Momentum Global Funds

Société d'Investissement à Capital Variable

Harmony Europe Diversified Fund

(Formerly known as the Harmony Euro Balanced Fund)

momentum

month ended 30 June 2015

Fund details

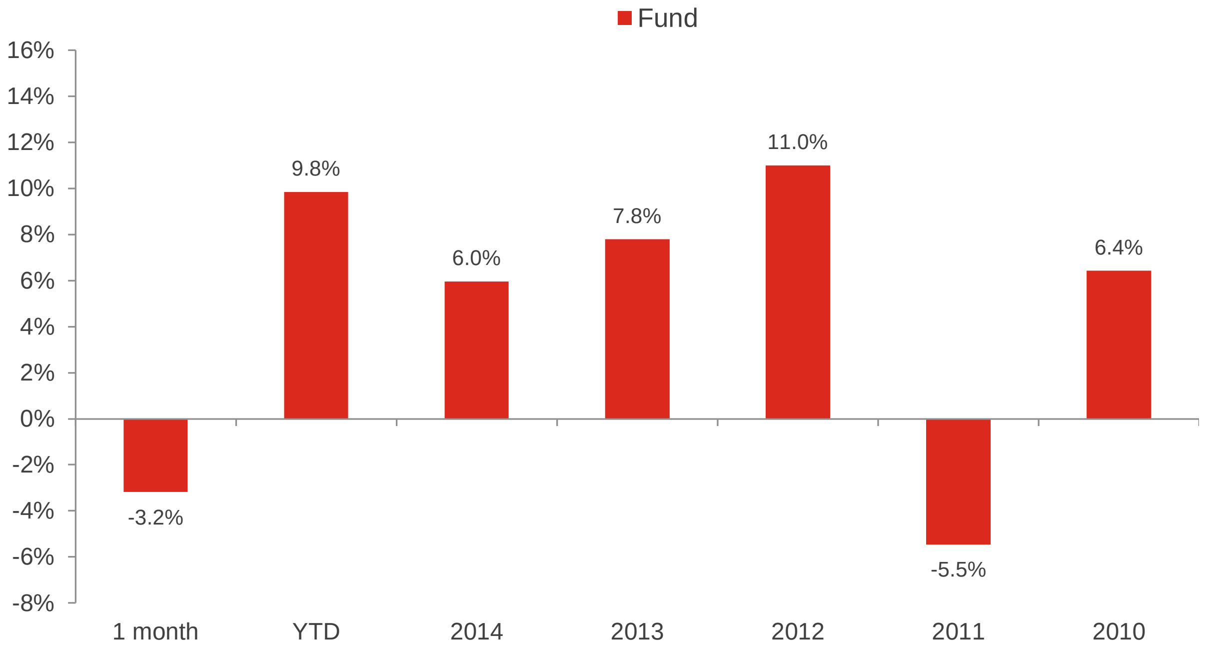
Investment manager: **Momentum Global Investment Management**	ISIN A Class: **LU0651984873**	Price per share A Class: **EUR 1.2329**
Currency: **EUR**	ISIN B Class: **LU0651984956**	Price per share B Class: **EUR 1.1620**
Inception date (fund): **12 August 2011**	ISIN C Class: **LU0651985094**	Price per share C Class: **EUR 1.3126**
Structure: **SICAV - Part 1 Luxembourg 2002 Law (UCITS)**	ISIN D Class: **LU0651985177**	Price per share D Class: **EUR 1.3434**
Minimum investment: **Share classes A, B, C & D: USD 7,500 (EUR equivalent)**	Subscriptions / redemptions: **daily**	Investment timeframe: **3 years +**

