

**JK Global Opportunities Fund**

**August 2015**

The Fund fell -8.20% in August (GBP Class, Net of Fees).

Global equities (and the Fund) had a torrid time in August. Volatility was extreme, particularly in Asian equities which fell 11%. China was the focus of investor attention, with the poorly handled depreciation of the CNY, combined with the ongoing rout in the equity market, leading investors to question the outlook for this key driver of global growth. Falling commodity prices added grist to the mill, as did the expectation for a September FED rate rise. Risk was taken-off into illiquid summer markets, and the result was ugly.

We have to admit that we did not see this sell-off coming as we had thought most investors realised China was slowing – after all this has been the case for the last couple of years, and that any move by the FED by now was well discounted. Whilst the depreciation of the CNY could have been handled better, as could some of the rather archaic market support measures, we really did not feel that the magnitude of the CNY move, together with the clear explanation that the desired outcome was not for a major devaluation, was that much of an issue. After all, the CNY has become rather overvalued and for some time now the Central Bank has been attempting to instil a more asymmetric risk profile in investors' minds. Also, one should expect more CNY volatility as China moves towards a more open capital account - the days when the Chinese current account drove the currency are over.

Well, we clearly got that wrong. The speed and magnitude of the subsequent correction resulted in minimal opportunity to hedge out market risk, the result being the worst ever monthly return from the Fund.

The result of all this has left Japanese and many Asian companies looking very cheap. Yes we know Asia has issues with the slowing global trade cycle, China uncertainty, and in some cases a sensitivity to weaker commodity prices, but much of this and more seems to be priced-in. Many Japanese stocks, as well as large capitalisation Asian counters such as Samsung, Jardine Matheson, and numerous 'H' shares all look exceptionally good value to us and should prove rewarding medium term investments. Short term, however, with the dominance of quantitative, high frequency and momentum traders it is quite frankly tough to know where the markets are heading.

Whilst the FED may be about to raise rates, we would note that most regions around the globe seem to be slowing, at a time when financial conditions have just tightened due to the strong Dollar, weak equity prices and rising credit spreads. This might keep the FED on hold although in a way we would rather they just raised rates now to reduce uncertainty. We believe that any increase in rates will be accompanied by fairly dovish forward guidance and therefore should have a minimal impact on markets. The real risk for markets is a situation where US rates rise significantly from current levels. We have noted before how rich countries have failed to bring leverage down meaningfully over the last seven years, with any improvement in private debt levels being more than offset by increases at the government level. The global stock of debt outstanding is now \$200 trillion, up from \$142 trillion at the end of 2007. This amounts to 286% of global GDP. Much of the post-2008 rise in credit has come from emerging markets and China in particular. This has left the global financial system acutely vulnerable to rising US rates.

Various Japanese economic data series have started to hint at the risk that Q3 recovery will be slower than expected, and expectations of a supplementary budget from the government and further easing by the BOJ are rising. We think the most likely timing for further moves by the BOJ is October. Our best guess currently is that markets remain volatile into October, but from then with the hope that the FED rate rise is behind us and further BOJ and ECB easing ahead of us, risk assets stage a recovery into year-end.

***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 Reporting Status.

GBP Class (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2015	+1.87	+3.87	+0.24	+2.11	+3.89	-4.65	-0.16	-8.20					-1.68
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

USD Class (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2015	+1.95	+3.92	+0.28	+2.17	+3.81	-4.75	-0.15	-8.28					-1.71
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

Yen Class (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2015	+1.96	+3.85	+0.29	+2.08	+3.93	-4.77	-0.19	-8.07					-1.56
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

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.

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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: GSAS, IFS, State Street Dublin.

NAV as at 28-Aug-15	
GBP class	164.46
USD class	205.72
Yen class	19,400.91

Source: State Street (Services) Ireland Ltd.

Asset Type as at above date (market exposure % of Total NAV)		
	Long	Short
Level 1	83	0
Level 2	49	0
Level 3	0	0
Total	132	0

Source: JK Investment Management LLP.

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

For dealing, please place orders with the Administrator by **3pm on a Tuesday**

**Administrator for JK Global Opportunities Fund**

Attn: JK TA Dealing Team Tel: +353 1 242 5433

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