

Market and Fund Review

King Tide rose 1.6% in April, the fund's best month so far this year but we lagged behind our benchmark which was up 4.1%. Year to date KT is down -3.3% versus -2.7% for our benchmark.

The strong benchmark performance was driven by a 3.5% rise in the Australian All Ords, a 1.5% rise in the NZX 50, and a 0.9% increase in the AUD.

The recovery in the Australian market came despite continued weakness in the financial sector as the Australian Royal Commission into misconduct in the financial services industry has revealed a litany of scandals, resulting in a 20% fall for insurance giant AMP, the latest firm in their crosshairs. Indeed, the ASX top 50 was still up +4.1% for the month driven by the mining (+9.1%) and energy (+10.8%) sectors, compared to +2.9% for the ASX Mid-Cap 50, +2.8% for the ASX Small Ordinaries and +0.3% for the ASX Emerging Companies.

It was no surprise then that the best performers across our funds were those with the greatest exposure to large caps and/or resources, such as Auscap, L1, Tasman and Atlantic, while at the micro end of the market EGP and 8EC struggled.

As we touched on last month we have recently added the **Firetrail Absolute Return Fund** to the portfolio.

Firetrail are a boutique investment manager, launched in March 2018 by Patrick Hodgens, Blake Henriks and James Miller who previously headed up Macquarie's Australian listed equities team. They received seed funding from Pinnacle who have a stable of funds as part of their "multi-affiliate" model whereby they provide the distribution and support services that enables fund managers to focus on their primary job of investing.

While at Macquarie the team created one of the best track records in the Australian market with their flagship \$3.4bn High Conviction Fund (long-only), returning more than 5% p.a. above its benchmark over its 10+ year existence. Meanwhile their market neutral Pure Alpha Fund generated more than 20% p.a. above its cash benchmark during its short existence.

	1yr	2yr p.a.	3yr p.a.	5yr p.a.	Inception p.a.
Macquarie High Conviction Fund	27.4%	18.7%	19.8%	19.1%	12.3%
Macquarie Pure Alpha Fund	11.5%	14.1%	n/a	n/a	22.5%
S&P/ASX 200 Index	16.1%	11.0%	6.9%	10.3%	6.7%

Both of these funds have been relaunched largely unchanged under the Firetrail moniker, albeit they currently have a mere \$14m under management.

While our mandate precludes us from investing in a long-only strategy such as Firetrail's Australian High Conviction Fund (HCF), the beauty of their structure is that this portfolio is replicated within their market neutral Absolute Return Fund (ARF), which is typically 150% long/150% short. In fact, not only does ARF's long portfolio include the HCF's 25 best large/mid cap stock picks, but they also add a further 10 small cap stocks in addition to the occasional event driven or global position.

On the short side of the portfolio the ARF focuses on 10-25 fundamental alpha-generating shorts, however as these stocks are insufficient to balance the long book they have added an interesting innovation they call the "symmetric slice".

The symmetric slice consists of a further 40-70 short positions used as a funding source and to neutralise market exposure. Whereas some managers would simply use index puts or similar derivatives to short the whole market Firetrail first exclude the stocks they own in their long book before skewing the relative weights of these short positions towards small and mid-cap companies, which typically fall further than their large cap peers in market events.

Finally overlaying their fundamental analysis is a comprehensive risk management framework that seeks to minimise exposure to other sources of risk to try to ensure the portfolio is not taking any unintended bets, such as to crowded shorts or to thematic risks.

Put all these factors together i.e. experienced team, great track record, low FUM, early stage and comprehensive risk management, and we believe Firetrail are a compelling prospect, and one that we believe has every chance of success.

NZD \$10,000 Invested at Inception



Performance Metrics (%)	KT NZD	Benchmark *
1-Month	1.57%	4.14%
3-Month	-3.13%	-1.86%
6-Month	1.17%	-0.33%
1-Year	12.10%	5.50%
3-Year p.a.	7.56%	7.93%
5-Year p.a.	7.58%	6.00%
Since Inception p.a.	5.67%	8.39%

* 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	8.30%	12.05%
3-Yr Sharpe Ratio	0.62	0.46
Standard Deviation (Since inception)	7.72%	11.39%
Sharpe Ratio (Since inception)	0.35	0.45
Ave Rtn in Market Positive Months	1.50%	2.70%
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	0.32%	n/a
Worst Month	-4.16%	-6.26%
Best Month	5.07%	7.31%

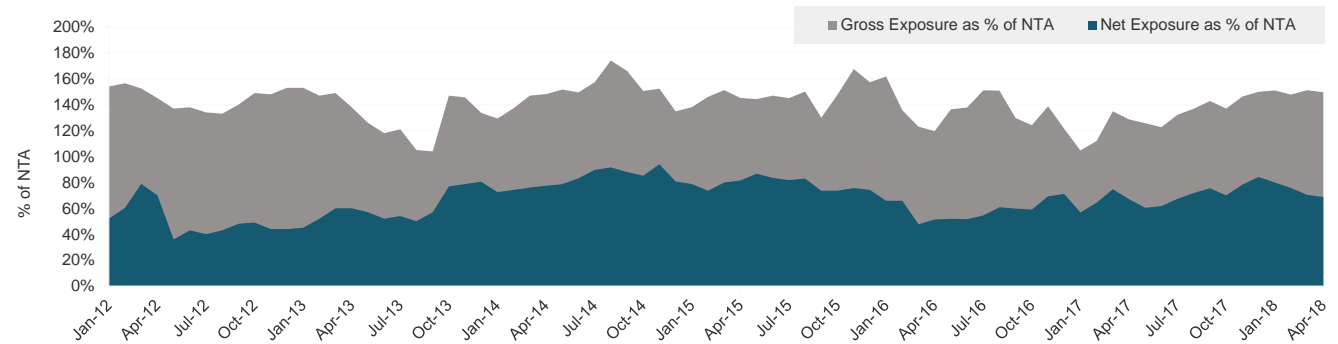
^ RFR = RBNZ 90 day bank bill rate

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%	1.57%									-3.30%

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

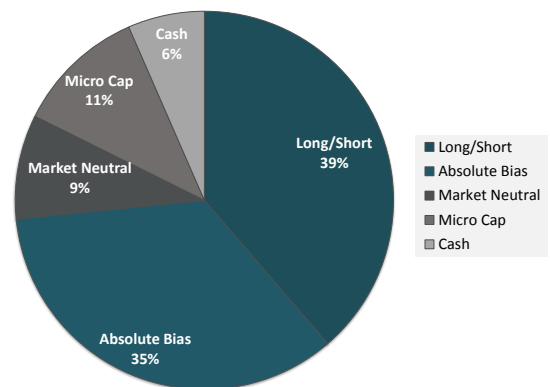
Gross and Net Exposure (% of Net Assets)



Top 10 Funds: (% of Net Assets)

Fund name	Strategy	% of assets
Auscap Long Short Australian Equities Fund	Long/Short	12.35%
L1 Capital Long Short Fund	Long/Short	10.47%
Atlantic Absolute Return Fund	Long/Short	8.92%
Tasman Market Neutral Fund	Market Neutral	8.91%
Milford Australian Absolute Growth Fund	Absolute Bias	7.43%
Sandon Capital Activist Fund	Absolute Bias	7.43%
LHC Capital Australia High Conviction Fund	Long/Short	6.97%
Wilson Asset Management Equity Fund	Absolute Bias	6.90%
Smallco Investment Fund	Absolute Bias	6.58%
The Level 18 Fund	Absolute Bias	6.38%

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.

