

**Fund Overview**

King Tide Asset Management Limited (King Tide, or KTAM) is a specialist and independent investment management company based in New Zealand, and the manager of the KTAM NZ/Australian Long/Short Equity Fund (the Fund). • The Fund aims to provide local and international investors with diversified, active exposure to Australian and New Zealand equity markets through allocating capital to a select group of funds domiciled in these markets • We research and select from more than fifty risk-based equity funds operating in Australasia, and allocate capital to between eight and fifteen of them • We constantly monitor existing and new funds, making changes as we see fit • The Fund's investment objective is to achieve positive absolute returns over any rolling three to five year period irrespective of market trends • We believe that minimising losses is central to growing your wealth over time • We also believe in 'skin in the game' and all of our managers are large investors in their own funds • In keeping with this principle, King Tide Directors are the largest investors in the Fund • King Tide has a simple and transparent structure, with strong administration and compliance

**Fund Facts Fund Performance**

Fund Facts	Fund Performance	KT NZD	KT AUD	Benchmark	
Fund size	NZ\$10.3m				
Inception Date	January 1, 2012	1 Month	2.54%	0.86%	1.45%
Min. Investment	NZ\$10,000	3 Month	4.78%	1.81%	4.51%
Unit Price	1.04	6 Month	4.57%	6.98%	1.62%
Annualised Return	1.60%	1 Yr	8.11%	18.63%	2.90%
Benchmark	90% XJO/10% NZX50	2 Yr p.a.	3.05%	11.97%	8.39%
Buy/sell spread	0.25% on application and redemption	Inception p.a.	1.60%	9.37%	5.86%
Liquidity	Monthly with 35 days notice	Annualised SD	6.80%		10.20%
Administration fees	0.75% total, incl Trustee, Custodian, Audit	Beta	0.43		1.00000
Performance fee	10% with high water mark	Largest monthly loss	-3.30%		-5.75%
Administration	Adminis	Sharp Ratio (RFR=RBA cash)	-0.07%		0.14%
Legal Counsel	Minter Ellison Rudd Watts	Avg Return in Market Positive Mths	0.92%		2.30%
Auditor	PWC	Avg Return in Market Negative Mths	-1.17%		-2.56%

**Monthly Performance Review**

King Tide outperformed in May, gaining 2.54% after fees, in a month which saw the NZ share market significantly underperform Australia, and the NZ dollar weaken.

The NZX50 fell -1.0% compared to the Australian market which was flat, but a -1.7% move in the NZ/AUD cross lifted the benchmark return (90% Australia/10% NZ) to a gain of 1.45%.

Over the last year, King Tide is up 8.4% versus the benchmark's 2.9%. In Australian dollars, we have gained 18.9%, which is a respectable return, and reflects the very good results from our underlying managers.

What is most pleasing about our returns is that they have been achieved with relatively low volatility particularly in months when the market is down. Of course we are hoping to do a better job in months when the market is positive, and expect to trend towards at least two thirds capture of the market's gain, from the current 40%.

In a continuation of the recent trend, Australian based managers generally outperformed our NZ based funds in May, with the notable exception of PIE Emerging Companies Fund, which was up more than 3%, and has gained 70.2% since launching thirteen months ago. PIE's other fund, PIE Australian Growth, was one of two managers to lose money in May, falling -1.7%. Our one other NZ fund, Aspiring, was third from bottom with a gain of 1.2%, a good result given Aspiring's higher weighting to NZ shares than either of the PIE funds or any of our Australian based funds.

Monash, our most recent addition, was the only Australian fund to lose money, with a -0.5% result. In its first 22 months Monash has gained 47% versus the market's 38%, and given the experience of Simon Shields, the CIO, we decided to make a 5% allocation to Monash.

There are now six funds out of the current fourteen, which have track records of three years or less. This is in keeping with one of our underlying beliefs, that new managers often produce their best results in the early years. In fact we just blogged an article on our web-site which explores this well known phenomena.

What this also shows you is that King Tide is well informed of quality launches, we do our own research and we are finding these managers before they become widely known and followed.

The performance of the six managers we have selected adds support to this argument. LHC, which had its third anniversary this month, has risen 99% versus the markets' 21%. Watermark, launched in August 2012, has gained 51% versus the markets' 33%. Auscap, launched in December 2012 is up 70% versus 24%. The one exception is Watermark's listed fund (we invest in both the listed and unlisted), which launched in July last year, and is up 11% versus the markets' 16%.

Currency management played a part in this month's results. We are very aware that many of our investors are sitting on currency losses, and the last thing we want to do is lock those losses in by hedging our AUD exposure using forward currency contracts. We have therefore chosen to hedge using options. The advantage is that when the NZD weakens, the loss on the options is much less than it would be on forward contracts.

However, it also means that when the Kiwi strengthens against the AUD, the protection is less until we reach certain levels, which in our case are 0.9300 and 0.9400. In the range between the May 31 close of 0.9126, and our option levels, we have very little protection, and could easily give up the currency gains we made in May.

Longer term, there is a strong likelihood that the Australian economy will pick up, and there are some challenges ahead for NZ, particularly as the Christchurch rebuild nears completion. The fluctuating cross between the two currencies is largely driven by the interest rate differential, which remains in NZ's favour for now. The fact that the cross is well off its highs despite a widening of that differential in May, shows some tempering of the unique NZ story view versus a down and out Australian story.

