

# Harmony Euro Balanced Fund (Class E)

## Fund details

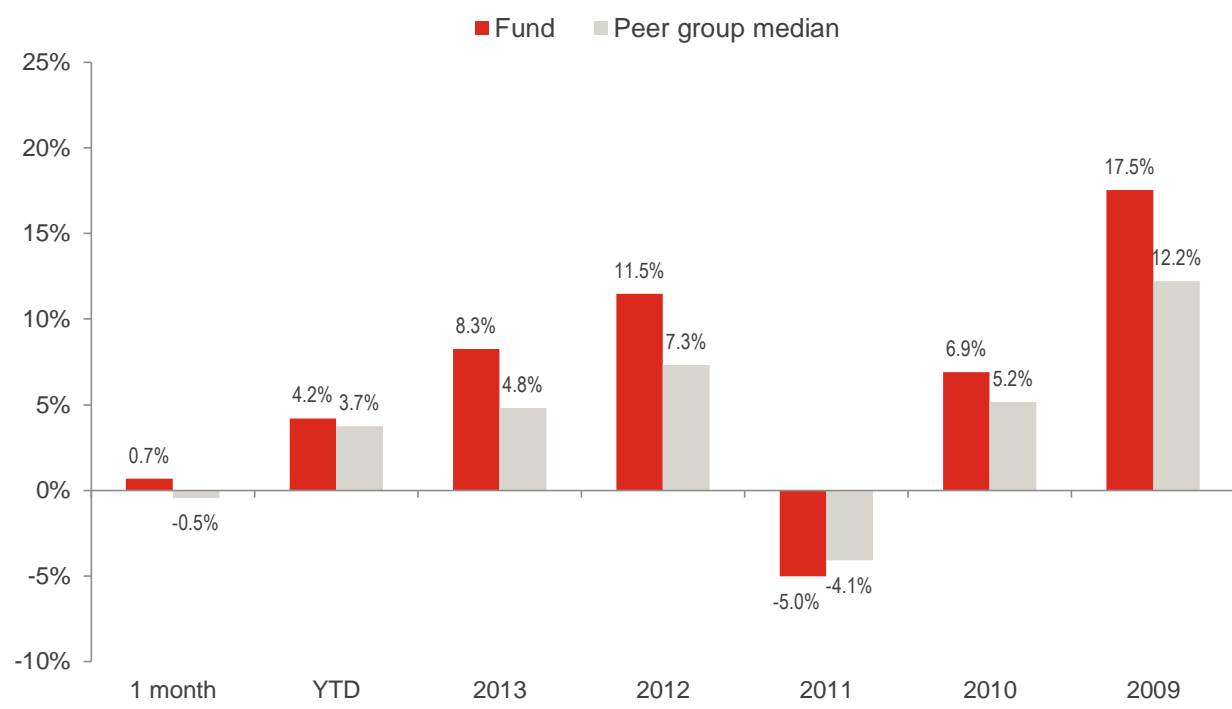
Investment manager: <b>Momentum Global Investment Management</b>	ISIN: <b>LU0795380780</b>
Currency: <b>EUR</b>	Price per share: <b>EUR 1.1653</b>
Inception date (fund): <b>12 August 2011</b>	Minimum investment: <b>USD 250,000 (EUR equivalent)</b>
Structure: <b>SICAV - Part 1 Luxembourg 2002 Law (UCITS)</b>	Subscriptions / redemptions: <b>daily</b>
Peer group source: <b>Bloomberg<sup>1</sup></b>	Investment timeframe: <b>3 years +</b>