Investment objective

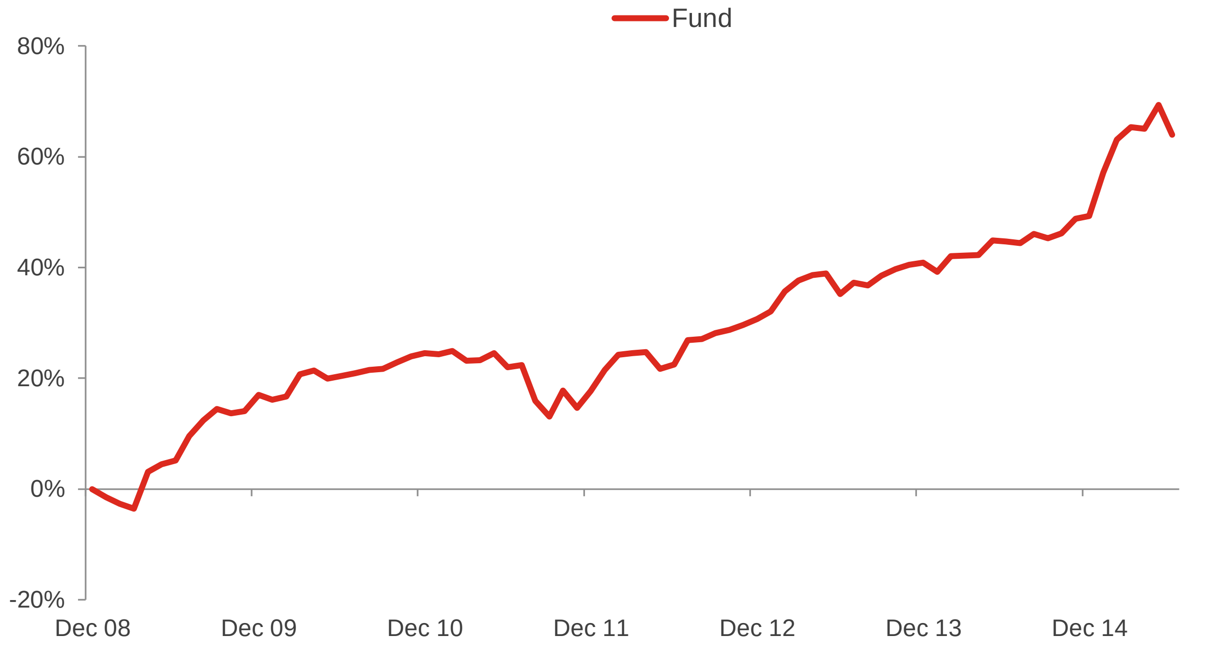
The portfolio will be biased to investments in Europe, but could also hold investments outside this region. The portfolio aims to provide a balance between capital preservation and capital growth in euros with a reduced level of volatility, via strategic exposures to a wide range of asset classes.