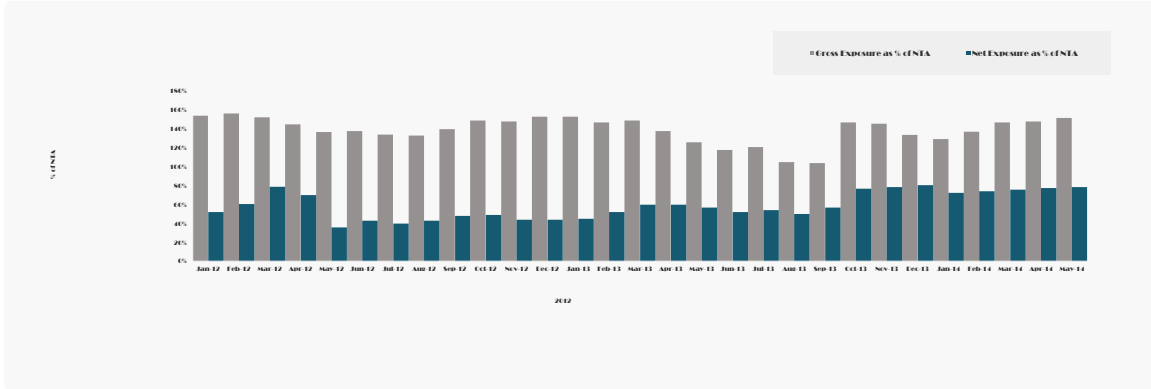
The current ups and downs of the market provide opportunities particularly for long/short managers. In my recent trip to Sydney/Melbourne, Regal commented on how much they enjoyed these active conditions, with M&A activity, IPO's and wide variance in share price movements. The Regal funds have been outstanding in the last 12 months, with Atlantic gaining 86% and Regal Long Short up 34%.

Some of the underlying positions which made money in May were Vocation Limited, CSL, Oil Search, Technology One, Greencross, ANZ, CBA, Macquarie Group and James Hardie, while shorts in Atlas Iron and various short positions in iron ore, gold producers and mining services worked well.

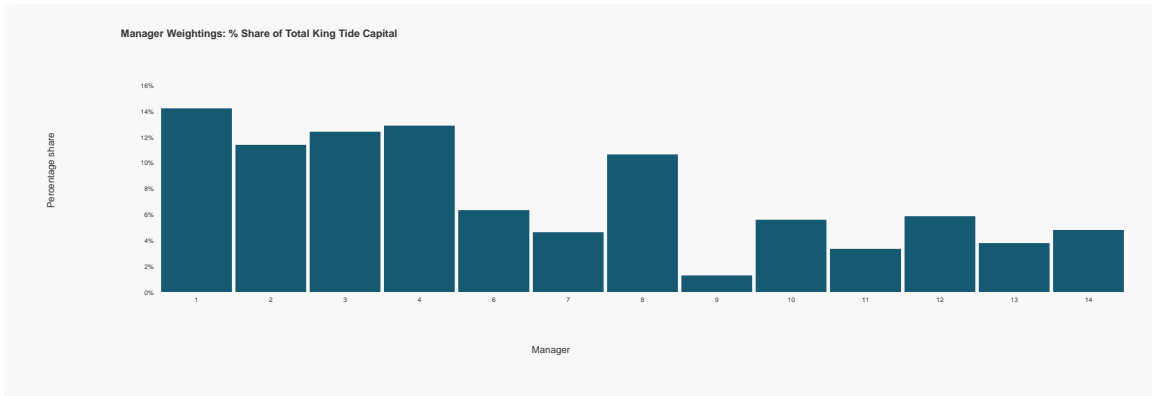


King Tide - Fund Performance vs. Benchmark (Net of Fees)													
2012	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
King Tide NZD	0.29%	2.61%	-2.09%	-0.45%	-2.75%	-2.23%	1.16%	1.19%	-0.74%	1.83%	1.63%	0.15%	0.44%
King Tide AUD	2.71%	2.98%	-0.76%	-1.09%	-3.90%	-1.29%	-0.47%	1.97%	2.00%	1.06%	0.84%	1.17%	5.12%
Blended Benchmark	1.01%	0.51%	0.12%	2.00%	-5.75%	-0.71%	5.80%	0.64%	-0.52%	3.69%	0.72%	1.96%	9.43%
2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
King Tide NZD	-0.73%	-0.23%	1.09%	-2.16%	-2.41%	-3.30%	-1.03%	4.04%	1.00%	4.44%	-1.56%	-1.53%	-2.67%
King Tide AUD	0.65%	0.29%	0.33%	0.59%	-1.78%	-1.90%	4.03%	1.88%	3.59%	2.47%	0.48%	1.72%	12.85%
Blended Benchmark	3.61%	3.83%	-1.53%	1.93%	-5.36%	-3.67%	0.28%	3.42%	-0.38%	5.73%	-3.77%	-2.47%	0.94%
2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
King Tide NZD	-0.46%	1.81%	1.63%	0.55%	2.54%								6.19%
King Tide AUD	-0.22%	3.53%	1.29%	-0.34%	0.86%								5.18%
Blended Benchmark	-2.64%	2.41%	0.43%	2.57%	1.45%								4.19%

Gross and net exposure (% of Net Assets)



Manager Weightings: % Share of Total King Tide Capital



**Note:** An updated version of our prospectus and investment statement are both available on our website  
 King Tide's performance is expressed in NZ dollars, and currency fluctuations may significantly impact on the volatility of the fund. In July 2013, the manager changed the investment mandate to allow currency hedging to be used to manage this currency risk. The Manager will actively manage the Fund's Australian dollar exposure with a view to reducing risk and enhancing returns to our investors.

