

## JK Global Opportunities Fund

April 2022

USD Class -3.36%, GBP Class -3.51%, YEN Class -3.53%, EUR Class -3.55% in April.

The Fund fell -3.36% (USD Class, net of fees) in April, alongside a broad sell-off in risk assets. In relative terms, performance held up well compared to most equity markets – particularly those more exposed to high-duration assets. The Nasdaq, for example, fell by -13.4%, which is its worst month since 2008. Having reduced our equity exposures over the last few months, we were able to avoid the brunt of this sell-off. Our currency positions also provided a cushion, particularly our long Dollar trades vs. the Euro, Yen, and Yuan. In addition, our Cosmos warrant and various short positions in index futures also paid off last month.

The combination of sticky inflation, deteriorating growth, policy tightening, and extraordinary geopolitical events continue to present enormous headwinds for risk assets. This mix of ‘stagflation’ amid rising interest costs will likely put significant pressure on many companies’ earnings over the next few quarters. Cracks are also starting to appear in credit markets, particularly the high-yield sector, with spreads widening to reflect the increase in default risk. Moreover, the move higher in US real rates and the Dollar have led to a significant tightening in financial conditions, putting pressure on valuations.

Asset markets are digesting the implications of this “higher-for-longer” inflation outlook and the response by central banks. As long as supply-driven cost pressures persist, the path of least resistance for policymakers will be to tighten into a slowing cycle until demand shows signs of cracking. As a result, global equities are bound to stay vulnerable for the foreseeable future.

Needless to say, in this type of macro environment the odds of a policy error that triggers a “hard landing” are rising. At this moment in time, we see a greater risk from central banks doing too little near-term, bottling up a potentially worse outcome further down the line. A case in point being the Bank of England’s 25bp hike this month, despite predicting 10% inflation later this year. To us, central banks are still hopelessly behind the curve on inflation - hoping it will come down by its own accord. We’ve seen how that’s played out over the last year or so.

The recent downturn in numerous economic indicators is no doubt giving them hope that inflation will ease at some point. The global manufacturing PMI is drifting lower (52.2), with output dropping to contractionary territory (48.5) in April for the first time since June 2020 as new orders (50.3) slide.

Whilst we would agree with their assessment in a standard economic cycle, this is anything but that. As mentioned, a significant part of the economic downturn is supply-driven, whether that be energy and food disruptions from the Russia-Ukraine conflict, Indonesia and India banning key food exports, or supply-chain disruptions from China’s Covid lockdowns. In our view, the full implications of these are yet to be seen, so we expect the growth-inflation mix to get worse before it gets better.

Indeed, we may be starting to see the early fallout from this in frontier economies such as Sri Lanka, Peru, Egypt, Lebanon, Pakistan, and many others in Africa and the Middle East, where shortages of basic essentials such as food, medicine and energy supplies are leading to major unrest, and in some

cases riots. Sri Lanka has seen its currency collapse and is on the verge of a sovereign debt default, as the combination of huge debt burdens post-covid, surging interest costs, a strong dollar, and rising import costs have led to a depletion of its FX reserves and left them unable to service their foreign-debt obligations.

We fear that this may be a harbinger of things to come, as supply shortages really start to bite in H2. With the proposed banning of Russian oil imports in Europe – as well as the likely retaliation from Putin on natural gas and food exports – Europe’s energy crisis and cost-of-living squeeze looks set to go from bad to worse in the coming months. In addition, if Sri Lanka is a sign of things to come in other emerging markets, then the EM complex looks to be another potential flash point. This would not be good news for China, which owns a lot of EM debt through their Belt and Road initiative.

China, more broadly, is faced with increasing challenges, albeit mostly of their own making. If the regulatory crackdown on the private sector and property market crisis weren’t enough, now some 43 cities making up 40% of Chinese GDP are in some form of lockdown, with little signs of it being reversed. Chinese growth has turned sharply down as a result, and despite all the talk of easing, the policy response has been virtually non-existent. Instead, authorities seem to be leaning on currency devaluation to soften the blow – hardly adequate, in our view. A weak China is bad news for Asia, and the weakening Yuan seems to be setting the tone for other Asian currencies like the Korean Won, Japanese Yen, Indian Rupee, and Thai Baht – all of which we have short positions on.

