Momentum Global Funds

Société d'Investissement à Capital Variable

Harmony US Dollar Balanced Fund

momentum

month ended 31 December 2014

Fund details

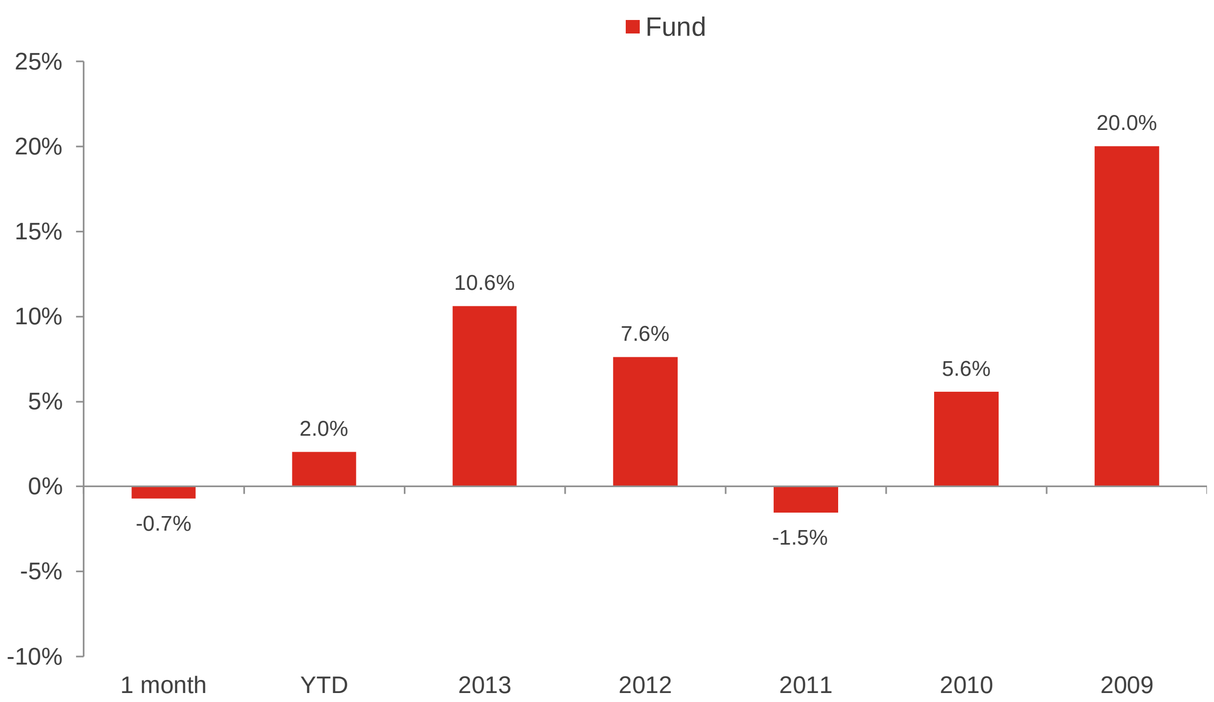
Investment manager: **Momentum Global Investment Management**	ISIN A Class: **LU0651986068**	Price per share A Class: **USD 1.1128**
Currency: **USD**	ISIN B Class: **LU0651986142**	Price per share B Class: **USD 1.1266**
Inception date (fund): **12 August 2011**	ISIN C Class: **LU0651986225**	Price per share C Class: **USD 1.2382**
Structure: **SICAV - Part 1 Luxembourg 2002 Law (UCITS)**	ISIN D Class: **LU0651986498**	Price per share D Class: **USD 1.1699**
Minimum investment: **Share classes A, B, C & D: USD 7,500**	Subscriptions / redemptions: **daily**	Investment timeframe: **3 years +**

