

Market and Fund Review

October was King Tide's worst month in absolute terms. It was far from our worst month in 'relative' terms given our -6.1% return was marginally better than the benchmark's -7.0%. However, because our portfolio includes a diverse range of manager strategies and because most of our managers hedge their portfolios at least partially, we expect to deliver much better relative returns in a month like October. There have been thirteen months since inception where our benchmark has fallen more than 4%, and we have fallen on average only one third as much.

Currency played a small part, with the NZD firming 0.7% against the AUD. Measured in NZDs, the underlying equity markets of NZ and Australia fell -6.4% and -7.1% respectively.

We had four funds underperform the market. Regal Atlantic fell -24%, Smallco -12%, 8EC, which is listed fell -9% even though its underlying return was -5% and Auscap fell -7%. The first three of these funds have a small company bias, and the Australian small companies index fell -10%. The Atlantic fund is by far the most volatile on our database, but we get rewarded for this volatility over time. It is our best performing investment from inception. We had trimmed our exposure at the end of June and at the end of September, having added after their last big fall in 2016.

There have been no changes to the portfolio in reaction to the poor results, other than to bring forward some small additions. One month is simply a random period of time. Markets and managers do not operate according to the calendar. Had the market's correction spanned mid-September to mid-October, the 'numbers' would have been very different.

Further, underlying manager results can be vastly different intra-month. We spoke with a manager recently who has been operating for 15 months, with his worst drawdown being less than 1%, yet intra-month has been down as much as -8%. Had the 'calendar month' ended on that day, that result would be on his score card, and would create a very different 'risk profile' for investors who look only at the monthly numbers.

King Tide's returns over the last 5 years remain 'satisfactory'. We have beaten our benchmark with lower volatility. We have a strong investment team, all of whom are invested in the Fund. We firmly believe the strategy is the right one, and continue to make improvements to our research and process.

Over the past few months we have added two new funds to the portfolio, Firetrail Absolute Return Fund and Arnott Opportunities fund. They both performed well in October.

Firetrail Absolute Return fund employs a market neutral strategy. On the long side, the strategy leverages the Firetrail High Conviction Fund, a concentrated portfolio selected from the top 100 companies by market capitalisation, listed on the Australian market. They add 10% in small companies and the short side is made up of fundamental shorts, and a symmetric slice of the market. It is an interesting mix of fundamental and quantitative, different from other market neutral strategies, and we like the thinking behind it.

We chose the absolute return fund because it fits our 'risk based' approach. In October, Firetrail fell -1.5%. Over time, we expect this fund to, on average, make money when markets fall.

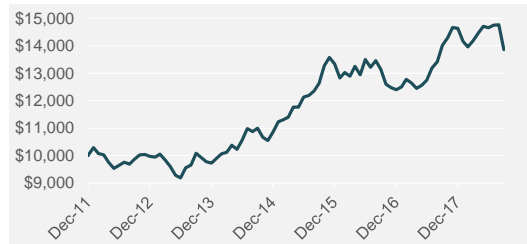
Arnott Opportunities Fund, as the name suggests, adopts an opportunistic approach to equities. It can invest both long and short, in both equities directly or via futures and other derivatives. It takes a 'trading' approach, with a keen focus on downside risk. The manager, Kenny Arnott has an aversion to losing money, and with \$10m of his own money in the fund and earning performance fees only, he is strongly aligned with his investors. Arnott was down -0.2% in October, but once again, historically, has made strong gains in negative markets.

Of the sixteen funds we currently co-invest with, six are closed to new investors. We have added one other new fund in November which is already closed. We gained access through Saxe-Coburg, with the management kindly seeing us as the same investor. The fund we added is QVG, which stands for Quality, Value, Growth. Managers Chris Prunty and Tony Waters are very experienced and successful investors in Australian small caps. We are delighted to add them to the King Tide team.

As our underlying managers grow and change, we re-evaluate their place in our portfolio. We currently have two underlying managers who have experienced enormous growth in FUM (funds under management). We are firmly in the 'size matters' camp, and believe outside returns are all but impossible if you're managing too much money. The very best investors continue to add some value but you will find they added considerably more when they were smaller.

We are currently evaluating some early stage, small and focused managers, and we expect to continue to refresh the portfolio.

