

Market and Fund Review

King Tide rose for the fifth month in a row, bringing year to date gains to 12.35%. This is a welcome turnaround and lifted all of our investors to new highs. Markets rose in both Australia and NZ, with gains of 4.1% and 2.7% respectively. The NZ dollar weakened, increasing the total return of the Australian market for a NZ investor by 3.0%. We picked up about half of this currency gain.

Looking at our returns over the period since we began to actively hedge currency in September 2013, King Tide has risen 46.6% (9.6% p.a.) versus our benchmark's 39.7% (8.4% p.a.). This outperformance has been achieved with volatility of 8.0% versus the benchmark's 12.2%. The Fund's beta has been less than 0.5 resulting in annualised alpha of 4.3% p.a. This aligns with our objective to outperform the market with lower volatility or 'less variance' of returns. A rational investor will always select the return stream which has lower variance. To have a return stream with lower variance and a higher absolute return is the holy grail of investing.

The average manager return in October was 3.4%. This counts the return of 8EC, our only LIC (Listed Investment Company) as the return of its share price, which fell 1.5%. The underlying fund actually rose 5.9%. As is often the case with LICs, there is a disconnect month on month between the performance of the underlying portfolio and the share price. Over time, the two will tend to come together, with the difference being a change in the discount or premium at which they trade. We have at times traded this volatility to our advantage but it is not a core part of our strategy.

At month end we were invested in fourteen funds. Returns in October ranged between 0.2% and 10%. Four managers, representing 29% of the Fund, beat the market. Atlantic and Auscap rose 10% and 7% respectively. Both of these were particularly pleasing given a prolonged period of underperformance. Auscap has in the last three months regained and passed the levels it had attained in December 2015, while Atlantic continued its recovery from a 53% draw down between January 2016 and May 2017, gaining 43% over the last 6 months. We increased our position in Atlantic in February and June of this year.

Other managers to deliver solid results in October were Monash, Smallco, Tasman, PIE Emerging Companies, EGP, L1 and Wavestone.

The temptation to focus on short term performance is of course ever present when investing in a portfolio of funds. The reason many fund managers adopt strategies which closely track market indices is to avoid any meaningful divergence from the markets' performance. If the market is down, investors will generally tolerate a manager being down.

However, this approach, while it will never seriously underperform the market, will not seriously outperform, neither in quantum nor in terms of volatility. The only way to significantly outperform the market, is to accept periods of underperformance as the norm.

Aside from performance, one of the challenges we have as a selector of managers is to take into account the many qualitative variables which we consider to be important to a fund's potential return. The most important factor is the 'manager', the key person or people who run the money, but this is not the only thing we consider. We also look at fund size, and the larger a fund becomes, generally speaking, the more difficult it is going to be to make money. A very good manager may reach a point where their ability to add value is seriously diminished by the size of their fund.

Other important factors are changes in personnel, changes in strategy or 'investment universe', and 'negative surprises' which we cannot align with our expectations of the funds' strategy.

In October we took the difficult decision to redeem from a couple of funds we rate highly in terms of 'the manager'. One was due to size, and the other due to a change in the underlying focus of the business from Australia to global.

We are adding a new fund in November, which is a new launch, with a bias towards Australian large cap stocks, but with a 30% allocation to small/mid, and the ability to short sell as well as run high cash levels. The underlying philosophy of capital preservation aligns with our own, as well as the manager having skin in the game.

NZD \$10,000 Invested at Inception



Performance Metrics (%)	KT NZD	Benchmark *
1-Month	4.47%	6.64%
3-Month	9.94%	9.80%
6-Month	10.80%	5.85%
1-Year	6.60%	20.98%
3-Year p.a.	8.42%	7.82%
5-Year p.a.	7.27%	8.52%
Since Inception p.a.	5.96%	9.21%

* 90% All Ords Accum/10% NZX50

Fund Overview

King Tide Asset Management ('King Tide') is a specialist, independent investment management company and the manager of the "King Tide NZ/Australian Long/Short Equity Fund". We research and select managers who employ risk based strategies to extract gains from the divergent sectors in the Australasian equity markets. The King Tide team have more than 100 years experience in capital markets as managers, investors and allocators of capital. We look for great people, an alignment of incentives, and skin in the game. The fund offers access to some of Australasia's best "risk-based" equity managers. King Tide has a simple, transparent, tax effective "PIE" structure, making it appealing to NZ and Offshore investors.

