Harmony Euro Balanced Fund

momentum

month ended 30 September 2014

Fund details

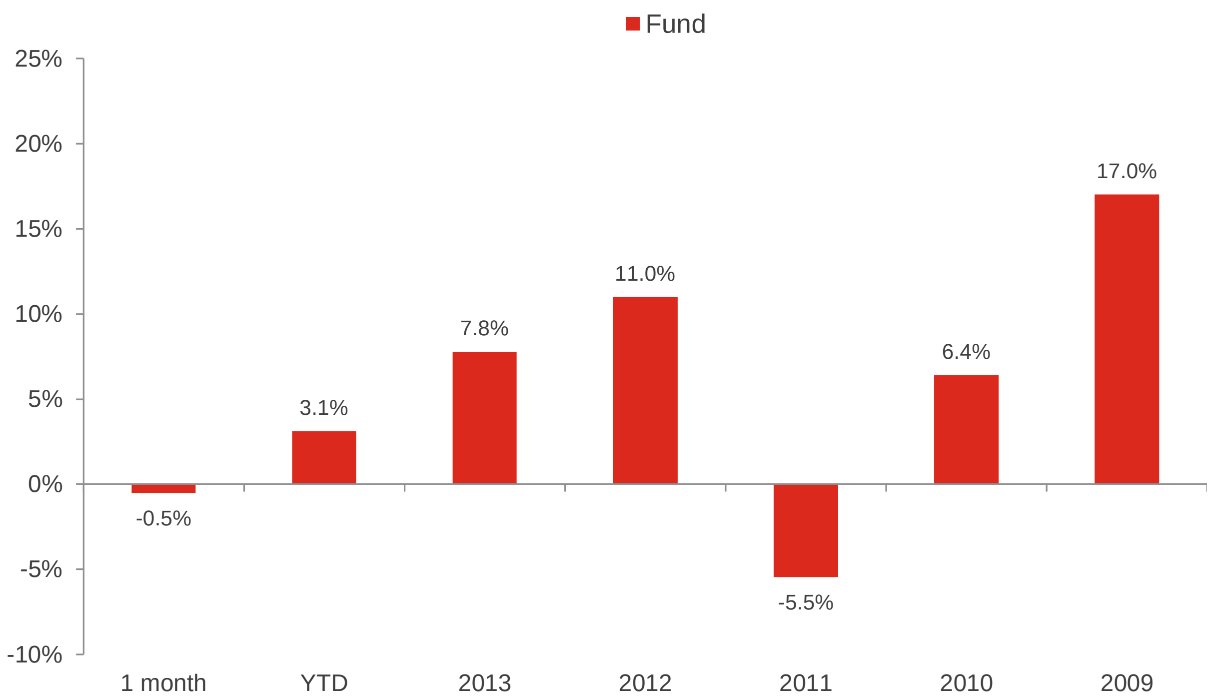
Investment manager: **Momentum Global Investment Management**	ISIN A Class: **LU0651984873**	Price per share A Class: **EUR 1.0924**
Currency: **EUR**	ISIN B Class: **LU0651984956**	Price per share B Class: **EUR 1.0295**
Inception date (fund): **12 August 2011**	ISIN C Class: **LU0651985094**	Price per share C Class: **EUR 1.1673**
Structure: **SICAV - Part 1 Luxembourg 2002 Law (UCITS)**	ISIN D Class: **LU0651985177**	Price per share D Class: **EUR 1.1986**
Minimum investment: **Share classes A, B, C & D: USD 7,500 (EUR equivalent)**	Subscriptions / redemptions: **daily**	Investment timeframe: **3 years +**

