

# Harmony Europe Diversified Fund (Class E)

month ended 28 February 2018

## Fund details

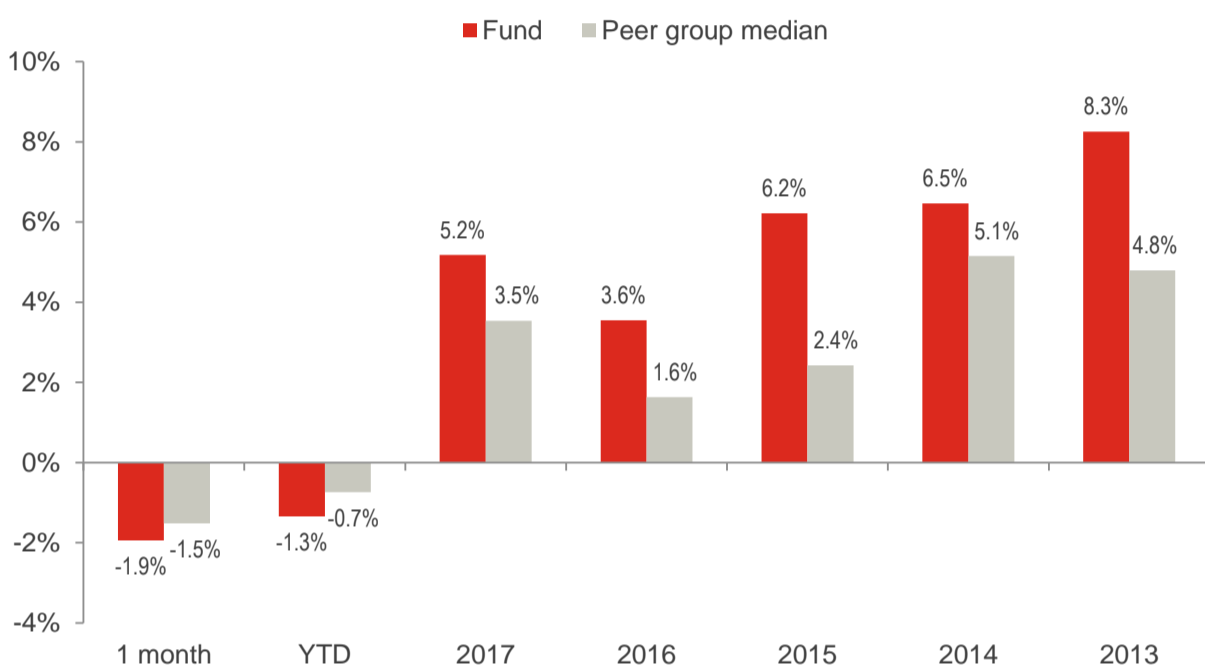
Investment manager: <b>Momentum Global Investment Management</b>	ISIN: <b>LU0795380780</b>	Price per share: <b>EUR 1.3589</b>
Inception date (class E): <b>06 August 2012</b>	Investment timeframe: <b>3 years +</b>	Currency: <b>EUR</b>
Structure: <b>SICAV - Part 1 Luxembourg 2002 Law (UCITS)</b>	Subscriptions / redemptions: <b>daily</b>	Minimum investment: <b>USD 250,000 (EUR equivalent)</b>
Peer group source: <b>Bloomberg<sup>1</sup></b>	Website: <b>harmonyportfolios.com</b>	

