

**JK Global Opportunities Fund**

**July 2016**

The Fund rose +3.67% in July (GBP Class, Net of Fees).

The Fund rose +3.67% during July, with gains across the board as equity markets recovered from the (rather brief) post-Brexit sell-offs. Within equity markets, emerging markets continue to attract flows, and performances year-to-date reflect this. The U.S. continues to grind higher, with Europe the laggard as concerns are beginning to resurface about its various banking systems. Certainly the reaction to the latest EU stress test, as well as the restructuring of the serial basket case Monte dei Paschi, suggests all is not well, and the performance of Deutsche Bank suggests this problem is not one confined to the South. Whilst there is some debate around the amount of capital that needs to be raised, what is clear is that profitability continues to be negatively impacted by flat yield curves, negative interest rates, and low nominal growth. The extent of the problem can be seen from the average NPL ratio in the euro area which was 7.1% of GDP (end-2015, source LSR), as compared to 1.5% in the U.S. and 3.2% in the U.K. This could prove a flash point at sometime this summer.

A large contributor to performance was the Fund's position in ARM Holdings Plc which was bid for by the Japanese company Softbank. We initiated positions at an average price of £9.46p, feeling at this level it was a significantly undervalued franchise, and one that we had owned at various times in the past. The £24bn bid was a 43% premium to Arm's closing price the previous Friday, and was, in our view a fair representation of the value of the business. This equated to a £17 per share cash bid, so we therefore sold the position. We must assume the relative strength of the Yen against Sterling played some role in Son's decision to act, and whilst he is not representative of the average Japanese CEO, we feel there is a decent probability of further cross border M & A, and have identified and purchased various potential candidates.

Emerging market (EM) equity and debt has enjoyed a strong rally since February largely due to a recovery in EM currencies, powered by stability in commodity prices and reduced expectations of Fed tightening. EM's higher yields have been a target for investors who continue to move upward on the risk spectrum in their desperate search for yield. At current prices and given the overwhelmingly bullish consensus we feel that EM assets are vulnerable to even a small rise in yields. Notwithstanding the recent rally in risk assets globally, the fundamental backdrop for the medium to long term performance of EM debt remains challenged by weak EM growth, profits, and banking sector health. A reversal of the recent rally in commodity prices and benign expectations with respect to Fed tightening will remove a critical source of support for this asset class. The blind search for yield may continue for a while, but can reverse quickly and we would not be chasing prices here.

Our large short position in the developed country bond markets detracted from performance again this month. We are not fazed by this, and continue to sell into strength. The asymmetry of this trade is one of the most compelling that we have seen in our investing career, and as such we believe our investors will be well rewarded over time from this contrarian view. Encouragingly, as at the time of writing the 'cracks' are beginning to emerge, as evidenced by the sharp sell-off in Japanese government bonds witnessed this week. As with EM debt mentioned above, investor positioning is extreme, and any signs of waning momentum could see investors rushing for the exits.

**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-Jul-16 |           |
|---------------------|-----------|
| GBP class           | 169.10    |
| USD class           | 212.59    |
| Yen class           | 20,001.03 |

Source: State Street (Services) Ireland Ltd.

| Asset Type as at above date (market exposure % of Total NAV) |      |       |
|--|------|-------|
|  | Long | Short |
| Level 1  | 97   | -112  |
| Level 2  | 27   | 0     |
| Level 3  | 0    | 0     |
| Total  | 124  | -112  |

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 |       |       |       |       |       | +2.83  |
| 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 |

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

| 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 |       |       |       |       |       | <b>+3.28</b>  |
| 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 | <b>-1.65</b>  |
| 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 | <b>-3.91</b>  |
| 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 | <b>+32.33</b> |
| 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 | <b>+8.72</b>  |
| 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 | <b>-12.73</b> |
| 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 | <b>+9.13</b>  |
| 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 | <b>+35.61</b> |
| 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 | <b>-8.92</b>  |
| 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 | <b>-11.27</b> |
| 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 | <b>-3.75</b>  |
| 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 | <b>+40.31</b> |
| 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 | <b>+6.98</b>  |
| 2003          |       |       |       |       |       |       |       |       |       |       | +0.01 | +0.39 | <b>+0.40</b>  |

| 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 |       |       |       |       |       | <b>+3.16</b>  |
| 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 | <b>-1.63</b>  |
| 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 | <b>-3.53</b>  |
| 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 | <b>+33.21</b> |
| 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 | <b>+9.18</b>  |
| 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 | <b>-13.02</b> |
| 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 | <b>+9.17</b>  |
| 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 | <b>+46.57</b> |
| 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 | <b>-11.89</b> |
| 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 | <b>-14.68</b> |
| 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 | <b>-7.99</b>  |
| 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 | <b>+37.47</b> |
| 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 | <b>+5.88</b>  |
| 2003          |       |       |       |       |       |       |       |       |       |       | -0.06 | +0.31 | <b>+0.25</b>  |

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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