

**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\$11.1m		KT NZD	KT AUD	Benchmark
Inception Date	January 1, 2012	1 Month	1.15%	0.32%	5.00%
Min. Investment	NZ\$10,000	3 Month	4.12%	0.81%	1.65%
Unit Price	1.11	6 Month	8.64%	3.67%	5.29%
Annualised Return	3.39%	1 Yr	9.06%	10.50%	1.49%
Benchmark	90% XJO/10% NZX50	2 Yr p.a.	5.58%	11.98%	5.87%
Buy/sell spread	0.25% on application and redemption	Inception p.a.	3.39%	9.06%	6.35%
Liquidity	Monthly with 35 days notice	Annualised SD	7.04%	5.95%	10.99%
Administration fees	0.75% total, incl Trustee, Custodian, Audit	Beta	0.42	0.36	1.00000
Performance fee	10% with high water mark	Largest monthly loss	-3.30%	-3.90%	-5.75%
Administration	Adminis	Sharp Ratio (RFR=RBA cash)	0.35	1.08	0.13
Legal Counsel	Minter Ellison Rudd Watts	Avg Return in Market Positive Mths	1.17%	1.31%	2.55%
Auditor	PWC	Avg Return in Market Negative Mths	-1.18%	-0.38%	-2.80%

**Monthly Performance Review**

As quickly as the Australian market fell in September, it rebounded in October. The ASX200 capital index, which makes up 90% of our benchmark, rose 4.4%, leaving the NZX50 (the other 10%) well behind with its 2.5% gain.

The NZ dollar was weaker against the AUD, by 0.8%, which added to the return of the Australian market.

King Tide rose 1.2% in October, bringing the year to date gain to 12.5% versus our benchmark's 8.1%. The reason we continue to draw attention to the benchmark, is not because we watch it or try to follow it, but because it provides a useful measure of the total return which the share market generates. If we are able to get a higher return, then we are getting a greater share of the gains than other participants, some of whom must be getting less than their share.

It is an interesting concept to get more than ones share, and it is something many believe is impossible. That is why index funds, which simply own the whole share market, are so popular, because they deliver the return of the market, ensuring that investors at least get their fair share! Truth be known, index funds do in fact beat most managers!

To date, King Tide is among those managers who have underperformed the market (our benchmark), but there is a notable difference between why King Tide has underperformed compared to why most equity funds underperform.

The two reasons most equity funds underperform the market are, their mandate, and their fees. Most equity managers have a mandate to deliver returns which do not diverge too far from the market, for example, an Australian equity mandate which invests in the ASX300. Of course if they were able to diverge in a positive way, making a better return than the market, all well and good, but to do that, they would have to construct their portfolios in a way which was significantly different from the market, which then gives rise to the potential to underperform. There is a name for this divergence which results from having a portfolio which is different from the market, and it's called 'tracking error'. The issue is, that most equity mandates don't like tracking error, so managers are forced to run portfolios which do not 'track' too far from the market.

When you have a mandate like this, fees become important because your scope to 'add value' is greatly diminished. Of course so is your scope to detract value, which is the point.

With so little scope to beat the market, fees matter a lot, and most managers do not add sufficient value to offset their fees.

If you look at why King Tide has underperformed to date, it has nothing to do with fees and lack of divergence from the market. A cursory look at the monthly returns table shows that. Even better, we show above a mathematical measure of how much KT moves with respect to the market, and its called our 'beta'. You can see that it's 0.42. A beta of 1.0 would mean that KT moves with the market. A beta of -1.0 means it moves in the opposite direction. A beta of 0.42, means that on average, KT moves about 0.42% for every 1.0% the market moves. Most equity funds have a beta close to 1.0.

So KT is not like most funds, which track markets but never recover their costs. KT's underlying portfolio bears very little resemblance to a 'market' portfolio. It willingly risks periods of underperformance in its objective to outperform. In fact, we believe that you cannot expect outperform without being willing to accept periods of underperformance.

In its first 16 months, KT lagged 20% behind the benchmark. Since that time the KT has risen 12% versus the benchmark's 1%. Over two years, KT is now level pegging, that is, getting its fair share of the returns on offer. We have achieved this with only 64% of the up and down volatility of the market. This gives rise to our 'sharp' ratio, which is now at 0.35 versus the markets 0.13. Sharp ratios measure each unit of return compared to the volatility of return. A higher sharp ratio is considered better, because it shows greater reward per unit of volatility.

