

### Market and Fund Review

King Tide fell -2.0% in June, mostly on the back of a stronger NZD. Measured in AUDs, the fund fell -0.4%. While the broad market indices in both NZ and Australia were up 3.8% and 3.4% respectively, the small companies' indices were down -0.2% in NZ and up just 0.94% in Australia.

The big miners dominated proceedings in June. BHP rose 9%, Fortescue Metals 12%, Newcrest Mining 17% and Evolution 13%. The S&P/ASX Metals and Mining index rose 7.7%. Even small cap resource stocks rose 2.9%. A number of King Tide's managers avoid resources because of their correlation to commodity prices, which are difficult to predict. We are never going to keep up with a market led by the big miners.

Nevertheless, to lose money in a strong market is unusual for us. There is only one other occasion when we have lost 2% or more in an up market and that was in November 2016. On average, over the last five years, when markets are down, King Tide loses 52% of the market loss and when markets are up, captures 62% of the up-side. Year to date, the fund is up 11.0%, and over 5 years, we have returned 6.9% p.a.

June is often an unusual month in the Australian market given it is the end of the financial year. Investors are incentivised to sell their losing positions to trigger tax losses which they can use to offset gains in other positions. One of the larger holdings in our fund experienced a drawdown of 5% in the last two days of June, and a subsequent rally of 5% in the first week of July.

We continue to monitor our managers and stay alert to new funds coming to market. We are pleased to report that our current portfolio is as good as we have seen. Also, there are at least two high quality managers launching in the next few months and we will be looking hard at these offerings.

### QVG Opportunities Fund & QVG Long Short Fund

QVG is a boutique investment manager founded in June 2017 by Tony Waters and Chris Prunty who had previously worked together at Ausbil Investment Management, and at small cap broker CCZ Equities prior to that.

Over seven years running the Ausbil Microcap Fund from February 2010 until March 2017 Chris & Tony produced one of the most impressive track records in the Australian market, generating more than 26% p.a. versus a return of -0.3% p.a. for their ASX Emerging Companies benchmark. At the time of their departure the fund was ranked #1 over 3, 5 & 7 years across all Australian capitalisation bands (micro, small, mid and large).

Since its launch in September 2017 the Opportunities Fund has picked up where Ausbil left off, annualising at more than 27% in the 22 months to date. While the strategy remains largely unchanged from the one used at Ausbil they have broadened their universe to include companies outside the ASX 100 rather than ex-200 as previously. Unsurprisingly a significantly portion of the Ausbil investor base followed them to QVG causing them to soft close the fund at \$300m within 12-months of launch. The FUM has subsequently grown to more than \$450m, however, we don't envisage any capacity constraints in the near term given their Ausbil strategy peaked at >\$500m and they now have a larger opportunity set.

As the name suggests the strategy strives to balance Q(uality), V(alue) and G(rowth) characteristics in the portfolio stocks, which typically consists of 20 to 40 positions. While effectively long-only, there is no restriction on the amount of cash they can hold, however, for all practical purposes we are relying on their superior stock picking ability rather than any skill in market timing to protect our capital.

In October 2018 Chris & Tony were joined by Josh Clark who will act as lead Portfolio Manager for their new Long Short Fund, launched in May 2019. Together they had previously worked at Ausbil with Josh subsequently leaving for Ophir Asset Management before making the move to QVG.

As with the Opportunities Fund, QVG's Long Short Fund is expected to hold 20 to 40 stocks on the long side, with the addition of 10 to 30 short positions. Gross and net exposure is expected to fall in the range 100-300% and 0-100% respectively, although a typical exposure would be 200% gross and 50% net. While up to 50% of the positions in the Long Short Fund are expected to crossover with the Opportunities Fund, the funds flexible mandate enables it to invest right across the market capitalisation spectrum. This is particularly important on the short side where liquidity and the ability to borrow stock are key considerations.

As with most managers that strike out on their own, we like that the vast majority of Chris, Tony & Josh's liquid wealth is invested in their funds, with the performance fees they generate the key determinant of their success or failure.

