

JK Global Opportunities Fund

December 2019

USD Class +4.79%, GBP Class +4.62%, YEN Class +4.47%, EUR Class +4.49% in December.

The Fund rose 4.79% (USD Class, net of fees) in December, marking a strong finish to 2019 which saw the Fund rise 12.22% in total for the year. Returns in December were driven by broad gains across our equity book, with notable outperformances in Asia such as Tencent, Alibaba and Samsung, as well as in the UK following a market friendly election result.

Equity markets ended 2019 on a high, as the double whammy of a phase one trade agreement between China and the US, plus a big Conservative win in the UK election, removed two political tail risks that had been weighing on markets. Those hoping for a period of relative political calm post these two events (including us) didn't have to wait long to be disappointed. The assassination of Qasem Soleimani as well as other high profile Iraqi military figures by the US has caused tensions between the US and Middle East to flare up over the last week. There have been countless prognostications of how this situation might play out, but the truth is nobody really knows. Political game theory is tricky at the best of times even without the added complexities of Middle Eastern politics and unpredictable characters like Trump. So whilst we don't pretend to know what the end game of all this is, we do know that markets track fundamentals over the long-term which we remain constructive on for the foreseeable future. Barring an all-out war or severe supply disruptions in the oil market, which we view as low probability events, we think markets will climb this wall of worry as investors turn their attention to an improving fundamental backdrop.

In particular, we can't think of a time there has been such broad consensus to ease both fiscal and monetary policies globally when economic conditions have been this benign. Despite the fact that most major economies are close to full employment, real rates are negative pretty much everywhere and most leading indicators are pointing to a recovery in the economic data, Central banks continue to pursue ultra-loose monetary policies at the same time as governments start to loosen their purse strings. The US fiscal deficit is approaching 5% of GDP which has rarely been seen outside of recessionary periods. Combine this with the recent interest rate cuts and liquidity injections by the FED, and you have a policy mix that is highly supportive of risk assets. It is also a policy mix more appropriate for the beginning of a cycle, so the fact we are seeing it at this later stage in a number of countries does raise the risk of inflation at some point. Whilst monetary easing has led to asset price inflation over the last decade, we wonder whether this greater emphasis on fiscal policy recently will finally provide the catalyst for goods price inflation. To hedge this eventuality, we remain short global bonds and long Gold, which also provides a good hedge against any geopolitical tensions.

China is a leading example of a country where fiscal and monetary policies have been eased over the last year or so, with the most recent measure being the Reserve Requirement Ratio (RRR) cut on Jan 6th. We expect there are more cuts to the RRR and the new Loan Prime Rate (LPR) in the pipeline, which combined with previous fiscal measures should continue to support growth in China. We also get the sense that the PBoC will allow shadow banking activity to increase this year, albeit under strict regulatory control and oversight. The PBoC acknowledge that shadow banking is an essential part of the financial system and have a growing confidence that the quality of off-balance-sheet assets has

improved along with macro prudential regulation and risk management. This shift leaves scope for modest increases in credit growth next year, as shadow banking assets cease contracting and on-balance-sheet lending continues trend growth. We also expect financial market opening of mainland China to continue, which sooner or later will leave global investors so underweight that they can no longer ignore the asset class, especially given its economic importance and diversification benefits.

Easy financial conditions, supportive policy and 'green shoots' emerging in the economic data cement our bullish outlook on risk assets. Recent liquidity injections by the FED and faster economic growth outside of the US should weigh on the dollar this year, further improving financial conditions. This will be supportive of Asia and EMs and hence be an area of focus for us in the coming months, particularly as valuations tend to be more attractive there. In particular, we have a bullish outlook on the A-share market due to the aforementioned tailwinds in China and valuations which aren't demanding. The main risks to this outlook are policymakers deciding to tighten again - which could be caused by an inflationary shock - and/or corporate earnings disappointing, as equity multiples have already expanded to discount a modest earnings recovery.

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
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
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
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
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-Dec-19	
GBP class	211.79
USD class	280.65
Yen class	24,549.11
Euro Class	103.90

Source: Apex Fund Services (Ireland) Ltd.

Asset Type as at above date (market exposure % of Total NAV)		
	Long	Short
Level 1	88	-24
Level 2	42	0
Level 3	0	0
Total	130	-24

Source: JK Investment Management LLP

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

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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