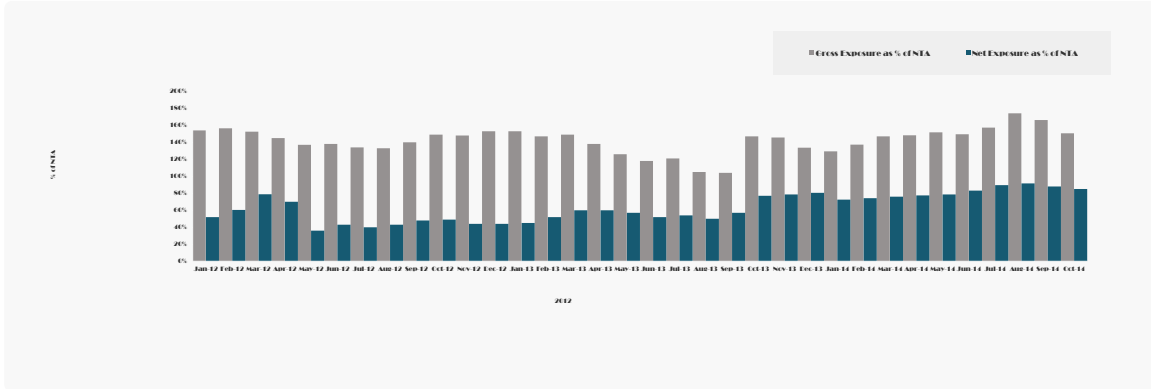
These are measures which we look at when researching other managers, and this work is ongoing. We have met with a number of management teams in the last month and there are some good quality new funds being offered in the NZ market.

In October, we added to LHC, Wavestone and Smallco. We reduced exposure to Kardinia and Aspiring, which had been our largest weightings. This is no reflection on these two managers, simply a reflection on the increasing comfort we have with a number of other quality funds we are invested in.

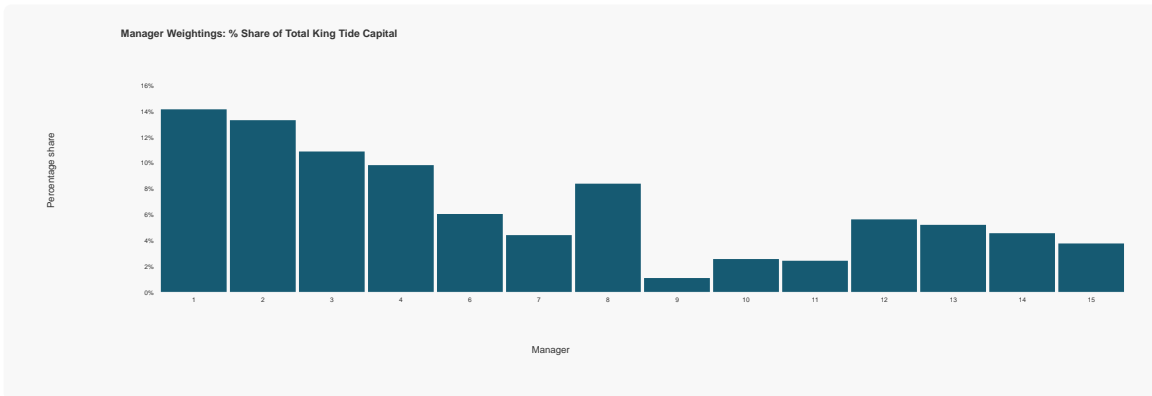
A final point about KT: when measured in AUDs (our risk currency), when the market has been down in a month, KT has fallen less than one eighth of the average market fall. That will become more important when markets stop going up.

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%	4.00%	-1.02%	1.15%			12.51%
King Tide AUD	-0.22%	3.53%	1.29%	-0.34%	0.86%	0.26%	1.71%	1.79%	-1.29%	0.32%			8.11%
Blended Benchmark	-2.64%	2.41%	0.43%	2.57%	1.45%	-3.17%	5.45%	1.94%	-5.04%	5.00%			8.14%

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.