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 September 2015

Fund details

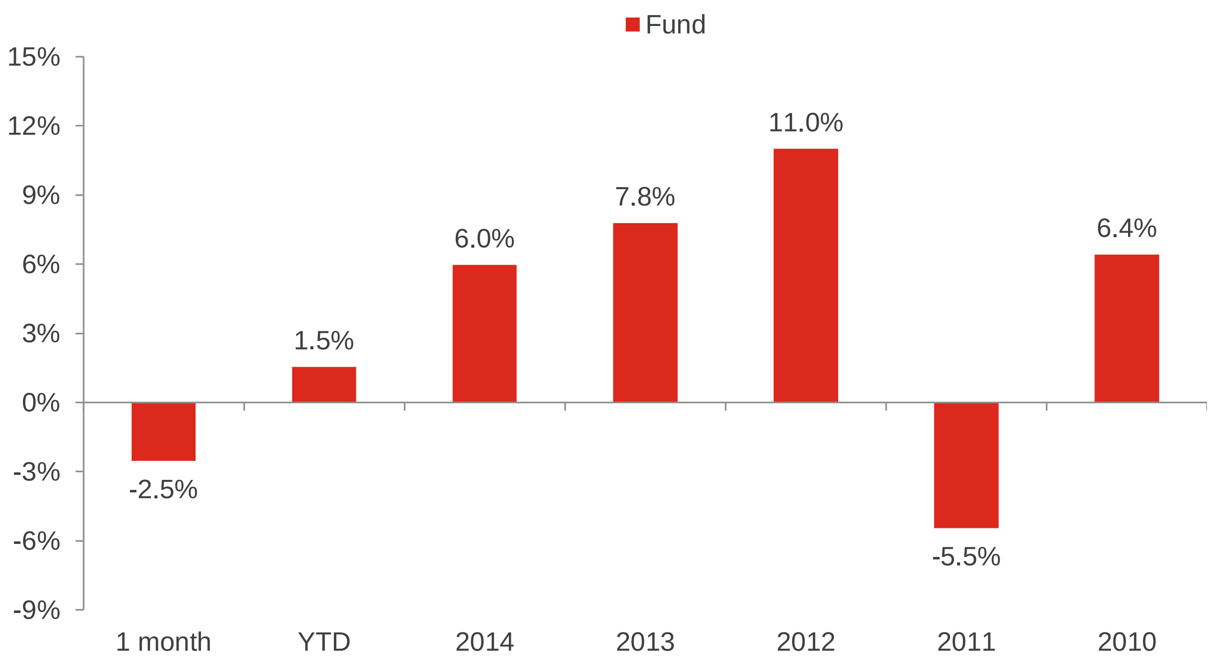
Investment manager: **Momentum Global Investment Management**	ISIN A Class: **LU0651984873**	Price per share A Class: **EUR 1.1397**
Currency: **EUR**	ISIN B Class: **LU0651984956**	Price per share B Class: **EUR 1.0741**
Inception date (fund): **12 August 2011**	ISIN C Class: **LU0651985094**	Price per share C Class: **EUR 1.2118**
Structure: **SICAV - Part 1 Luxembourg 2002 Law (UCITS)**	ISIN D Class: **LU0651985177**	Price per share D Class: **EUR 1.2388**
Minimum investment: **Share classes A, B, C & D: USD 7,500 (EUR equivalent)**	Subscriptions / redemptions: **daily**	Investment timeframe: **3 years +**

