

# Harmony US Dollar Balanced Fund (Class E)

## Fund details

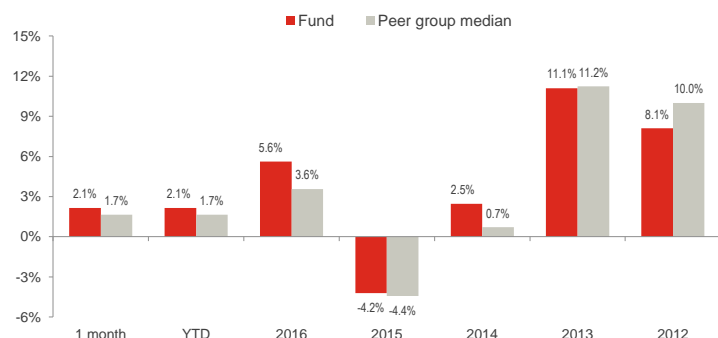
Investment manager: <b>Momentum Global Investment Management</b>	ISIN: <b>LU0795381242</b>
Currency: <b>USD</b>	Price per share: <b>USD 1.2022</b>
Inception date (fund): <b>12 August 2011</b>	Minimum investment: <b>USD 250,000</b>
Structure: <b>SICAV - Part 1 Luxembourg 2002 Law (UCITS)</b>	Subscriptions / redemptions: <b>daily</b>
Peer group source: <b>Bloomberg<sup>1</sup></b>	Investment timeframe: <b>3 years +</b>

## Investment objective

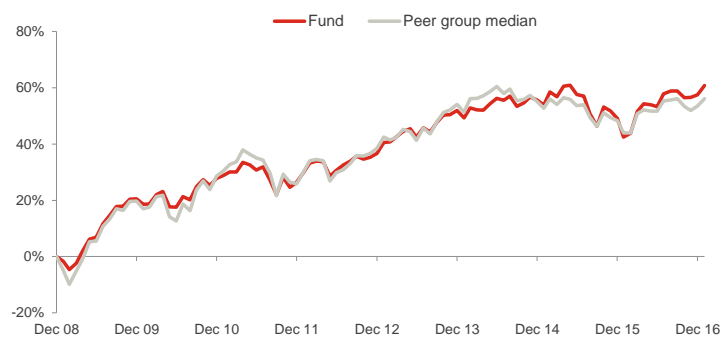
The portfolio will be biased to investments in the United States, but could also hold investments outside this country. The portfolio aims to provide a balance between capital preservation and capital growth in US dollars with a reduced level of volatility, via strategic exposures to a wide range of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



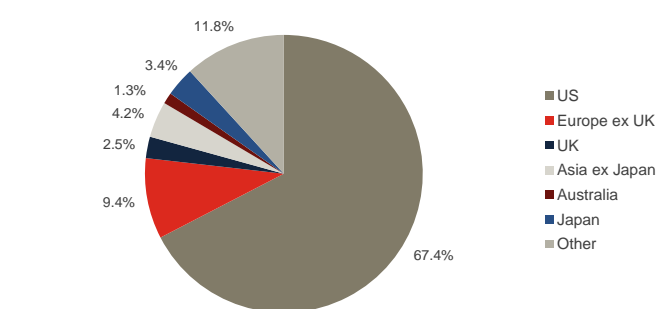
## Holdings

Holdings	Asset type	Weight
BlackRock US Corporate Bond Index	Fixed Income	10.3%
Artisan Global Value	Equity	6.6%
Muzinich EnhancedYield Short-Term (USD hedged)	Fixed Income	6.6%
Third Avenue Real Estate Value	Property	6.1%
AXA US Short Duration High Yield	Fixed Income	5.3%
Yacktman US Equity	Equity	4.6%
Vulcan Value Equity	Equity	4.6%
iShares JP Morgan Emerging Markets Bond	Fixed Income	4.5%
Wells Fargo US All Cap Growth	Equity	4.4%
Cash	Cash	4.1%
Conventum Lyrical	Equity	4.0%
ETFs Physical Gold	Commodities	3.8%
Westwood Strategic Global Convertibles (USD hedged)	Fixed Income	3.7%
Jennison Global Equity Opportunities	Equity	3.0%
First State Global Listed Infrastructure	Equity	2.6%
RWC Asia Convertibles (USD hedged)	Fixed Income	2.3%
RWC Global Convertibles (USD hedged)	Fixed Income	2.1%
F&C Global Equity Market Neutral	Alternatives	1.9%
Muzinich EM Short Duration (USD hedged)	Fixed Income	1.9%
GSAM Global Strategic Macro Bond (USD hedged)	Alternatives	1.9%
Morgan Stanley Global Brands	Equity	1.8%
Heptagon Kopernik Global All-Cap Equity	Equity	1.5%
Goldman Sachs EFI Long Short Risk Premia Portfolio	Alternatives	1.5%
American Century Concentrated Global Growth	Equity	1.4%
Granahan US Focused Growth	Equity	1.3%
US TIPS 0% 01/15/25	Fixed Income	1.1%
US TIPS 1% 01/15/20	Fixed Income	1.1%
Sands Capital Emerging Markets Growth	Equity	1.0%
Dimensional Emerging Markets Value	Equity	1.0%
Amundi ETF JPX-Nikkei 400 JPY	Equity	1.0%
Schroder UK Recovery	Equity	1.0%
BlackRock Developed Real Estate	Property	0.9%
iShares Gold Producers	Commodities	0.7%
US TIPS 0% 02/15/42	Fixed Income	0.4%

