

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\$10.7m		KT NZD	KT AUD	Benchmark
Inception Date	January 1, 2012	1 Month	-1.10%	2.37%	-1.18%
Min. Investment	NZ\$10,000	3 Month	-2.95%	3.74%	-3.33%
Unit Price	1.06	6 Month	3.16%	6.02%	-1.33%
Annualised Return	1.83%	1 Yr	7.95%	11.79%	-0.45%
Benchmark	90% XJO/10% NZX50	2 Yr p.a.	2.50%	12.32%	1.82%
Buy/sell spread	0.25% on application and redemption	Inception p.a.	1.83%	9.59%	3.69%
Liquidity	Monthly with 35 days notice	Annualised SD	7.13%	5.86%	11.65%
Administration fees	0.75% total, incl Trustee, Custodian, Audit	Beta	0.43	0.34	1.00
Performance fee	10% with high water mark	Largest monthly loss	-3.30%	-3.90%	-6.84%
Administration	Adminis	Sharp Ratio (RFR=RBA cash)	-0.09	1.21	0.10
Legal Counsel	Minter Ellison Rudd Watts	Avg Return in Market Positive Mths	1.17%	1.35%	2.55%
Auditor	PWC	Avg Return in Market Negative Mths	-1.30%	-0.27%	-2.96%

Monthly Performance Review

King Tide reached the three year mark on December 31, 2014. In those three years, we have achieved some of our primary objectives, despite much lower NZD returns than we had hoped for, and indeed much lower returns than we expect to generate in the future.

In December, King Tide fell -1.1% which was roughly in line with the market as defined by our benchmark. The benchmark return in NZDs hides the underlying strong December rally in both NZ and Australian equity markets. The NZX50 rose 2.7% and ASX200 gained 1.8%, but a very strong move higher by the NZD of +3.9% against the AUD negatively impacted on both the fund and benchmark returns.

In 2014, the NZX50 gained 16.2% while the ASX200 rose just 1.1%, or in NZDs, -2.4%. King Tide's underlying equity exposure is around 90% Australian equities, so we are pleased to report a gain of 8.0% against the benchmark's -0.5%.

Getting back to our primary objectives, first and foremost, we have protected your capital by generating a positive return over a three to five year period. Not only has this been done in an absolute sense, but it has been consistently achieved by strong outperformance when market's fall. This is one of our fundamental beliefs, that outperformance is achieved by limiting losses when markets fall.

Closely tied to this is the monthly variability of returns (volatility), and we have delivered much lower month to month volatility than the benchmark.

One of our primary objectives which has not as yet been achieved is that we will outperform the market by a healthy margin after all costs. While as yet an unproven claim, the last year provides some reason to believe that it is possible. We are now very close to the return of the benchmark since inception. It is true that part of last year's outperformance was as a result of our currency hedging, but this accounts for only 1.7% of the 8.4% outperformance.

At year end, King Tide had fourteen underlying managers, with one more being added in January (Perpetual Pure Equity Alpha Fund). In December, we exited the last of the listed version of Watermark's market neutral strategy, and added to the same unlisted fund.

In December, few managers beat the market. The volatility of the index was unusual. By December 16th, the ASX200 was

down -3.0% before rallying 6.2% then selling off again, falling -1.1% into month end.

Australian based manager returns ranged between -1.3% to +3.1%. Best results came from LHC (+3.1%), Wavestone (+2.0%), and Kardinia (+1.5%). The worst performer (-1.3%) was Regal Atlantic which had gone into the month aggressively positioned for the traditional year end rally, but was whipsawed by the market's -3.0% sell off which, in their own words, "led to risk reduction at an inopportune time".

NZ based managers all made money with PIE Australian Growth Fund the best of them, gaining 2.8%.

Over the year all but one of our Australian based managers beat the ASX200 index. Of the funds we were invested in for the full year, Atlantic was best with +43.5% and contributed one third of our return. Auscap gained 22.2%, LHC 13.1%, Regal Long/Short 10.4%, Wilson 10.2%, Wavestone 7.4%, and Kardinia 5.8% while Watermark Absolute Return Fund lost -1.6%. All of these returns are in Australian dollars. Managers we added during the year, Monash and Smalco rose 5.4% and 15.9% respectively over the full year.

