

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 size	NZ\$10.6m		KT NZD	KT AUD	Benchmark
Inception Date	January 1, 2012	1 Month	3.27%	1.71%	5.45%
Min. Investment	NZ\$10,000	3 Month	4.34%	2.85%	3.59%
Unit Price	1.06	6 Month	8.56%	7.49%	9.28%
Annualised Return	2.15%	1 Yr	14.96%	18.54%	8.77%
Benchmark	90% XJO/10% NZX50	2 Yr p.a.	4.64%	13.93%	16.49%
Buy/sell spread	0.25% on application and redemption	Inception p.a.	2.15%	9.45%	13.91%
Liquidity	Monthly with 35 days notice	Annualised SD	6.93%		10.30%
Administration fees	0.75% total, incl Trustee, Custodian, Audit	Beta	0.42		1.00000
Performance fee	10% with high water mark	Largest monthly loss	-3.30%		-5.75%
Administration	Adminis	Sharp Ratio (RFR=RBA cash)	-0.02%		0.16%
Legal Counsel	Minter Ellison Rudd Watts	Avg Return in Market Positive Mths	1.03%		2.46%
Auditor	PWC	Avg Return in Market Negative Mths	-1.20%		-2.61%

Monthly Performance Review

The ASX200 ('XJO') rose 4.4% in July due to a 7% rally in the unloved resource sector. It is not surprising that this coincided with a similar gain in the Shanghai Composite Index on the back of strong economic numbers in China.

The NZ equity market gained 0.5%, and though well below Australia, was well ahead of Europe and the US, which both fell -1.5%.

King Tide rose 3.3% in July and is now up 15% over the last twelve months. This compares favourably to our blended benchmark.

The reversal in the resources sector in July, and a strong bounce is some underperforming businesses made it a difficult month for active value based managers.

Still, three of our managers beat the market, while one, Watermark Absolute Return Fund, had their worst ever month, falling 4.4%. This fund runs a market neutral strategy, and as sometimes occurs, were caught by the market rotation.

Funds to stand out in July were Regal Australia Long Short and Regal Atlantic, which rose 5.5% and 11.2% respectively. The activity in the market suits Regal's active, opportunistic approach, and they continue to benefit from their astute stock selection both on the long and short side.

July was an active month for the Fund itself, and we made a number of changes. One of our key considerations was the Fund's weighting to higher volatility strategies and/or those with highly concentrated positions in small illiquid stocks.

The investment committee, made up of Rob Campbell, Alistair Sutherland and myself, decided to reduce exposure to both PIE funds, Australian Growth and Emerging Companies. These funds have had a phenomenal run, particularly emerging companies, which has risen 75% since its inception in April 2013. Australian growth has been an excellent performer for King Tide, rising 77% versus our benchmark's 19%.

We also trimmed both Regal funds. The Regal Atlantic Fund is the best performing fund in absolute terms, on our database, with an annualised 41% p.a. over ten years. However, it comes with commensurate volatility, so we reduced the weighting back to our original investment.

The proceeds of these redemptions are being used to add to some of our existing managers, and introduce two new funds, one a well established small company specialist, and the other a relatively new fund specialising in resources and industrials.

We added to LHC, Auscap and Watermark.

With the addition of two new managers, the portfolio now has fifteen underlying funds, the maximum allowed. One of our managers has a listed and an unlisted fund we invest in, so we do have flexibility to add another manager if we exit one of these.

The bar chart on page two shows our manager weightings. Velocity is our smallest weighting and we are expecting this fund to be wound up. The next two smallest positions are the same fund, one listed and one unlisted as per the above paragraph, and the next two smallest positions are the PIE funds, where there is some cross-over of holdings and we treat these as very similar exposures.

The Fund's largest weightings are in underlying managers which could be considered generalist, covering all market sectors with a bias towards larger, more liquid stocks. These managers generally run forty or more positions and generally run net exposure between 40% and 80%.