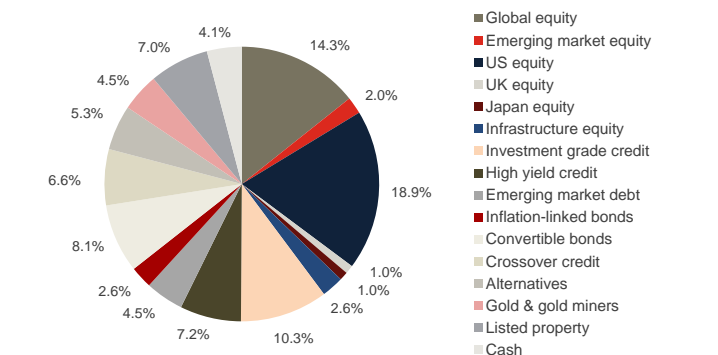
## Investment statistics (since 1 January 2009)

Current month return:	2.1%
Cumulative return:	60.8%
Annualised return:	6.1%
Annualised volatility:	7.5%

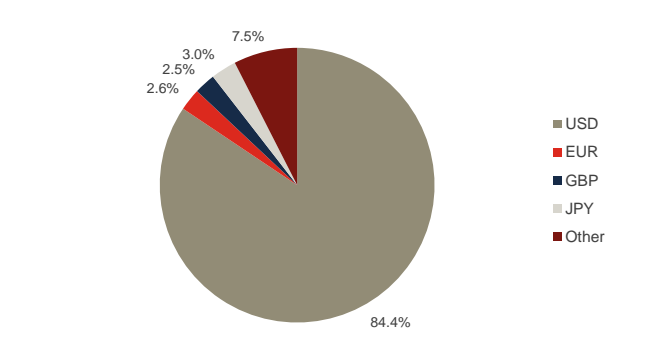
## Regional allocation



## 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

The early weeks of 2017 in financial markets have been a sharp contrast to the same period in 2016, when markets fell sharply on fears about China's slowdown and currency weakness. This year markets have continued their post-election pattern, rising on expectations of 'Trumpflation', higher growth and strong corporate profits. Equities, again led by the US, have continued to outperform bonds, with the MSCI World index up 1.3% in January in local currency terms while global government bonds were down 0.8%. It was notable that global emerging markets, which underperformed markedly in the aftermath of the US election, recovered strongly, with the MSCI Global Emerging Markets index up 5.5% in US dollar terms for the month, helped by currency gains and strong rises in Asian and Latin American markets. Having risen sharply over the second half of last year, the US dollar experienced a sharp setback in January; the USD trade weighted index fell by 3.7% from its late December peak to month-end, with emerging market and commodity linked currencies enjoying a strong rally, as well as the euro and Japanese yen rising by 2.7% and 3.7% respectively. Pound sterling, weighed down by concerns about a 'hard' Brexit following a speech of Prime Minister May's in which she outlined her strategy on Brexit, underperformed, but still managed a 1.8% rise against the USD.

The Harmony US Dollar Balanced fund returned 2.1% in January in US dollar terms net of fees, compared to returns of 1.9% and 0.2% for US equities and US bonds respectively. Over twelve months the fund has returned 12.9%. The main drivers of January's strong performance were the equity and real estate portions of the portfolio; in particular those strategies managed with a value orientated approach or with an emerging markets bias delivered the strongest returns. Also, international investments generally outperformed domestic investments by virtue of US dollar weakness over the month. These gains were further supported by the fund's commodity related allocations, with the physical gold and gold mining equity holdings returning 4.5% and 9.1%. The fixed income and liquid alternative portions of the fund also delivered small gains.

During the month we made two changes to the fund's asset allocation policy. We reduced the target for the overall equity allocation by 2.5% in response to the recent strength in markets which has seen further increases in valuation multiples. The fund's equity allocation has been reduced in small increments over the past year as markets have recovered from the recent trough in early 2016, at which point we had substantially higher equity and credit allocations. The other key change was the addition of a 2.5% holding in US Treasury Inflation-Protected Securities (TIPS), purchased via three bonds with different maturities. This is the first direct exposure the fund has had to the US government bond market in several years. The asset class has been very weak recently due to a change in market expectations for future monetary policy across key central banks globally, spurred by higher inflation expectations. In our view the asset class has a better risk/reward profile than it has had for some time, with 10 year Treasury yields having risen rapidly from below 1.4% in mid-2016 to around 2.5% at the time of purchase. By buying TIPS as opposed to nominal government bonds, our positions are protected from further rises in inflation expectations. Overall we continue to view most government bond markets as overvalued, which is reflected in the modest sizing of this new position, but we believe some exposure is now warranted at these yield levels on the basis of the diversification benefits that bonds bring to the fund, especially given the increase in equity valuations in recent years. Although most market participants have rapidly turned their attention to worrying about inflation risks, the deflationary forces that have driven the multi-decade bull market in bonds have not disappeared overnight. We do believe this cycle has further to run and that equities will continue to outperform bonds through 2017, but prudent diversification and a focus on valuation levels remains a key focus in order to smooth the journey and ensure we are in a position to take advantage of buying opportunities presented by market volatility.

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

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