

**JK Global Opportunities Fund**

**November 2019**

USD Class +1.52%, GBP Class +1.43%, YEN Class +1.38%, EUR Class +1.38% in November.

The Fund rose 1.52% (USD Class, net of fees) in November due to solid gains in Alibaba and Baidu (two of our largest positions), as well as modest gains in some of our US and UK equity holdings.

Global equities extended their recent gains in November, led by the US, as the narrative of receding trade war pessimism and tentative evidence of green shoots in global economic activity continued to positively impact sentiment. Perhaps more importantly though, in our view, has been the restarting of balance sheet expansion by global central banks, particularly by the FED. The return of QE by the FED in the form of US\$480bn of asset purchases by June 2020 (focused at the short-end) is resteepering the yield curve, reversing the smaller US banks' funding squeeze, capping the US Dollar's rise and hence easing global financial conditions. With the ECB also resuming QE (albeit with less potency than QE1), the overall pace of G3 central bank QE is set to rise above US\$100bn per month for the first time in two years. Concomitantly, global broad money growth has been recovering led by the US and DMs such that given the normal leads and lags the US economy should pick up momentum again by mid-2020.

As we have said before, markets these days are very sensitive to dollar liquidity conditions given the rise in dollar-denominated debt and trade we've seen over the last decade. Not only that, but the search for yield phenomenon that has accompanied the surge in central bank liquidity and suppression of interest rates has led to over-investment in capital market assets by households, creating powerful feedback loops between FED policy, equity markets and discretionary spending. Hence the US equity market has now become the lynch pin of the US economy to an unprecedented level and thus the FED is now obliged to keep rates low and its balance sheet disproportionately large.

This easing in financial conditions has therefore been the main catalyst for equity markets re-rating in our view. But whilst easier monetary conditions tend to support equity multiple expansions, both DM and EM valuations are generally already one standard deviation above their cyclical averages so a recovery in earnings growth will be key for any further material equity market upside in calendar year 2020. On this front, we are reasonably upbeat as earnings correlate closely with the manufacturing cycle, which appears to have bottomed out.

We are also encouraged that governments are becoming more proactive on the fiscal front. Unlike the 'co-ordinated' interest rate cutting and QE of 2008-09, the move to the government balance sheet side of growth has been intermittent but strangely one-way - no-one is really promoting austerity anymore. Whilst President Trump might have been the first to move with the 2017 tax cuts, China and India have both eased fiscally in the past six months while the two mainstream UK political parties are arguing over who can spend more if they win today's election. Japan's announcement last week of a further fiscal spending package worth ¥26trn (US\$239bn) to help the economy recover from natural disasters and to prepare for an economic downturn caused by trade friction is another example. The ECB is also talking about purchasing 'Green bonds' to fund renewable energy infrastructure.

If governments have finally realised that monetary policy has reached its limits and are starting to share more of the burden in reviving growth as a result, then we have to consider a potential 'regime shift' where leadership in markets could change. The collapse in interest rates over the last decade has disproportionately benefited high duration assets via multiple expansion, but with interest rates unlikely to be pushed much lower by central banks and government borrowing putting upward pressure on them, we wonder how much further that trend has to run. Risks certainly appear skewed to the downside on that trade. Also an increase in growth via government spending will disproportionately benefit value/cyclical stocks due to the higher operating leverage of these stocks. Of course one has to be sceptical of the efficacy of government spending, particularly at this stage in the cycle when there is less slack in the economy. But with central banks pinning interest rates down, government spending is unlikely to crowd out the private sector and if anything will create some inflationary impulses sooner or later, benefiting cyclical stocks at the expense of defensive/growth stocks.

Our Japan value basket means we are positioned to benefit from this trend and it is something we will be looking to further capitalise on going into next year as the cycle continues to improve. We also remain short government bonds in the UK and Europe due to the aforementioned shifts in fiscal positions by governments there. Within currencies, we are short the dollar due to the FED relieving the global dollar shortage with its recent liquidity injections, plus our view that growth in the rest of the world (ex-US) will pick up soon. Elsewhere, we have been increasing positions in our Chinese internet names such as Tencent, Alibaba and Baidu as they have been out of favour for a while and look quite cheap to us.

***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		<b>+7.09</b>
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	<b>-9.02</b>
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	<b>+28.09</b>
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	<b>+4.26</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>

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		<b>+5.33</b>
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	<b>-10.85</b>
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	<b>+26.66</b>
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	<b>+3.50</b>
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	<b>-1.69</b>
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	<b>-3.86</b>
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	<b>+31.51</b>
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	<b>+8.68</b>
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	<b>-12.71</b>
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	<b>+8.62</b>
2009				+1.73	+10.1	+2.66	+5.01	+1.23	+1.25	+1.57	-1.14	+3.32	<b>+28.40</b>

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		<b>+4.68</b>
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	<b>-11.15</b>
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	<b>+26.07</b>
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	<b>+3.36</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>

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		<b>+4.39</b>
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	<b>-11.61</b>
2017										+3.69*	+2.47	+1.43	<b>+7.77*</b>

\*Euro Class started on 04-Oct-17

NAV as at 30-Nov-19	
GBP class	<b>202.44</b>
USD class	<b>267.83</b>
Yen class	<b>23,498.36</b>
Euro Class	<b>99.44</b>

Source: Apex Fund Services (Ireland) Ltd.

Asset Type as at above date (market exposure % of Total NAV)		
	Long	Short
Level 1	<b>87</b>	<b>-20</b>
Level 2	<b>43</b>	<b>0</b>
Level 3	<b>0</b>	<b>0</b>
Total	<b>130</b>	<b>-20</b>

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](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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