Investment objective

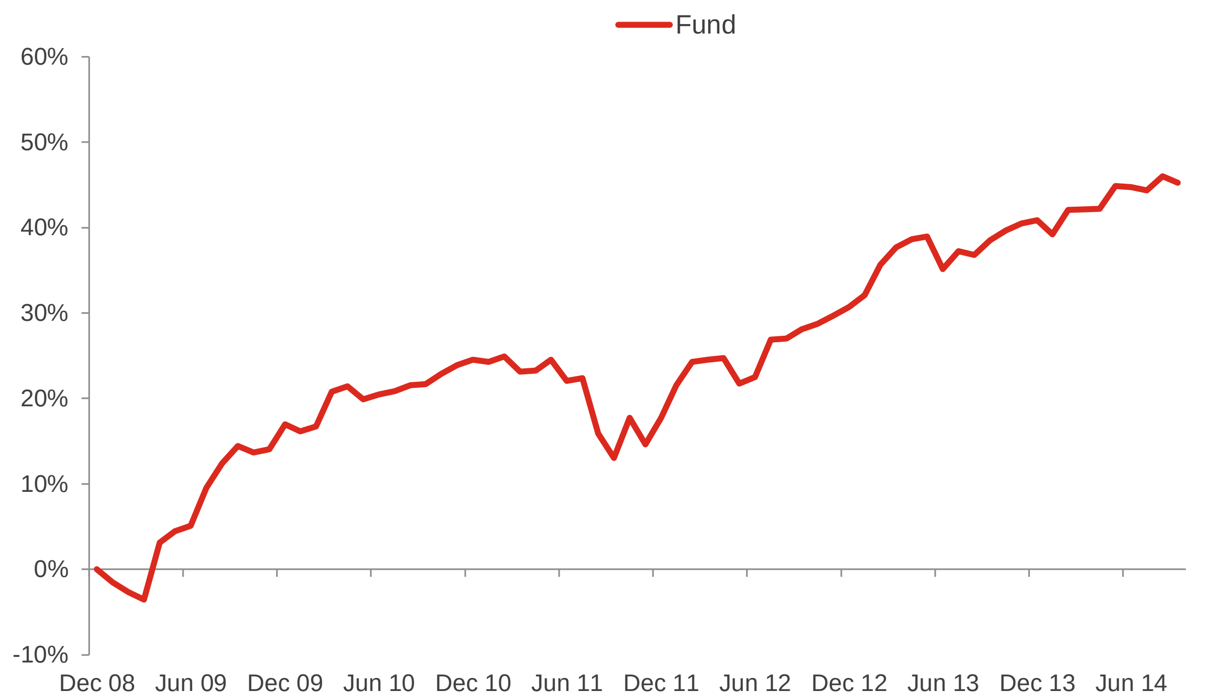
The portfolio will be biased to investments in Europe, but could also hold investments outside this region. The portfolio aims to provide a balance between capital preservation and capital growth in euros with a reduced level of volatility, via strategic exposures to a wide range of asset classes.

