Momentum Global Funds

Société d'Investissement à Capital Variable

Harmony Euro Balanced Fund

momentum

month ended 31 December 2014

Fund details

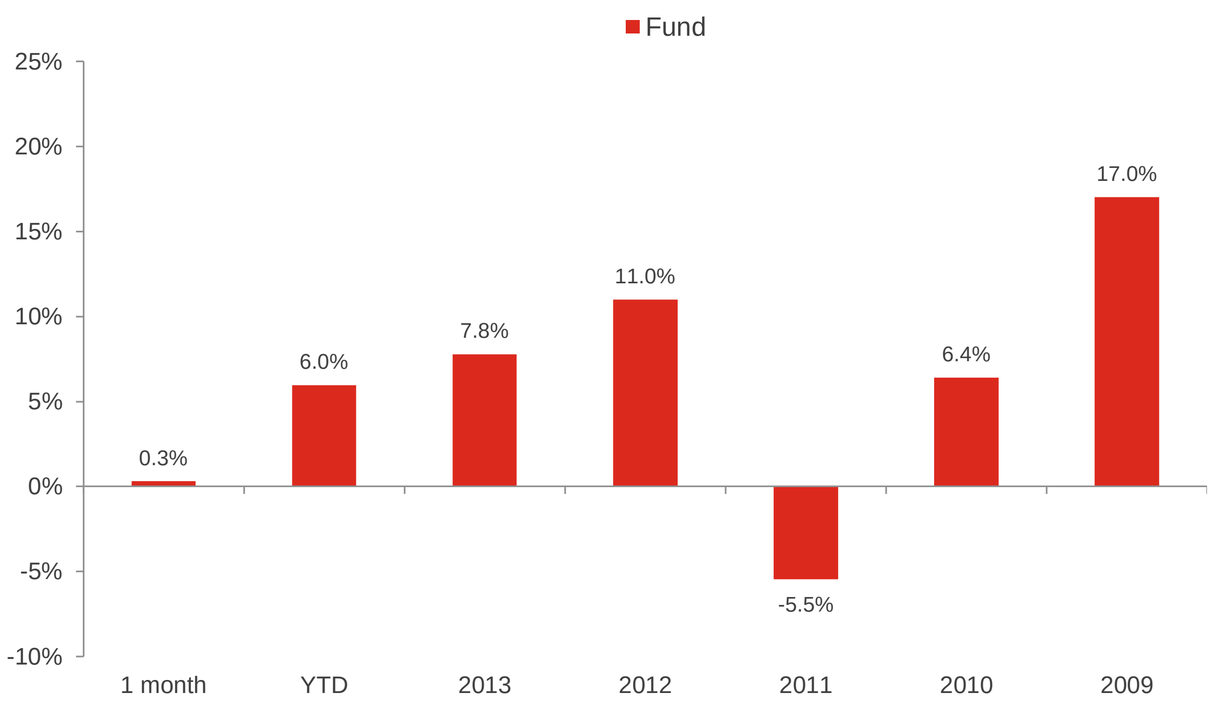
Investment manager: **Momentum Global Investment Management**	ISIN A Class: **LU0651984873**	Price per share A Class: **EUR 1.1224**
Currency: **EUR**	ISIN B Class: **LU0651984956**	Price per share B Class: **EUR 1.0578**
Inception date (fund): **12 August 2011**	ISIN C Class: **LU0651985094**	Price per share C Class: **EUR 1.1979**
Structure: **SICAV - Part 1 Luxembourg 2002 Law (UCITS)**	ISIN D Class: **LU0651985177**	Price per share D Class: **EUR 1.2285**
Minimum investment: **Share classes A, B, C & D: USD 7,500 (EUR equivalent)**	Subscriptions / redemptions: **daily**	Investment timeframe: **3 years +**

