

**JK Global Opportunities Fund**

**August 2016**

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The Fund fell -0.87% during August, which was fairly quiet this year, at least in terms of market action, in marked contrast to events this time last year. The main event was arguably the US non-farm payroll report which continued to suggest an improving job market, albeit with subdued wage inflation. We expect the FED to remain on hold on the back of this and recent data, despite the market shifting probabilities in favour of a 25 basis points hike. Either way, bonds continue to behave, with equities little changed, and volatility falling. The G20 meeting came and went, providing little clue as to what policy makers might be thinking, although they do appear to be starting to consider the longer-term consequences of their unconventional monetary policies, which has resulted in a boom for all financial assets (and the owners thereof), with a somewhat disappointing impact on key economic variables such as growth, productivity, and the general standard of living. We wonder also if they are considering how the resultant huge ownership of financial assets by the various central banks might be unwound.

It remains our belief that the days of the central banks being able to boost asset prices are coming to an end. We have written numerous times on how the more recent, more extreme monetary policies such as negative interest rates are having a whole host of unintended consequences. Huge bubbles have been created in the global bond markets, with much corporate debt appearing mispriced (to us at least). The term premium for ten year US treasuries ( a measure of the compensation that investors expect for holding longer-dates over shorter-dated paper) based on the FED's measure has turned further negative – another indication of how the 'reach for yield' is becoming increasingly distorted.

Ultimately, the whole concept of negative interest rates is an anathema to the capitalist economic model. Under such a structure, assets become liabilities! Figure that out.

Central banks' vast resources and indifference to rates of return exceed those of other investors by such a degree that massive asset price declines are highly likely when they stop buying. Investors have been front running central bank buying for years, and given the low level of volatility and favourable cross asset correlations that we have witnessed post GFC, we fear that leverage in the system, and more particularly, leverage into 'crowded' trades will result in disorderly market action when they start to be unwound.

We remain sceptical of the concept of 'helicopter money'. This is basically creating money with no liability. However, money is always a government's and/or central bank's liability. Not entering this liability into the accounts does not make it disappear. Such policies in our view would ultimately result in hyperinflation or bankruptcy.

Given all this, from a macro perspective we continue to short global bonds into strength, are buying volatility, and remain long equities in strong global franchises. In terms of geographic exposures, within equities, we prefer Asia, although we have gone longer Japan this month as valuations look appealing and we believe that the YEN is making a major low in here against most major currencies. Gold remains appealing and we are looking to increase weightings further.

On a brighter note, several of the fund's holdings continue to perform well. The major Chinese internet plays, Tencent and Alibaba, have just reported very strong first half revenue growth, and the stocks have reacted accordingly. Prada produced better than expected results and bounced strongly, and the Macau based casino operators appear to be on the cusp of a recovery in year-on-year comparisons. We have increased exposures to the major Chinese after school tutoring companies, New Oriental Education and TAL Education into recent weakness as we believe the longer-term potential for the businesses is huge. More generally, we sense Asian equities are starting to appear (finally) on investors' radars, and the action in the Hong Kong 'H' share market, where we have the bulk of the Fund's Asian exposure, is looking promising.

***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.*

NAV as at 31-Aug-16	
GBP class	167.63
USD class	210.87
Yen class	19,815.03

Source: State Street (Services) Ireland Ltd.

Asset Type as at above date (market exposure % of Total NAV)		
	Long	Short
Level 1	81	-90
Level 2	25	0
Level 3	0	0
Total	106	-90

Source: JK Investment Management LLP.

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: GSAS, IFS, State Street Dublin.

GBP Class (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2016	-5.68	+0.15	+6.37	-0.85	+0.92	-1.35	+3.67	-0.87					+1.94
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

USD Class (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2016	-5.53	+0.16	+6.52	-0.81	+0.93	-1.32	+3.74	-0.81					+2.45
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

Yen Class (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2016	-5.47	+0.00	+6.50	-0.83	+0.89	-1.40	+3.87	-0.93					+2.20
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

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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