## Investment objective

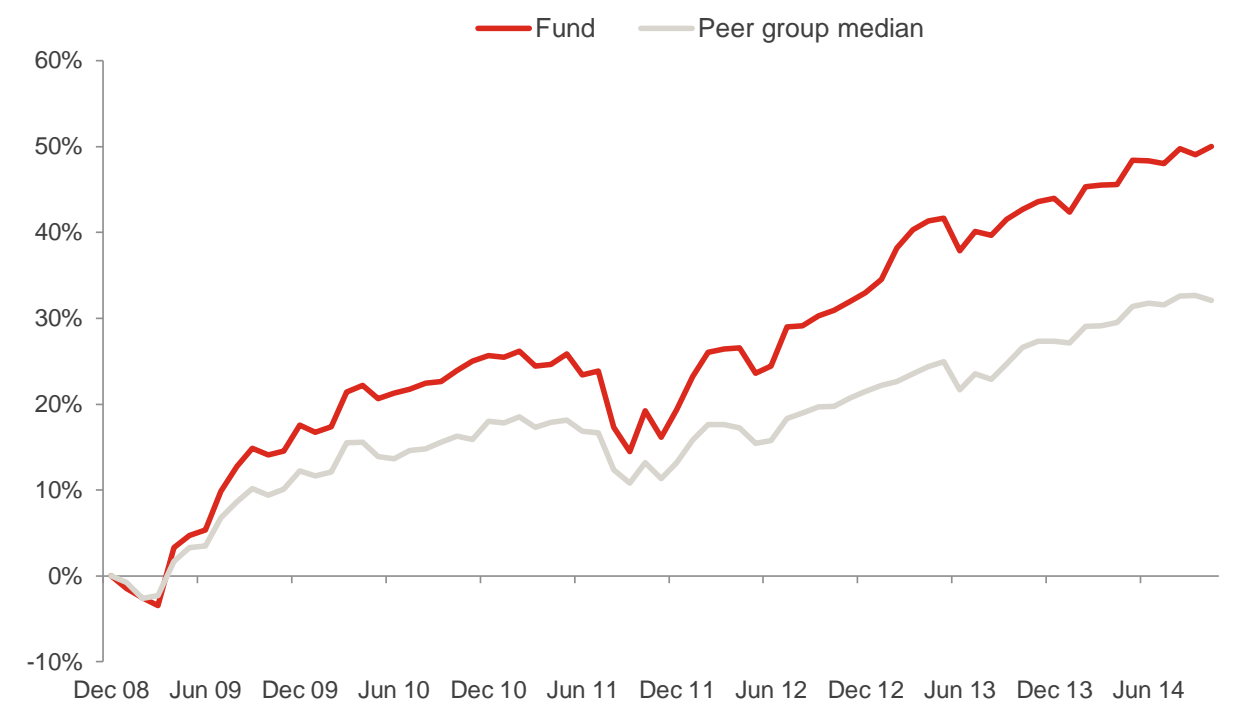
The portfolio will be biased to investments in Europe, but could also hold investments outside this region. The portfolio aims to provide a balance between capital preservation and capital growth in euros with a reduced level of volatility, via strategic exposures to a wide range of asset classes.