Investment objective

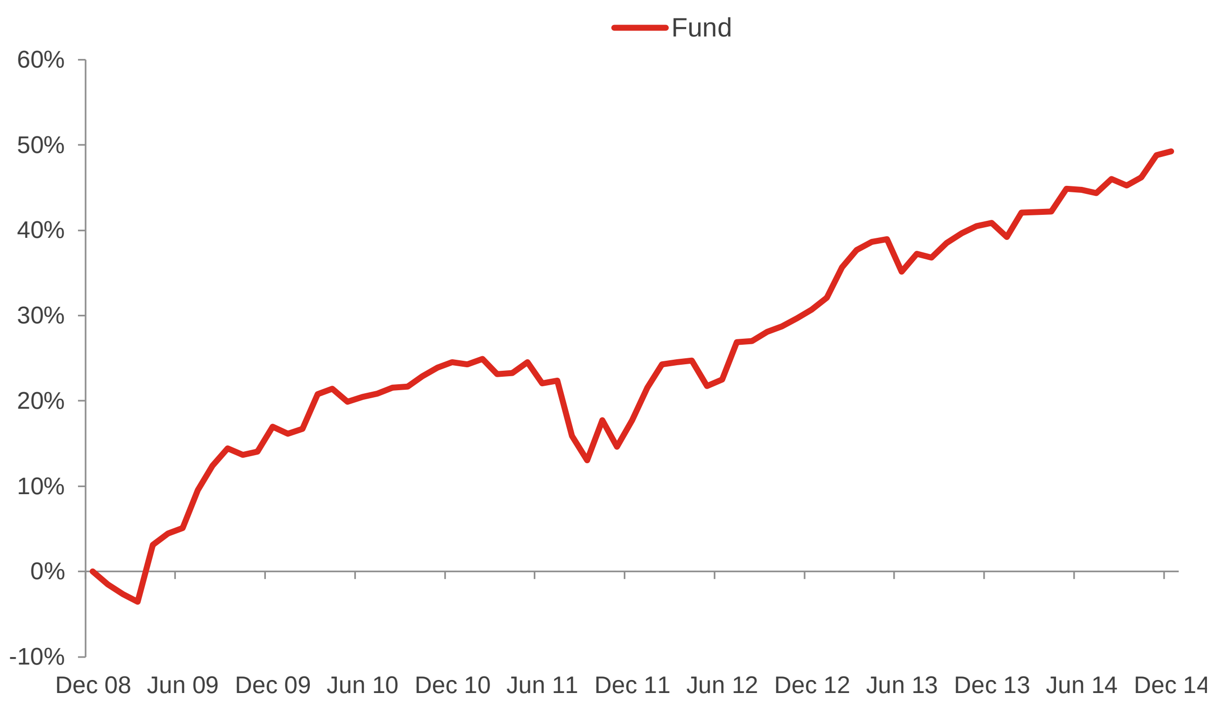
The portfolio will be biased to investments in Europe, but could also hold investments outside this region. The portfolio aims to provide a balance between capital preservation and capital growth in euros with a reduced level of volatility, via strategic exposures to a wide range of asset classes.

