

JK Global Opportunities Fund

March 2019

USD Class +1.37%, GBP Class +1.23%, YEN Class +1.16%, EUR Class +1.11% in March.

The Fund rose +1.37% (USD Class) in March driven by broad gains across our equity book, with notable outperformances in our China holdings.

Equity markets extended their advance in March as a series of dovish pivots from global central banks and a further easing in US-China trade tensions seemed to allay concerns about persistent macro weakness. Last month the FED announced it will end QT in September and now expects no rate increases in 2019 and only one hike in 2020. To appreciate the extent of this policy U-turn, it is worth remembering that the FED was forecasting two interest rate hikes for 2019 and had balance sheet normalisation on 'auto-pilot' back in December. The interest rate market remains sceptical that the FED will even be able to deliver on this dovish forecast. For now, the OIS curve is pricing in a 75% probability of a cut this year, and rates at 1.9% by the end of 2020. Such a sharp shift in forward guidance by the FED has taken pressure off current account deficit EMs to tighten as the capital outflows they experienced in 2018 have started to ease and a lid has been put on last year's dollar rally. India for example, has reversed its tightening cycle by cutting interest rates twice this year. This easing in global financial conditions is starting to nurture global activity after the severe brake-pumping imposed on global growth in the fourth quarter of 2018.

Nevertheless, the FED's dovish turn last month gave rise to some bearish interpretations of the signal it conveyed, with some highlighting that it exposed policymakers' concerns about soft macro momentum, pushing the Treasury curve lower and further into inversion. This has unsurprisingly sparked fears of an impending recession given the yield curve's predictive power in forecasting them, however we would downplay the signal from the yield curve as it is currently severely distorted by a negative term premium due to years of central bank manipulation. If the 10-year Treasury term premium were back to where it was in 2004, the 3-month/10-year slope would be more than 200 bps steeper. Besides, other reliable recession indicators like widening credit spreads are not yet flashing red (High Yield spreads in the US have *tightened* 160bps YTD). We would also note that the inversion wasn't caused by a sharp increase in short-term rates – usually associated with a policy mistake that leads to a recession – but by a decline in long-term rates. Bull-flattening like this is usually a net positive for risk assets. Since 1950, a 100bps decline in 10-year treasury rates over 12 months has seen the S&P 500 rising 10% over the ensuing year. If anything, as long as a flat yield curve equates to growth concerns, investors will remain on the sidelines and the FED - in the face of muted inflation and more attuned to financial risks than in the past - will keep rates 'lower for longer'. With green shoots starting to appear in some of the data, we don't think this is a time to be 'Fighting the FED'.

The green shoots we refer to appear to be emerging in China. Historically, China has loosened the reins on the financial sector whenever credit growth has fallen towards nominal GDP growth. It appears we have reached this point. Despite a weak seasonally-distorted February print, credit growth has finally accelerated on a year-over-year basis. We do not expect Chinese credit growth to rise as much as in past releveraging cycles, however this is because the economy is in better shape, not because there is some intrinsic constraint to increasing debt from current levels. China's elevated

savings rate has kept interest rates well below trend nominal GDP growth, which is the key determinant of debt sustainability. As long as the central government maintains an implicit guarantee on most local and corporate debt, as it is currently doing, default risk will remain minimal. In any case, given that total debt stands at 240% of GDP, even a one percentage-point increase in credit growth would generate a hefty 2.4% of GDP in credit stimulus. The Chinese credit impulse leads imports by about six-to-nine months, which bodes well for global trade in the second half of the year. In addition, the Caixin manufacturing PMI reversed its downtrend sharply in March and rose again into expansionary territory at the beginning of April, providing evidence that easing measures are starting to bear fruition.

With positioning still light in our view and an easing in financial conditions supporting global growth, we think markets will continue to climb a 'wall of worry' and think it is sensible to have a pro-risk bias as a result. Given our outlook on growth and inflation, we have initiated a 'quality' trade made up of stocks that tend to perform well in steady growth/disinflationary environments. Elsewhere, we maintain our bullish stance on China due to the state-sponsored bull market underway there and continue to hold our Japan value basket which should do well on any signs of a pickup in growth.

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										+6.74
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										+6.25
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										+6.09
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										+5.93
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-March-19	
GBP class	204.20
USD class	266.94
Yen class	23,815.37
Euro Class	100.91

Source: Apex Fund Services (Ireland) Ltd.

Asset Type as at above date (market exposure % of Total NAV)		
	Long	Short
Level 1	73	0
Level 2	50	0
Level 3	0	0
Total	123	0

Source: JK Investment Management LLP

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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