Investment objective

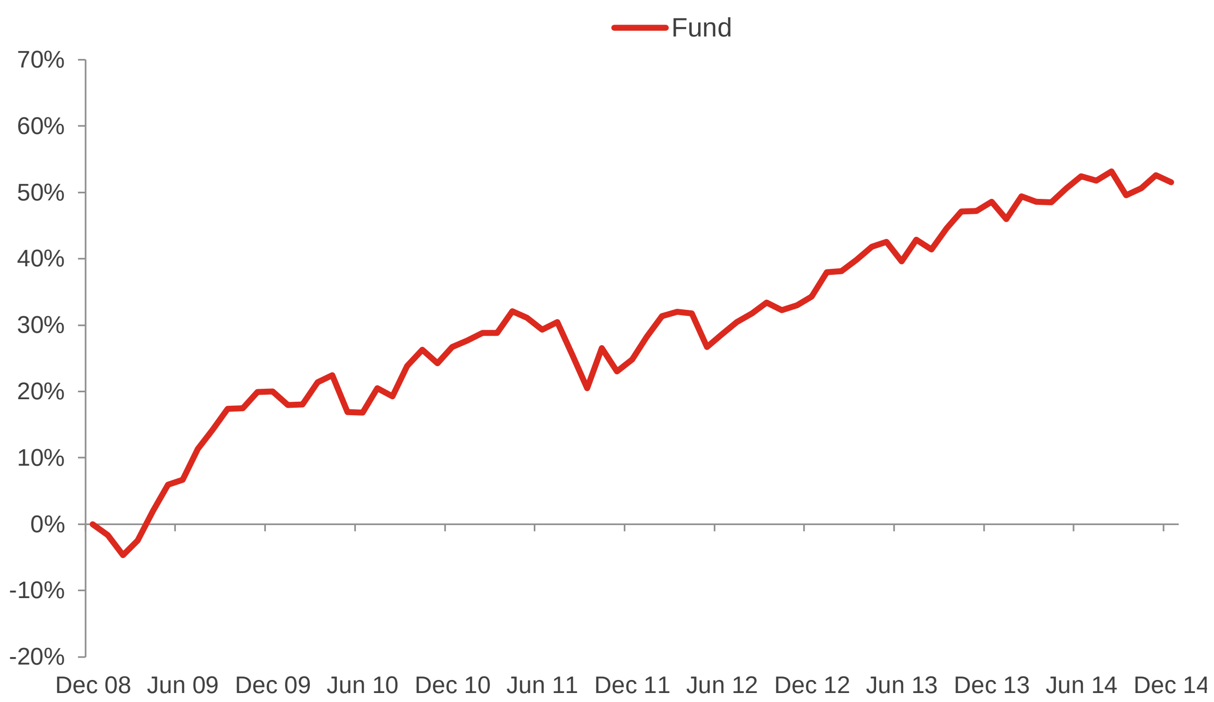
The portfolio will be biased to investments in the United States, but could also hold investments outside this country. The portfolio aims to provide a balance between capital preservation and capital growth in US dollars with a reduced level of volatility, via strategic exposures to a wide range of 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



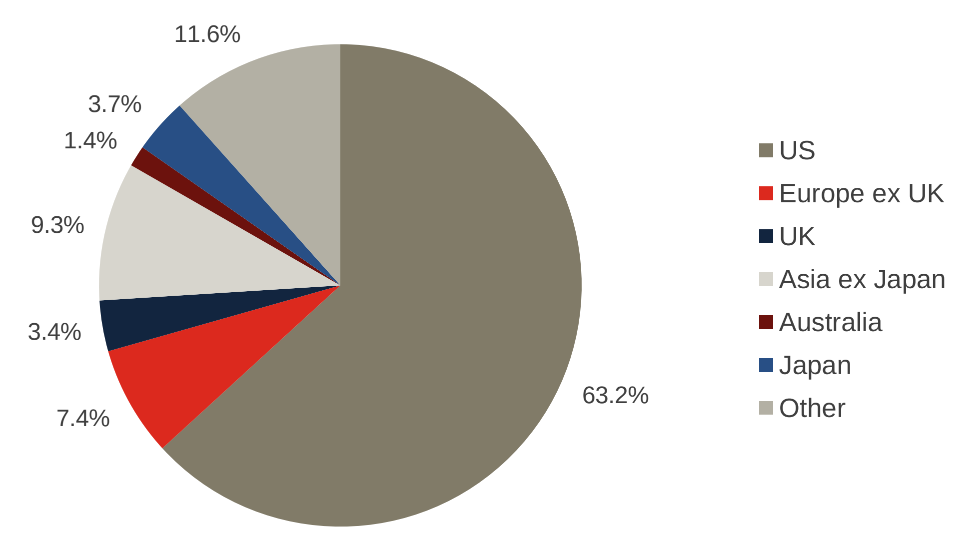
Holdings

Holdings	Asset type	Weight
Cash	Cash	9.0%
Cohen & Steers Global Real Estate	Property	7.1%
Wells Fargo US All Cap Growth	Equity	6.7%
Muzinich EnhancedYield Short-Term (USD hedged)	Fixed Income	6.6%
RWC Global Convertibles	Fixed Income	6.0%
Artisan Global Value	Equity	5.9%
Harris Associates Concentrated US Equity	Equity	5.9%
RWC Asia Convertibles	Fixed Income	5.8%
Vulcan Value Equity	Equity	5.5%
Yacktman US Equity	Equity	5.2%
Muzinich EM Short Duration (USD hedged)	Fixed Income	5.1%
iShares JP Morgan Emerging Markets Bond	Fixed Income	5.0%
AXA US Short Duration High Yield	Fixed Income	5.0%
Old Mutual Dublin Global Bond	Fixed Income	4.5%
Dimensional Emerging Markets Value	Equity	3.9%
Heptagon Kopernik Global All-Cap Equity	Equity	2.0%
Schroder UK Recovery	Equity	2.0%
First State Global Listed Infrastructure	Equity	2.0%
Polar Capital Japan (USD hedged)	Equity	1.8%
American Century Concentrated Global Growth	Equity	1.7%
Morgan Stanley Global Brands	Equity	1.5%
Granahan US Focused Growth	Equity	1.4%
iShares Gold Producers	Commodities	0.4%

