

Market and Fund Review

Market conditions were again favourable for equity investors in November. The NZX50 rose 0.5% and the Australian All Ords including dividends, rose 1.9%. The NZD strengthened by about 1% versus the AUD which detracted 38 basis points from our performance.

Despite the currency loss, we are pleased to report another positive month for King Tide, with a net gain of 1.93% versus our benchmark's 0.87%.

A common topic of conversation these days among NZ equity managers is the high valuation of a number of NZ's largest companies. Few would argue that some businesses appear expensive and for a 'value' oriented investor that translates into greater risk of capital loss. Most investors are aware that the very strong run in NZ shares is not sustainable, and that every point higher in the market index increases the risk and size of a correction, but getting the timing right on when to be short or to go to cash is difficult at best, some would say impossible.

Kerr Neilson of Platinum Asset Management recently explained the dilemma that fund managers face when markets appear fully valued. If you're early to short or hold cash by say 6 months you may leave 14% of the market's rise on the table and if you leave late, you may only be down 10% in six months. So what do you do?

At King Tide, we spend very little time worrying about the level of the equity market. For one, we believe it is an impossible task to time 'the market', (not to be confused with timing your entry and exit from individual companies). Secondly, the range of underlying strategies we invest in provide a solid hedge against a fall in the market. This is not a hedge which relies on 'timing' the market, but is something which is always there. Some strategies do use quantitative measures to help set the level of 'hedging' at any given time, which is a form of 'market timing', but this is only at the margin.

Every month we report our gross and net exposure as a percentage of net assets in a chart on page two of this report. The gross number is the sum of long and short positions, while the net exposure is derived by subtracting short exposure from long exposure. We calculate these numbers by adding up the weighted gross and net exposure of each underlying manager.

You can see that throughout the life of the Fund, our 'net' exposure has always been lower than our 'gross' because we have always carried 'shorts'. As at November 30, King Tide was 146% gross and 78% net. That means our average underlying manager is 112% long, and 34% short.

Not only do we have this constant hedge, but we are also invested in a broad range of 'strategies'. While all of them use equities as their 'medium' to generate returns, every fund has its own unique approach. These are broadly categorised in the 'strategy weightings' pie chart.

The two dominant strategies are long/short equity and absolute bias, but there are meaningful differences between funds within these categories. Smallco for example, categorised as absolute bias, invest in small companies particularly those around the \$300m mark, rarely shorts but will hold high levels of cash when they can't find value.

Milford on the other hand will generally be 80% invested in large cap stocks, run up to 10% in shorts, up to 30% offshore and up to 20% in fixed income. Sandon is agnostic about market cap, but looks for broken businesses where it can see value being unlocked through management and/or strategic changes and gets involved in bringing about these changes. They can be both long and short businesses.

The effectiveness of our overall approach in delivering an uncorrelated return stream can be seen in our annual year on year numbers. Over the five years we have been operating in years to November 30, King Tide's returns and our benchmark's returns have differed by an average of 10% p.a. The total return of the benchmark has been 50% versus King Tide's 42%, but because of the low level of volatility in our returns relative to the market, we have produced positive 'alpha' of 1.86% p.a.

We would like to thank all of our investors for their ongoing trust and support, and wish you all a very happy Christmas and a successful new year.

NZD \$10,000 Invested at Inception



Performance Metrics (%)	KT NZD	Benchmark *
1-Month	1.93%	0.87%
3-Month	8.28%	6.04%
6-Month	14.78%	13.15%
1-Year	13.38%	21.69%
3-Year p.a.	10.22%	10.49%
5-Year p.a.	7.34%	8.45%
Since Inception p.a.	6.22%	9.23%

* 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	6.49%	11.63%
1-Yr Sharpe Ratio ^	1.75	1.69
3-Yr Standard Deviation	8.09%	11.84%
3-Yr Sharpe Ratio	0.93	0.66
Std Dev (Since inception)	7.73%	11.45%
Sharpe Ratio (Since inception)	0.44	0.56
Tracking Error	8.43%	0.00%
Beta	0.46	1.00
Worst Month	-4.16%	-6.26%
Maximum Drawdown	-10.71%	-10.57%
Ave Rtn in Market +ve Months	1.48%	2.70%
Ave Rtn in Market -ve Months	-1.33%	-2.94%
Up Capture	0.55	1.00
Down Capture	0.45	1.00

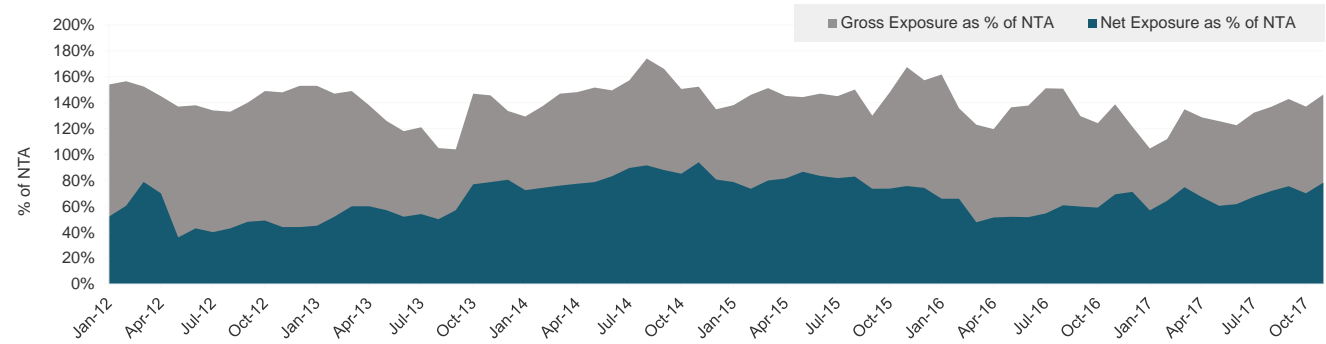
^ RFR = RBNZ 90 day bank bill rate

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%	1.93%		14.52%

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

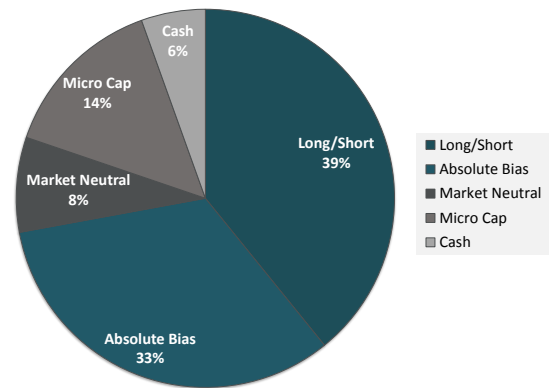
Gross and Net Exposure (% of Net Assets)



Top 10 Funds: (% of Net Assets)

Fund name	Strategy	% of assets
Auscap Long Short Australian Equities Fund	Long/Short	13.28%
L1 Capital Long Short Fund	Long/Short	10.42%
Wilson Asset Management Equity Fund	Absolute Bias	9.02%
Tasman Market Neutral Fund	Market Neutral	8.12%
Atlantic Absolute Return Fund	Long/Short	8.09%
LHC Capital Australia High Conviction Fund	Long/Short	7.37%
The Level 18 Fund	Absolute Bias	6.50%
Smallco Investment Fund	Absolute Bias	6.44%
Sandon Capital Activist Fund	Absolute Bias	6.11%
Miford Australian Absolute Growth Fund	Absolute Bias	4.88%

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.