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

## Fund performance



## Cumulative returns



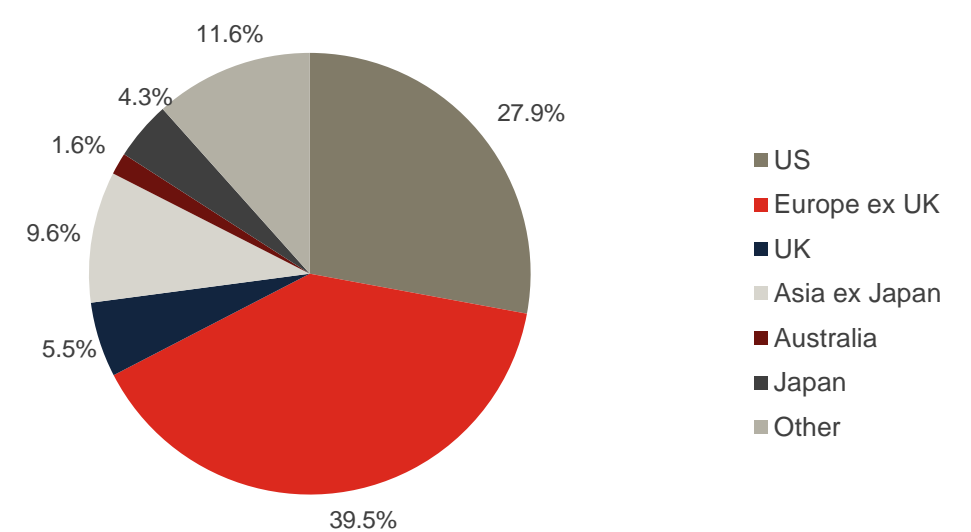
## Holdings

Holdings	Asset type	Weight
Jupiter European Special Situations	Equity	16.5%
Henderson European Special Situations	Equity	15.1%
Cohen & Steers Global Real Estate	Property	9.1%
Cash	Cash	5.8%
RWC Global Convertibles	Fixed Income	5.7%
RWC Asia Convertibles	Fixed Income	5.6%
iShares JP Morgan Emerging Markets Bond	Fixed Income	4.8%
Muzinich EM Short Duration (GBP hedged)	Fixed Income	4.7%
BlackRock European Corporate Bond Index	Fixed Income	4.7%
Muzinich EnhancedYield Short-Term	Fixed Income	4.7%
Dimensional Emerging Markets Value	Equity	4.1%
Old Mutual Dublin Global Bond (EUR hedged)	Fixed Income	3.8%
Artisan Global Value	Equity	3.6%
First State Global Listed Infrastructure	Equity	2.9%
American Century Concentrated Global Growth	Equity	2.6%
Polar Capital Japan (USD hedged)	Equity	2.3%
Heptagon Kopernik Global All-Cap Equity	Equity	1.8%
Morgan Stanley Global Brands	Equity	1.1%
Morgan Stanley UK Global Brands	Equity	0.8%
iShares Gold Producers	Commodities	0.3%

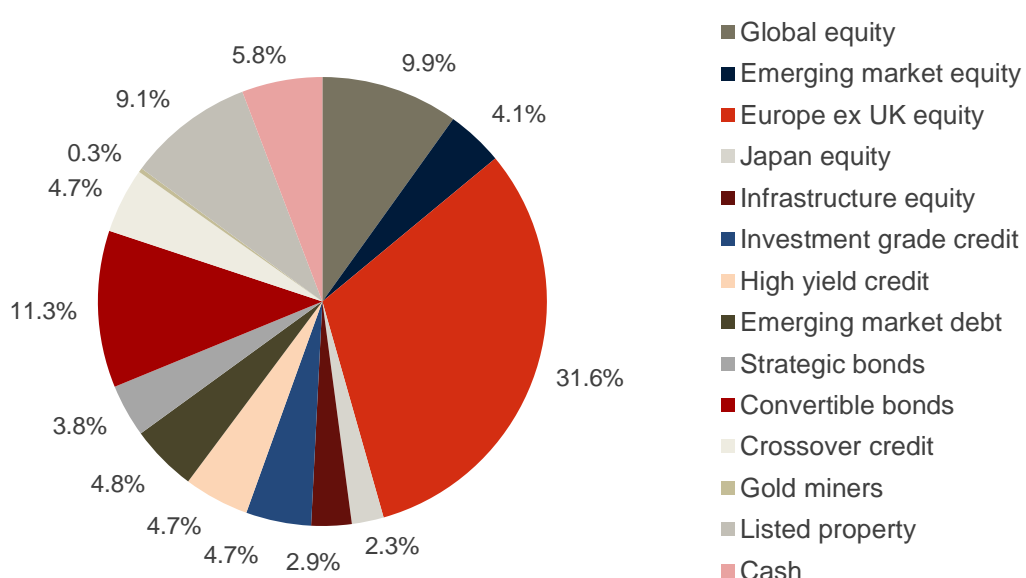
## Investment statistics (since 1 January 2009)

Current month return:	0.7%
Cumulative return:	50.0%
Annualised return:	7.2%
Annualised volatility:	6.3%

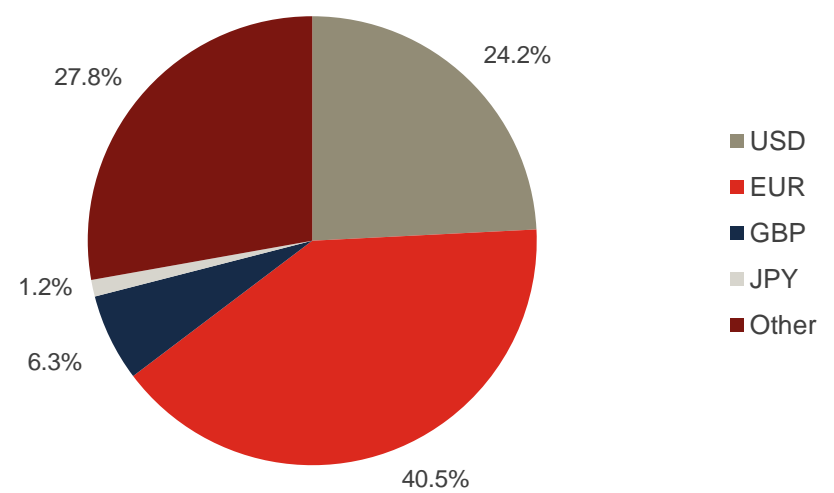
## Regional allocation



## Strategy allocation



## Currency allocation



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

<sup>1</sup> The peer group median return is a composite of (i) global peers and (ii) local peers, in the ratio 1:2. 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