## Investment objective

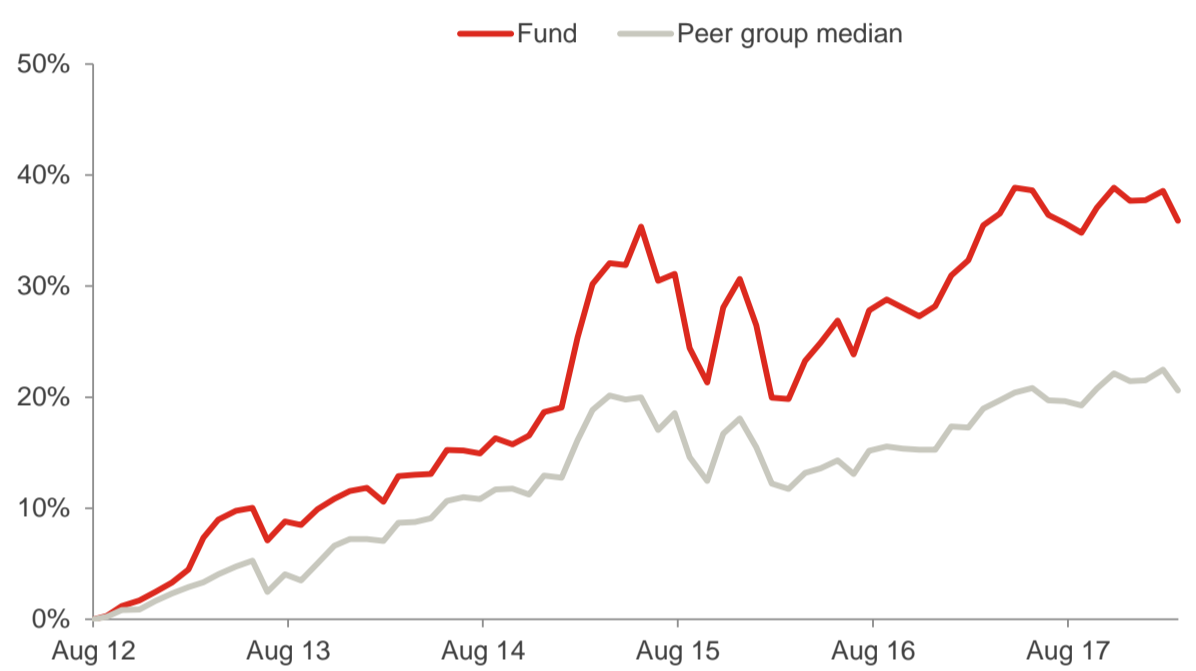
The portfolio will be biased to investments in Europe, but could also hold investments outside this region. The portfolio aims to provide a balance between capital preservation and capital growth in euros with a reduced level of volatility, via strategic exposures to a wide range of asset classes.

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

## Fund performance



## Cumulative returns (since inception, 06 August 2012)



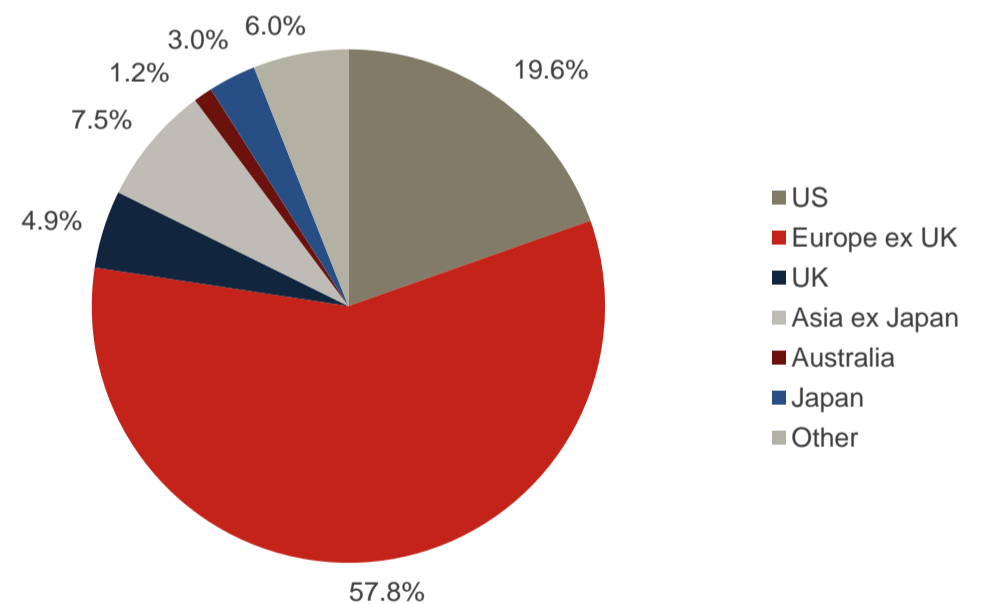
## Investment statistics (since inception, 06 August 2012)

	Cumulative	Annualised
Current month return	-1.9%	-
Year-to-date return	-1.3%	-
1 year return	0.3%	-
3 year return	4.4%	1.4%
5 year return	26.6%	4.8%
Since inception return	35.9%	5.6%

