

Market and Fund Review

King Tide rose 3.5% in August on the back of strong results from underlying managers, despite weakness in the underlying equity markets in which we invest. The All Ords Accumulation fell -2.2%, the Small Ords fell -3.9%, and the NZ50 gross fell -0.9%. Measured in NZDs, the All Ords was flat and the Small Ords was down -1.6%.

In terms of currency we have been largely unhedged this year, as the NZD has remained stubbornly elevated. This positioning paid off in August with currency gains contributing around 2% to our return.

Year to date King Tide is up 19.0% but much of this has been recouping the losses suffered in the fourth quarter last year. Our rolling 12-month return is 3.8% versus the benchmark's 7.7%. Over the last three years, we have significantly underperformed the benchmark, but in the three years prior to that, we significantly outperformed. Over that six-year period, which covers the time that we began to actively hedge currency exposure, we have compounded at 8.2% p.a. versus the benchmark's 8.5% p.a. and the All Ordinaries 7.7% p.a.

In the two months since June 30, KT is up 7.2% versus the market's 2.8%. There appears to have been a rotation out of momentum and into a broad range of fundamentally attractively priced businesses. Some describe this as a shift from growth to value, but we are not strong believers in these categories. We know of very few investors who will buy a business they believe to be overpriced even if it is growing.

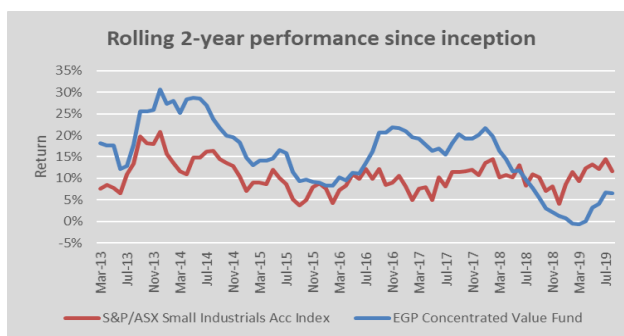
Of course in today's market, many participants don't make any judgement on a company's valuation, but buy/sell for other reasons, some based on a company's size (passive funds) and others based on its characteristics, such as its yield or whether its been going up more than others (momentum), or whether it is growing more strongly than the average listed company, or it meets some other quantitative criteria.

At King Tide, our managers invest fundamentally on valuation. There are many different ways of approaching a valuation based strategy, but at its core there is a belief that companies will eventually trade at a valuation which reflects their earnings both current and prospective. The skill is being better than others at ascertaining and foreseeing the creation and destruction of those earnings.

A current example of this is EGP, a micro-cap manager we invested in 2 years ago, when it became a unit trust rather than a partnership. Since we invested EGP has underperformed the emerging companies index, gaining just 14% versus the index's 26%.

EGP's portfolio of emerging companies is obviously a selection of companies which bears little resemblance to the emerging companies index, the 'market'. When you select stocks based on valuation (not to be confused with 'value'), you are agnostic to the factors that drive market aware investments like many ETFs and passive strategies. This leads to divergence of your returns from these products and the market. The aim is that this divergence will, on average, be positive, and you beat the market.

However, to achieve this you will have to accept periods where you will materially underperform. There is no other way to outperform but to accept periods of underperformance. The chart below illustrates this point. As you can see, for EGP, they are experiencing a period of underperformance, dipping below the index over rolling two year periods.



In the seven years since inception, EGP has achieved a return of 191% versus the emerging companies index return of -11%. There is a school of thought that skill is impossible to differentiate from luck when assessing managers. Obviously EGP has had more than its share of good luck, but we believe there is more where that came from.