Investment objective

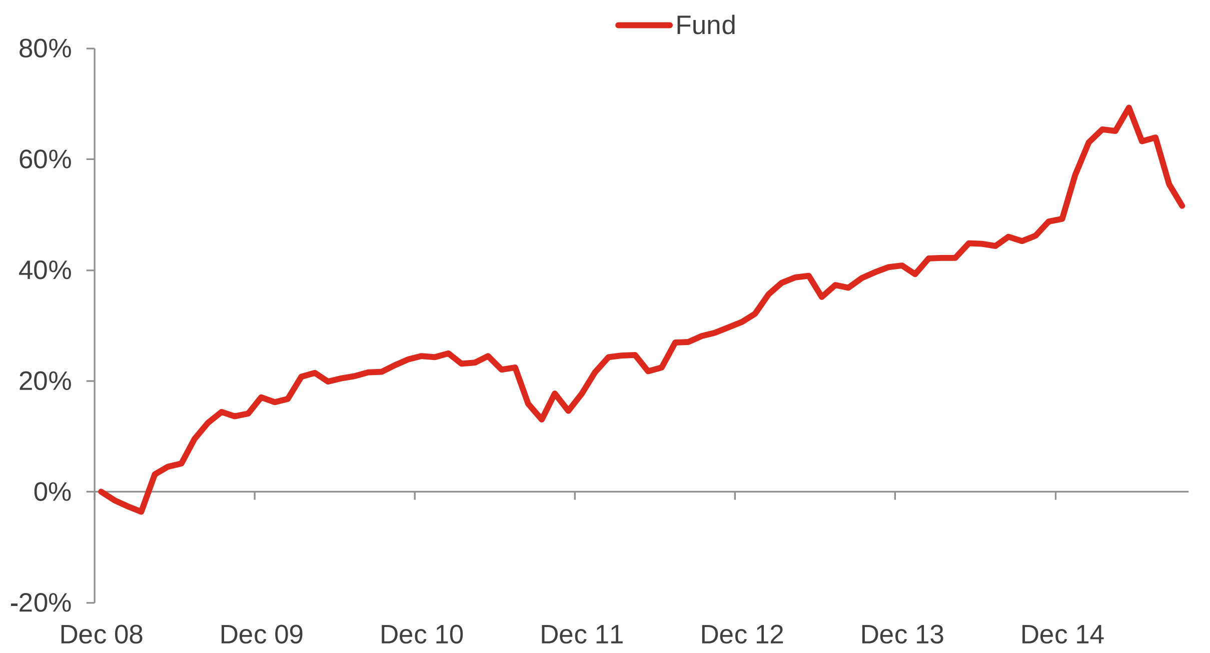
The portfolio will be biased to investments in Europe, but could also hold investments outside this region. The portfolio aims to provide a balance between capital preservation and capital growth in euros with a reduced level of volatility, via strategic exposures to a wide range of asset classes.

