

JK Global Opportunities Fund

October 2016

The Fund rose +1.80% in October (GBP Class, Net of Fees).

The Fund rose +1.80% over the month. The majority of the gains were made from our short positions in various global bond markets, although currency positioning and the long volatility book also contributed. During the month we reduced risk, principally via the sale of equity positions, as well as increasing the volatility hedges, prior to the election in the U.S. Our feeling was that it would be a close run race, and that the range of outcomes post result were not forecastable with any degree of certainty (let alone the result). We thus chose to stand on the side-lines.

In terms of the result, things went along the lines of Brexit. The media, pollsters, et al got things horribly wrong as per usual, with market commentators following fast on their heels with wildly inaccurate prognostications of the likely market impact of a Trump victory. In our view, his success in the Midwest was crucial to the overall result (Michigan, Pennsylvania and Wisconsin) and in these states his left of centre policy position on trade and fiscal spending was the key – not his message on immigration, law and order, race relations, or tax cuts. It is on these former issues that he will be particularly beholden in our view.

We are not going to comment further on the result, but would note that if a similar anger is expressed in the upcoming European elections, then the European Union could be at risk. Unfortunately the politicians and press are still demonising Brexit and Trump supporters rather than recognising the failing system. Europe needs to determine what its own future is going to be and create a positive vision to its public if it is going to survive. Votes are looming within a year in Italy, Austria, the Netherlands, France and then Germany. Exasperation with the economic stagnation as well as immigration and security will likely shape the votes. Thus, our feeling remains that the Eurozone will become a centre of investor attention again shortly, and as a result have started to short the EURO against Sterling.

We interpret the US election outcome with a Republican sweep as mildly favourable for US equities. Expectations of decreased regulation, favourable tax reform, increased fiscal spending, and less congressional gridlock should drive stronger revenue growth and higher earnings. Further, the removal of election uncertainty and some form of cash repatriation should result in increased investment activity.

However, our extreme caution on the outlook for US and global bond markets leaves us neutral at best on equities. The action, both in the equity and bond markets post the US election has been informative, with the action in bond markets very worrying. The equity market has seen an aggressive move into cyclicals, interest rate sensitives and more generically 'value' type stocks - to some degree due to investor positioning - but also reflecting the view that Trump policies should on balance be positive for US growth. We have no argument with this. We just feel it has now been priced-in.

The outlook outside the US is somewhat more uncertain. Trump's more hawkish tone on trade – plans to re-negotiate the NAFTA, and possibly withdraw from the WTO, as well as opposing the TPP (Trans-Pacific Partnership) - combined with his views on NATO, and everything in-between makes this an

uncertain time for the World ex-US. Thus, our more optimistic view on US growth must be tempered by a more pessimistic view on growth elsewhere.

In terms of the Dollar, more government spending, less global trade, and the potential for multinational corporations to repatriate profits back to the US should be positive for inflation and the Dollar. The FED seems likely to have to be more hawkish on rates than is currently priced-in the forward markets. This has negative implications for asset prices, as world money supply in dollars is already down an annualised 4.46% over the last 3 months. It is down USD1.672trn from its high on the 30th September. If the dollar keeps going up on the back of higher rate expectations, the ability for foreigners to service dollar debt will fall, particularly if there is some sort of barrier to trade.

The Fund remains long the US Dollar versus the Renminbi, as well as the YEN. The YEN is becoming interesting once again, largely due to the BOJ's commitment to keep 10-year rates at zero. Should 10-year Treasuries continue to sell-off, then this in turn will put the spotlight on the BOJ's commitment to buy unlimited amounts of JGB's, which in turn should exert downward pressure on the YEN. We are looking to buy Sterling versus YEN here in addition to our long Dollar versus YEN positioning.

From a more micro perspective, the knee-jerk reaction to the uncertainty caused by recent events is to go defensive (staples, utilities, etc.). But we think that is a mistake. Higher policy risk and thus volatility, combined with higher long-term interest rates, would be bad for expensive defensives (the min-vol trade). These stocks have been the major beneficiaries of QE and the more general disinflationary global environment. If both the interest rate and inflationary outlook is changing, then a significant de-rating seems possible as margins come under pressure, and investors who are highly exposed to these companies 'exit left.'

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-Oct-16	
GBP class	173.19
USD class	218.08
Yen class	20,438.03

Source: State Street (Services) Ireland Ltd.

Asset Type as at above date (market exposure % of Total NAV)		
	Long	Short
Level 1	72	-88
Level 2	22	0
Level 3	0	0
Total	94	-88

Source: JK Investment Management LLP.

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: 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	-0.87	+1.49	+1.80			+5.32
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

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	-0.81	+1.53	+1.86			+5.95
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

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	-0.93	+1.38	+1.74			+5.41
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

For more information on the Fund, please see 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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