King Tide Asset Management

Monthly Performance Summary - January 2016

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 King Tide NZ/Australian Long/Short Equity Fund (the Fund). • The Fund seeks to generate at or above equity market returns with low volatility by investing in the best long/short equity managers in Australasia. We research and select managers who employ risk based strategies to extract gains from the divergent sectors in the Australasian markets, where there is very little hedge fund activity. King Tide's management committee and board have more than 90 years combined experience in capital markets and fund selection • We apply in-depth quantitative research which is overlaid by comprehensive qualitative analysis of each fund we select • We constantly monitor existing and new funds, making changes as we see fit • 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 personnel are the largest investors in the King Tide Fund. King Tide has a simple, transparent , and tax effective "PIE" structure, making it attractive to NZ and offshore investors.

Fund size	NZ$16.2m		KT NZD	Benchmark
Inception Date	January 1, 2012	1 Month	-1.73%	-3.05%
Unit Price	1.375247	6 Month	9.97%	-8.78%
Since Inception p.a.	7.3%	1 Yr	22.75%	-1.58%
Benchmark	90% All Ords Accum/10% NZX50	2 Yr p.a.	17.08%	4.40%
Application	Monthly	3 Yr p.a	10.19%	2.33%
Liquidity	Monthly with 35 days notice	Annualised SD	7.38%	11.06%
Administration fees	0.75% total, incl Trustee, Custodian, Audit	Beta	0.46	1.00
Performance fee	10% with high water mark	Largest monthly loss	-3.30%	-6.26%
Administration	Adminis	Sharp Ratio (RFR=RBA cash)	0.72	0.38
Legal Counsel	Minter Ellison Rudd Watts	Avge Return in Market Positive Mths	1.59%	2.48%
Auditor	PWC	Avge Return in Market Negative Mths	-1.23%	-3.08%

Monthly Performance Review

January saw a sharp sell-off in equity markets globally.

The Shanghai Composite lost -22.6% in the month, making it the worst major market, but it was by no means alone. At their worst, Japan was down -16.6%, Germany down -12.6%, USA down -9.6% and UK down -9.1%. The Australian equity market fell -5.4%, but at one point in January, was down more than -8%.

The NZ market was somewhat cushioned by transtasman buying of the dual-listed companies, TradeMe, Sky City, Spark, and A2, with the weaker NZD making them cheaper to buy for an Australian investor. The NZX50 fell -2.4% having been down -3.8% at its worst.

King Tide fell -1.7% versus our benchmark's -3.1%.

The weaker NZ dollar helped our return, but helped the benchmark more, given losses on our currency hedges. Underlying manager returns were on average down about half as much as the market.

Our eleven Australian based funds fell on average -2.8% compared to a fall of -5.4% for the All Ords Accumulation. Returns ranged between -6.3% and +7.7%. The worst performer was Regal Atlantic, which is geared 4.9 times. Given the gearing, the result was very good, and in fact is in line with its long term record of a 1 to 1 correlation with down markets.

On the plus side, Watermark Market Neutral rose +7.7%. Watermark has two vehicles which adopt the same strategy and have identical holdings. One is a listed fund, known as a LIC (Listed Investment Company) and the other an unlisted fund which is a unit trust (like King Tide). Both have daily liquidity. LIC's trade on the share market and often trade at a price below their actual net asset value, particularly during periods of poor performance.

Between June 2014 and January 2015, Watermark Market Neutral (the unlisted fund) fell -9.0% versus the All Ords gain of +5.4%. The listed fund, which had exactly the same holdings, fell -20.0%, which of course resulted in it trading at a 10%+ discount to its asset value. After meeting with the CIO in February 2015, we decided to stay with Watermark, but to redeem from the unlisted and buy the LIC, effectively buying the same portfolio for 90c in the dollar. This has worked out well and was particularly helpful in January. Between March 2015 and January 2016, the LIC rose 28.2% versus the unlisted fund's +17.6%.

We realised this gain early in February when we saw some liquidity in the listed company, locking in the outperformance.

A number of our managers were surprised by the market's sudden fall in January. In the second half of December, the Australian equity market had rallied strongly, turning a -5% deficit mid-month into a +2% gain by month end.

Some reported a sense of optimism as they approached the New Year.

However, when early in January China came up with a devaluation of their currency, this spooked investors who were already worried about China growth. The commodity complex also went into meltdown. Oil plunged below US$30 per barrel for the first time in 12 years and the International Energy Agency warned that the oil market could drown in "oversupply". To finish off the macro turbulence, the Bank of Japan (BoJ) surprised markets by announcing it was adopting negative interest rates.

