

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 lower 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 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 appealing to NZ and offshore investors alike.

Fund size	NZ\$20.6m		KT NZD	Benchmark
Inception Date	January 1, 2012	1 Month	-2.32%	-4.36%
Unit Price	1.34499	6 Month	-4.62%	0.36%
Since Inception p.a.	5.9%	1 Yr	10.03%	-4.00%
Benchmark	90% All Ords Accum/10% NZX50	2 Yr p.a.	12.50%	3.61%
Application	Monthly	3 Yr p.a	11.72%	4.99%
Liquidity	Monthly with 35 days notice	Annualised SD	7.58%	11.33%
Administration fees	0.75% total, incl Trustee, Custodian, Audit	Beta	0.46	1.00
Performance fee	10% with high water mark	Largest monthly loss	-3.82%	-6.26%
Administration	Adminis	Sharp Ratio (RFR=RBA cash)	0.52	0.39
Legal Counsel	Minter Ellison Rudd Watts	Avge Return in Market Positive Mths	1.55%	2.55%
Auditor	PWC	Avge Return in Market Negative Mths	-1.42%	-3.08%

Monthly Performance Review

June was a typical month for the Fund. Our benchmark fell -4.36% and the Fund fell -2.32%. While we don't like negative months, we accept they will occur, given we do not target 'absolute returns' but superior 'risk adjusted' returns.

The key to achieving better returns over the long term is to limit losses when the market is down. We continue to deliver on this objective, and this shows through in our three year return of 39.4% versus our benchmark's 15.7%.

In June, the big 'risk off' event was Brexit, which was a surprise, and markets' initial reaction was to sell off. However, those losses were short lived, and by month end share markets around the world had begun to move higher.

Both the NZ and Australian share markets sold off through June, and ironically, it was the 'risk off' event, the vote for Britain to leave the EU, which kicked both markets back into life. The All Ords rallied 2.8% in the last two days of June and the NZX50 rose 3.4% into month end.

Underlying manager performance was solid in June. Measured in AUDs, our Australian based managers averaged -1.1% versus the All Ords -2.3%. Manager returns ranged between 2.6% and -5.1%. Eight of twelve managers beat the market. Over the past twelve months, the mean return of our Australian based funds is 12.5% versus the market's 2.1%.

Our NZ based funds are the PIE Australasian Growth Fund, the PIE Australasian Emerging Companies Fund, and the Aspiring Fund. PIE's funds continue to generate outstanding returns, and both were positive in June compared to a fall of -1.2% for the S&P/ASX Small Ords. While this index is not a perfect comparison given PIE hedges currency and does invest in NZ companies, it is a useful guide to underlying market conditions.

We don't often write about PIE, but they are one of only five of our current portfolio of managers that we invested in on day one. We invested in the Growth Fund and became seed investors in the Emerging Companies Fund which PIE launched in March 2013. The performance of both funds has been remarkable, with both compounding at greater than 20% p.a. While only a small weighting in our Fund, they have made a significant contribution to our returns. Both funds are closed to new money so will become a smaller weighting for us as our own Fund grows.

Our other NZ based manager, Aspiring, fell -3.2% in June which was in line with a 50/50 NZ/Australian Index. Aspiring was another original in our fund and it has delivered solid returns over that time, gaining 72% versus a return of 63% for a 50/50 index.

The backdrop for equities remains supportive based simply on the very low, and going lower, interest rates. The high yields available from particularly NZ and Australian equities continues to underpin support for these markets.

On valuations based on earnings, equity markets are expensive, but on valuations relative to interest rates (the risk free rate), they look cheap. The problem is the risk free rate is so low it has almost become meaningless. Other risks are building.

One of those risks is the increase in foreign ownership of NZ equities. Forsyth Barr Research estimates that foreign ownership of the NZ market free float is approaching 50%, up from less than 30% in 2012. The dollar value of offshore investors' holdings is now around \$36bn.

To give this some context, the entire weighting of Kiwisaver dollars in NZ equities is estimated by Morningstar to be around \$3.4bn. It is not difficult to understand the added risk this poses to investors exposed to the NZ equity market.

An investment in King Tide provides a sensible portfolio option for investors seeking to manage risk but also achieve above average returns. Traditional portfolio construction depends on diversity across asset classes which are uncorrelated. Equities and bonds for example, often move in opposite directions, given the 'flight to safety' which usually occurs when equity markets fall. Demand for bonds increases and investors will accept a lower yield, pushing up prices.

The problem with this traditional approach right now is that interest rates and inflation expectations are so low that bonds are becoming increasingly expensive. It is not inconceivable that a rise in interest rates could lead to negative returns for bonds and equities at the same time. Within the King Tide portfolio we have funds which are negatively correlated to down markets, playing the traditional role of bonds, but without the interest rate risk.

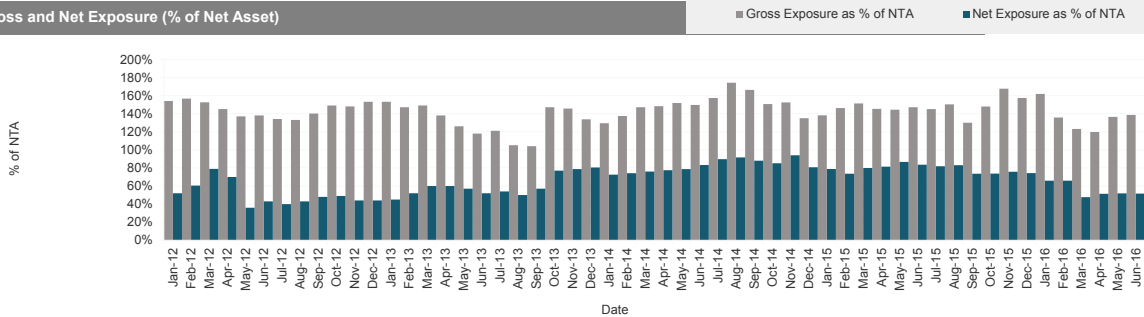


King Tide - Fund Performance vs. Benchmark (Net of Fees)

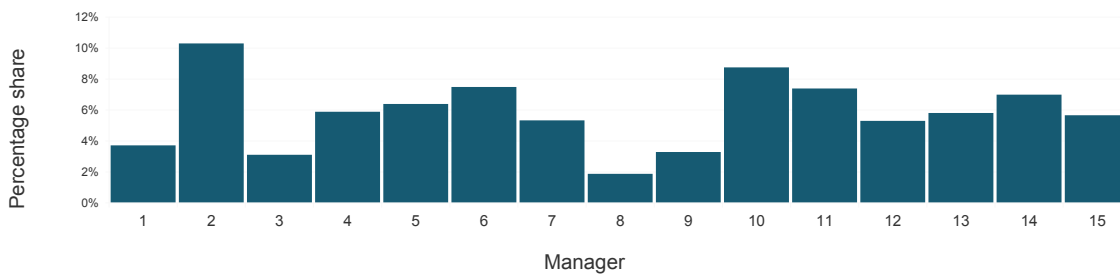
2016	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
King Tide NZD	-1.73%	-3.82%	1.54%	-1.04%	2.80%	-2.32%							-4.64%
Blended Benchmark*	-3.05%	-1.96%	7.31%	1.48%	1.36%	-4.36%							0.36%
2015	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
King Tide NZD	2.99%	3.40%	0.60%	0.82%	3.25%	0.00%	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.

