

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 among 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\$22.3m		KT NZD	Benchmark
Inception Date	January 1, 2012	1 Month	2.20%	4.96%
Unit Price	1.319403	6 Month	-5.05%	11.19%
Since Inception p.a.	4.78%	1 Yr	-1.91%	16.26%
Benchmark	90% All Ords Accum/10% NZX50	2 Yr p.a.	6.33%	8.74%
Application	Monthly	3 Yr p.a	8.27%	8.67%
Liquidity	Monthly with 35 days notice	Annualised SD	7.77%	11.38%
Administration fees	0.75% total, incl Trustee, Custodian, Audit	Beta	0.46	1.00
Performance fee	10% with high water mark	Largest monthly loss	-4.16%	-6.26%
Administration	Adminis	Sharp Ratio 3 yr (RFR=RBNZ cash)	0.64	0.46
Legal Counsel	Minter Ellison Rudd Watts	Avg Return in Market Positive Mths	1.42%	2.72%
Auditor	PWC	Avg Return in Market Negative Mths	-1.45%	-2.88%

Monthly Performance Review

King Tide was +2.20% for the month against a return of +4.96% for our benchmark. Broken down, the benchmark return consisted of a +3.16% gain for the Australian All Ordinaries (which increases to 5.47% in local currency terms due to a -2.19% fall in the New Zealand dollar) and a +0.41% gain for the NZX 50. Across the Australian market most sectors were up for the month with materials (exposed to falling bulk and industrial commodities prices) being one of the notable exceptions.

King Tide returned +2.43% for the quarter, however the fund fell -1.91% over the 12 months to 31/03/17. Over the same period our benchmark is +16.3% with the All Ords +19.5% (+17.3% in NZD terms) and the NZX 50 +6.6%.

Global stocks were generally positive during the month having rallied strongly since early last year. The market continues to be focused on US monetary policy, where the Federal Reserve's rhetoric remains dovish despite raising rates by 25 bps during the month. Inflation expectations remain relatively benign; however, it remains to be seen whether the Trump administration can get its more ambitious bills through congress.

Amongst our managers, Smallco was the best performer for the month with a return of +4.08%, while Regal Atlantic's struggles continued, falling -2.30%. Just to highlight how difficult this market has been, 84% of the funds in our database have underperformed the All Ordinaries over the last 12 months. However this falls to only 40% over 2 years.

During March we travelled to Sydney and Melbourne where we met most of our existing managers as well as a few new funds that have appeared on our radar. Some of the key takeaways are as follows:

It has been a particularly difficult (some say strange) period for long/short managers, quality businesses have sold off while poor businesses rallied. It bears repeating that almost all managers go through often extended periods during which they underperform the market. It is only over the long term that you can accurately gauge a manager's skill, in fact, monthly/quarterly performance data contains no signal. It is almost all noise.

Despite the constant scaremongering coming from the financial press, markets have been characterised by low levels of volatility in recent times, although the exact cause remains an open debate, but central bank interventions, financialisation of the economy, technological innovation and the rise of ETF's have variously been posited as the root cause. Whatever the reason, markets have used it as an excuse to push steadily higher.

Although some commentators have suggested low volatility is a sign of market complacency, on the face of it, this doesn't appear to tally with the high levels of uncertainty. A more compelling explanation is low volatility reflects a high level of disagreement between market participants, with equal numbers of buyers and sellers resulting in relatively stable prices.

Perversely this appears to have reduced the opportunity set for market neutral strategies, which tend to perform better when there is greater dispersion between stock returns. When all stocks move together it doesn't matter whether you own the highest or lowest quality stocks. It is only in the fullness of time that stock prices can be expected to converge on a company's intrinsic value and good and bad companies can be differentiated.

Several managers mentioned that they believe the rotation out of small cap stocks has further to run as large cap managers see improved opportunities in blue chip stocks. This has coincided with a number of large redemptions from small cap managers, notably by Australia's Public sector and Industry super funds, where the trend to take investment management in-house continues to gather pace. Together these funds comprise about 1/3rd of Australia's superannuation industry.

