

Market and Fund Review

King Tide continued its strong recovery this year with a 4.2% gain in April, bringing year to date returns to 10.7%. This goes a long way to recouping losses of the fourth quarter last year.

The Australian market followed a similar path, falling -9.0% in the December quarter but rising 13.9% year to date. Small companies in Australia were even more V shaped, with a fall of -13.7% followed by a 17.2% rally. Interestingly, global equity markets were almost identical, falling -13.3% then rising 16.9%.

The NZ market continues to outperform. In the December quarter it fell -5.7%, outperforming Australia and the rest of the world, then rallied 13.6% this year. It has been a stellar 5 years for NZ equities, almost doubling the return of global and Australian equities and well ahead of Australian small caps.



King Tide has very little exposure to the NZ share market. While there are some very good managers here, the opportunity set limits the range of strategies on offer, with most simply long only.

This lack of NZ exposure has meant we have struggled to keep up with our benchmark which has a 10% allocation to NZ. However, measured against the Australian market, over 5 years we have kept pace, gaining 7.1% p.a. versus the All Ords 7.3% p.a. but with lower volatility of 8.7% versus 12.9%. It is not unusual to lag a strongly rising market when you are running a long/short strategy. King Tide's net exposure has averaged 70% over the last five years, and currently sits at 62%.

After the very difficult December quarter, it is pleasing to see a strong rebound in manager performance. With one exception, the best performing funds this year were the worst performing last year. Regal Atlantic, Smallco and QVG have all risen 20% or more this year and L1, which was in the news for its large capital raise and subsequent poor performance has rallied 13% year to date.

As a fund of funds, we are constantly reviewing our portfolio. We stay in regular contact with our managers to understand their process and the drivers of their returns. Different strategies have different return streams, but our managers are less dependent on the 'market' than traditional funds. It is for this reason that we pay more attention to the managers' process, business development, focus, staff, size than short term returns. Managers who invest with no regard to market weights will naturally have different return streams than the underlying market. This will lead to periods of underperformance, and these may not be just a few months. In fact, there is evidence that three-year underperformance is a good contrarian indicator. Obviously, performance is the only thing that matters in the end, whether it be higher returns or less volatile returns. But simply looking at past returns at any point in time should never be the basis of an investment decision. Past returns are very skewed by the recent past. A fund which has just had a cracker 6 months can look like it has a great long-term track record, and vice-versa. We are surprised by the number of professional investors who add and redeem funds based purely on recent performance.

A new addition to King Tide is Ben McGarry's fund, Totus Alpha. Ben runs a large short book, and has proven to be an astute investor on the short side. We continue to reduce Tasman Market Neutral due to its shift to a much higher weighting in Asian equities. We are always on the look-out for early stage funds and are currently adding to two small and early stage managers with another under review.

The surprise election result in Australia will be positive for markets and also a relief to listed investment companies (LICs) which were set to lose the government's rebate on franking credits. LICs have been a popular investment for retired Australians due to their ability to distribute their capital gains via fully franked dividends, which the government writes a cheque for. This along with broad tax cuts, the status quo around property investments, some perceived stability in leadership, a softer stance on industrial relations and emissions, will all be positive for Australian equities.

NZD \$10,000 Invested at Inception



Performance Metrics (%)	KT NZD	Benchmark *
1-Month	4.24%	3.61%
3-Month	8.64%	10.12%
6-Month	2.68%	8.52%
1-Year	0.37%	9.70%
3-Year p.a.	3.36%	10.28%
5-Year p.a.	7.05%	8.02%
Since Inception p.a.	4.93%	8.57%

* 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	8.68%	12.15%
5-Yr Sharpe Ratio	0.51	0.45
Standard Deviation (from inception)	8.15%	11.44%
Sharpe Ratio (from inception)	0.28	0.52
Ave Rtn in Market Positive Months	1.54%	2.72%
Ave Rtn in Market Negative Months	-1.62%	-2.90%
Up Capture	0.57	1.00
Down Capture	0.56	1.00
Annualised Tracking Error	7.86%	n/a
Beta	0.52	1.00
Maximum Drawdown	-12.89%	-12.21%
Annualised Alpha	-0.70%	n/a
Worst Month	-6.13%	-7.04%
Best Month	5.07%	7.31%

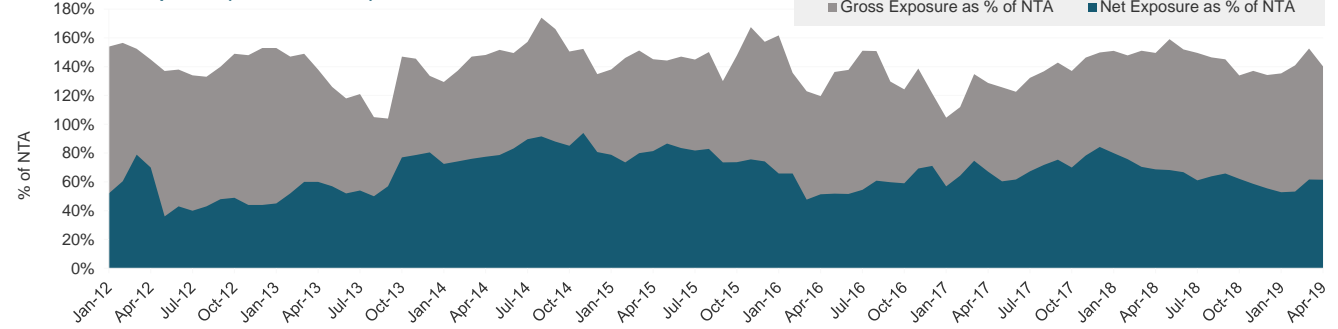
^ RFR = RBNZ 90 day bank bill rate

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%	4.24%									10.66%

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

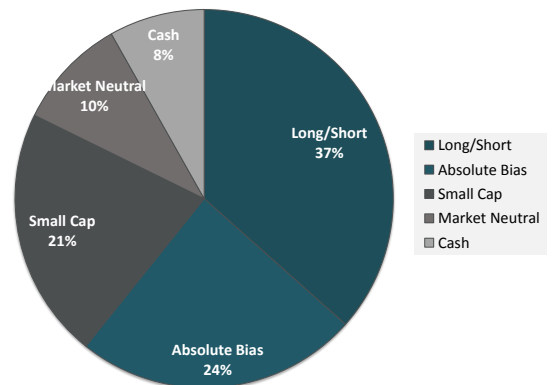
Gross and Net Exposure (% of Net Assets)



Top 10 Funds: (% of Net Assets)

Fund name	Strategy	% of assets
Milford Australian Absolute Growth Fund	Absolute Bias	8.36%
Sandon Capital Activist Fund	Absolute Bias	8.35%
Auscap Long Short Australian Equities Fund	Long/Short	8.19%
Atlantic Absolute Return Fund	Long/Short	7.91%
The Level 18 Fund	Absolute Bias	7.49%
LHC Capital Australia High Conviction Fund	Long/Short	7.28%
Smallco Investment Fund	Small Cap	6.89%
L1 Capital Long Short Fund	Long/Short	6.74%
Firetrail Absolute Return Fund	Market Neutral	6.24%
PIE Australasian Emerging Companies Fund	Small Cap	3.76%

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.

