes.

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

Fund performance



Cumulative returns



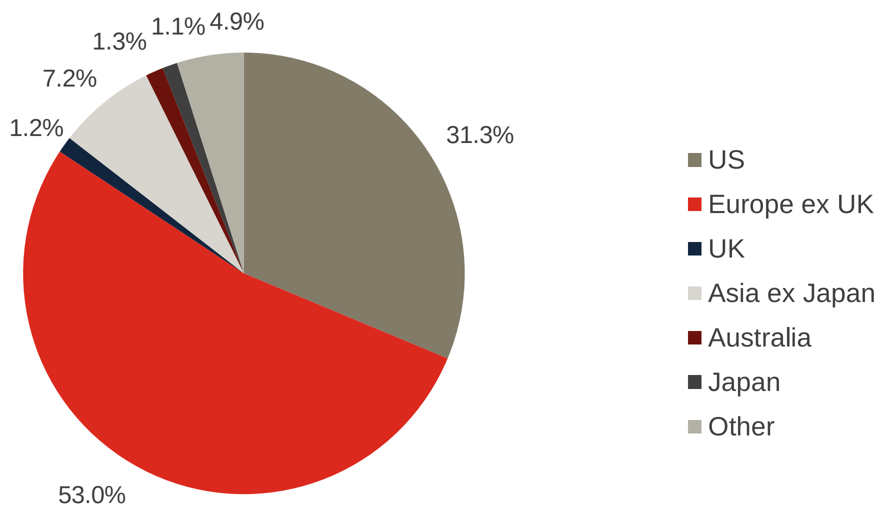
Holdings

Holdings	Asset type	Weight
Cash	Cash	20.7%
Jupiter European Special Situations	Equity	15.1%
Henderson European Special Situations	Equity	13.8%
Old Mutual Dublin Global Bond (EUR hedged)	Fixed Income	7.9%
Cohen & Steers Global Real Estate	Property	7.0%
RWC Global Convertibles	Fixed Income	5.8%
BlackRock European Corporate Bond Index	Fixed Income	5.3%
RWC Asia Convertibles	Fixed Income	4.9%
First State Global Listed Infrastructure	Equity	3.4%
iShares JP Morgan Emerging Markets Bond	Fixed Income	3.3%
Artisan Global Value	Equity	3.1%
Muzinich EnhancedYield Short-Term	Fixed Income	2.8%
American Century Concentrated Global Growth	Equity	2.5%
Dimensional Emerging Markets Value	Equity	2.1%
Morgan Stanley Global Brands	Equity	1.6%
iShares Gold Producers	Commodities	0.7%

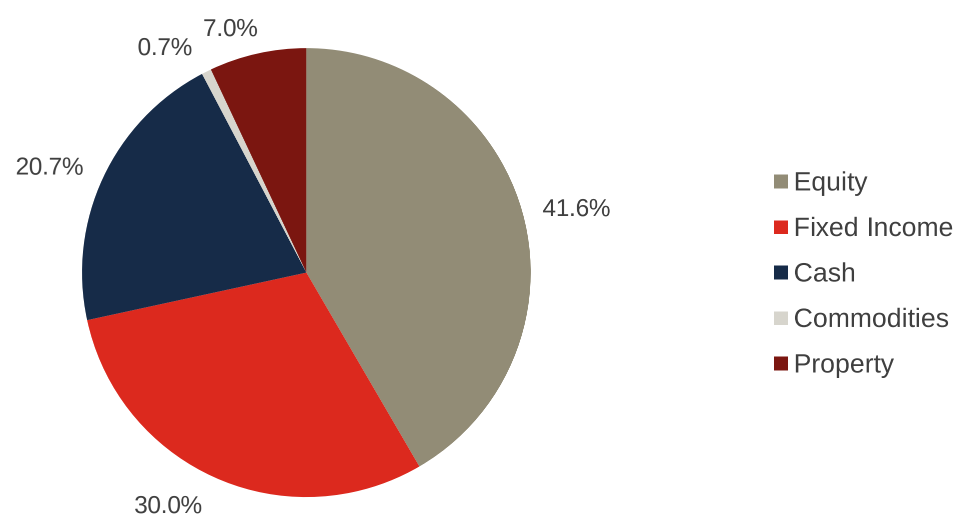
Investment statistics (since 1 January 2009)

Current month return:	0.0%
Cumulative return:	48.3%
Annualised return:	7.4%
Annualised volatility:	6.5%

