

Market and Fund Review

King Tide rose 0.63% in March, leading to a solid 6.2% gain in the quarter. Our benchmark was up 1.3% in March and 10.5% in the quarter, driven by a rebound in Australian and NZ shares of 11.1% and 11.7% respectively. Currency was not a factor in March, but over the quarter was a headwind as the NZD rose 0.8% against the AUD. We have been unhedged throughout the quarter.

The surprising move by the US Fed in late December, when they capitulated on their prior path to normalise interest rates, was the catalyst for the strong recovery in risk assets. It's a perfectly rational response, knowing the Fed remains focused on supporting economic growth, and will take action when it appears to be lagging.

Both the RBA and RBNZ are singing from the same song-sheet, holding interest rates and guiding markets lower if the 'data' doesn't come through. In Australia the risk appears to be around the consumer and the 'wealth effect' of a weak residential property market, while in NZ, it's more around business confidence and stubbornly low inflation. Whatever the reason, lower interest rates are good for equities.

While this provides a tail wind for most equity investors, it is not the main driver of our returns. If you look at King Tide's return stream year on year since we began to actively hedge currency in late 2013, you can see how different our returns have been from the market. The two best years for the market have been our two worst years, and in the other three years, we have varied from the market by +4%, +7% and +14%.

Return for 12 months ending:	King Tide	Benchmark
31/03/2019	-2.19%	10.26%
31/03/2018	9.24%	2.46%
31/03/2017	-1.90%	16.26%
31/03/2016	15.25%	1.70%
31/03/2015	12.27%	8.54%

We expend very little energy trying to predict the possible short-term direction of the share market. My observation however, is that investors in general remain vigilant to risk, unlike 2000 prior to the tech crash and unlike 2008, when there was little mainstream commentary on the extreme risks in the banking system. Today, consensus appears to be calling for a fall in equities based on slow growth and high valuations. I can only imagine most investors are therefore underweight equities.

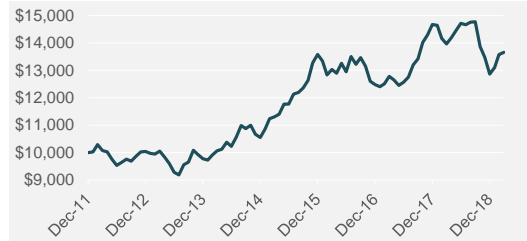
One of the managers which we have held since inception is Regal. CIO Phil King, in a recent interview said, "On our analysis, the last two times there's been such a disparity between earnings yields and bond yields have been very good times to buy the market, those being 2012 and 2009". He also believes volatility will remain subdued. "As a humble bottom-up stock picker, I look at the profit and loss statement, and there's less leverage in the profit and loss statement than there has been for a while. There's less operating leverage and there's less financial leverage. That would suggest from a bottom-up perspective, low volatility is here to stay"

We remain focused on monitoring and researching funds and are always on the lookout for talented managers launching funds which fit our criteria. In the past year we have added five funds, two of which are early stage, two are new launches by established teams, and one is a fund which we have been following for a long time. We have made room for these managers by redeeming two funds and by trimming other positions.

The portfolio currently has 17 funds. Six are closed to new investors. We are liquidating one which has shifted to a much larger offshore weighting, basically moving outside of our mandate, and another, 8EC, is currently in play and we expect a liquidity event in the near future.

Our top ten holdings make up 75% of the fund. Some of our larger positions have had very mixed returns over the last three years, and this has impacted our numbers. While uncomfortable, it is important to remember that to outperform over time, you have to be prepared to significantly underperform. After periods of underperformance, historical numbers can look decidedly average and you have to be able to look through these. Generally these periods of underperformance present good entry points into quality managers. Winning strategies don't always win, and it is only investors who stay the course that reap the rewards.

