

Market and Fund Review

King Tide ground out a gain of 0.6% in August versus a return of 1.6% for our benchmark. While relative underperformance is never nice - although to be expected during bull markets - it's pleasing that the fund is positive for the year, and is at a new all-time high.

Meanwhile the currency provided a mild headwind for the month with the NZD strengthening 0.4% against the AUD. The exchange rate has remained relatively rangebound in recent years, typically moving between 0.90 and 0.96, which has allowed us to lock in incremental gains on our hedging by adding cover as the NZD weakens (buying low) and taking it off as it strengthens (selling high).

In New Zealand the market continues to hit new highs after gaining a further 4.4% for the month, while across the Tasman the All Ords rose 1.7%, although it remains 6.5% below its all-time peak reached in November 2007. Digging slightly deeper it was Australia's small industrials leading the charge (+4.4%), including the likes of Appen (+41%), Wisetech (+40%) & Altium (+37%), while small resources went the other way (-4.1%).

Our underlying managers had a very mixed month ranging from +6.3% for Smallco to -5.9% for L1, mirroring the schizophrenic nature of the markets through the August reporting season - a point we heard repeatedly from our managers during our recent trip to Australia. In general, our small cap managers were the main beneficiaries with both PIE funds and LHC also producing strong results.

On the flip side, funds with larger short books such as Tasman and Firetrail, have been punished as many expensive and arguably lower quality business have continued to rally. This has all the hallmarks of the later stages of a bull market when investors fear of missing out (FOMO) often causes them to pile into the market at precisely the wrong time.

The Level 18 Fund

This month is a timely opportunity to discuss Level 18 as this fund has recently closed its doors to new investors in order to limit the size of the fund so as to preserve a long runway for growth before size constrains the fund's performance. Whereas most managers preach the gospel of limiting FUM growth, when push comes to shove the allure of higher management fees often overcomes other considerations and it is only with the benefit of hindsight that we can recognize that a fund has grown too big for its strategy.

The Level 18 Fund was established in August 2013 and is the sole investment strategy of boutique investment manager Centennial Asset Management. Sydney based Centennial is run by a trio of highly experienced investors, namely Glen Poswell - former CEO of Ellerston Capital, Gary Joffe - also formerly of Ellerston, and Matthew Kidman - former CIO of Wilson Asset Management. Together they are amongst the largest investors in the fund, and remuneration is predominantly performance based, ensuring a high degree of alignment with their external investors.

The fund's objective is to deliver capital growth of 12-15% p.a. over the medium term with a strong focus on capital preservation, and to date they have achieved just that having returned 13.6% p.a. since inception vs 11.6% for the All Ords. This has been achieved with 2/3rds of the market's volatility and with a maximum drawdown of -6.0%, less than half that of the market.

	3mth	6mth	1yr	2yr p.a.	3yr p.a.	5yr p.a.
The Level 18 Fund	2.7%	3.1%	8.9%	7.5%	12.6%	10.8%
S&P/ASX All Ords Acc Index	6.0%	7.3%	16.0%	12.4%	11.8%	9.2%

Although the fund has a broad mandate - that includes the ability to short stocks, hold 100% cash and invest offshore - its primary focus is smaller companies listed on the ASX with a market capitalisation of less than \$500m, which they find to be the most fertile ground for their strategy. Within this universe the fund invests predominantly in undervalued growth companies with limited research coverage where positive industry trends and identifiable catalysts help unlock value.

The portfolio generally consists of approximately 30 positions (long and short) at any one time, with positions typically sized according to conviction and liquidity i.e. 5-10% for high conviction liquid positions, 2-3% for less liquid positions and 1% for evolving positions, while short positions are typically in the 2-4% range. While the fund can use leverage either by borrowing or short selling to enhance returns the gross exposure is generally relatively modest at 70 to 100% with net exposure of 40 to 80%.

