

## 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\$22.1m		KT NZD	Benchmark
Inception Date	January 1, 2012	1 Month	-1.01%	1.14%
Unit Price	1.305978	6 Month	-3.79%	14.30%
Since Inception p.a.	4.51%	1 Yr	-1.88%	15.88%
Benchmark	90% All Ords Accum/10% NZX50	2 Yr p.a.	5.35%	9.17%
Application	Monthly	3 Yr p.a	7.71%	8.31%
Liquidity	Monthly with 35 days notice	Annualised SD	7.74%	11.29%
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)	0.57	0.44
Legal Counsel	Minter Ellison Rudd Watts	Avg Return in Market Positive Mths	1.36%	2.68%
Auditor	PWC	Avg Return in Market Negative Mths	-1.45%	-2.88%

## Monthly Performance Review

King Tide ended another difficult month down -1.02% versus a gain of +1.14% for our benchmark.

Locally the NZX 50 rose +2.53% while the Australian All Ordinaries returned a more modest +0.78% as investors shrugged off the latest round of global macro threats that included the French election, North Korean missile launches and signs of weakness in the US economy just to name a few.

Meanwhile currency movement provided a slight tailwind with the NZD falling -0.21% against the Aussie. As of month end, 86% of the funds assets were denominated in AUD, with approximately 60% of this exposure covered by currency hedges.

Wavestone and Watermark were our two best managers in April returning +1.71% and +1.13% respectively, however, these gains were offset by Atlantic, which once again, found the going tough, falling -8.05%, hurt by a couple of long materials positions, and their short book also detracted from performance.

Looking back over the past year the All Ordinaries returned +16.6%, almost double its average for the past 20 years (+8.8% p.a.).

Only 8 of the more than 80 funds that we track beat the index. Of these 8 funds, 7 have a track record of more than 5 years, and between them, have an average down capture of 0.96.

In simple terms when the market has fallen these funds have fallen almost as much, giving practically no downside protection. Suffice to say this is not a trait we actively look for when we are selecting managers.

Interestingly the 8th fund that beat the index in the last year was L1, which has a phenomenal down capture of -0.69, although it should be noted this fund has been going less 32 months. L1 is currently up +11.2% since we began investing in November last year.

This month one of our core holdings, Auscap, released an interesting piece titled "Understanding Intrinsic Value". Auscap describe themselves as "value" managers who's aim is to "purchase shares in businesses when they trade at prices that are below our estimate of intrinsic value." This is a path well-trodden by many of the legends of the investment industry including Warren Buffett, Benjamin Graham and Howard Marks just to name a few.

Intrinsic value in its simplest form is what a business is objectively worth. Although the valuation methods employed by value investors vary widely they typically boil down to a measure of the present value of all expected future net cash flows, often calculated using discounted cash flow (DCF) models.

The objective for value investors therefore is to purchase shares at a deep enough discount to intrinsic value in order to provide them with a satisfactory margin of safety.

Calculating intrinsic value is an inexact science as it necessitates making assumptions about the future. Indeed, some industries are more conducive to eliciting a valuation than others, gold miners for example are notoriously difficult to value as assumptions needs to be made for inputs such as future gold prices and potential discoveries to name just two.

Just as prices can vary wildly from their intrinsic value, often at the whims of investor sentiment, intrinsic value isn't a precise value and needs to be constantly updated as new information comes to hand.

Value managers and particularly "deep value" managers are more often associated with long only strategies, as their ability to buy shares with a large margin of safety should limit losses, however long/short managers such as Auscap can take this concept a step further by selling (shorting) the shares of businesses they assess as trading above their assessment of intrinsic value.

Over the last six months, we have added three new funds, L1, Level 18 and Sandon. L1 runs a very diversified portfolio of long and short positions and focuses mostly on mid to large companies. Level 18, is run by a team of three, one of whom, Matt Kidman was CIO at Wilson for 13 years. They focus more on small companies and have a value focus. Sandon is an activist manager, with ties to NZ's Sir Ron Brierley. Sandon is still relatively small but are building a very good track record in applying their opportunistic style. We are in their unlisted wholesale fund.

We continue to focus our efforts on research of Australasian funds and monitoring of our manager selections. Despite the poor recent results our core managers remain true to their investment process and the principles which have led to their longer term track records. We have allowed weightings to slip in a couple of our positions as we consider their place in the Fund. It is notable, that even after this period, we are still tracking roughly in line with our benchmark over the last three years.

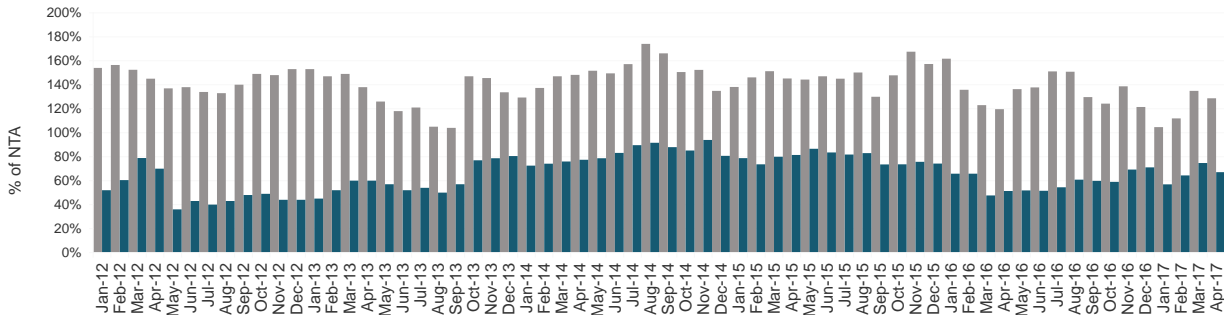
King Tide - Fund Performance vs. Benchmark (Net of Fees)

2017	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
King Tide NZD	-0.58%	0.81%	2.20%	-1.02%									1.39%
Blended Benchmark*	-0.55%	4.41%	4.96%	1.14%									10.24%
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%

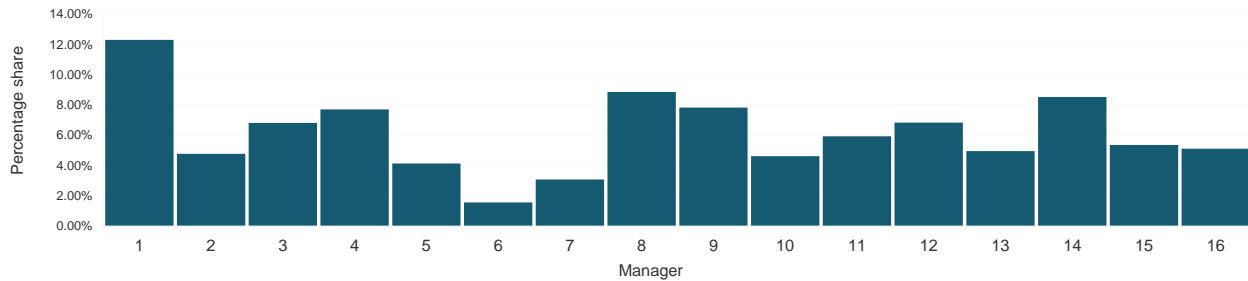
\*90% All Ordinaries Accum/10% NZX50

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.