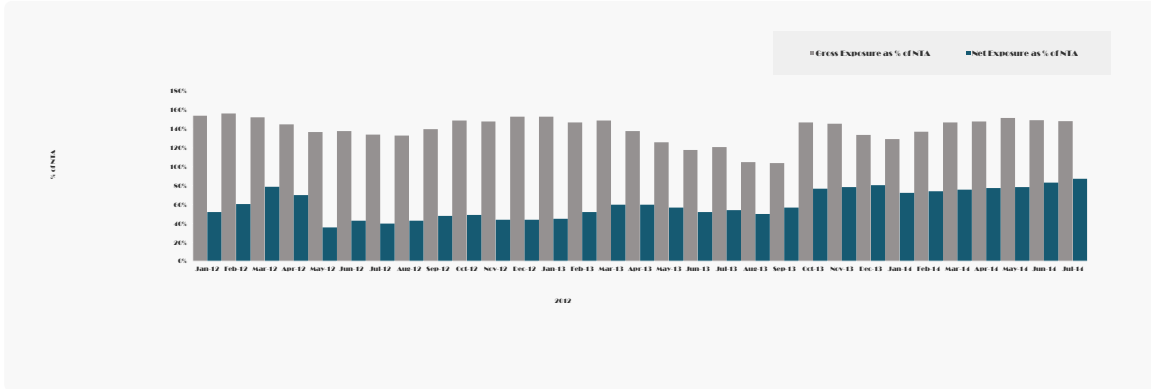
At the moment, our managers are running higher net exposure than their long run average, reflecting a reasonable level of confidence in the prospects of their positions. The current reporting period, where Australian companies announce their results to June 30 (the financial year end in Australia) has had few negative surprises.

However, a common thread running through manager commentary is the relatively high valuations in both the NZ and Australian markets. At a time of higher valuations, the longer term prospects for the broad market must be seen as less appealing. Over the last two years, the ASX is up 40%, and while earnings have grown over this time, they have grown far less than share prices. The higher prices are a result of investors being willing to pay more for each unit of earnings than they were two years ago, in fact about 27% more!

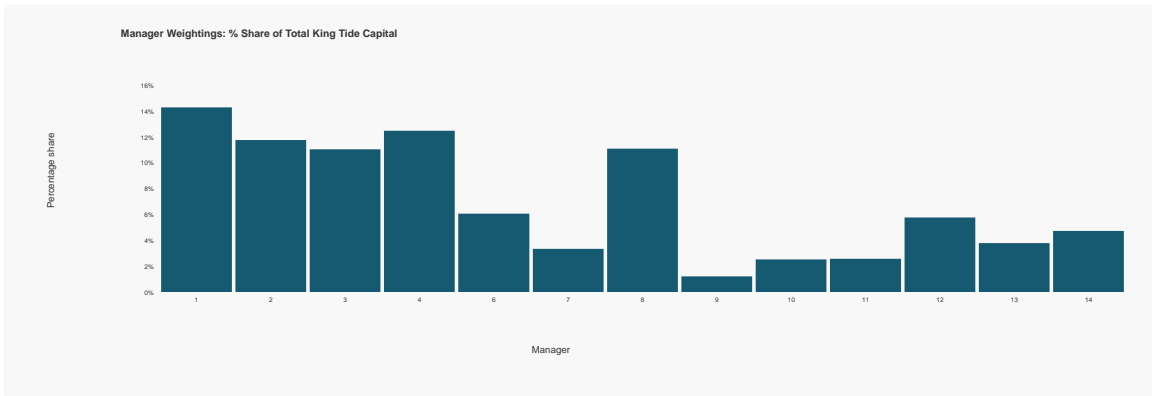
In these market conditions, opportunity exists for rigorous, fundamental, stock picking and managers who can protect their portfolios from market risk.

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%	3.27%						8.06%
King Tide AUD	-0.22%	3.53%	1.29%	-0.34%	0.86%	0.26%	1.71%						7.25%
Blended Benchmark	-2.64%	2.41%	0.43%	2.57%	1.45%	-3.17%	5.45%						6.39%

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.