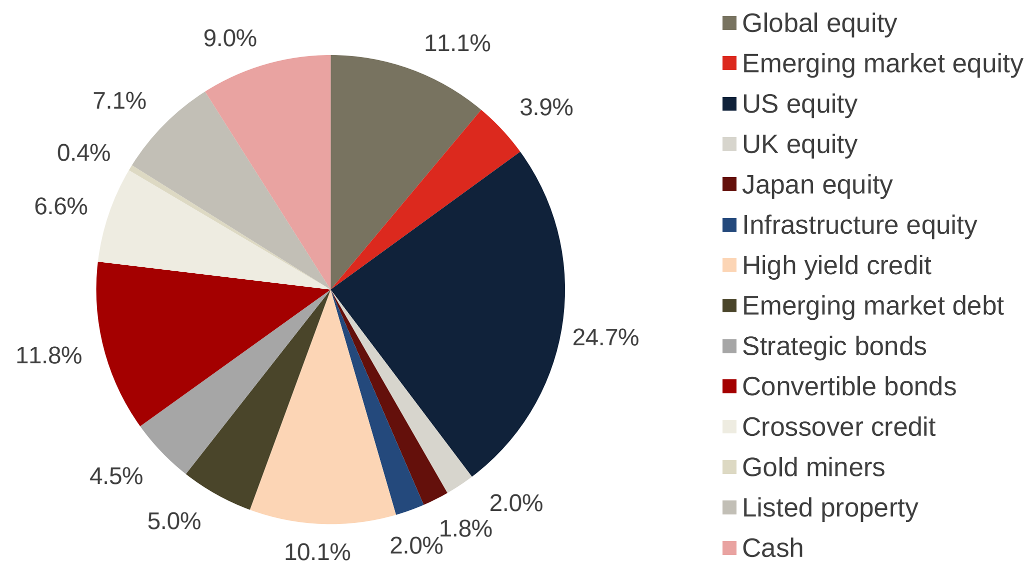
Investment statistics (since 1 January 2009)

Current month return:	-0.7%
Cumulative return:	51.6%
Annualised return:	7.2%
Annualised volatility:	7.1%

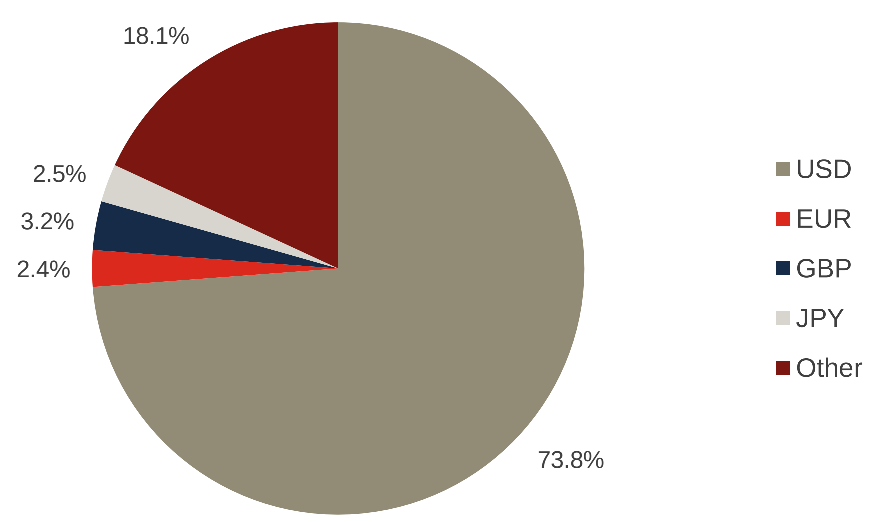
Regional allocation



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. Overall global equities declined by 1.6% over the month, with 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. However, continued weakness in most major currencies relative to the US dollar meant that global bond indices delivered negative returns when reported in US dollar terms.

Looking back at the year of 2014, global equities finished in positive territory for the third year in a row with a gain of 4.9% in US dollar terms. 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 with a marginal gain in sterling terms. Emerging market equities fell for the second year in a row, 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. This had the effect of detracting fairly significantly from the return of non-dollar denominated assets and global indices when expressed in US dollar terms; indeed the return from equities on a global ex United States basis was a disappointing -4.3% in US dollar terms.

In December the Harmony US Dollar Balanced Fund returned -0.7% net of all fees in dollar terms. This compares to a fall of 0.3% for the US equity market and a gain of 0.3% for US Treasuries. Although our US equity managers all outperformed over the month, the Fund's exposure to global equity market detracted from returns due to currency effects. Also we continue to have no exposure to those sovereign and investment grade corporate bonds which performed well over the month but are overvalued in our opinion. Our other fixed income holdings, specifically high yield and emerging market bonds, also posted modest losses. The same narrative broadly applies to performance in 2014 as well; the Fund's small gain of 2.0% was supported by strong returns from our US equity, listed property, listed infrastructure and hard currency emerging market debt holdings in particular, but was held back by more modest gains or small declines from both our global and emerging market equity holdings 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