

JK Global Opportunities Fund

January 2020

USD Class -0.27%, GBP Class -0.32%, YEN Class -0.46%, EUR Class -0.44% in January.

The Fund fell 0.27% (USD Class, net of fees) in January. This period will be remembered for the two black swan events that occurred during the month; namely the assassination of Qasem Soleimani by the US and the outbreak of coronavirus in China. The uncertainty caused by these two 'known unknowns' meant it was a difficult month to navigate, however equity markets came out relatively unscathed ex-post (global equities were flat in January) as US-Iran tensions proved to be a flash in the pan, whilst it feels as if the worst might be behind us in relation to the coronavirus.

The decision to assassinate such a high-profile Iranian military figure by Trump was a risky strategy and led many to speculate that he had overplayed his hand. The muted retaliation by Iran seemed to vindicate his decision however, and marked another foreign policy win for this US administration. After a State of the Union address which will have gone down well with the 'Trump base', a shambolic start to the Democratic primaries and the recent acquittal of Trump in the impeachment trial, he is starting to look like somewhat of an unstoppable force in this year's election. This will be a tailwind for markets all year in our view.

Whilst the uncertainty caused by the coronavirus is still lingering in the background, the news flow has certainly improved in the last few days after reports emerged that scientists are close to finding potential cures. There have also been notable improvements in some of the high frequency data tracking the virus. History suggests that a peak in new cases must be evident before being fully out of the woods – a point we haven't reached yet – but it is somewhat reassuring to see that the rate of change in new reported cases is decelerating on a log scale. The intensity of internet searches for 'coronavirus' also seems to be rolling over which has been a reliable indicator for identifying peak panic in previous virus outbreaks.

Investors have been trying to weigh the efficacy of China's draconian measures to contain the virus against the economic fallout from them. As they are likely to take a significant chunk off Q1 GDP under even the most benign scenario, we think it will be a political imperative for Beijing to change its reaction function and unleash a decisive fiscal and monetary stimulus to meet its 2020 growth target of 6%.

On this front, officials have already been rolling out tax breaks and subsidies to help firms and households weather the virus disruption. In addition, we expect the quota for special bond issuance by local governments will be hiked next month to RMB3.1tr (US\$450bn), up from last year's RMB2.15tr. Monetary easing, meanwhile, will focus on providing adequate liquidity to markets and support for firms facing difficulties in meeting loan repayments owing to the crisis. The PBoC has already cut the seven- and 14-day reverse repo rates by 10bps and injected RMB1.2trn (US\$173bn) into the banking system via reverse repo operations. Further cuts to MLF rates are also likely in Q1/20. Furthermore, the PBoC will likely extend the deadline for financial institutions to comply with strict macro prudential assessment regulation (MPA), giving greater space for shadow banking activity to recover and improving the transmission mechanism of monetary stimulus. It is also noteworthy that

other Asian central banks have been easing recently to counteract growth risks from the coronavirus such as Thailand, Singapore and Philippines. Brazil and Russia also cut interest rates last week.

All this means that after an inevitable first-quarter dip, a V-shaped recovery should ensue. Investors have taken comfort from recent PMIs in Europe and the US covering pre-virus periods, which have been strong across the board. A sizeable credit splurge in China will almost certainly spill over to the rest of the world and as a result, the economic recovery already underway should stand a higher chance of developing fully rather than fizzling out. Therefore, once the dust settles around the coronavirus outbreak, the global economy could find itself on a strong recovery path from Q2 onwards. With support from a favourable policy backdrop for risk assets, whispers of 'goldilocks' could even start to re-emerge. Price action in markets suggest that investors are already starting to discount this eventuality and are therefore willing to look through any short-term weakness in the data.

The resilience of equity markets – particularly the US – in the face of recent adversities, suggests there are powerful tailwinds behind this bull market. We think it is wise not to push against these too much and follow the momentum, which we identify as US and Chinese tech. Whilst we reduced risk in Asia last month due to the uncertainty caused by the coronavirus, we have been slowly rebuilding positions in the aforementioned spaces as it became clearer that China could contain the virus and were willing to support the economy and markets with large stimulus measures. We also exited our Japan value trade last month with a view to rebuild a more growth-oriented exposure there, and cut our dollar short due to safe haven flows and consensus being one-way.

***JK Global Opportunities Fund** is a weekly dealing UCITS fund. It can be held by ISA's, SIPP's, Pensions, Charities, Family Offices, Endowments, as a direct holding or through a Private Wealth Manager. All classes have UK Reporting Status.*

USD Class (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2020	-0.27												-0.27
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 (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2020	-0.32												-0.32
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

YEN Class (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2020	-0.46												-0.46
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	+9.36
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	-11.15
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	+26.07
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	+3.36
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	-1.63
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	-3.53
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	+33.21
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	+9.18
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	-13.02
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	+9.17
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	+46.57
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	-11.89
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	-14.68
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	-7.99
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	+37.47
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	+5.88
2003											-0.06	+0.31	+0.25

EURO Class (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2020	-0.44												-0.44
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	+9.07
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	-11.61
2017										+3.69*	+2.47	+1.43	+7.77*

*Euro Class started on 04-Oct-17

NAV as at 31-Jan-20	
GBP class	211.12
USD class	279.88
Yen class	24,436.84
Euro Class	103.44

Source: Apex Fund Services (Ireland) Ltd.

Asset Type as at above date (market exposure % of Total NAV)		
	Long	Short
Level 1	84	0
Level 2	24	0
Level 3	0	0
Total	108	0

JK Investment Management is authorised and regulated by the Financial Conduct Authority

Source: JK Investment Management LLP

For more information on the Fund, please see 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 3rd 2003. GBP Class launched 1st April 2009.

█ Mandate broadened to Asia Inc Japan and Name of Fund changed April 1st 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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