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

Fund performance



Cumulative returns



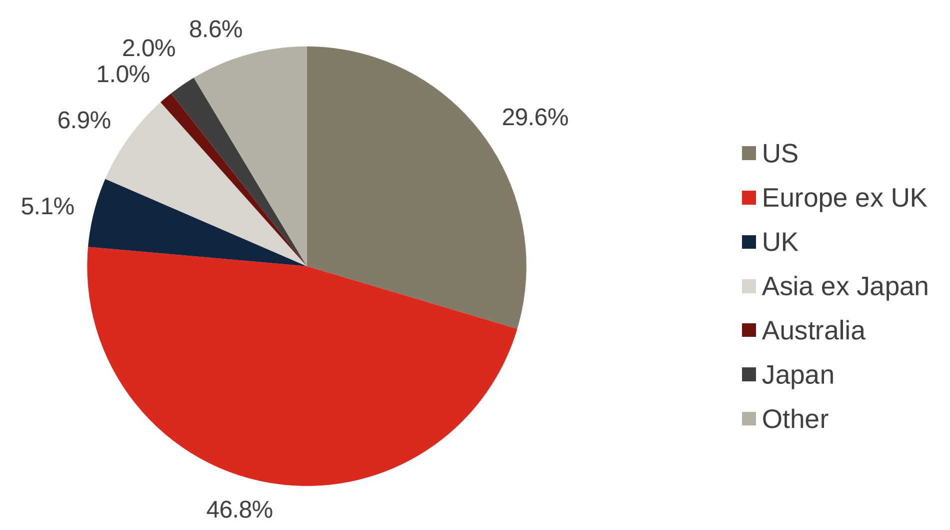
Holdings

Holdings	Asset type	Weight
Jupiter European Special Situations	Equity	19.2%
FP Crux European Special Situations	Equity	19.0%
Third Avenue Real Estate Value	Property	5.6%
AXA US High Yield (EUR hedged)	Fixed Income	4.8%
Artisan Global Value	Equity	4.7%
PFS Twentyfour Dynamic Bond	Fixed Income	4.6%
RWC Global Convertibles	Fixed Income	4.5%
Cash	Cash	4.3%
Muzinich EM Short Duration (EUR hedged)	Fixed Income	4.2%
Dimensional Emerging Markets Value	Equity	3.8%
Muzinich EnhancedYield Short-Term (EUR hedged)	Fixed Income	3.5%
American Century Concentrated Global Growth	Equity	3.3%
RWC Asia Convertibles	Fixed Income	3.3%
AXA US Short Duration High Yield (EUR hedged)	Fixed Income	2.9%
iShares JP Morgan Emerging Markets Bond	Fixed Income	2.8%
Schroder UK Recovery	Equity	2.6%
Heptagon Kopernik Global All-Cap Equity	Equity	2.3%
First State Global Listed Infrastructure	Equity	2.3%
Morgan Stanley UK Global Brands	Equity	0.9%
Morgan Stanley Global Brands	Equity	0.8%
Westwood Strategic Global Convertibles (EUR hedged)	Fixed Income	0.4%
iShares Gold Producers	Commodities	0.2%

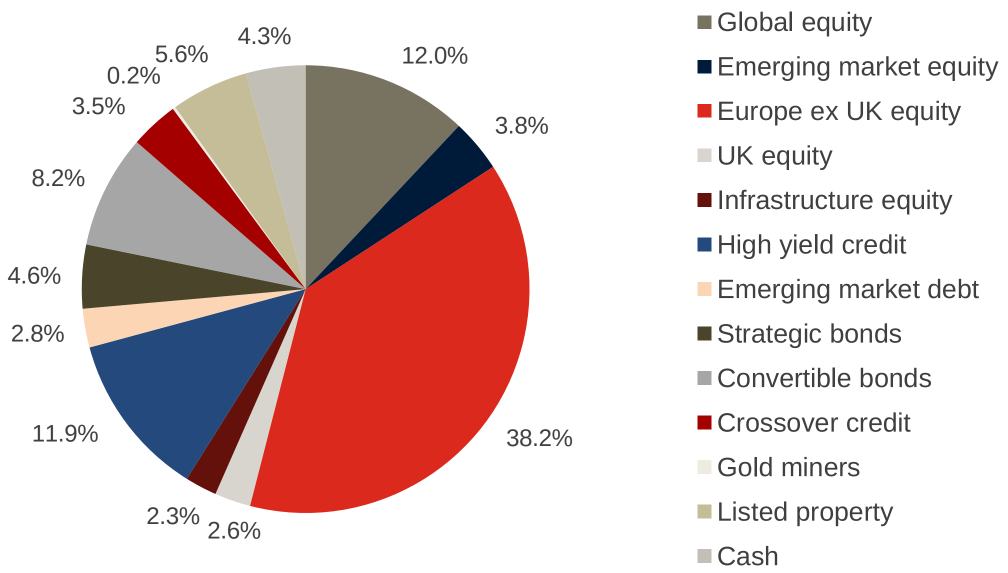
Investment statistics (since 1 January 2009)

Current month return:	-2.5%
Cumulative return:	51.6%
Annualised return:	6.4%
Annualised volatility:	7.0%

