JK Global Opportunities Fund March 2018

The Fund fell -2.01% in March, (GBP Class, Net of Fees).

The Fund fell -2.01% during the month, with weakness centred on the Fund's technology holdings although with damage mitigated to a large degree by our decision to reduce risk exposures during February/early March principally through the short sale of various equity index futures.

Market weakness largely resulted from the threat of a global trade war following on from President Trump's recent move to apply tariffs on steel and aluminium imports to the US. This was ostensibly to curb alleged dumping of Chinese product on global markets, but it soon became apparent that the duties would apply equally to close trading allies. Tit for tat threats and pleas ensued, and resulted in large exceptions when said tariffs were signed into law last week. The president said the tariffs were designed to make the US 'a much stronger, richer nation', and help address the country's $375bn annual trade deficit with China. The FT reported that further tariffs would focus on high-tech industries identified by President Xi Jinping's 'Made in China 2025' plan, such as robotics, aerospace, and electric vehicles. China reacted by promising retaliatory measures, at which point markets took fright, and sold off aggressively. Needless to say, the normal Trump tactic of throwing a grenade and then backing off seems to apply in this instance as a few days later US Trade Secretary Mnuchin was already softening the rhetoric saying that he was 'cautiously hopeful' that negotiations would result in an agreement to open up Chinese markets to US companies, and avert the need for tariffs. Reportedly, the climb down has involved Chinese pledges to divert purchases of semiconductors from South Korea and Taiwan to the US, a reduction in tariffs on foreign made cars and a scramble to approve new regulations permitting foreign financial groups' ownership of Chinese companies. Ultimately our view is that the reality will prove less damaging than initially expected, and that a serious escalation in trade friction will be averted. For instance, today we hear rumours that Trump is looking to re-join the TPP (Trans Pacific Partnership)!

This daily policy 'theatre' emanating from the US is proving a challenge for investors, with current geopolitical concerns now shifting to Syria and Russia, with the Trump tactic of adopting, initially at least, a highly confrontational approach to the issue of the day, followed soon after by a softening in tone. This is a different tactic than heretofore adopted by most US Presidents, although one that cannot be discarded totally out of hand in our view. Trump for instance could point to some success in dealing with the North Korean issue, appears at least initially to have gained some concessions from the Chinese on the trade issue, and has a domestic economy that by all accounts is booming.

Ultimately though, as investors we try to focus on the fundamentals of economic growth, valuation, and earnings forecasts, and on these criterion the medium-term outlook for equities relative to other asset classes remains favourable. Whilst there has been some slowing in short-term growth momentum globally, the recent deterioration in high frequency economic data is largely due to the very unsettling effects of the above mentioned trade dispute, and we would expect a recovery if our assessment of the situation proves correct. What is clear from recent data though is that the primary source of growth risk lies with China, where the flow of credit through the economy is slowing. Post the NPC it was generally acknowledged that China would seek to deleverage parts of the economy while tightening fiscally and cooling the property market so this should not necessarily surprise markets, but clearly has increased earnings risk particularly within the Asian region. Europe is also starting to slow. Whilst we expect global growth to remain robust this year, a lot of this is the result of strong US growth driven by the large fiscal stimulus implemented by Trump. US earnings should grow strongly - by 15% or more – and whilst earnings growth in Asia will remain strong, momentum will slow. This leaves us feeling more neutral on the Asian region in general, and whilst we are looking again at Japan after its recent correction, we feel that the market will continue to struggle in the face of a strong YEN.

As we have mentioned before, the market outlook at present has numerous cross currents that make forecasts even more prone to error that usual. The principal issues as we see them are 1) a potential inflection point for inflation given strong labour markets and tightening output gaps, 2) the post GFC flip flop in terms of the monetary/fiscal policy mix, and how this affects markets and their internal dynamics, 3) greater volatility, as a result of a lower strike price of the put option written by the FED, 4) Trump generally and the consequent volatile geopolitical climate, and 5) the current pressure being brought to bear on some of the market high fliers, such as Facebook and Google by the authorities. Each of these factors has been partially responsible for our decision to reduce risk, and move to the side-lines

In addition, the surge in LIBOR has attracted our attention, and is bad news for several reasons. First, with an estimated $350 trillion worth of contracts based on it, LIBOR is likely the globe's most influential interest rate. Second, millions of highly leveraged borrowers will be paying more interest, so default rates will rise. Third, the LIBOR/OIS spread soared to 59 bps at the end of Q1 and the TED spread has regained GFC levels, making dollar borrowing extremely expensive for non-Americans. Fourth, LIBOR has risen above the two-year Treasury bond yield, signalling a rise in the latter. Fifth, with the two- to 10-year spread only 47 bps at the end of March, the yield curve could invert sooner than expected.

In conclusion, we still have a modest risk-on approach with an overweight to equity, based on continued global growth and benign inflation. While the risk of 'trade wars' could spill over to our growth expectation via lower business confidence and tariffs, our base case is that there will be a diplomatic solution. Meanwhile decent earnings growth, particularly in the US, should keep investors engaged in equity markets, although volatility will rise.

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.*

GBP Class (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2018	+6.32	-1.45	-2.01										+2.67
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

USD Class (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2018	+6.49	-1.25	-1.89										+3.18
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

EURO Class (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2018	+6.36	-1.44	-2.09										+2.64
2017										+3.69*	+2.47	+1.43	+7.77*

*Euro Class started on 04-Oct-17

YEN Class (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2018	+6.38	-1.42	-2.06										+2.70
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

NAV as at 31-Mar-18	
GBP class	221.33
USD class	283.60
Yen class	25,947.69
Euro Class	110.61

Source: Apex Fund Services (Ireland) Ltd.

Asset Type as at above date (market exposure % of Total NAV)		
	Long	Short
Level 1	103	-47
Level 2	25	0
Level 3	0	0
Total	128	-47

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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