NZD \$10,000 Invested at Inception



Performance Metrics (%)	KT NZD	Benchmark *
1-Month	3.52%	-0.03%
3-Month	5.10%	4.87%
6-Month	12.85%	12.38%
1-Year	3.80%	7.66%
3-Year p.a.	5.03%	12.37%
5-Year p.a.	6.87%	7.97%
Since Inception p.a.	5.72%	9.16%

* 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	8.70%	11.87%
5-Yr Sharpe Ratio	0.50	0.46
Standard Deviation (from inception)	8.21%	11.24%
Sharpe Ratio (from inception)	0.38	0.58
Ave Rtn in Market Positive Months	1.53%	2.70%
Ave Rtn in Market Negative Months	-1.46%	-2.81%
Up Capture	0.57	1.00
Down Capture	0.52	1.00
Annualised Tracking Error	7.94%	n/a
Beta	0.52	1.00
Maximum Drawdown	-12.89%	-12.21%
Annualised Alpha	-0.21%	n/a
Worst Month	-6.13%	-7.04%
Best Month	5.07%	7.31%

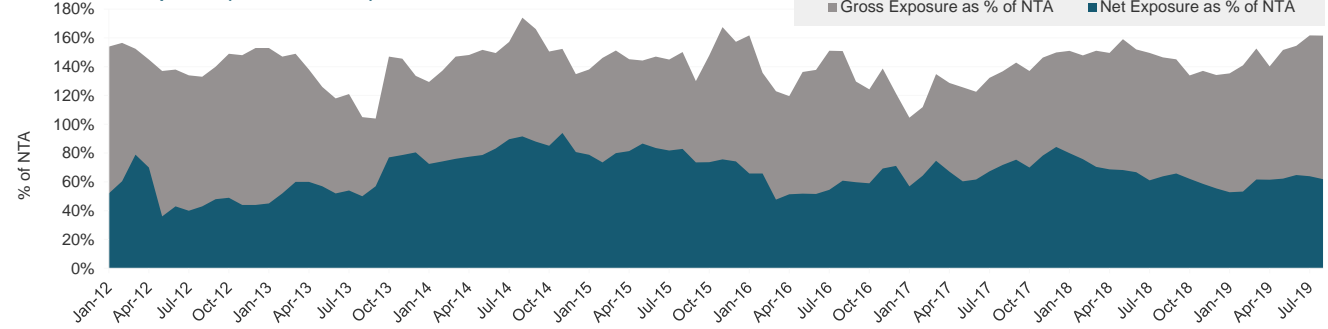
^ RFR = RBNZ 90 day bank bill rate

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%	3.63%	3.52%					19.05%

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

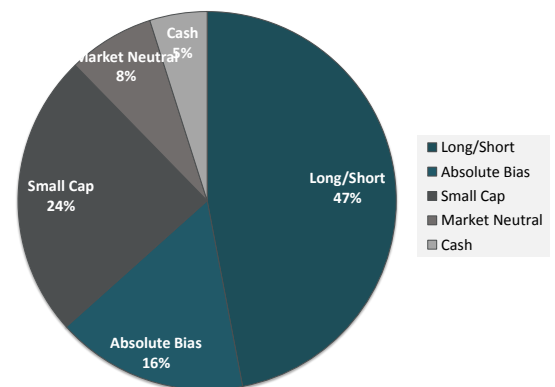
Gross and Net Exposure (% of Net Assets)



Top 10 Funds: (% of Net Assets)

Fund name	Strategy	% of assets
Atlantic Absolute Return Fund	Long/Short	9.14%
LHC Capital Australia High Conviction Fund	Long/Short	8.73%
Sandon Capital Activist Fund	Small Cap	8.14%
Totus Alpha Fund	Long/Short	7.85%
Firetrail Absolute Return Fund	Market Neutral	7.39%
The Level 18 Fund	Absolute Bias	7.28%
Auscap Long Short Australian Equities Fund	Long/Short	6.95%
Smallco Investment Fund	Small Cap	6.47%
L1 Capital Long Short Fund	Long/Short	6.28%
Miford Australian Absolute Growth Fund	Absolute Bias	5.02%

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.

