

## JK Global Opportunities Fund

February 2021

USD Class +1.99%, GBP Class +1.97%, YEN Class +2.12%, EUR Class +1.99% in February.

The Fund rose +1.99% (USD Class, net of fees) in February, primarily driven by the more cyclical and interest-rate sensitive exposures added to the portfolio recently. These helped offset losses elsewhere, namely in our growth/momentum equities, as a rotation in market leadership – from growth to value - took hold. In particular, strong gains were seen from Flight Centre (travel agency), Affiliated Managers (asset management), and commodity stocks (RIO, BHP, Antofagasta). The Fund's short position in developed market bonds also added value. The main detractors from performance were in our China A-share book.

The sell-off in bond markets accelerated last month, as investors continued to adjust their growth and inflation expectations upward ahead of re-openings this year. We had long warned that a meaningful sell-off in the long-end of the bond market would pose a problem for long duration assets at some point, as their valuations had expanded to levels incompatible with higher rates. After appearing resilient for the first half of the month, the tipping point for equity markets finally came when the US 10yr broke above 1.2% and quickly advanced to 1.6%, sparking an aggressive rotation out of previously high-flying growth names into more cyclical/value corners of the market.

In previous reports, we noted how we have been taking profits in some of our best-performing growth stocks, reflecting our view that markets were starting to display pockets of frothiness, but also in anticipation of this rate repricing and rotation. Net exposures have been gradually reduced in recent months as a result, which combined with our more balanced style exposure and short bond trades, helped us weather last month's gyrations relatively successfully. We have found ourselves reducing exposures further in recent days, as we feel that markets look precarious alongside our view that rates may have further to rise (more below).

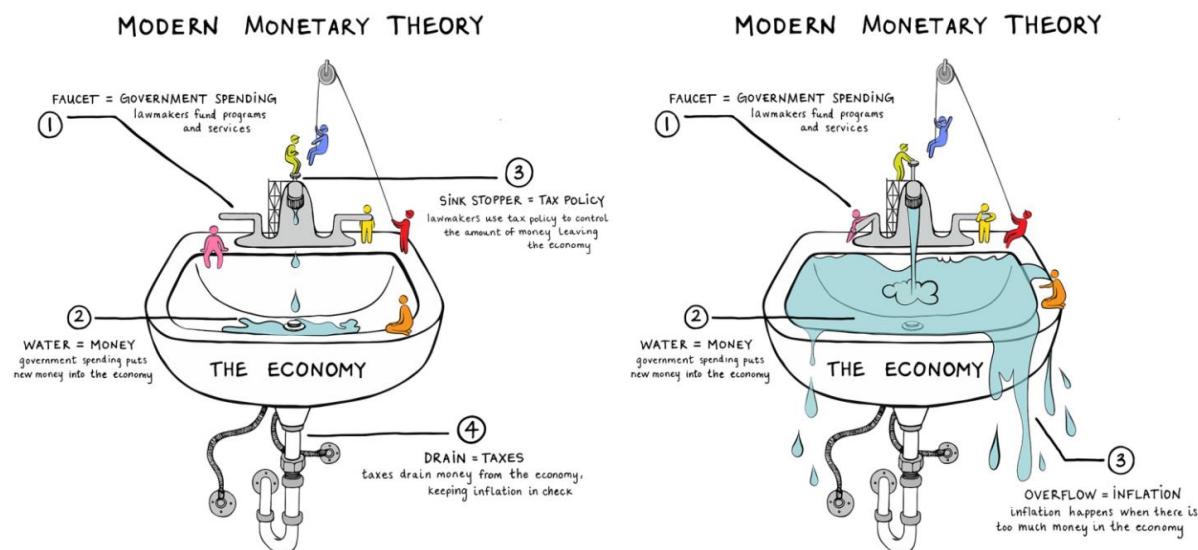
The big question facing investors now is how much further rates will rise from here, as this holds the key to portfolio construction currently. On the one hand, the sharp rise in yields reflects a surge in growth expectations this year, which could easily reverse if recent optimism on vaccines and re-openings prove unfounded. Recent comments from central bank officials conveying concerns for the rise in yields could also cap their upside, particularly in light of the RBA's Yield Curve Control (YCC) operations recently.

Having said that, we maintain our view that the biggest upside risk for bond yields is inflation, as Modern Monetary Theory (MMT) style policies garner further legitimacy, whilst central banks remain committed to ultra-loose monetary policies. JPMorgan Asset Management estimates that the combined central bank and government stimulus measures already totalled \$20tn last year, or more than a fifth of global economic output. The upshot of this is that 20% of all dollars in circulation have been created in the last year, much of which has found its way into the real economy, as evidenced from the surge in broad money (M2) globally. Unlike QE, where new money sits idly as excess reserves – trapping inflation in asset markets – the rise of MMT presents a potential paradigm shift where inflation could migrate to goods prices.

With more multi-trillion-dollar stimulus packages in the pipeline this year and central banks becoming increasingly subservient to bond markets through policies like YCC, we could find ourselves with central banks easing into overheating economies; adding fuel to the fire before eventually capitulating to raise rates. Signs of inflation are already emerging in commodity markets and supply bottlenecks in numerous industries will eventually see businesses pass on higher costs to consumers in our view. Putting all this together, we fear that central banks could find themselves behind the curve on inflation, particularly in light of Jay Powell's recent air of complacency that any inflation will be "transient" and that "central banks learned how to deal with inflation decades ago".

Given the above, we will continue to look for opportunities to increase our short interest rate positioning, reduce duration across asset classes (where long), and focus on finding good risk : reward opportunities, most of which have been found in the convertible bond space of late.

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Source: Marketplace.org; Illustration: Rose Conlon

	USD Class (%)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
<b>2021</b>	+2.69	+1.99											+4.73
<b>2020</b>	-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
<b>2019</b>	+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
<b>2018</b>	+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
<b>2017</b>	+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
<b>2016</b>	-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
<b>2015</b>	+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
<b>2014</b>	-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
<b>2013</b>	+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
<b>2012</b>	+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
<b>2011</b>	-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
<b>2010</b>	+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
<b>2009</b>	-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
<b>2008</b>	-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
<b>2007</b>	+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
<b>2006</b>	+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
<b>2005</b>	-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
<b>2004</b>	+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
<b>2003</b>											+0.01	+0.39	+0.40

	GBP Class (%)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
<b>2021</b>	+2.54	+1.97											+4.57
<b>2020</b>	-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
<b>2019</b>	+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
<b>2018</b>	+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
<b>2017</b>	+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
<b>2016</b>	-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
<b>2015</b>	+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
<b>2014</b>	-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
<b>2013</b>	+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
<b>2012</b>	+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
<b>2011</b>	-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
<b>2010</b>	+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
<b>2009</b>				+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
<b>2021</b>	+2.61	+2.12											<b>+4.78</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>

EURO Class (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
<b>2021</b>	+2.64	+1.99											<b>+4.69</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

NAV as at 28-Feb-21	
GBP class	286.25
USD class	384.24
Yen class	33,189.34
Euro Class	140.23

Source: Apex Fund Services (Ireland) Ltd.

Asset Type as at above date (market exposure % of Total NAV)		
	Long	Short
Level 1	84	-43
Level 2	24	0
Level 3	0	0
Total	108	-43

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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