Whilst the outlook looks bleak everywhere, there are relative divergences emerging in terms of geopolitical risks, monetary policy, and economic prospects. In this sort of environment, opportunities arise for macro investors, as the divergences manifest themselves in places like currency markets. In particular, the US (as usual) looks like a relative safe-haven against the geopolitical mess in Europe and China, whilst the FED is pursuing a much more aggressive tightening cycle than everywhere else. As a result, the Dollar looks like one of the only safe places for investors to store their cash at the moment, and is currently our largest position.

In particular, we are short Asian currencies due to their stark policy divergences with the US, as well as short Sterling and the Euro given their close proximity to the Russia-Ukraine conflict. Together, these represent a long Dollar position equating to about +60% of Fund exposure. Outside of this, we are running a small net equity exposure of +20%, and a small short bond position of about 22%.

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USD Class (%) ISIN IE00BBCR2L08													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2022	-7.34	-2.04	-0.96	-3.36									-13.12
2021	+2.69	+1.99	-0.98	+1.91	-1.61	+1.11	-1.20	+0.36	-1.44	+0.51	-2.44	-0.35	+0.42
2020	-0.27	-1.87	-5.25	+6.27	+2.16	+5.24	+6.50	+2.75	-3.05	+1.43	+6.40	+7.77	+30.72
2019	+3.17	+2.05	+1.37	+2.21	-6.21	+2.59	-0.08	-1.19	-1.06	+2.89	+1.52	+4.79	+12.22
2018	+6.49	-1.25	-1.89	-0.89	+3.75	-3.06	+0.12	+1.25	-2.14	-6.91	+0.28	-4.47	-9.02
2017	+3.07	-1.06	+2.06	+3.56	+2.15	-0.31	+2.96	+2.35	+0.63	+5.47	+2.60	+1.71	+28.09
2016	-5.53	+0.16	+6.52	-0.81	+0.93	-1.32	+3.74	-0.81	+1.53	+1.86	+0.22	-1.82	+4.26
2015	+1.95	+3.92	+0.28	+2.17	+3.81	-4.75	-0.15	-8.28	-6.48	+6.34	+1.36	-0.74	-1.65
2014	-4.07	-1.88	-0.95	-4.73	+0.85	+1.92	+0.05	-1.59	+1.97	+0.18	+7.70	-2.84	-3.91
2013	+6.06	-1.22	+3.54	+8.83	-2.63	-3.09	+3.02	-0.86	+6.57	+1.00	+4.52	+3.38	+32.33
2012	+2.43	+4.80	-0.65	-2.03	-1.50	-0.87	+0.72	+1.52	-0.56	-1.22	+1.23	+4.79	+8.72
2011	-0.95	-0.20	-1.13	+0.82	-2.88	-1.55	-1.50	-1.17	-3.51	+0.94	-2.63	+0.34	-12.73
2010	+0.81	+0.84	+3.74	+1.92	-3.95	+1.76	+0.74	+0.87	+0.01	+1.39	-0.88	+1.72	+9.13
2009	-2.51	+0.03	+3.13	+2.13	+13.8	+3.42	+6.08	+1.06	+0.99	+1.58	-1.10	+3.14	+35.61
2008	-1.76	-0.01	-0.50	+1.22	-1.15	-4.74	-1.58	-1.00	-1.93	-0.05	-0.44	+2.83	-8.92
2007	+2.01	-1.34	-2.35	-0.81	+1.63	+4.04	+0.41	-6.10	+0.14	-1.38	-3.97	-3.74	-11.27
2006	+0.13	-3.78	+3.72	-2.27	-3.75	+1.57	-4.58	+3.13	-0.84	+2.73	-1.03	+1.61	-3.75
2005	-0.75	+1.04	+0.36	-0.65	-1.05	+0.90	+2.01	+1.99	+9.65	+4.55	+7.71	+9.41	+40.31
2004	+0.82	+2.03	+6.57	+0.16	-2.15	+1.61	-1.66	-0.96	-0.48	-0.78	-0.27	+2.18	+6.98
2003											+0.01	+0.39	+0.40