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

Fund performance



Cumulative returns



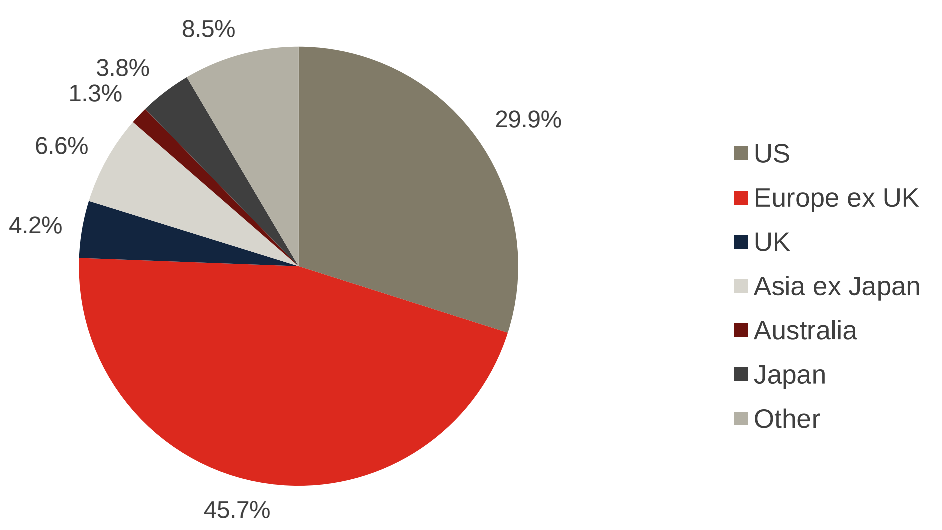
Holdings

Holdings	Asset type	Weight
FP Crux European Special Situations	Equity	18.9%
Jupiter European Special Situations	Equity	18.8%
Third Avenue Real Estate Value	Property	5.7%
Artisan Global Value	Equity	5.4%
PFS Twentyfour Dynamic Bond	Fixed Income	5.2%
Muzinich EnhancedYield Short-Term (EUR hedged)	Fixed Income	5.1%
AXA US Short Duration High Yield (EUR hedged)	Fixed Income	4.3%
RWC Global Convertibles	Fixed Income	4.1%
Muzinich EM Short Duration (EUR hedged)	Fixed Income	3.9%
Cash	Cash	3.6%
Dimensional Emerging Markets Value	Equity	3.4%
RWC Asia Convertibles	Fixed Income	3.2%
iShares JP Morgan Emerging Markets Bond	Fixed Income	3.0%
American Century Concentrated Global Growth	Equity	3.0%
AXA US High Yield (EUR hedged)	Fixed Income	2.3%
Heptagon Kopernik Global All-Cap Equity	Equity	2.3%
Schroder UK Recovery	Equity	2.2%
First State Global Listed Infrastructure	Equity	1.8%
Polar Capital Japan (USD hedged)	Equity	1.4%
Morgan Stanley UK Global Brands	Equity	1.0%
Morgan Stanley Global Brands	Equity	0.8%
Westwood Strategic Global Convertibles (EUR hedged)	Fixed Income	0.4%
iShares Gold Producers	Commodities	0.2%

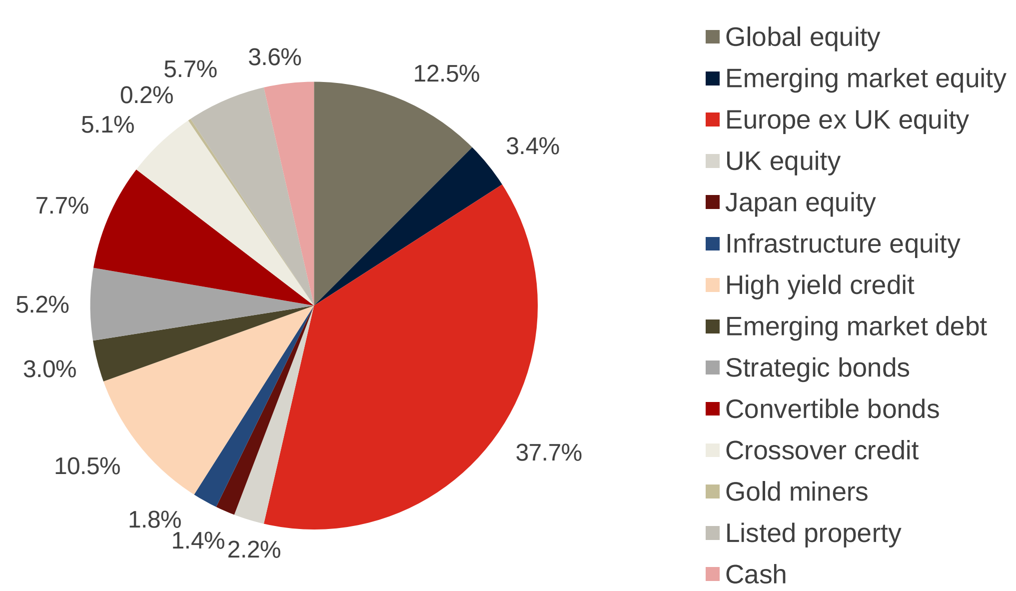
Investment statistics (since 1 January 2009)

Current month return:	-3.2%
Cumulative return:	64.0%
Annualised return:	7.9%
Annualised volatility:	6.6%

