King Tide Asset Management

Monthly Performance Summary - June 2014

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 Austalasia, 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 size	NZ$10.3m
Inception Date	January 1, 2012
Min. Investment	NZ$10,000
Unit Price	1.03
Annualised Return	0.96%
Benchmark	90% XJO/10% NZX50
Buy/sell spread	0.25% on application and redemption
Liquidity	Monthly with 35 days notice
Administration fees	0.75% total, incl Trustee, Custodian, Audit
Performance fee	10% with high water mark
Administration	Adminis
Legal Counsel	Minter Ellison Rudd Watts
Auditor	PWC

Fund Performance

	KT NZD	KT AUD	Benchmark
1 Month	-1.46%	0.26%	-3.17%
3 Month	1.60%	0.77%	0.76%
6 Month	4.64%	5.45%	0.89%
1 Yr	10.17%	21.24%	3.44%
2 Yr p.a.	3.57%	12.70%	7.17%
Inception p.a.	0.96%	9.05%	4.36%
Annualised SD	6.76%		10.28%
Beta	0.43.		1.00000
Largest monthly loss	-3.30%		-5.75%
Sharp Ratio (RFR=RBA cash)	-0.12%		0.08%
Avge Return in Market Positive Mths	0.92%		2.30%
Avge Return in Market Negative Mths	-1.20%		-2.60%

Monthly Performance Review

June was a tough month for Australasian equities. The ASX200 fell -1.76% and the NZX50 was down -0.71%, its second down month in a row.

The NZD rose 1.74% against the AUD, which had the effect of reducing the return of the Australian market to -3.44%, and King Tide's benchmark return to -3.17%.

King Tide fell -1.46% in NZDs, but was slightly positive when measured in AUDs.

Since May last year, the market has fallen in seven months. KT has outperformed in all seven of those months. The average market fall has been -3.07%, versus KT's -1.63%. In the seven positive months, KT has risen 2.29% on average, versus the market's 2.81%. By limiting losses in down markets, we have significantly outperformed the market since our low point in July last year.

While beating the market may appear to be a minimum requirement for any 'professional manager', the reality is, that most fund managers struggle to achieve this for any length of time.

You may have noticed that King Tide's numbers now appear in the Saturday Herald, in the FundSource summary of NZ based fund manager returns. We're in the International Australian division, because we are more than 70% invested in Australian shares. I mention this to illustrate the point that in this category, King Tide is one of only two funds which has outperformed the market over the past 12 months.

If you were an avid follower of fund manager returns, as I am, you would know that globally, something like 70% of fund managers underperform the market. The reason is very simple. Fund managers, including low cost index funds, are the market. The mean and median return of all managers is therefore, the market return. So when you deduct management fees, lets be generous and call these 1.5% (often much higher), theoretically, the average manager will underperform the market by 1.5% p.a.

Over the last 10 years to June 30, 2014, NZ shares have delivered 6.7% p.a., the ASX 8.8% and the S&P500 5.6% p.a. So you can see that 1.5% in fees is material.

Then why do we think King Tide can beat the market, when it has two layers of fees?

The answer is, by investing in managers who have the tools, the mandate and the skills, to protect the downside. Almost without exception, the best performing managers in the world achieve their results not by shooting the lights out when markets are going up, but by protecting capital when markets are going down.

The range of our underlying manager returns in June, when measured in base currency, was -3.0% to +2.4%. Four funds underperformed the market, two were in line and eight outperformed.

Currency was again a significant detractor from our performance. When you look at the AUD returns for King Tide, you can see this clearly. The reason we include the AUD returns is because ninety percent of King Tide's investments are in Australia, so the AUD numbers provide a better gauge on how our underlying managers are performing, than the NZD returns.

The month of June represents the end of the financial year for most Australian businesses and funds. This creates some anomalies in the market, amplified by Australia's capital gains tax. Loss making positions are often sold leading up to June 30, so as to crystalise losses for tax purposes (Australia's capital gains tax is calculated on realised capital gains and losses).