The most important takeout from our meetings was that in difficult times managers need to stick with their investment process more than ever. A weakness of human nature is a tendency to judge a past decision by its ultimate outcome rather than based on the quality of the decision at the time it was made, an error known as outcome bias. It is only through having a process and sticking to it that investors can avoid attributing skill to good outcomes and bad luck to bad outcomes. If the process is a good one, ultimately the outcomes will take care of themselves.

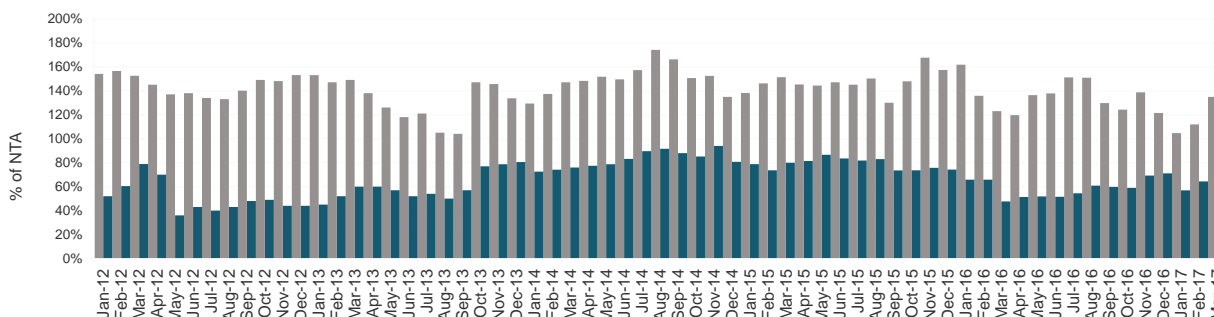
King Tide - Fund Performance vs. Benchmark (Net of Fees)

	2017	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
King Tide NZD		-0.58%	0.81%	2.20%										2.43%
Blended Benchmark*		-0.55%	4.41%	4.96%										8.99%
	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%	4.29%	-2.10%	1.83%	-2.31%	-4.16%	-1.00%	-8.10%
Blended Benchmark*		-3.05%	-1.96%	7.31%	1.48%	1.36%	-4.36%	7.25%	-2.64%	1.79%	-1.60%	0.28%	3.39%	8.81%
	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%

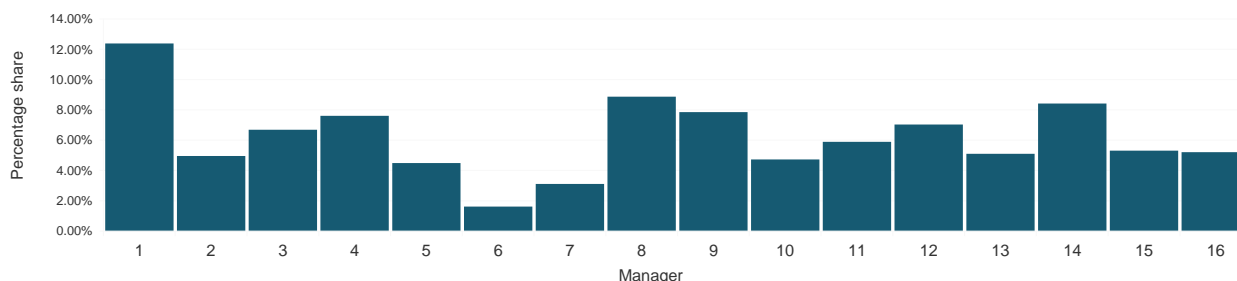
*90% All Ordinaries Accum/10% NZX50

Gross and Net Exposure (% of Net Asset)

■ Gross Exposure as % of NTA ■ Net Exposure as % of NTA



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.