

### JK Global Opportunities Fund

January 2022

USD Class -7.34%, GBP Class -7.37%, YEN Class -7.35%, EUR Class -7.47% in January.

The Fund fell -7.34% (USD Class, net of fees) in January, in what proved to be one of the most volatile starts to a year in recent memory. Increasingly hawkish rhetoric in response to strong inflation data (particularly by the FED), led to a sharp sell-off in risk assets, as well as bonds. Real interest rates surged +50bps. In addition, there was a major rotation within equity markets - towards value and away from growth – for which the Fund was not positioned. We have been here before, but in the short-term given the heightened uncertainty, both in terms of the markets' reaction function to data, as well as that of the authorities, gross and net exposures have been reduced.

The sell-off last month was triggered by a further hawkish pivot by central banks. Of note, was the FED signalling its balance sheet reduction would start much sooner and happen much faster than in previous cycles. Our assessment that this had been well telegraphed in the preceding months and that positioning was a lot cleaner coming into the year proved to be a misjudgement.

We are now in a situation where rate-hike expectations have ratcheted sharply higher, with forward curves suggesting more than five 25bp hikes in the US this year, up from zero just four months ago. A similar (though not as drastic) path has been discounted in the UK and Europe as well. This at a time when many parts of the world are transitioning from a period of fiscal largesse post-covid to one of fiscal constraint; exacerbating a concurrent cost-of-living squeeze for consumers.

The negative impact this will likely have on real disposable incomes, and therefore consumer spending/confidence, is perhaps one that is currently underappreciated by the market. Moreover, tougher year-on-year comparisons from base effects mean that growth momentum is close to peaking. We have also mentioned before how high global debt levels today act as a strong growth headwind when interest rates rise, and we are already starting to see evidence of this in flattening yield curves. The 6-month forward 2s10s spread is now flat, for example, down from +40bps two months ago.

With this in mind, there is a risk that central banks may find themselves tightening into slowdown – doing too little, too late (again). Unfortunately, this was always the conundrum central banks faced with stagflation, but one that could have been mitigated had they abandoned their 'transitory' inflation narrative sooner. They are now attempting to make up for lost time under the illusion that economies are strong enough to deal with their tightening measures. Whilst recent data has supported this view, we are less sanguine about this in the months ahead (for reasons alluded to above), which means more volatility should be expected.

We have been reducing risk in the portfolio, particularly in the growth/technology holdings. For the time being, central banks seem committed to tightening financial conditions to get inflation under control. We could easily see US real rates moving up 100 basis points from here, with nominal rates headed towards three percent. Needless to say, this would prove a major headwind for risk assets.

The glass half-full view is that consensus has become very one-way on tightening expectations, and if the growth outlook develops as we expect, then we could be approaching peak hawkishness soon. As mentioned, this is probably a bit too early, with more 'pain' having to be inflicted before any 'FED Put' gets triggered, but it is something we are mindful of when faced with such extreme swings in sentiment. Within our favoured growth space, we are starting to find some attractive medium-term opportunities in high-quality businesses that have corrected over 50% from their highs in some cases.

We are still upbeat on our oil counters and have been increasing exposure to the metals complex through purchases of BHP and Glencore. We feel these 'value' names are less exposed to financial conditions and are marching to their own idiosyncratic stories – favourable supply/demand dynamics as a result of net-zero targets.

In summary, we feel it is too early to be adding significant risk back into the portfolio (cash levels are at 30%), but we are long value counters in the UK and are cautiously re-engaging with 'cheap' growth names. China is another area we are watching closely, given it is on a different cycle to most other economies (easing instead of tightening), however we still have concerns about their property sector and zero-covid policy. Japan is also a market we are constructive on given its attractive valuation and impressive earnings of late.

*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.*

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USD Class (%) ISIN IE00BBCR2L08													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2022	-7.34												-7.34
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												-7.37
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
<b>2022</b>	-7.35												<b>-7.35</b>
<b>2021</b>	+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>
<b>2020</b>	-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>
<b>2019</b>	+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>
<b>2018</b>	+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>
<b>2017</b>	+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>
<b>2016</b>	-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>
<b>2015</b>	+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>
<b>2014</b>	-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>
<b>2013</b>	+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>
<b>2012</b>	+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>
<b>2011</b>	-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>
<b>2010</b>	+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>
<b>2009</b>	-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>
<b>2008</b>	-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>
<b>2007</b>	+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>
<b>2006</b>	-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>
<b>2005</b>	-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>
<b>2004</b>	+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>
<b>2003</b>											-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
<b>2022</b>	-7.47												<b>-7.47</b>
<b>2021</b>	+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>
<b>2020</b>	-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>
<b>2019</b>	+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>
<b>2018</b>	+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>
<b>2017</b>										+3.69*	+2.47	+1.43	<b>+7.77*</b>

\*Euro Class started on 04-Oct-17

<b>NAV as at 31-Jan-22</b>	
<b>GBP class</b>	<b>253.35</b>
<b>USD class</b>	<b>341.38</b>
<b>Yen class</b>	<b>29,391.79</b>
<b>Euro Class</b>	<b>121.81</b>

Source: Apex Fund Services (Ireland) Ltd.

Asset Type as at above date (market exposure % of Total NAV)		
	Long	Short
Level 1	72	0
Level 2	13	0
Level 3	0	0
Total	85	0

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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