### NZD \$10,000 Invested at Inception



Performance Metrics (%)	KT NZD	Benchmark *
1-Month	-2.03%	1.95%
3-Month	4.54%	7.87%
6-Month	10.98%	19.22%
1-Year	-2.96%	7.12%
3-Year p.a.	3.31%	12.93%
5-Year p.a.	6.89%	9.10%
Since Inception p.a.	4.86%	8.96%

\* 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	8.71%	12.06%
5-Yr Sharpe Ratio	0.50	0.54
Standard Deviation (from inception)	8.14%	11.33%
Sharpe Ratio (from inception)	0.28	0.56
Ave Rtn in Market Positive Months	1.50%	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	7.89%	n/a
Beta	0.52	1.00
Maximum Drawdown	-12.89%	-12.21%
Annualised Alpha	-0.93%	n/a
Worst Month	-6.13%	-7.04%
Best Month	5.07%	7.31%

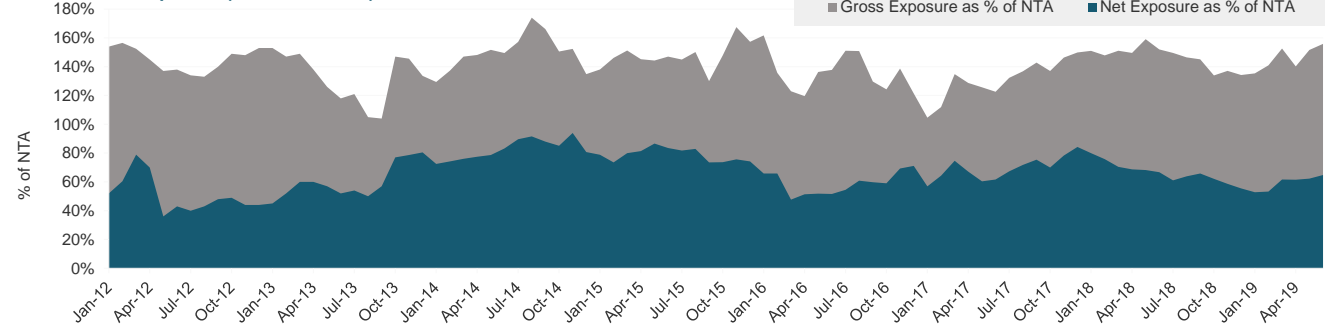
^ RFR = RBNZ 90 day bank bill rate

**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%	2.37%	-2.03%							10.98%

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

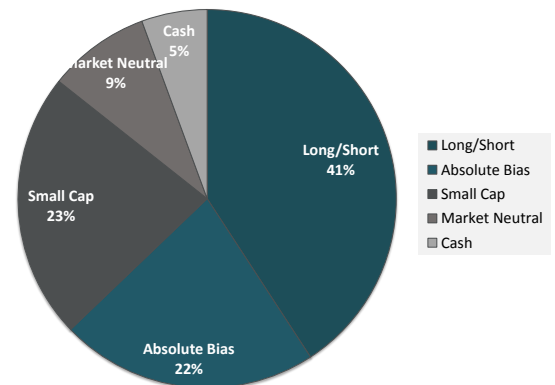
**Gross and Net Exposure (% of Net Assets)**



**Top 10 Funds: (% of Net Assets)**

Fund name	Strategy	% of assets
Sandon Capital Activist Fund	Absolute Bias	8.25%
Auscap Long Short Australian Equities Fund	Long/Short	8.10%
Atlantic Absolute Return Fund	Long/Short	7.97%
LHC Capital Australia High Conviction Fund	Long/Short	7.59%
The Level 18 Fund	Absolute Bias	7.34%
Firetrail Absolute Return Fund	Market Neutral	7.11%
Smallco Investment Fund	Small Cap	6.78%
L1 Capital Long Short Fund	Long/Short	6.70%
Milford Australian Absolute Growth Fund	Absolute Bias	6.46%
Totus Alpha Fund	Long/Short	4.46%

**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.