GBP Class (%) ISIN IE00BBCR2K90													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2022	-7.37	-2.00	-1.04	-3.51									-13.31
2021	+2.54	+1.97	-1.12	+1.86	-1.59	+1.11	-1.20	+0.34	-1.49	+0.49	-2.42	-0.43	-0.09
2020	-0.32	-2.00	-5.86	+6.18	+2.13	+5.73	+6.30	+2.64	-3.22	+1.35	+6.39	+7.67	+29.26
2019	+2.98	+1.93	+1.23	+2.13	-6.37	+2.45	-0.32	-1.37	-1.19	+2.72	+1.43	+4.62	+10.20
2018	+6.32	-1.45	-2.01	-1.05	+3.67	-3.30	-0.01	+1.14	-2.35	-7.11	+0.08	-4.64	-10.85
2017	+2.97	-1.11	+1.97	+3.52	+2.16	-0.43	+2.84	+2.19	+0.46	+5.38	+2.54	+1.55	+26.66
2016	-5.68	+0.15	+6.37	-0.85	+0.92	-1.35	+3.67	-0.87	+1.49	+1.80	+0.20	-1.92	+3.50
2015	+1.87	+3.87	+0.24	+2.11	+3.89	-4.65	-0.16	-8.20	-6.51	+6.29	+1.40	-0.77	-1.69
2014	-4.02	-1.96	-0.93	-4.69	+0.89	+1.90	+0.06	-1.61	+2.02	+0.09	+7.77	-2.86	-3.86
2013	+6.18	-1.23	+3.52	+8.65	-2.79	-2.93	+3.05	-0.77	+6.43	+0.96	+4.15	+3.23	+31.51
2012	+2.43	+4.74	-0.62	-1.98	-1.54	-0.84	+0.73	+1.49	-0.54	-1.21	+1.25	+4.75	+8.68
2011	-0.92	-0.19	-1.13	+0.80	-2.89	-1.55	-1.43	-1.14	-3.60	+0.94	-2.67	+0.37	-12.71
2010	+0.83	+0.90	+3.77	+1.93	-4.44	+1.69	+0.70	+0.87	+0.02	+1.38	-0.88	+1.74	+8.62
2009				+1.73	+10.1	+2.66	+5.01	+1.23	+1.25	+1.57	-1.14	+3.32	+28.40

<b>YEN Class (%) ISIN IE00BBCR2M15</b>													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2022	-7.35	-2.03	-1.13	-3.53									<b>-13.41</b>
2021	+2.61	+2.12	-1.02	+1.87	-1.65	+1.09	-1.21	+0.33%	-1.48	+0.49	-2.41	-0.45	<b>+0.15</b>
2020	-0.46	-1.91	-5.67	+6.00	+2.17	+5.97	+6.45	+1.93	-3.11	+1.38	+6.34	+7.67	<b>+29.02</b>
2019	+2.95	+1.87	+1.16	+1.97	-6.37	+2.35	-0.27	-1.42	-1.29	+2.63	+1.38	+4.47	<b>+9.36</b>
2018	+6.38	-1.42	-2.06	-1.14	+3.59	-3.26	-0.11	+1.15	-2.45	-7.06	+0.07	-4.74	<b>-11.15</b>
2017	+2.87	-1.14	+1.88	+3.57	+2.21	-0.63	+2.83	+2.20	+0.54	+5.33	+2.42	+1.49	<b>+26.07</b>
2016	-5.47	+0.00	+6.50	-0.83	+0.89	-1.40	+3.87	-0.93	+1.38	+1.74	+0.07	-2.01	<b>+3.36</b>
2015	+1.96	+3.85	+0.29	+2.08	+3.93	-4.77	-0.19	-8.07	-6.54	+6.33	+1.42	-0.85	<b>-1.63</b>
2014	-4.10	-1.86	-0.96	-4.74	+0.82	+1.90	+0.03	-1.61	+2.03	+0.51	+7.92	-2.93	<b>-3.53</b>
2013	+6.31	-1.17	+3.49	+9.16	-2.78	-3.02	+2.98	-0.88	+6.62	+0.99	+4.61	+3.52	<b>+33.21</b>
2012	+2.35	+5.36	-0.68	-2.00	-1.50	-0.92	+0.66	+1.49	-0.58	-1.26	+1.24	+4.98	<b>+9.18</b>
2011	-0.99	-0.21	-1.17	+0.78	-2.91	-1.54	-1.47	-1.21	-3.52	+0.90	-2.67	+0.25	<b>-13.02</b>
2010	+0.76	+0.82	+3.93	+1.90	-3.62	+1.67	+0.68	+0.83	-0.02	+1.32	-0.92	+1.62	<b>+9.17</b>
2009	-0.44	+2.14	+2.41	+3.29	+17.6	+5.35	+2.75	+1.22	+1.17	+1.98	-1.32	+3.85	<b>+46.57</b>
2008	-1.92	-0.22	-0.69	+1.09	-1.31	-4.88	-1.77	-1.32	-1.87	-1.00	-0.86	+2.31	<b>-11.89</b>
2007	+1.64	-1.67	-2.71	-1.19	+1.26	+3.72	-0.03	-6.09	-0.28	-1.75	-4.16	-4.10	<b>-14.68</b>
2006	-0.31	-4.10	+3.40	-2.55	-4.13	+1.21	-5.00	+2.76	-1.23	+2.29	-1.43	+1.25	<b>-7.99</b>
2005	-0.94	+0.93	+0.20	-0.96	-1.36	+0.67	+2.08	+1.71	+9.66	+4.45	+7.66	+8.98	<b>+37.47</b>
2004	+0.74	+2.04	+6.20	+0.45	-2.20	+1.52	-1.82	-1.04	-0.61	-0.88	-0.40	+2.01	<b>+5.88</b>
2003											-0.06	+0.31	<b>+0.25</b>