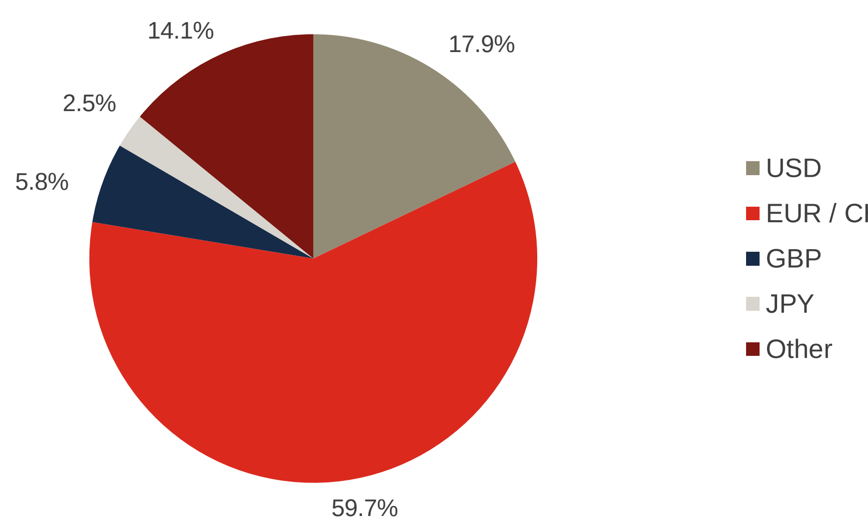
Regional allocation



Strategy allocation



Currency allocation



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

Manager commentary

September did little to lift the mood following a difficult August. Commodities and emerging markets continued to be under pressure as concern mounted over the growth prospects of China in particular. This inevitably led to concerns over global growth more generally, which ultimately sewed the seed of doubt in investors' minds with respect to developed market valuations. September was dominated by the US interest rate decision, with the Federal Reserve's (Fed's) maintenance of the status quo spooking markets further, as this represented something of an abandonment of their earlier guidance, which had hinted strongly at a first hike in September. This decision has in some ways added to the uncertainty over the Fed's future policy and has also raised the question of whether the Fed has other reasons for concern apart from those in the public domain. As a consequence, the third quarter of 2015 was a difficult period for investors, with many markets experiencing the worst returns since the euro crisis gripped markets over the same period in 2011.

The MSCI World index fell 3.9% in euro terms in September. The US and UK markets outperformed with local currency returns of -2.7% and -3.0% respectively, while Japan was a notable laggard, falling 7.9% in yen terms. The MSCI Europe-ex-UK equity index fell by 4.7%. Global emerging market equities outperformed developed markets with a 2.7% decline in euro terms, but have underperformed by almost 12% over the last three months. Fixed income assets generally outperformed equities, with global government bonds returning 1.1% in euro terms. Investment grade corporates provided mixed returns, slightly positive in the US and slightly negative in Europe, while high yield indices posted declines of over 2%. Convertible bonds and hard currency emerging market bonds also posted declines for the month. Meanwhile, commodities continued to fall as well, with the broad index down another 1.9% in US dollar terms.

Against this backdrop, the Harmony Europe Diversified Fund fell by 2.5% in euro terms. Capital protection remained difficult in this environment given the breadth of the weakness across most asset classes. The Fund's Europe-ex-UK equity holdings declined in aggregate, but both the Crux and Jupiter funds outperformed relative to the regional equity index. Within the fixed income portion, the Fund's credit holdings detracted from performance, with various high yield and convertible bond investments declining by between 1.1-2.6% for the month.

Importantly, we have maintained our positions through this period of heightened volatility. Although this detracted from short-term performance, we believe that consistently implementing our valuation driven asset allocation approach should lead to strong long-term performance. Indeed, we have seen a significant rebound in markets at the start of October, which the Fund has captured.

Going forward we expect a continued presence of volatility and stresses in markets, and sharp divergence of performance between countries, sectors and companies depending on fundamentals. On the positive side, these conditions will encourage continued loose monetary policy, and extend this long credit and market cycle. Moreover, valuations are materially lower than just a few months ago, with the re-pricing of the China risk, and slower global growth now to a large extent discounted, markets arguably offer the best opportunity for some time to add to the risk positions in portfolios. But in this dangerous world, prudent diversification and a focus on quality stocks, cash generation and strong balance sheets should continue to reward investors.

Source: Bloomberg, Momentum Global Investment Management.

Important Information