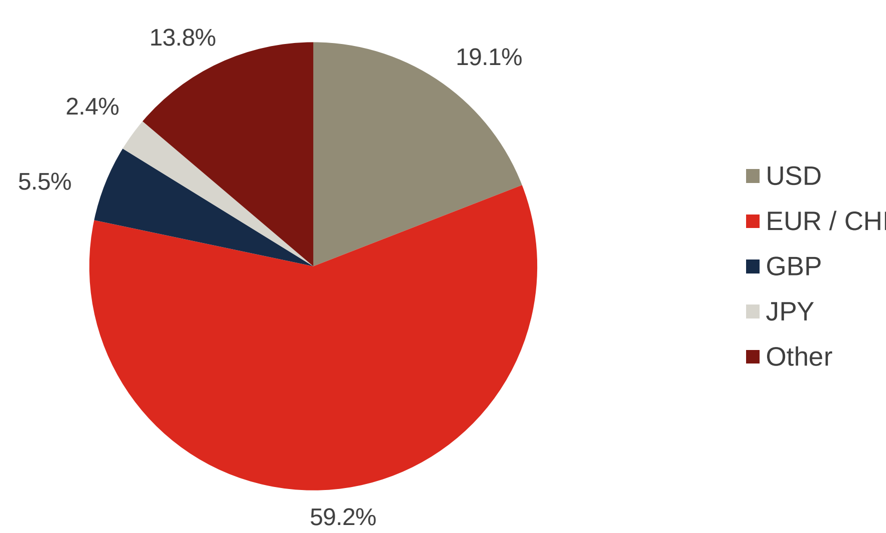
Regional allocation



Strategy allocation



Currency allocation



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

Manager commentary

Market volatility increased in recent weeks as various factors weighed on investor sentiment, including the ongoing Greek crisis, Chinese equities falling deeper into a bear market and the prospect of the US Federal Reserve's first interest rate hike since the global financial crisis. Equity markets, especially in Europe and the UK, have weakened, and bond markets have sold-off. We view these moves as a healthy correction, however, rather than something more sinister. The supportive monetary environment will ensure continuing high levels of liquidity in global markets, and while there are clear risks, none of these appear to be potentially damaging enough to result in a renewed global bear market. The current period of nervousness and consolidation probably has further to run, but we see an opportunity ahead to add to risk in our portfolios - in particular to equities - as valuations reach more reasonable levels.

Greece dominated the headlines in June, as the governing Syriza party continued to surprise with extraordinary negotiating tactics. At the time of writing the situation still had not been resolved but hope remained that a last minute deal could be struck. Either way, although the impact on the rest of the continent is a real risk, Europe is in a much better position to deal with the Greek debt problems today that it was in during the heights of the euro crisis three years ago. Most banks outside Greece have reduced their exposure to Greek debt to minimal levels, and there is now less risk of contagion if the country were to default, with European institutions now better prepared and capitalised. Notably, the euro has remained remarkably stable, and government bond yields across the euro area have only been affected moderately. German bonds have rallied and peripheral markets have sold off, but in neither case substantially. The relative calmness of these markets has no doubt encouraged other euro member state partners to maintain a robust line in their negotiations.

Most market indices fell in value during June, with declines largely coming towards the end of the month. Equity markets generally underperformed bond markets; in euro terms global equities fell 3.9% versus a 2.1% decline for global bonds. The strength of the euro versus the US dollar was a factor in dragging returns for global indices lower. US equities outperformed most other country/ regional equity indices when measured in local currency terms with a fall of just 2.0%. The Asia Pacific ex Japan and Europe ex UK regions both fell by roughly 4% in the month, while the Australian and the UK markets, which are more concentrated and have a greater weighting towards the underperforming mining sector, proved laggards with falls of 5.3% and 6.4% respectively. Interest rate sensitive sectors including listed real estate and listed infrastructure underperformed global equities over the month. This reflected rising yields on high grade bonds across most countries, resulting in government bond indices posting declines of 1-2% in local currency terms, while European bonds fell further by 2.6%. US high yield bonds and global convertible bond indices fell 1.5% and 2.2% respectively. In a departure from the general trend of the last twelve months, the US dollar weakened versus other major currencies including versus sterling (+2.8%), the euro (+1.5%) and the Australian dollar (+0.8%).

Against this backdrop the Harmony Europe Diversified Fund returned -3.2% in June, reducing the year-to-date return to 9.8% net of all fees in euro terms. Given the magnitude of equity and bond declines in Europe during the month such an outcome was difficult to avoid. The strength of the euro versus the US dollar also reduced returns for the Fund's global and emerging market equity holdings. Within fixed income the allocations to both US high yield bonds and the TwentyFour Dynamic Bond fund outperformed substantially relative to European bonds. Our lack of exposure to developed market government bonds in the Fund has benefited performance significantly in recent months.

At the end of the month we sold the Fund's holding in the Polar Japan equity strategy. This followed gains of around 30% over the last year, representing significant outperformance versus global equities. We maintained the same overall equity allocation by increasing the Fund's exposure to European equities. This decision followed a period of underperformance for European equities, driven by the ongoing Greek debt crisis, which we believe presented an attractive buying opportunity.

Source: Bloomberg, Momentum Global Investment Management.