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

Fund performance



Cumulative returns



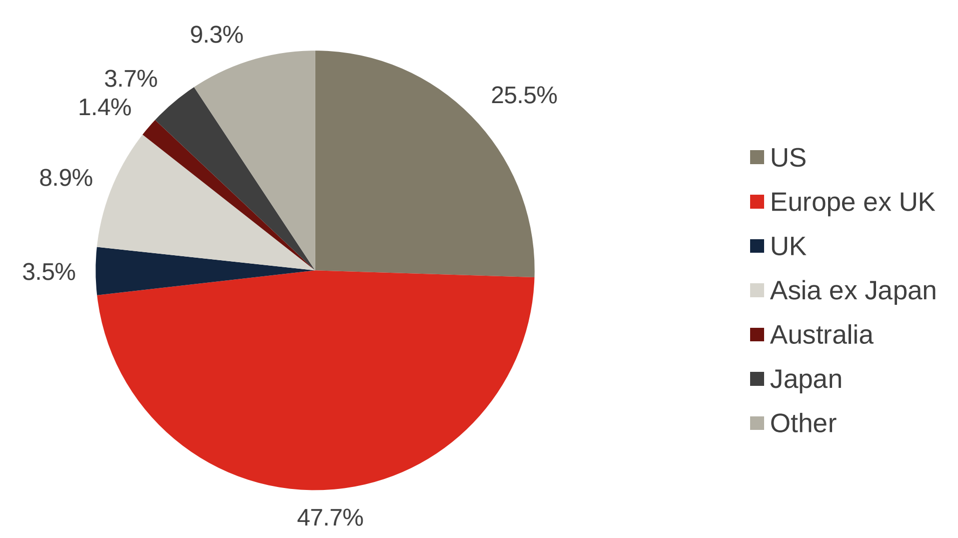
Holdings

Holdings	Asset type	Weight
Jupiter European Special Situations	Equity	18.4%
Henderson European Special Situations	Equity	18.2%
Cohen & Steers Global Real Estate	Property	7.2%
Muzinich EnhancedYield Short-Term (EUR hedged)	Fixed Income	6.8%
RWC Asia Convertibles	Fixed Income	4.8%
AXA US Short Duration High Yield (EUR hedged)	Fixed Income	4.8%
Artisan Global Value	Equity	4.7%
Dimensional Emerging Markets Value	Equity	4.5%
RWC Global Convertibles	Fixed Income	4.5%
Cash	Cash	4.3%
Muzinich EM Short Duration (EUR hedged)	Fixed Income	3.9%
iShares JP Morgan Emerging Markets Bond	Fixed Income	3.4%
American Century Concentrated Global Growth	Equity	3.1%
Heptagon Kopernik Global All-Cap Equity	Equity	2.0%
Old Mutual Dublin Global Bond (EUR hedged)	Fixed Income	1.9%
Schroder UK Recovery	Equity	1.9%
First State Global Listed Infrastructure	Equity	1.9%
Polar Capital Japan (USD hedged)	Equity	1.6%
Morgan Stanley Global Brands	Equity	1.0%
Morgan Stanley UK Global Brands	Equity	0.8%
iShares Gold Producers	Commodities	0.3%

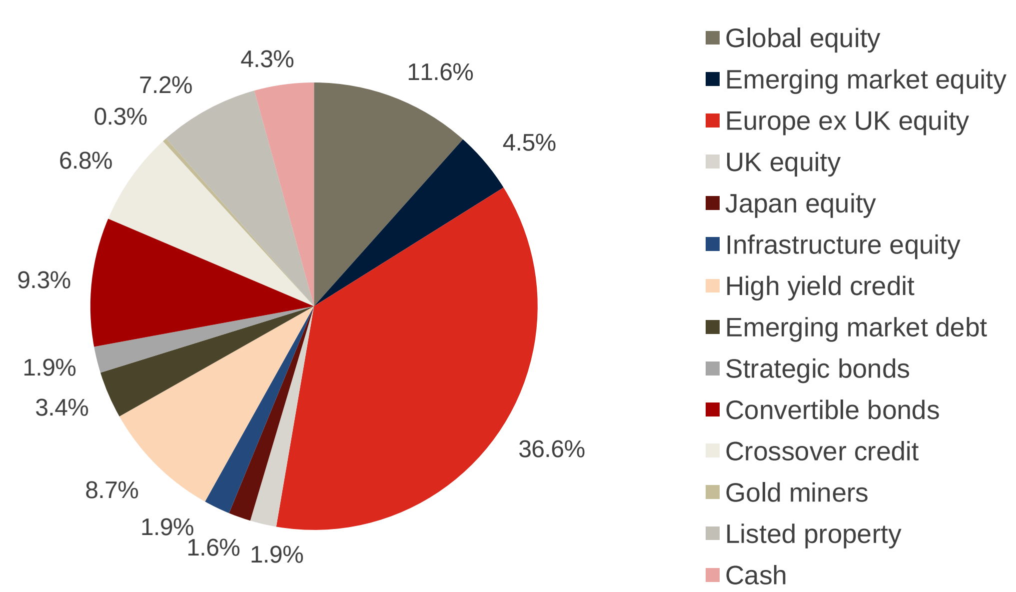
Investment statistics (since 1 January 2009)

Current month return:	0.3%
Cumulative return:	49.3%
Annualised return:	6.9%
Annualised volatility:	6.3%