At times like this, when macro events are the main drivers of the equity market, correlations between stocks are high. Many managers, index funds and ETF's are forced to sell their portfolios when frightened investors redeem. Picking the right stocks doesn't help much when the whole market is going down.

That is why most of our managers lost money in January. It was a macro-driven market sell-off. However, because our managers always carry protection, whether it be high levels of cash, short positions, derivatives or a combination of these, they are able to limit losses even when fundamental stock selection is not working, and as stated earlier, fell only half as much as the market.

It is this ability to protect capital in down markets that we value. As the statistics above show, on average, when markets are negative over a month, King Tide loses -1.2% versus the market's -3.1%. That's about 61% less than the market, and it includes 2012, where stock correlations were high. Over the last three years, King Tide has fallen one third as far as the market in down months and captured 83% of the gains in up months, leading to a return of 33.8% versus the markets 7.1%.

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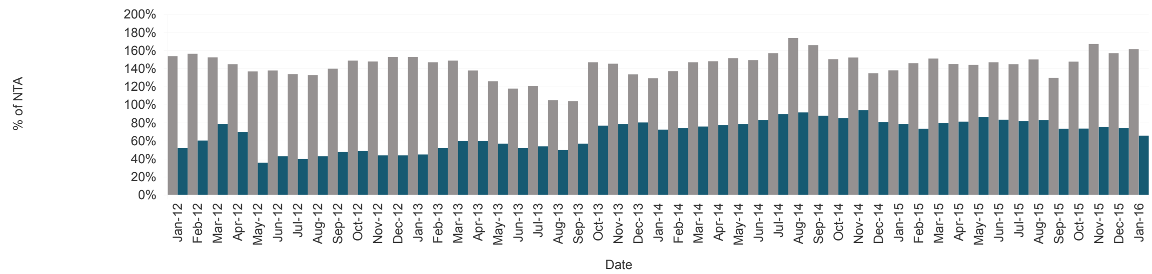
King Tide - Fund Performance vs. Benchmark (Net of Fees)

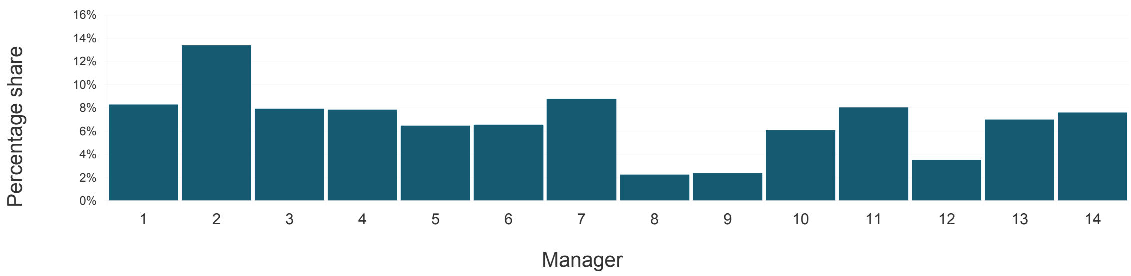
2016	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
King Tide NZD	-1.73%												**-1.73%**
Blended Benchmark*	-3.05%												**-3.05%**
2015	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**YTD**
King Tide NZD	2.99%	3.40%	0.60%	0.82%	3.25%	0.00%	3.09%	0.50%	1.32%	2.26%	5.07%	2.27%	**28.65%**
Blended Benchmark*	4.91%	3.25%	-1.38%	0.34%	3.94%	-0.07%	1.67%	-6.04%	-4.34%	1.11%	3.34%	0.19%	**6.50%**
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%	3.27%	4.00%	-1.02%	1.15%	-2.99%	-1.10%	**7.95%**
Blended Benchmark*	-2.40%	3.02%	0.83%	2.16%	1.96%	-2.86%	5.53%	2.72%	-5.04%	4.59%	-6.26%	-1.10%	**3.02%**
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%**
Blended Benchmark*	3.74%	3.06%	0.10%	1.32%	-4.72%	-3.76%	0.51%	4.29%	0.28%	5.69%	-3.28%	-2.19%	**4.49%**
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%**
Blended Benchmark*	2.74%	1.92%	0.38%	1.72%	-5.40%	-0.89%	5.33%	1.55%	-0.09%	3.70%	1.18%	2.19%	**14.85%**

***90% All Ordinaries Accum/10% NZX50**

Gross and Net Exposure (% of Net Asset)



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.