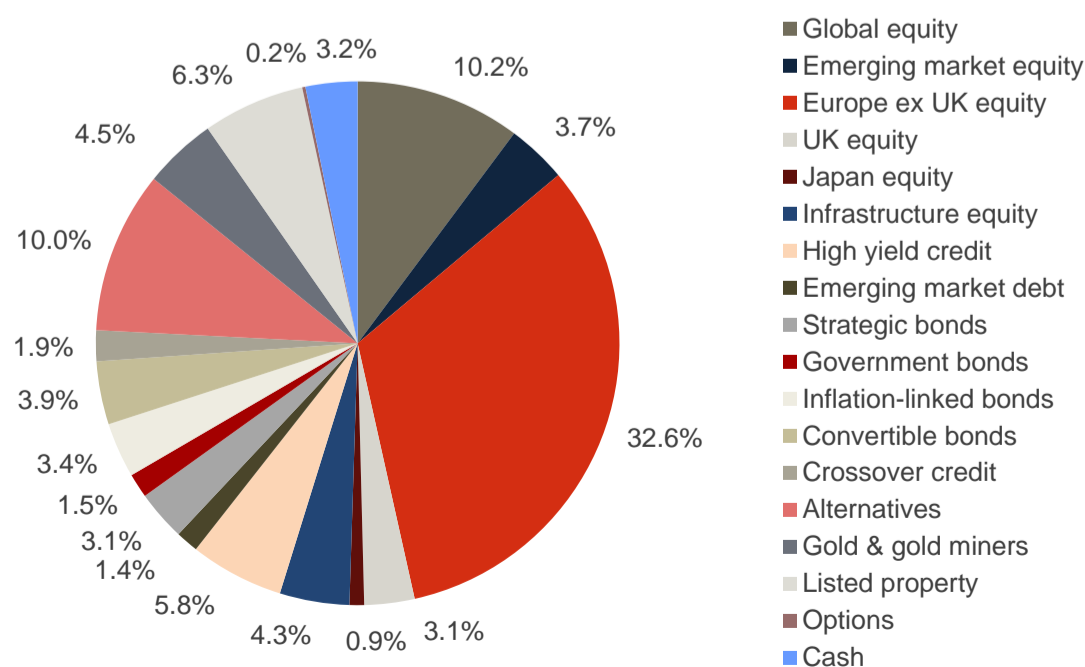
Annualised volatility: 6.8%

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. The value of investments involving exposure to foreign currencies can be affected by currency exchange rate fluctuations. Past performance is not a guide to future performance.

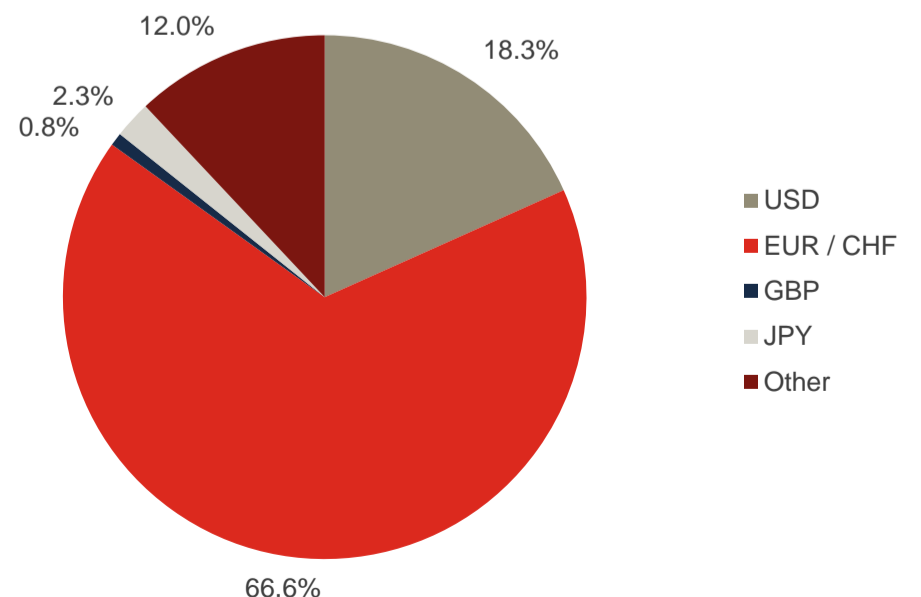
## Regional allocation



## Strategy allocation



## Currency allocation



All data sourced from Momentum Global Investment Management, JP Morgan Bank (Luxembourg) S.A., Bloomberg. Allocations subject to change.

<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.