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

Fund performance



Cumulative returns



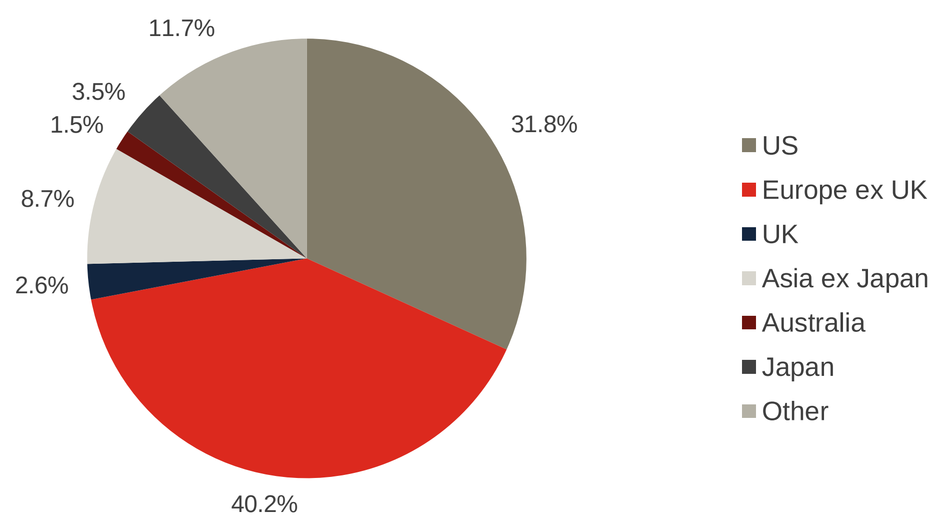
Holdings

Holdings	Asset type	Weight
Henderson European Special Situations	Equity	15.1%
Jupiter European Special Situations	Equity	12.7%
Cash	Cash	10.9%
Cohen & Steers Global Real Estate	Property	8.3%
Old Mutual Dublin Global Bond (EUR hedged)	Fixed Income	6.2%
RWC Global Convertibles	Fixed Income	5.9%
RWC Asia Convertibles	Fixed Income	5.9%
Muzinich EM Short Duration (GBP hedged)	Fixed Income	5.1%
BlackRock European Corporate Bond Index	Fixed Income	4.7%
Muzinich EnhancedYield Short-Term	Fixed Income	4.6%
iShares JP Morgan Emerging Markets Bond	Fixed Income	3.8%
Artisan Global Value	Equity	3.1%
First State Global Listed Infrastructure	Equity	2.8%
American Century Concentrated Global Growth	Equity	2.5%
Dimensional Emerging Markets Value	Equity	2.2%
Polar Capital Japan (USD hedged)	Equity	1.8%
Heptagon Kopernik Global All-Cap Equity	Equity	1.6%
Morgan Stanley Global Brands	Equity	1.3%
Morgan Stanley UK Global Brands	Equity	1.0%
iShares Gold Producers	Commodities	0.5%

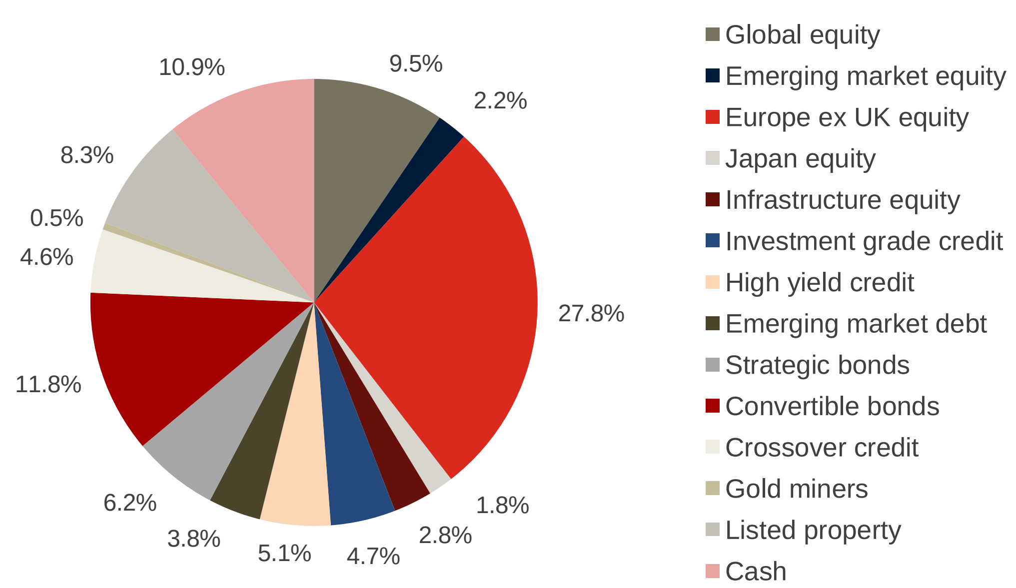
Investment statistics (since 1 January 2009)

Current month return:	-0.5%
Cumulative return:	45.3%
Annualised return:	6.7%
Annualised volatility:	6.4%