NZ managers actively hedge currency so their returns have benefited from this and we report them in NZDs. PIE, which manages two of our underlying funds, Australian Growth and Emerging Companies, had another very good year, returning 12.3% and 17.7% respectively. Both of these funds are mostly invested in Australian companies and PIE have a mandatory minimum 50% currency hedge in place.

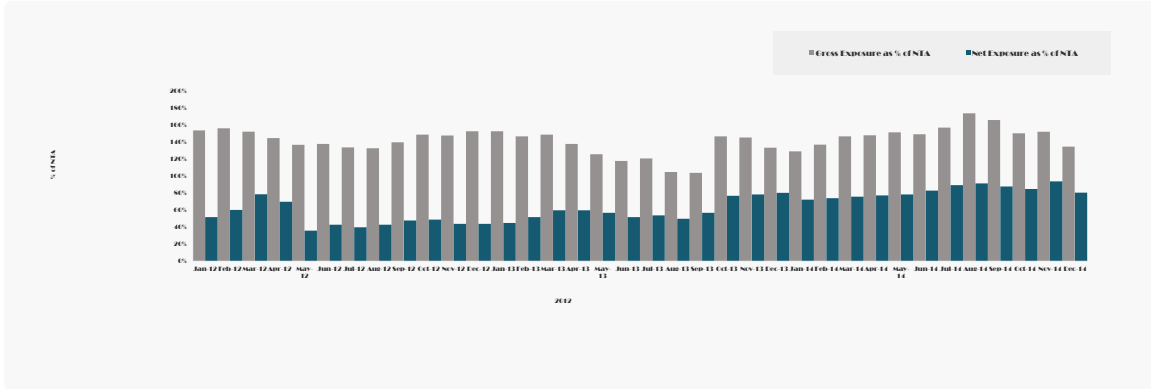
Aspiring was up 11.9% for the year which was credible given it has been unhedged on its Australian positions in the last quarter. Like us, they struggle to see how the NZ dollar can remain so elevated when dairy prices are so weak. The answer may lie in the relative story, with Australia also experiencing much weaker commodity prices, as well as rising unemployment and falling consumer sentiment.

A common theme among managers is the "yield at any price" being adopted by investors. Wavestone comments that this overreach for yield is causing a lack of discrimination. Aspiring also makes reference to the NZ listed property sector as an example of assets trading at premiums.

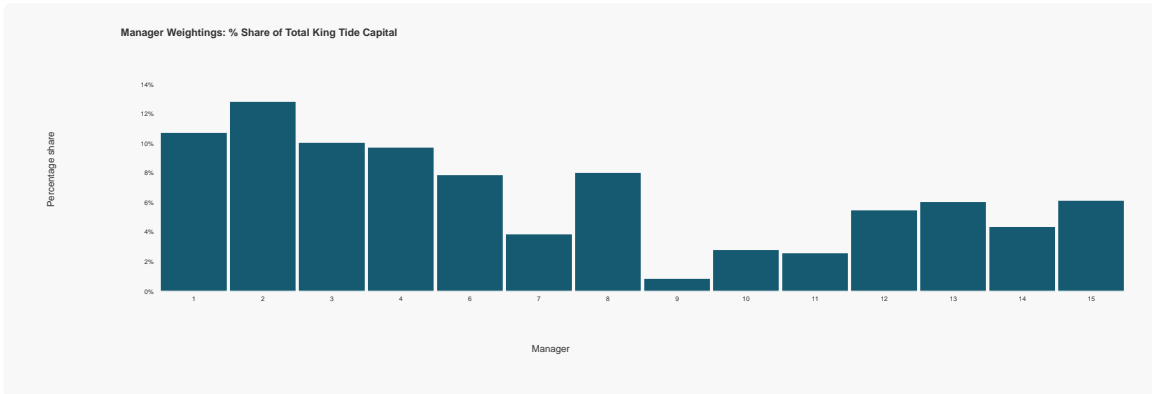
One thing is clear, we are still living through an unprecedented period of adjustment and caution remains the order of the day.

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%	-2.99%	-1.10%	7.95%
King Tide AUD	-0.22%	3.53%	1.29%	-0.34%	0.86%	0.26%	1.71%	1.79%	-1.29%	0.32%	1.01%	2.37%	11.79%
Blended Benchmark	-2.64%	2.41%	0.43%	2.57%	1.45%	-3.17%	5.45%	1.94%	-5.04%	5.00%	-6.84%	-1.18%	-0.45%

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.