

**JK Global Opportunities Fund**

**May 2015**

The Fund rose +3.89% in May (GBP Class, Net of Fees).

The Fund performed well in May, benefitting from the strength in Japanese and Chinese equities, as well as from the weakness in global bond markets.

During the month, we saw some very encouraging performances from some of our China 'A' share holdings. Of particular note was Hangzhou Hikvision Digital Technology Co. (a global leader in surveillance products), which rose 40% during the month. This is a business with exciting growth prospects. It is well positioned to enjoy rapid growth in the overseas video surveillance market, and its recent entrance into the consumer market is another exciting growth area. This is a business that delivered 47% CAGR in sales in the period 2007-2014, has an EV/EBITDA margin of around 25% and an ROE of around 35%. We expect sales to continue to grow at around 40% for the next few years. Whilst we have taken a few profits into the sharp upward move this month, we will look to buy back in on any correction. Fortunately, the volatility of the Chinese 'A' share market will likely afford us just such an opportunity.

Japanese equities also performed well during the month and have significantly outperformed US/European shares YTD in USD terms. Despite this, foreigners remain significantly underweight this market relative to their benchmarks. It is no surprise to us that, therefore, that more recently there has been a meaningful uptick in foreign buying as investors start to contemplate the potential for this outperformance trend to continue. We continue to believe that strong earnings and dividend growth, combined with meaningful corporate governance reforms, will result in a more sustainable period of outperformance. This is a very different scenario to the usual short, sharp rallies that we have witnessed from this market historically.

Elsewhere, we continue to note the relative underperformance from the ASEAN/EM markets and India. In the case of India, expectations were too high at the start of the year, and have since come down. This might provide us with an opportunity later in the year, although valuations are hardly compelling at present despite this lacklustre relative performance. The ASEAN/EM region seems to be suffering from, amongst other things, the credit excesses that built up in many countries over the last 10-12 years, and particularly since 2008. Indigestion from these credit excesses will lead to a period of sub-par credit growth. Real rates remain relatively high, and the fact that a number of EM countries are running current account deficits merely adds to the risk in these markets.

Global bonds, in particular those in the US and Europe have had a rather torrid time of late. Who knows whether this will turn out to be the major turning point that we are looking for, but what is clear is that investors remain very long this asset class, unsurprising given it's 30 year bull market, and are not really prepared for any meaningful change in trend. The latest (2015) Mercer European Asset Allocation Survey highlighted that 48% of UK pension fund assets were invested in bonds and 33% in equities. When we first entered the City, the percentages would be more like 70% equities, 10-15% bonds (but then that was a long time ago!). Nonetheless, investors would appear to be very exposed to a very unattractive asset class.

We are also starting to ponder the implications of a new source of bond supply, namely oil exporters who have to sell their foreign assets to cushion the impact of falling oil prices on their economies – we would note that Saudi Arabia’s foreign exchange reserves declined by \$58bn from their August 2014 peak. Furthermore, Greece continues to fester in the background, and we can’t help wondering what might happen if we ever saw any sign of an uptick in inflation. Oh, and we have to deal with the FED raising rates - it all looks rather tricky to us, so we will remain short global bonds.

***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.*

GBP Class (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2015	+1.87	+3.87	+0.24	+2.11	+3.89								+12.51
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
2015	+1.95	+3.92	+0.28	+2.17	+3.81								+12.69
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
2015	+1.96	+3.85	+0.29	+2.08	+3.93								+12.66
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

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.

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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.

NAV as at 31-May-15	
GBP class	188.20
USD class	235.84
Yen class	22,205.02

Source: State Street (Services) Ireland Ltd.

Asset Type as at above date (market exposure % of Total NAV)		
	Long	Short
Level 1	71	-23
Level 2	55	0
Level 3	0	0
Total	126	-23

Source: JK Investment Management LLP.

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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