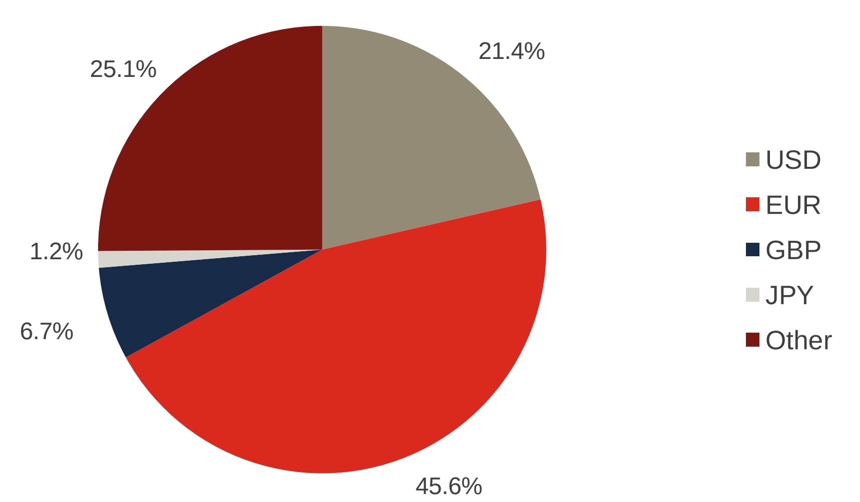
Regional allocation



Strategy allocation



Currency allocation



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

Manager commentary

As we move into the final quarter of the year there are several interrelated themes playing out, all with a substantial impact on markets. First, global growth is slowing; second, performance among economies, especially between the US, Europe and Japan is diverging; third, expectations for central bank behaviour is becoming increasingly varied; fourth, a strong US dollar and weak commodity prices are causing sizeable shifts in relative pricing.

All of these have far reaching implications for asset prices and are of greater importance to asset allocation policy than the geopolitical risk seen in the Middle East and Ukraine. While not under-estimating the ability of geopolitical risk to destabilise markets in the short term, a negotiated diplomatic solution is a probable outcome in Ukraine, and the Islamic State (IS) movement is being halted by a powerful global alliance led by the US, which will likely prevent it from gaining momentum and having a meaningful impact on oil supplies. Global markets are correcting as they adjust to reduced growth expectations; an increasingly difficult environment for revenue growth and the challenge of the first increase in US interest rates since June 2006. This weakness is likely to continue in the short term. Markets will be supported, however, by the search for yield and the prospect of very loose monetary policy for a long time ahead.

Against this backdrop, global equity markets returned -0.9% in euro terms, with global emerging markets underperforming substantially. Year to date both of these indices remain in positive territory with the AC World aggregate up 13.2% in euro terms. Unlike in the US and UK, European government bond markets posted a small gain in local currency terms while a strong US dollar supplemented global aggregate bond returns which delivered 1.5% when translated into euro currency. Credit markets generally sold off with European high yield returning -5.0% in local currency terms. Global convertibles and hard currency emerging market debt (EMD) also posted declines.

The Harmony Euro Balanced Fund returned -0.5% net of all fees last month in euro terms. Over the past twelve months the Fund has gained 4.9%, driven by strong returns from equity and fixed income markets. Given the market backdrop most holdings detracted from absolute performance in September although US dollar strength offset this somewhat for more globally diversified holdings. Two notable exceptions that delivered positive returns included the Polar Japan and Old Mutual Strategic Bond funds. On Polar; the Japanese market outperformed global markets significantly in local currency terms while the portfolio's holding on a currency hedged basis protected from the effect of simultaneous yen weakness versus sterling. Meanwhile Old Mutual's short duration positioning was rewarded as bond yields rose. The most significant detractor from returns over the month was the Fund's holding in global listed real estate as this area suffered from both falling equity markets and rising bond yields, with the latter being a more relevant factor than for general equity markets due to the high yielding nature of the underlying real estate investment trusts (REITs). The Fund's emerging market equity holding underperformed the listed real estate holding but represented a far smaller position size; we viewed this price weakness as a good buying opportunity and as such increased the exposure to this area at the end of the month.

Considering one of the Fund's underlying holdings, the Artisan Global Value fund marginally underperformed the MSCI World index in September. Stock selection within financials contributed positively, however this was insufficient to offset the weak stock selection from consumer related stocks and the IT sector. The main detractors were holdings in Tesco, Kia Motors and TE connectivity. The fund also underperformed over the last three months; although positive contributions came from the manager's cash holdings of over 10% and stock selection within financial, this was more than offset by detractors that included stock selection within consumer related names, in particular their holdings in Tesco caused the fund to detract approximately 1.0% over the quarter. Rather than being a tactical decision the cash holding reflects the difficulty the managers are experiencing in identifying attractive investment opportunities. Artisan follow a value approach to investing, twinned with a bias towards higher quality stocks, which we expect may result in underperformance in strongly rising markets but should lead to outperformance in down markets.

Source: Bloomberg, Momentum Global Investment Management.

Important Information