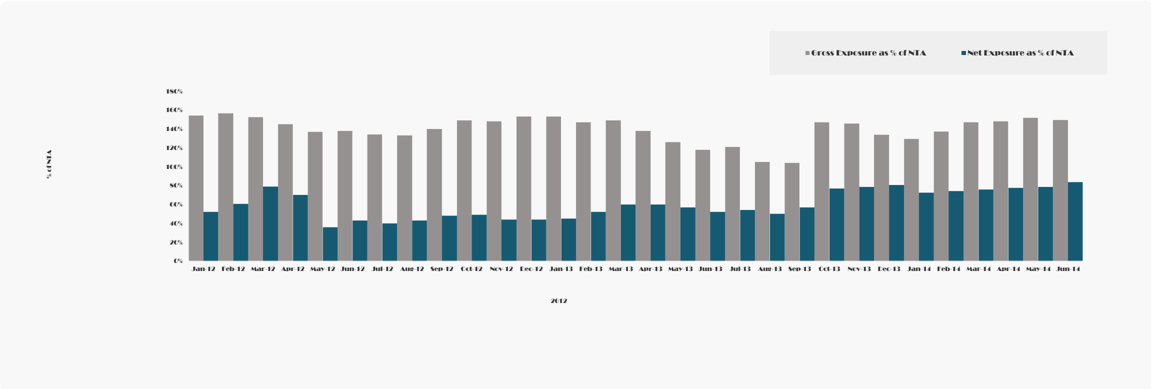
An example of this is Flexigroup, which had fallen from $4.85 early in the year to $3.43 at the beginning of June. In June, it was sold down to $3.10 before closing the month at $3.17. In July the price has jumped to $3.75 without any news. Another example was Kip McGrath, a very small listed education company based in Australia. In June, the shares were sold down from 35c to close on June 30 at 19c. In the first week in July, the shares rose back to 30c. Flexigroup is one of Aspiring's larger positions, and Kip McGrath is a large holding in PIE's emerging companies fund.

The NZ and Australian markets are at an interesting juncture. Both have risen strongly, and with this has come greater interest from investors. What tends to happen at this point in the share market's cycle, is that new companies can raise capital at attractive valuations and list on the share market. There has been a steady stream of IPO's this year, and these provide impetus to the market. Among them are some potentially excellent investments. Most of our managers participate in this activity, stagging new floats or building positions in businesses they like.

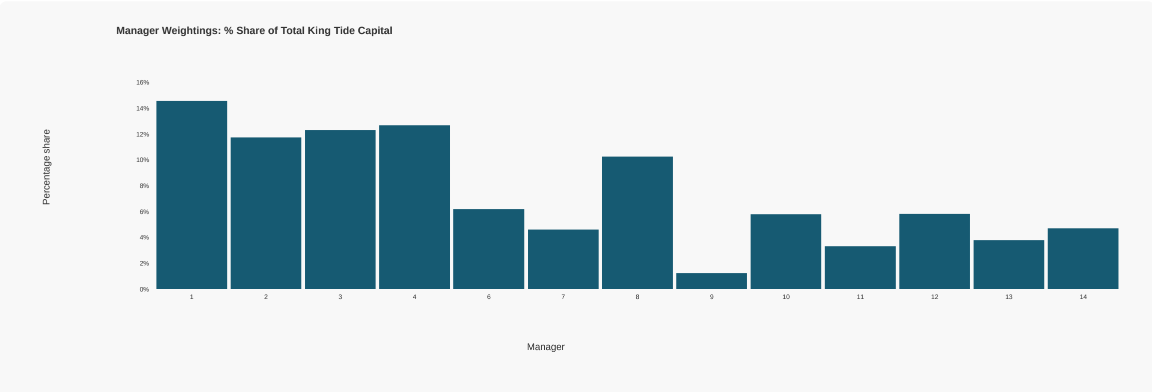
King Tide - Fund Performance vs. Benchmark (Net of Fees)

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%	-1.46%							**4.64%**
King Tide AUD	-0.22%	3.53%	1.29%	-0.34%	0.86%	0.26%							**5.45%**
Blended Benchmark	-2.64%	2.41%	0.43%	2.57%	1.45%	-3.17%							**0.89%**

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.