JK Global Opportunities Fund September 2015

The Fund fell -6.51% in September (GBP Class, Net of Fees).

The Fund fell during the month as volatility in global, and in particular, Asian equities, continued – however, we would note that at the time of writing the Fund has recovered by about 5% so far in October. China has had a particularly torrid time during the quarter, and this continued in September. The deflation of the A-share bubble continued as investors remained concerned over the growth outlook and more generally over the ability of the government to control the fallout. On the plus side, however, is the sharp drop in margin financing since the extreme levels in June as well as the first signs of macro-prudential policies targeting car and home sales. For instance, the PBoC lowered the down-payment for first homes in cities from 30% to 25%, and The State Council announced a reduction in the purchase tax of compact cars below 1.6 litres from the current 10% to 5% from October 1st 2015 to December 31st 2016. On a more encouraging note, the H-share index is showing clear signs of making an intermediate-term bottom.

Japanese equities continue to struggle, weighed down by relentless foreign led selling. Whilst expectations are starting to build for additional ease by the BOJ we are wondering if this will have much impact. How much more can they do? Certainly if the YEN were to weaken further then this might give rise to a stronger market but in common currency terms we would expect little impact. We would note that since the first Kuroda 'bazooka' around the end of March 2013 the market in US$ terms has risen 7.4% versus a 22.3% return from the S&P500. Not exactly a bull market. What is needed to reignite interest is some decent earnings numbers and more 'third arrow' type reforms. In the case of the former we remain constructive, although the weakness in the global trade cycle will have some negative effect, whilst on the latter we feel momentum is fading. Whilst we have been encouraged by the recently announced agreement on the Trans-Pacific Partnership (TPP), there has been little else of late that we can see that will drive the much needed productivity improvement and labour force increase that is necessary for any sustainable pick-up in nominal growth. Furthermore, whilst progress has been made in terms of wrestling cash from the 'cash hoarding' corporate sector – via dividend increases and share buybacks – much more needs to be done. Furthermore, investment spending remains subdued, and wage increases remain underwhelming despite a tight labour market. Valuations are compelling though, as they are across Asia.

This is the key issue for us right now. In particular the value that we can see in Asian markets. Whilst the macro-economic backdrop is not ideal, in our view this is discounted. On most of our non-earnings based valuation metrics (price/book, price/sales etc.) many Asian stocks are now trading between one and two standard deviations cheap. As a result we are increasing the Fund's Asia-ex Japan exposures at the expense of some U.K. and Japanese holdings. The risk/reward for anyone with more than a few months- time horizon now looks compelling. Names that we are buying would include Samsung, Jardine Matheson, TSMC, POSCO, H.K casinos, Chinese autos and some Life companies.

We noted above the waning momentum in the global trade cycle, driven largely by weakening Chinese growth. We have also noted before that China, the Eurozone and Japan are all working to increase their growth rates through rising trade surpluses. This means the rest of the world has falling trade balances which are a headwind to their own growth (the world trade balance adds to zero). These three regions currently have combined trade surpluses of over $800bn annualised, up from around $400bn in 2012-2013. China has accounted for much of the rise but not through rising exports rather through falling imports.

The major driver of current trade balances is the sharp fall in crude oil prices, which have fallen by close to $1 trillion since 2013. This is a massive decline in revenue for the oil exporters who will either have to cut their own imports or sell financial assets (which is clearly happening). Saudi Arabia's budget balance for instance, which was slightly positive in 2014, will become a deficit of more than 10% of GDP in 2015. So far these deficits are being met by a run-down in reserves. Saudi FX reserves have declined by $75bn, or 10%, over the last year. However, eventually the Gulf States will have to adjust to the reality of lower oil prices, which will in turn have disruptive political and social impacts within the region. Whilst global markets seem fixated on the on-going developments in China, it seems to us quite likely that investors are overlooking the region where, with hindsight, global deflation was always going to have the biggest impact.

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	-4.65	-0.16	-8.20	-6.51				**-8.08**
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	-4.75	-0.15	-8.28	-6.48				**-8.08**
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	-4.77	-0.19	-8.07	-6.54				**-8.00**
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 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.

NAV as at 30-Sep-15	
GBP class	153.75
USD class	192.38
Yen class	18,132.07

Source: State Street (Services) Ireland Ltd.

Asset Type as at above date (market exposure % of Total NAV)		
	Long	Short
Level 1	67	-33
Level 2	46	0
Level 3	0	0
Total	113	-33

Source: JK Investment Management LLP.

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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