NZD \$10,000 Invested at Inception



Performance Metrics (%)	KT NZD	Benchmark *
1-Month	0.63%	1.65%
3-Month	2.08%	6.55%
6-Month	4.16%	8.57%
1-Year	11.80%	14.34%
3-Year p.a.	6.56%	11.41%
5-Year p.a.	9.06%	8.72%
Since Inception p.a.	6.01%	9.38%

* 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	8.10%	11.40%
3-Yr Sharpe Ratio	0.53	0.80
Standard Deviation (Since inception)	7.57%	11.20%
Sharpe Ratio (Since inception)	0.44	0.60
Ave Rtn in Market Positive Months	1.46%	2.66%
Ave Rtn in Market Negative Months	-1.36%	-2.86%
Up Capture	0.55	1.00
Down Capture	0.48	1.00
Annualised Tracking Error	8.11%	n/a
Beta	0.47	1.00
Maximum Drawdown	-10.71%	-10.57%
Annualised Alpha	0.23%	n/a
Worst Month	-4.16%	-6.26%
Best Month	5.07%	7.31%

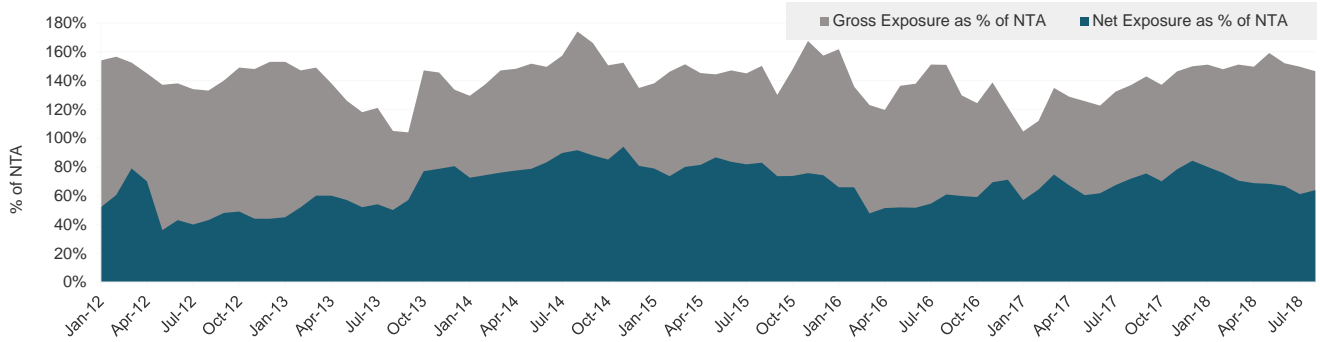
^ RFR = RBNZ 90 day bank bill rate

King Tide - Fund Performance (Net of Fees). Inception to August 2013, currency unhedged.

	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%	1.91%	1.79%	-0.35%	0.63%					0.60%

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

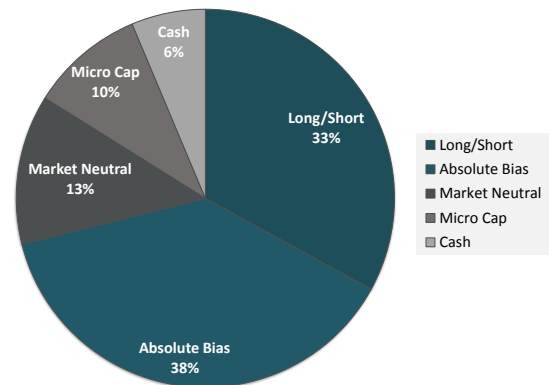
Gross and Net Exposure (% of Net Assets)



Top 10 Funds: (% of Net Assets)

Fund name	Strategy	% of assets
Auscap Long Short Australian Equities Fund	Long/Short	9.83%
Sandon Capital Activist Fund	Absolute Bias	7.97%
Milford Australian Absolute Growth Fund	Absolute Bias	7.73%
Tasman Market Neutral Fund	Market Neutral	7.63%
Smallco Investment Fund	Absolute Bias	7.36%
Atlantic Absolute Return Fund	Long/Short	7.33%
The Level 18 Fund	Absolute Bias	7.31%
Wilson Asset Management Equity Fund	Absolute Bias	7.06%
L1 Capital Long Short Fund	Long/Short	6.59%
LHC Capital Australia High Conviction Fund	Long/Short	6.50%

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.