NZD \$10,000 Invested at Inception



Performance Metrics (%)	KT NZD	Benchmark *
1-Month	0.63%	1.27%
3-Month	6.16%	10.52%
6-Month	-7.53%	-2.63%
1-Year	-2.19%	10.26%
3-Year p.a.	1.58%	9.52%
5-Year p.a.	6.28%	7.71%
Since Inception p.a.	4.39%	8.14%

* 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
5-Yr Standard Deviation	8.52%	12.10%
5-Yr Sharpe Ratio	0.43	0.42
Standard Deviation (from inception)	8.08%	11.46%
Sharpe Ratio (from inception)	0.22	0.48
Ave Rtn in Market Positive Months	1.49%	2.70%
Ave Rtn in Market Negative Months	-1.62%	-2.90%
Up Capture	0.55	1.00
Down Capture	0.56	1.00
Annualised Tracking Error	7.90%	n/a
Beta	0.51	1.00
Maximum Drawdown	-12.89%	-12.21%
Annualised Alpha	-0.98%	n/a
Worst Month	-6.13%	-7.04%
Best Month	5.07%	7.31%

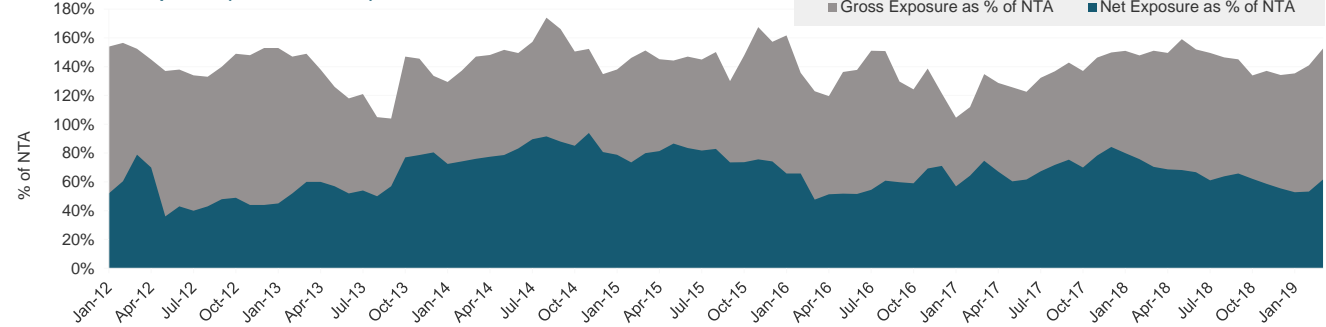
^ RFR = RBNZ 90 day bank bill rate

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%	-2.85%	-4.49%	-12.28%
2019	1.86%	3.57%	0.63%										6.16%

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

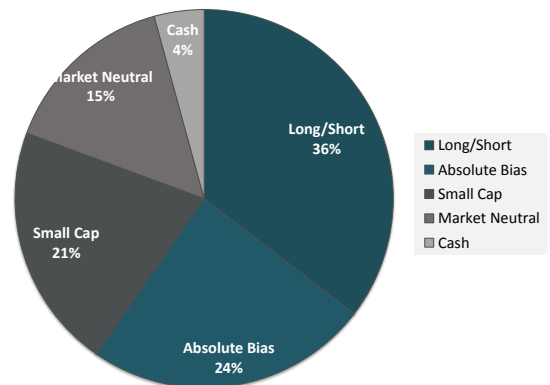
Gross and Net Exposure (% of Net Assets)



Top 10 Funds: (% of Net Assets)

Fund name	Strategy	% of assets
Auscap Long Short Australian Equities Fund	Long/Short	9.36%
Tasman Market Neutral Fund	Market Neutral	8.79%
Milford Australian Absolute Growth Fund	Absolute Bias	8.54%
Sandon Capital Activist Fund	Absolute Bias	8.26%
The Level 18 Fund	Absolute Bias	7.47%
LHC Capital Australia High Conviction Fund	Long/Short	7.26%
Smallco Investment Fund	Small Cap	6.73%
L1 Capital Long Short Fund	Long/Short	6.69%
Firetrail Absolute Return Fund	Market Neutral	6.32%
Atlantic Absolute Return Fund	Long/Short	5.59%

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.