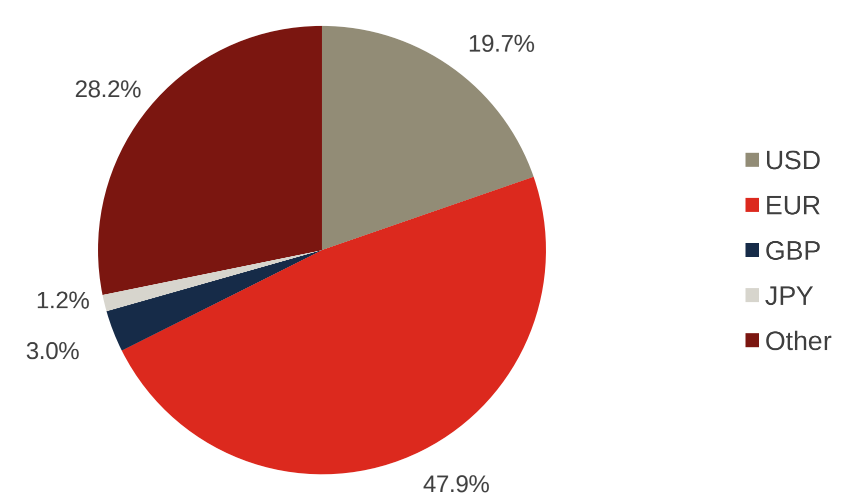
Regional allocation



Strategy allocation



Currency allocation



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

Manager commentary

Markets ended the year on a softer note, with the majority of asset classes posting negative returns in December. Oil prices continued to fall and weighed on resources-related assets. However, relative strength in the US dollar and sterling meant returns moved into positive territory when expressed in euro terms. Overall global equities gained 1.1% over the month in euro terms, despite the UK, US, Japan and Europe delivering negative returns in their respective local currencies. Government and investment grade corporate bonds registered small gains in local currency terms.

Looking back at the year of 2014, continental European equities finished in positive territory for the third year in a row with a gain of 6.4%. Most major equity markets delivered mid-single digit returns in local currency terms. The US market proved to be the standout performer, having regularly tested all-time highs during the second half of the year, while the UK was the key laggard among developed markets. Emerging market equities fell for the second year in a row when measured in US dollar terms, the first time the asset class has posted consecutive negative calendar year returns in 12 years. Global bonds enjoyed a strong year, contrary to our and indeed most of the market's expectations. The UK and European markets stood out with returns of 14.1% and 15.1% respectively for their government bond markets. US Treasuries lagged this somewhat but still delivered a substantial return of 6.1%. However, a key theme of the second half of the year was persistent strength in the US dollar versus all other major currencies, with the euro depreciating by 12.2% over the course of 2014. This accentuated the outperformance of US markets when expressed in euro terms and supported a return of 19.6% for global equities.

In December the Harmony Euro Balanced Fund returned 0.3% net of all fees in euro terms. This compares to a fall of 2.2% for Europe ex UK equity markets and a gain of 1.7% for European government bonds. Our European equity managers performed well into year end, both outperforming by over 2% in December and delivering positive returns despite the falling market. Indeed over the full year both contributed meaningfully to the overall return of the portfolio with the two holdings, in Jupiter and Henderson, returning 5.4% and 8.9% respectively compared to a 6.4% return for the Europe ex UK equity index. Furthermore Fund performance benefited from increasing these holdings, to an aggregate weight of around 36%, at times of weakness in market during the fourth quarter. During December the Fund's exposure to global equity markets contributed to returns due to euro currency weakness. However, we only had limited exposure to the strong returns of government and investment grade bonds which we continue to view as being overvalued. Our other fixed income holdings, specifically high yield and emerging market bonds, posted modest losses over the month. The same narrative broadly applies to performance in 2014 as well; the Harmony Euro Balanced Fund return of 6.0% was supported by strong returns from its US equity exposure (via our global equity manager holdings), listed property, listed infrastructure and hard currency emerging market debt holdings in particular, but was held back by modest losses from our emerging market equity exposure and the Old Mutual strategic bond holding.

We expect equity markets to continue to deliver decent returns over the medium to long term. We have a combination of reasonable (albeit not cheap) valuations, improving growth in large global economies – or supportive monetary policy where this is not the case – and reasonable earnings growth. Markets face challenges – there is renewed speculation over a Greek exit from the Eurozone; Russia's behaviour could become more unpredictable as its economy weakens and ISIL, Ebola and North Korea serve as a salutary reminder that many risks remain in global markets, many of which are inherently unpredictable – which emphasises the need for diversification and prudent risk controls in investors' portfolios.

Source: Bloomberg, Momentum Global Investment Management.

Important Information