JK Global Opportunities Fund April 2020

USD Class +6.27%, GBP Class +6.18%, YEN Class +6.00%, EUR Class +6.11% in April.

The Fund rose +6.27% (USD class, net of fees) in April alongside a strong rebound in equity markets. Having raised a large amount of cash throughout February and March, we began to put some of this to work again in April, taking advantage of what we saw as some attractive opportunities in oversold markets. In particular, we increased exposures to US FAANG stocks, as we expect these business models to remain resilient throughout this pandemic. Long positions in Gold and Japan, including a Nikkei dividend future, also contributed to April's strong fund performance.

Despite a constant stream of negative economic data from all corners of the globe in April, equity markets bounced strongly from their lows, with US equities staging their strongest month since 1987. Investors took comfort from improving news flow surrounding the coronavirus, as flattening infection curves in many countries gave some much needed visibility on a potential timeline for reopening economies. Indeed, many European countries started gradually lifting lockdown restrictions last month with the US and UK likely to follow suit over the coming weeks. More importantly though, in our view, has been the synchronised policy actions of governments and central banks to shore up economies and markets. Most notably, the FED is planning to buy up a broad range of assets including high yield debt and business loans, in effect taking on the 'lender of first resort' function of a commercial bank. All in all, the FED's balance sheet is set to explode to around $12trn (50% of GDP), and government stimulus is set to equal 10% of GDP in the US. Markets have responded by front-running FED purchases, providing much needed liquidity to the most vulnerable sectors.

The rally in markets suggests these positive developments have been discounted to a certain extent, so a 'buy the rumour, sell the news' correction wouldn't surprise us at some point as economies open back up. The recent divergence between bond yields and equities is also usually a harbinger for some sort of correction/convergence, which is why we have taken some profits on our tech holdings.

We expect any correction to be short-lived, however, due to a combination of the aforementioned policy support and cautious sentiment, as investors struggle to square what they see as a dislocation in markets from economic fundamentals. What is overlooked too often by market commentators is how central bank reaction functions have become structurally more proactive than in the past, and how this has driven a wedge between financial markets and the real economy. Investors relying too much on conventional wisdom have therefore been consistently wrong-footed by markets in this new regime. Rather than speculate on the shape of any economic recovery and the minefield of issues linked to the coronavirus - which nobody can predict with any confidence - we prefer to focus on stock selection and accumulate positions in quality businesses whose earnings are relatively immune to the economic cycle.

The FAANGs fit this profile perfectly, as the products/services they provide are deeply entrenched in the habits and lifestyles of modern consumers. We expect that consumers looking to 'tighten their belts' will cut spending elsewhere before cancelling their monthly subscriptions and lose access to the convenience of on-demand digital content, cloud services, deliveries etc. As such, we believe these businesses should be seen more as utilities rather than nice-to-have luxuries that are more sensitive to discretionary spending. Recent earnings have validated the strength and adaptability of their business models and we expect this crisis will only help consolidate their market leadership positions. Trying to reconcile rising markets with abysmal economic data, whilst ignoring the underlying performance of these market leaders is not a framework we subscribe to, and we expect that as more people come round to our view that certain stocks are not the economy, excess liquidity from central banks will find a home in these names, further dislocating them from the broader market.

Elsewhere, we remain upbeat on our China tech holdings despite the recent anti-China narrative building. These companies have already adapted to US tariffs by shifting production to other countries where necessary, so are in a better position to deal with any escalation in trade disputes. We also expect any backlash to accelerate the localisation of its technology supply chain, as well as fast track government efforts to create domestic champions through favourable policies.

One area of concern is the Eurozone, which once again has proven itself to be a completely dysfunctional structure in a time of crisis. In the absence of a fiscal union through some sort of transfer system or mutualised debt instrument, the costs of this crisis are disproportionately borne by the countries who can afford it the least. Fiscal cooperation so far has centred on credit lines from the ESM, which only adds up to 2% of each country's GDP and in any case is unpalatable to most countries as it's seen as a trojan horse for a troika-style intervention by EU commissars. The 'Recovery Fund' proposed since then has been fraught with its own complications, due to a North-South divide as to whether aid should come in the form of loans or grants. This lack of a coordinated response has put the fiscal burden on member states for now and means the ECB is still the 'only game in town' to ensure this isn't reflected in wider spreads, which would have catastrophic consequences for fragile banking systems in 'Club Med' countries. However, a ruling this week from a German constitutional court has raised questions on the legality of ECB QE. This has cast doubts on how long the ECB can keep underwriting the fiscal spending of individual governments, increasing the possibility of a Eurozone debt crisis redux at some point.

For now this is something we are monitoring, but as mentioned earlier, our main focus remains on picking individual companies which will continue to perform well both during and after this crisis.

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USD Class (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2020	-0.27	-1.87	-5.25	+6.27									**-1.46**
2019	+3.17	+2.05	+1.37	+2.21	-6.21	+2.59	-0.08	-1.19	-1.06	+2.89	+1.52	+4.79	**+12.22**
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
2020	-0.32	-2.00	-5.86	+6.18									**-2.35**
2019	+2.98	+1.93	+1.23	+2.13	-6.37	+2.45	-0.32	-1.37	-1.19	+2.72	+1.43	+4.62	**+10.20**
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**

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YEN Class (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2020	-0.46	-1.91	-5.67	+6.00									**-2.37**
2019	+2.95	+1.87	+1.16	+1.97	-6.37	+2.35	-0.27	-1.42	-1.29	+2.63	+1.38	+4.47	**+9.36**
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
2020	-0.44	-1.95	-5.69	+6.11									**-2.32**
2019	+2.90	+1.82	+1.11	+1.96	-6.46	+2.34	-0.22	-1.44	-1.31	+2.63	+1.38	+4.49	**+9.07**
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 30-Apr-20	
GBP class	206.81
USD class	276.56
Yen class	23,968.50
Euro Class	101.49

Source: Apex Fund Services (Ireland) Ltd.

Asset Type as at above date (market exposure % of Total NAV)		
	Long	Short
Level 1	95	0
Level 2	11	0
Level 3	0	0
Total	106	0

Source: JK Investment Management LLP

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For more information on the Fund, please see **www.jkim.co.uk**

<u>Administrator for JK Global Opportunities Fund (Orders by 3pm on a Tuesday)</u>

Apex Fund Services, Dublin Tel: +353 21 463 3366, Fax: +353 21 463 3377,
Email: jkinvestments@apexfunds.ie

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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For further information please contact

Francis Kirkpatrick
JK Investment Management LLP
Bury House
3 Bury Street
Guildford
Surrey GU2 4AW
Tel: +44 1483 301 142
Fax: +44 1483 452 219
Email: fk@jkim.co.uk