

Market and Fund Review

King Tide remained relatively flat in September, rising 0.1% while our benchmark fell -0.4%.

The Australian All Ords fell -1.1%, offset by a 0.4% rise in the NZX 50 and a 0.6% rise in the AUD.

Across our 16 funds we had 7 up for the month versus 9 down, with Firetrail the leader (+3.5) and Auscap the laggard (-2.8%).

L1's travails continue following a fall of -2.1%, taking its current drawdown to -16.7%. While this is disappointing, and all the more so for anyone who participated in L1's heavily subscribed LIC, it is a good reminder that investing is never a one-way street. No one can generate superior returns without taking risk, and the fact that L1 was achieving annual returns of nigh on 40% for the first three years of the fund was a good indication that the strategy is not without its risks. This is not to say that we should point the proverbial finger at the manager for the current drawdown, as it is only with the benefit of hindsight that we can pass judgement on whether the market or the manager was correct. Even then we can only hope that over time our managers have more and/or larger winners than their inevitable losers.

Sandon Capital Activist Fund

Sandon Capital was founded by Gabriel Radzynski in June 2008, with its flagship fund the Sandon Capital Activist Fund, an unlisted wholesale unit trust, launching in September 2009. This was followed by a closed end version of the strategy, Sandon Capital Investments Ltd, which listed on the ASX in December 2013 (ticker SNC).

Gabriel has more than 20 years' experience in the Australian financial markets, and sits on the boards of several ASX listed companies including the Mercantile Investment Company (MVT) – Ron Brierley's latest investment vehicle, and the Future Generation Investment Company (FGX) – Geoff Wilson's charitable fund of funds. Gabriel was joined at Sandon in 2014 by analyst Campbell Morgan, previously at US hedge funds Millennium and Citadel.

Sandon is a "value" oriented manager who attempts to invest in companies trading at a material discount to their assessment of intrinsic value. Where the strategy differs from most other fund managers is that Sandon looks to actively engage with companies, their boards and shareholders with the aim of closing the gap between the share price and their assessed value.

Shareholder activism can take many forms ranging from letters to the board and meetings through to public PR campaigns and in more extreme instances proxy fights that may attempt to change the structure of company boards.

While most activists make every effort to constructively engage with the companies they invest in, the reality is they wouldn't be investing unless they perceived there to be unrealised value, and this is usually due to poor corporate governance and/or management leading to the destruction of shareholder value. Unsurprisingly companies are often reluctant to accept constructive criticism hence activists are often criticised for their more aggressive tactics.

While shareholder activism is relatively rare in the Australian market it has a long history, particularly in the US where hedge fund titans such as Dan Loeb, Carl Icahn and Paul Singer have become household names. An example of successful activism in the local market is the attempt by Singer's Elliott Management to push BHP into offloading its US shale assets, sold to BP in June, with BHP's share price up more than 30% since Elliott's demands went public.

Sandon typically holds a concentrated portfolio of 15 to 25 securities and given its limited resources (FUM approximately \$90m across the two funds) it has tended to focus its attention on the smaller end of the market where it can exert the maximum influence. Despite this Sandon is not averse to waging public campaigns against mid and large cap companies as displayed by its recent engagements with Tatts Group (since merged with Tabcorp ASX:TAH) and Iluka (ASX:ILU).

While the fund may short securities to date this ability has been used sparingly with stock selection and unconstrained cash levels more commonly used as downside protection. To date the Activist Fund has outperformed the broader market by more than 4% per year with significantly lower volatility while also providing a largely uncorrelated return series.