NZD \$10,000 Invested at Inception



Performance Metrics (%)	KT NZD	Benchmark *
1-Month	-6.13%	-7.04%
3-Month	-5.44%	-5.85%
6-Month	-2.25%	1.08%
1-Year	-1.10%	0.75%
3-Year p.a.	3.15%	9.79%
5-Year p.a.	6.57%	5.83%
Since Inception p.a.	4.90%	7.93%

* 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	8.88%	11.95%
3-Yr Sharpe Ratio	0.10	0.63
Standard Deviation (Since inception)	7.89%	11.46%
Sharpe Ratio (Since inception)	0.28	0.46
Ave Rtn in Market Positive Months	1.46%	2.66%
Ave Rtn in Market Negative Months	-1.48%	-2.91%
Up Capture	0.55	1.00
Down Capture	0.51	1.00
Annualised Tracking Error	8.03%	n/a
Beta	0.49	1.00
Maximum Drawdown	-10.71%	-10.57%
Annualised Alpha	-0.32%	n/a
Worst Month	-6.13%	-7.04%
Best Month	5.07%	7.31%

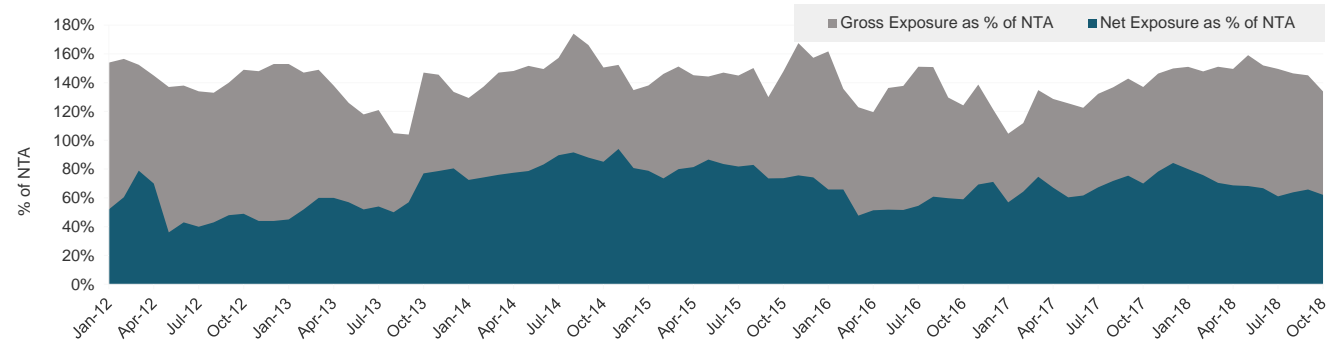
^ RFR = RBNZ 90 day bank bill rate

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%	-6.13%			-5.47%

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

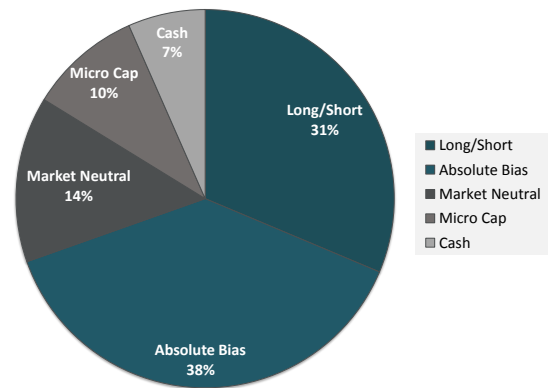
Gross and Net Exposure (% of Net Assets)



Top 10 Funds: (% of Net Assets)

Fund name	Strategy	% of assets
Auscap Long Short Australian Equities Fund	Long/Short	9.43%
Sandon Capital Activist Fund	Absolute Bias	8.29%
Milford Australian Absolute Growth Fund	Absolute Bias	8.03%
Tasman Market Neutral Fund	Market Neutral	7.88%
The Level 18 Fund	Absolute Bias	7.44%
Wilson Asset Management Equity Fund	Absolute Bias	7.03%
Smallco Investment Fund	Absolute Bias	6.80%
LHC Capital Australia High Conviction Fund	Long/Short	6.69%
L1 Capital Long Short Fund	Long/Short	6.58%
Firetrail Absolute Return Fund	Market Neutral	6.06%

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.

