

Market and Fund Review

King Tide was down -1.43% in March and -4.79% for the quarter. This was well ahead of the blended benchmark which fell -4.46% and -6.54% respectively. A good portion of the losses in both periods were currency related. We gave up -1.2% in March and -2.8% in the quarter, net of our currency hedges.

In March, when measured in their local currency, the net average return of our underlying managers was actually slightly positive even though the All Ordinaries Accumulation Index fell -3.6% and the NZ50 Index fell -0.7%. One third of our managers made money and all of them beat the market.

The fact that we actively hedge currency between 0% and 100% does add to monthly volatility. However, since we began to hedge currency in September 2013, profits on hedges have more than offset currency losses. As at March 31, we were less than 15% hedged.

Looking through the quarter, King Tide has returned 9.2% versus the benchmark's 2.5% over the last 12 months. Our two-year numbers lag due to a difficult 2016, but over 3, 4 and 5 years, we have outperformed the benchmark in absolute terms, and with considerably lower volatility.

We expect to lag strong equity markets so are pleased with these results. Having said that, the All Ordinaries, which is 90% of the blended benchmark, has considerably underperformed the NZ market over the last 5 years, returning 7.9% p.a. versus NZ's 13.5% p.a.

This has not always been the case. Looking back over 20 years, the Australian market has outperformed NZ by 1% p.a. (8.3% p.a. vs 7.3% p.a.) with very similar volatility. This outperformance all occurred pre-2011. We launched KT at the end of 2011, and since then it has been all NZ, with a total gain of 154% (16.1% p.a.) versus Australia's 87% (10.6% p.a.)

Like many indices, the Australian all ords is dominated by a relatively small number of very large companies and doesn't always reflect the performance of the broader market. Over the past 5 years, the ASX top 50 index has gained 39%, which is close to the total All Ords index return of 46%. However, the return of the next 50 companies, that is 51 to 100 or Mid-Cap 50, has been 91%! The top 50 comprise 70% of the All Ords Index.

In NZ it is similar in terms of the dominance of the largest businesses, even more so, but we are a much smaller market and some of our largest businesses have been among the best performing companies over this period, like Auckland Airport, F&P Healthcare, Ryman and Z Energy, not to mention the newly crowned largest listed company in the NZX50, A2 Milk.

The quarter saw a lift in market volatility, driven mainly by the steady rise in US interest rates. Other factors are geo-political tension from Syria and the potential for global trade restrictions. All of these contribute in part to the increased nervousness of investors.

The Australian market was more heavily impacted by the potential trade restrictions given their close relationship to China and particularly the noise around steel. However, the overall global growth picture remains positive and the commodity cycle appears to be in its early stages. This augers well for Australian miners. On top of that you have an Australian government committed to massive infrastructure spending, another positive for resource companies.

The outlook for NZ is also strong, although we wonder whether the foreign ownership rules may have a negative impact, along with tighter immigration. The latter will need to be carefully managed if we are to undertake the housing build and infrastructure projects being put forward by government.

As you know, we look for great managers and spend very little time trying to analyse macro data. We're with Yogi Berra when he said "predictions are difficult, especially when they're about the future".

What we can tell you is that we are finding new opportunities to improve our portfolio, by adding and subtracting. In April we have begun to invest in a new launch by the old Macquarie listed equities team. Last year a group of ten or so quit Macquaries with the view of starting their own boutique, where they will have full ownership and a larger share of the profits. The team, led by Patrick Hodgins, Blake Hendricks and James Miller have many years of experience and an outstanding track record in Australian equities. We are delighted to have the opportunity to be early stage investors in their new fund.

We are also adding another manager with limited capacity. To fund these new investments, we have trimmed a couple of positions and fully redeemed another.