	6mth	1yr	2yr p.a.	3yr p.a.	5yr p.a.	SI p.a.
Sandon Capital Activist Fund	12.8%	16.7%	11.7%	12.4%	11.6%	12.8%
S&P/ASX All Ords Acc Index	10.0%	14.7%	11.6%	12.4%	8.4%	8.4%

NZD \$10,000 Invested at Inception



Performance Metrics (%)	KT NZD	Benchmark *
1-Month	0.10%	-0.36%
3-Month	0.38%	1.99%
6-Month	5.77%	13.24%
1-Year	10.06%	15.58%
3-Year p.a.	6.13%	12.93%
5-Year p.a.	8.87%	8.58%
Since Inception p.a.	5.95%	9.20%

* 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	8.09%	11.00%
3-Yr Sharpe Ratio	0.48	0.97
Standard Deviation (Since inception)	7.52%	11.13%
Sharpe Ratio (Since inception)	0.43	0.59
Ave Rtn in Market Positive Months	1.46%	2.66%
Ave Rtn in Market Negative Months	-1.31%	-2.77%
Up Capture	0.55	1.00
Down Capture	0.47	1.00
Annualised Tracking Error	8.06%	n/a
Beta	0.47	1.00
Maximum Drawdown	-10.71%	-10.57%
Annualised Alpha	0.26%	n/a
Worst Month	-4.16%	-6.26%
Best Month	5.07%	7.31%

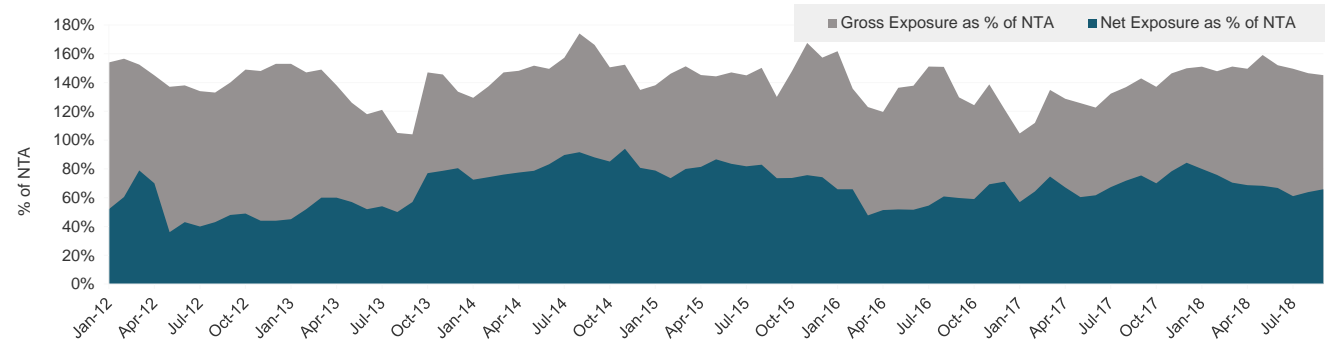
^ RFR = RBNZ 90 day bank bill rate

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%	0.10%				0.70%

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

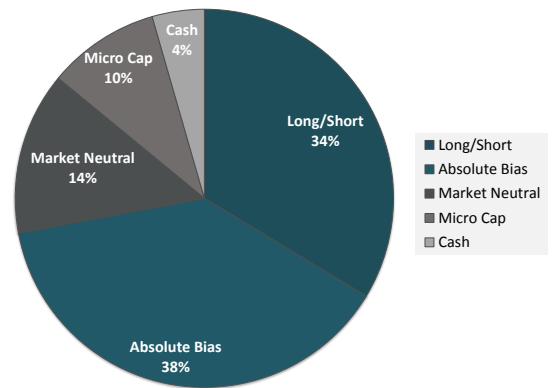
Gross and Net Exposure (% of Net Assets)



Top 10 Funds: (% of Net Assets)

Fund name	Strategy	% of assets
Auscap Long Short Australian Equities Fund	Long/Short	9.60%
Sandon Capital Activist Fund	Absolute Bias	8.22%
Tasman Market Neutral Fund	Market Neutral	7.83%
Milford Australian Absolute Growth Fund	Absolute Bias	7.72%
The Level 18 Fund	Absolute Bias	7.39%
Smallco Investment Fund	Absolute Bias	7.30%
Atlantic Absolute Return Fund	Long/Short	7.28%
Wilson Asset Management Equity Fund	Absolute Bias	7.09%
LHC Capital Australia High Conviction Fund	Long/Short	6.62%
L1 Capital Long Short Fund	Long/Short	6.49%

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.