Global equities fell sharply during the first half of October, driven by concerns around the outlook for global growth. However, following a rally in the latter part of the month, developed market equities finished up by 1.1% in local currency terms, while emerging markets gained 1.4%. The Europe ex UK equity market underperformed with a return of -1.8%. As equity markets sold off in the first half of the month government bond yields fell sharply. The yield on the US 10 year Treasury fell by 0.4% in a single day to 1.9%, its lowest level since May 2013. Government bonds produced positive returns globally, with European bonds gaining 0.4% during the month. Weakness in the euro currency against the US dollar enhanced returns of global indices in euro terms.

Policy is now diverging between the major central banks, with the Federal Reserve (Fed) bringing its asset purchase programme to an end in October while the European Central Bank (ECB) began buying covered bonds in an attempt to ease pressure on banks and release liquidity into the markets. The big surprise, however, was the action at the end of the month by the Bank of Japan, which increased its asset purchase programme from JPY 60-70 trillion per annum to JPY 80 trillion, nearly matching the quantitative easing programme of the Fed at its peak. Weakening and, in many countries, fragile growth, deflationary forces and asset values which in most cases are no longer intrinsically cheap, are likely to result in periods of greater volatility such as the one we have just seen in October. It is clear, however, that central banks are ready to take action to ensure stability. The prospect of this support is expected in turn to provide support for markets.

Against this backdrop, the Harmony Euro Balanced Fund returned 0.7% net of all fees last month in euro terms. Key contributors to performance included the Fund's holdings in listed infrastructure and listed property as well as exposure to growth orientated equity strategies. Our global listed property holding, which represents almost 10% of the portfolio, gained over 7% in euro terms bringing the year to date return to over 23%. Meanwhile, global listed infrastructure gained 4% in October but has achieved broadly the same return year to date as global listed property. The Fund's holdings in American Century Global Concentrated Growth outperformed the MSCI World index as it benefited from the outperformance of the manager's earnings acceleration investment style over the period. The main holdings that detracted from performance were those with significant exposure to energy and materials; namely the Kopernik Global All Cap Equity fund and the iShares Gold Producers ETF, but we will maintain small position sizes in these areas due to the downside risk and volatility, which materialised in October and may well remain a feature of these investments going forward. The strong performance of bonds in local currency terms, both in October and over longer time periods, represents a missed opportunity for the fund as we continue to have very limited exposure to government and investment grade bonds, but we remain confident this is the right positioning to retain given the poor risk reward trade-off resulting from absolute yields being so low.

One of this Fund's most significant holdings is in the Henderson European Special Situations fund, representing around 15% of the portfolio. A significant change was announced in October as the manager, Richard Pease, announced that he and one of his co-portfolio managers on the investment team at Henderson will be moving on to work at a recently established business called Crux Asset Management. The business will largely be owned by Richard himself. The European Special Situations fund, its assets and underlying clients will all transfer across to Crux in 2015 with Richard. This is in line with an option that Richard agreed with Henderson at the time of joining, but in the meantime the fund and team are operating as before. We were aware of this agreement and are not entirely surprised by this development. Having met with the manager since the announcement we are comfortable with the change and in fact view it as a positive development; Richard and his team will benefit from greater alignment of interests and a smaller asset base to manage which will make it easier for them to invest in some of the small and mid-caps that have long been the bedrock of their strategy. The fund outperformed the market in October despite a small decline of 0.5%. Performance has been reasonable this year and broadly in line with the benchmark, as well as being in line with our expectations. The London based investment team has a long held bias towards high quality and well managed businesses with a high proportion of recurring earnings, from servicing for example, while avoiding higher risk cyclicals. The team targets businesses which are often market leaders within a particular niche and benefit from a high degree of recurring revenues. The manager finds that the best investment opportunities typically do not arise among well researched, large businesses and as a result the fund has a small cap bias. The portfolio is also managed in an entirely benchmark agnostic fashion. Richard's focus remains on well-funded companies that are as insulated as possible from the challenges of the Eurozone and its consumers.

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 Euro 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 Euro Balanced Incorporated Cell (IC) within the Momentum Mutual Fund. The historical performance of the Harmony Euro Balanced IC Class A fund is shown from 1 January 2009 until the inception date of the SICAV.

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