## ■ Holdings

Holdings	Asset type	Weight
Jupiter European Special Situations	Equity	17.8%
FP Crux European Special Situations	Equity	14.8%
Third Avenue Real Estate Value	Property	5.5%
Maple-Brown Abbott Global Infrastructure	Equity	4.3%
iShares Physical Gold ETC	Commodities	4.1%
Artisan Global Value	Equity	3.9%
US TIPS	Fixed Income	3.4%
Cash	Cash	3.2%
MI TwentyFour Dynamic Bond	Fixed Income	3.1%
Schroder UK Recovery	Equity	3.1%
Muzinich EM Short Duration (EUR hedged)	Fixed Income	2.9%
AXA US Short Duration High Yield (EUR hedged)	Fixed Income	2.9%
Dimensional Emerging Markets Value	Equity	2.4%
Neuberger Berman Uncorrelated Strategies	Alternatives	2.3%
Jennison Global Equity Opportunities	Equity	2.2%
Aberdeen Alternative Risk Premia Enhanced	Alternatives	2.1%
GSAM Global Strategic Macro Bond (EUR hedged)	Alternatives	2.0%
RWC Asia Convertibles (EUR hedged)	Fixed Income	2.0%
Muzinich EnhancedYield Short-Term (EUR hedged)	Fixed Income	1.9%
Allianz Structured Return	Alternatives	1.9%
F&C Global Equity Market Neutral	Alternatives	1.7%
US Treasury Bond	Fixed Income	1.5%
iShares JPMorgan \$ Emerging Markets Bond ETF	Fixed Income	1.4%
Chinook Global Convertible Bond (GBP hedged)	Fixed Income	1.4%
Heptagon Kopernik Global All-Cap Equity	Equity	1.4%
Sands Capital Emerging Markets Growth	Equity	1.3%
Morgan Stanley UK Global Brands	Equity	1.3%
Amundi ETF JPX-Nikkei 400	Equity	0.9%
iShares Developed Real Estate Index	Property	0.8%
Contrarius Global Equity	Equity	0.7%
Morgan Stanley Global Brands	Equity	0.7%
Westwood Strategic Global Convertibles (EUR hedged)	Fixed Income	0.5%
iShares Gold Producers ETF	Equity	0.4%
S&P 500 Options	Options	0.2%

Source: Bloomberg, Momentum Global Investment Management.

## ■ Manager commentary

February's setback presented us with an opportune time to implement a number of adjustments to the Harmony Portfolios. Below is a broad summary of adjustments made to the Europe Diversified portfolio:

We increased overall equity exposure by 1.5%, particularly emerging market equity and global listed infrastructure, while reducing convertible bond and cash allocations. Valuations in emerging markets still remain very attractive despite last year's outperformance, while listed infrastructure has underperformed substantially over the last year largely in sympathy with rising bond yields.

In implementing this we have rotated our equity style exposure slightly more towards value and away from growth/momentum. To illustrate the divergence between these two styles, last year our global growth manager Jennison outperformed the market by over 30% while most value managers underperformed. This has made value stocks more attractive on a relative basis whilst heightened volatility could also create more idiosyncratic opportunities. As our exposure to value strategies grows we are keen to diversify it further, so we have added a new holding in a global value fund managed by Contrarius, a manager we rate very highly.

We have maintained our put option positions on the S&P 500 – given our decision to add to equity exposure we did not feel it was appropriate to sell our downside protection at this time. The positions remain spread across various strike levels (2550-2850) and maturities (end March through end May). These positions appreciated meaningfully during the month, particularly around the point when the US market bottomed and volatility peaked.

Within fixed income we reduced corporate credit risk by increasing our bias towards short duration credit in the US and emerging markets. We have kept overall interest rate duration broadly unchanged by adding a small position in a 25 year US Treasury bond. Corporate credit spreads, both investment grade and high yield, have narrowed significantly over the last few years to a level where we believe we are insufficiently compensated for the additional risk in longer maturity bonds, especially given the deterioration in average credit quality compared to previous cycles, whilst at the same time the yield on Treasuries has been climbing to slightly more reasonable levels.

We increased our allocation to liquid alternatives slightly, by adding 1% to the Allianz Structured Return holding. We half-sized this position relative to our other liquid alternative holdings when we first bought it last year in recognition of the sensitivity it has to sharp increases in implied volatility, which causes a drawdown that is then recovered over the subsequent weeks. The huge spike in volatility was just the opportunity we were waiting for and we reacted immediately.

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.

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