<b>EURO Class (%) ISIN IE00BBCR2N22</b>													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2022	-7.47	-2.08	-1.14	-3.55									<b>-13.61</b>
2021	+2.64	+1.99	-2.45	+1.67	-1.64	+1.06	-1.23	+0.30	-1.48	+0.46	-2.41	-0.48	<b>-1.72</b>
2020	-0.44	-1.95	-5.69	+6.11	+2.05	+5.98	+6.39	+2.60	-3.15	+1.33	+6.36	+7.11	<b>+28.92</b>
2019	+2.90	+1.82	+1.11	+1.96	-6.46	+2.34	-0.22	-1.44	-1.31	+2.63	+1.38	+4.49	<b>+9.07</b>
2018	+6.36	-1.44	-2.09	-1.16	+3.59	-3.39	-0.10	+1.12	-2.53	-7.19	+0.03	-4.75	<b>-11.61</b>
2017										+3.69*	+2.47	+1.43	<b>+7.77*</b>

\*Euro Class started on 04-Oct-17

<b>NAV as at 30-Apr-22</b>	
<b>GBP class</b>	<b>237.10</b>
<b>USD class</b>	<b>320.09</b>
<b>Yen class</b>	<b>27,467.32</b>
<b>Euro Class</b>	<b>113.73</b>

Source: Apex Fund Services (Ireland) Ltd.

Asset Type as at above date (market exposure % of Total NAV)		
	Long	Short
Level 1	71	-39
Level 2	13	0
Level 3	0	0
Total	84	-39

Source: JK Investment Management LLP

For more information on the Fund, please see [www.jkim.co.uk](http://www.jkim.co.uk)

**Administrator for JK Global Opportunities Fund (Orders by 3pm on a Tuesday)**

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All data is Net of management and performance fees. Fund was launched on November 3<sup>rd</sup> 2003. GBP Class launched 1st April 2009.

Mandate broadened to Asia Inc Japan and Name of Fund changed April 1<sup>st</sup> 2009. Please note that performance from 1st April 2009 to 30th August 2013 is for the JK Absolute Return Fund. This Fund re-domiciled from Cayman to Ireland becoming an Irish UCITS on 30th August 2013 and changed its name to The JK Global Opportunities Fund. Management and performance fees have also been reduced from this date (see Prospectus in for details). Historic performance is not a guide to future returns.

Source: JKIM LLP, Apex Fund Services (Ireland) Ltd.

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