Risk Metrics	KT NZD	Benchmark
1-Yr Standard Deviation	8.23%	11.69%
1-Yr Sharpe Ratio ^	0.57	1.63
3-Yr Standard Deviation	8.35%	12.54%
3-Yr Sharpe Ratio	0.69	0.41
Std Dev (Since inception)	7.76%	11.53%
Sharpe Ratio (Since inception)	0.41	0.56
Tracking Error	8.39%	n/a
Beta	0.45	1.00
Worst Month	-4.16%	-6.26%
Maximum Drawdown	-10.71%	-10.57%
Ave Rtn in Market +ve Months	1.47%	2.74%
Ave Rtn in Market -ve Months	-1.33%	-2.94%
Up Capture	0.54	1.00
Down Capture	0.45	1.00

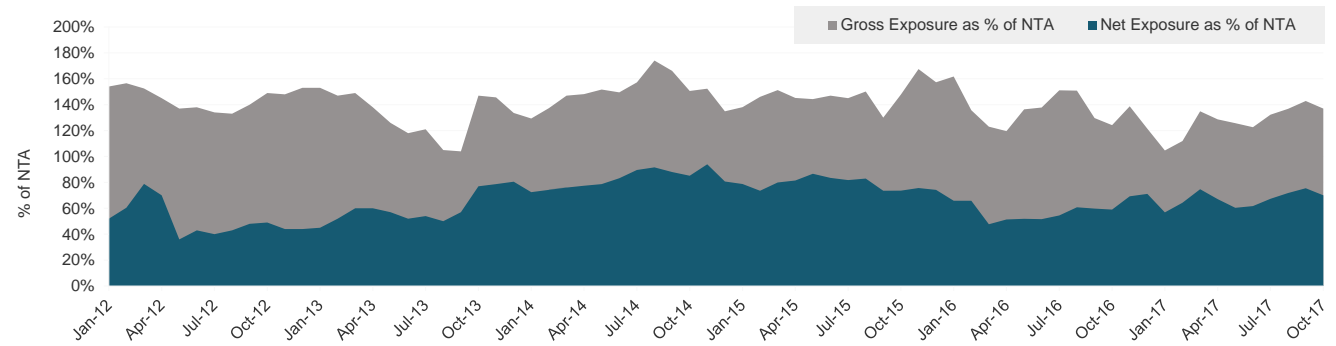
^ RFR = RBNZ 90 day bank bill rate

King Tide - Fund Performance (Net of Fees)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	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%
2013	-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%
2014	-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%
2015	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%
2016	-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%
2017	-0.58%	0.81%	2.20%	-1.02%	-1.60%	0.93%	1.48%	3.50%	1.69%	4.47%			12.35%

Performance results are presented net of all transaction costs, investment management and performance fees incurred by the Fund.

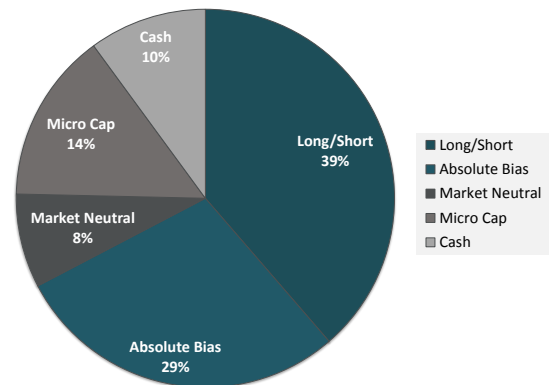
Gross and Net Exposure (% of Net Assets)



Top 10 Funds: (% of Net Assets)

Fund name	Strategy	% of assets
Auscap Long Short Australian Equities Fund	Long/Short	13.37%
L1 Capital Long Short Fund	Long/Short	10.67%
Wilson Asset Management Equity Fund	Absolute Bias	9.17%
Tasman Market Neutral Fund	Market Neutral	8.04%
LHC Capital Australia High Conviction Fund	Long/Short	7.53%
Atlantic Absolute Return Fund	Long/Short	7.08%
The Level 18 Fund	Absolute Bias	6.65%
Smallco Investment Fund	Absolute Bias	6.56%
Sandon Capital Activist Fund	Absolute Bias	6.29%
8IP Emerging Companies Ltd	Micro Cap	4.69%

Strategy Weightings: (% of Net Assets)



Fund Information

Name	King Tide NZ/Australia Long Short Equity Fund
Structure	Wholesale Unit Trust
Domicile / Currency	New Zealand / NZD
Inception	31 December 2011
Management Fee	0.50%
Performance Fee	10.00%
High Watermark	Yes
Minimum Investment	NZD\$10,000
Subscription Frequency	Monthly
Redemption Frequency	Monthly
Buy / Sell Spread	0.30%

Service Providers

Trustee	Guardian Trust
Fund Administrator	Adminis
Fund Custodian	Adminis
Legal Advisor	Minter Ellison Rudd Watts
Fund Auditor	PWC

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Note: King Tide's Information Memorandum is available on request. King Tide's performance is expressed in NZ dollars, and currency fluctuations may significantly impact 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.