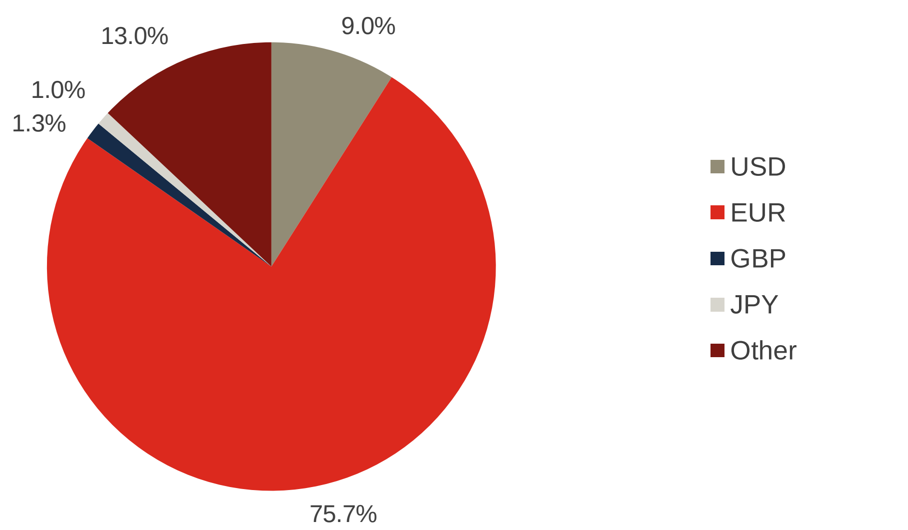
Regional allocation



Asset allocation



Currency allocation



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

[1] The peer group median is a composite of (i) global peers and (ii) local peers, in the ratio 1:2. The return of the global peer group each month receives a weight of one-third, and this is added to the return of the local peer group which receives a weight of two-thirds; together these two numbers produce a single composite peer group return. This weighting methodology is consistent with the "normal" asset allocation of the Fund, with a two-thirds bias towards "home" country assets and currencies.

Manager commentary

In a loose repeat of May's main market themes, the majority of asset classes followed an upward trend in their respective local currencies in June. Global developed equity markets returned 1.4% in euro terms while global government bonds returned 0.3% in euro terms. Year-to-date both of these broadly defined asset classes are also in positive territory with global equity adding 6.9% in euro terms and global government bonds performing similarly with a euro return of 5.8%.

Central banks continued to dominate this investment landscape by providing the liquidity which continues to push up most asset classes. The European Central Bank (ECB) loosened policy further at the beginning of the month, and took the unprecedented measures of imposing a negative interest rate on deposits. It also cut its benchmark interest rate by 0.10% to a historic low of 0.15%. In contrast, the Governor of the Bank of England, Mark Carney, suggested this month that rates could rise before market expectations, implying a possible hike at the end of 2014. Janet Yellen, Chair of the Board of Governors at the US Federal Reserve (Fed), remains dovish on US policy, although 'tapering' of the Fed's asset purchases was reduced by another $10bn this month, and its asset purchasing programme is on course to end by the end of the year.

June also saw the rise of the militant Islamic State of Iraq and the Levant (ISIS) in Iraq. The audacious and largely unexpected advance in the north of Iraq caused an initial spike in oil prices, but they settled at +2.8% over the month, as ISIS fighters faced greater resistance around Baghdad, and the oil fields in the southernmost part of the country were left unaffected. The situation remains unpredictable, however, and gold prices reflected this uncertainty with a 6.2% rise over the month.

Against this backdrop, the Harmony Euro Balanced Fund returned 0.0% net of all fees last month. Over the past quarter the Fund has gained 1.9%, and over the past 12 months the Fund has added 7.6%, net of all fees. The allocation to European equity was the main detractor from performance, as the Europe ex UK stock market returned -0.8% in euro terms over the month. While the Fund has a reasonable allocation to both local and global equity, it also has a meaningful allocation to emerging markets (EM) which aided absolute performance as EM outperformed the equity market as a whole. Nominal returns were impacted by the decision to avoid government debt which produced positive returns. This was mitigated somewhat by the use of credit strategies, albeit this section of the fixed income market did not outperform the sovereign element meaningfully. The cash allocation of the portfolio, while providing no upside, proved a store of value in a month where the local equity market sold off.

From a manager selection perspective, the Henderson European Special Situations fund returned 2.2% in euro terms in the second quarter and 17.9% over the last twelve months. Meanwhile the Jupiter European Special Situations fund returned 1.4% and 18.0% respectively. Both funds underperformed their benchmark over the quarter and over the last twelve months, with the MSCI Europe ex UK index returning 2.7% and 24.1% respectively. Underperformance was driven largely by the manager's styles being out of favour over the period, with higher risk deep value strategies typically outperforming driven by strong returns from peripheral European countries and sectors such as financials and property. The managers have limited exposure to these areas and indeed their strategies have paid off over longer time periods – over three years the Henderson and Jupiter funds have returned 44.4% and 35.8% respectively, compared to 32.4% for the benchmark.

Presently the markets are experiencing a period of low volatility. This is a condition which has become familiar to investors of late, but we do not believe that this is reflective of a new paradigm in investment markets. We believe that the low levels of volatility will, ultimately, prove transitory. As a result, investment portfolios should remain prudently diversified to reduce the risk of any single, unpredictable volatility spike impacting the portfolio disproportionately. Nevertheless, we believe equity markets still provide a reasonable chance of upside on a medium to long-term basis, and as valuation driven investors, we will look upon bumps in the road as an opportunity to selectively add undervalued assets to the portfolios.

Source: Bloomberg, Momentum Global Investment Management.