NZD \$10,000 Invested at Inception



| Performance Metrics (%) | KT NZD | Benchmark * |
|-------------------------|--------|-------------|
| 1-Month | -1.43% | -4.46% |
| 3-Month | -4.79% | -6.54% |
| 6-Month | 4.06% | 2.07% |
| 1-Year | 9.24% | 2.46% |
| 3-Year p.a. | 7.29% | 6.61% |
| 5-Year p.a. | 6.78% | 5.42% |
| Since Inception p.a. | 5.48% | 7.81% |

* 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 |
|--------------------------------------|---------|-----------|
| 3-Yr Standard Deviation | 8.28% | 11.88% |
| 3-Yr Sharpe Ratio | 0.58 | 0.35 |
| Standard Deviation (Since inception) | 7.76% | 11.38% |
| Sharpe Ratio (Since inception) | 0.35 | 0.45 |
| Ave Rtn in Market Positive Months | 1.50% | 2.67% |
| Ave Rtn in Market Negative Months | -1.36% | -2.86% |
| Up Capture | 0.56 | 1.00 |
| Down Capture | 0.48 | 1.00 |
| Annualised Tracking Error | 8.27% | n/a |
| Beta | 0.47 | 1.00 |
| Maximum Drawdown | -10.71% | -10.57% |
| Annualised Alpha | 0.38% | n/a |
| Worst Month | -4.16% | -6.26% |
| Best Month | 5.07% | 7.31% |

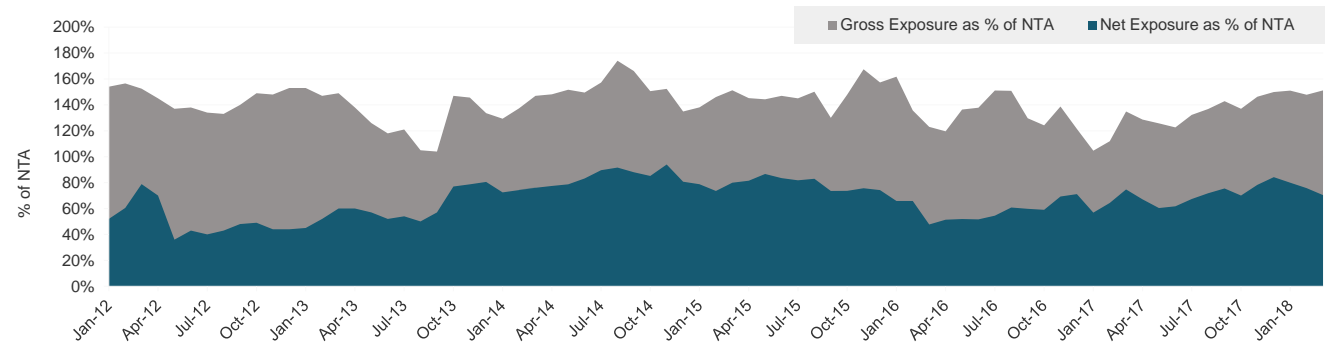
^ RFR = RBNZ 90 day bank bill rate

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% | 1.93% | 2.63% | 17.54% |
| 2018 | -0.17% | -3.25% | -1.43% | | | | | | | | | | -4.79% |

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

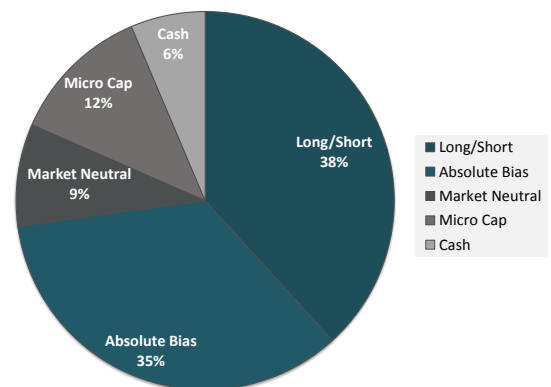
Gross and Net Exposure (% of Net Assets)



Top 10 Funds: (% of Net Assets)

| Fund name | Strategy | % of assets |
|--|----------------|-------------|
| Auscap Long Short Australian Equities Fund | Long/Short | 12.15% |
| L1 Capital Long Short Fund | Long/Short | 10.32% |
| Atlantic Absolute Return Fund | Long/Short | 8.81% |
| Tasman Market Neutral Fund | Market Neutral | 8.76% |
| Sandon Capital Activist Fund | Absolute Bias | 7.45% |
| Milford Australian Absolute Growth Fund | Absolute Bias | 7.37% |
| LHC Capital Australia High Conviction Fund | Long/Short | 6.97% |
| Wilson Asset Management Equity Fund | Absolute Bias | 6.87% |
| Smallco Investment Fund | Absolute Bias | 6.54% |
| The Level 18 Fund | Absolute Bias | 6.35% |

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 | 0.25% |

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.

