

Market and Fund Review

King Tide was down -0.14% in October, with a small currency loss detracting from a collective flat underlying return.

The Australian and NZ markets were weaker, particularly NZ, which was impacted by falls in some of the electricity companies following Rio Tinto's Tiwai smelter announcement. Rio want cheaper power, despite an already sweet deal. At 13% of the NZ electricity market, they have leverage, but many think it's brouhaha.

Aluminium prices have fallen 25% in the last 18 months which has seen smelters closed around the world. Whether it's bluff or fact we will not know until March next year. Investors were quick to discount this potential negative development, with Contact Energy and Meridian falling -14% and -12% respectively. That's a couple of years of dividends in one day, and a reminder that dividends are connected to equity not debt, and equity can be volatile.

The NZ50 Gross fell -1.3% and the All Ords Accum -0.4% resulting in a fall in KT's benchmark of -0.7% including around -0.3% from currency.

Manager returns were widely divergent, ranging from -8.3% to +5.2%. Ten managers made money - three gained more than 4%, and two others rose more than 3%.

The October result brings year on year gains for King Tide to 12.2%. It is interesting to reflect on what one was thinking this time last year, with KT having just experienced its worst monthly result – October 2018. I would guess that no-one foresaw a strong 12 months ahead. It is one of the challenges of allocating capital to managers. It is natural to feel disappointment when there are losses and human nature wants to 'get out of danger', but these are often the best times to invest.

At the end of October 2018, King Tide had lost -1% over the previous 12 months and made just 3.2% p.a. over three years. This is hardly the stuff to attract new investors. We are grateful for those who have stuck with us through these periods. Since we began to hedge currency in September 2013, KT has delivered 8.2% p.a. which is marginally ahead of the All Ords Accumulation index and compares favourably with local competitors and fund of funds offshore.

It was pleasing to see continued strong results from some of last year's laggards. Sandon gained 4.5% in October and is up 20% year to date, with several their long-held positions playing out. Sandon is an activist investor. Campbell and Gabriel, who are the key people at Sandon, are active investors in the sense that they actively engage with management to bring about change within the businesses they own, rather than own passively, as most fund managers do. This requires a unique skill set and temperament. It is this skill set that we are investing in. It leads them to a unique opportunity set that most managers pass over, providing diversification benefits to KT.

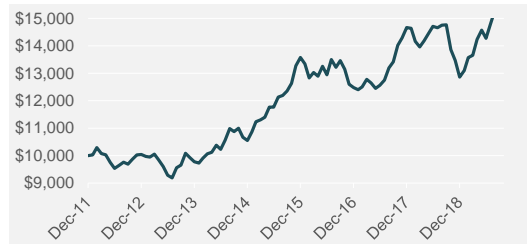
EGP, a specialist microcap investor has risen 29% over the last 6 months. This follows a period of flat returns which coincided with the manager raising more capital and launching a unit trust structure. These times of transition for managers sometimes coincide with a period of underperformance, and it is easy to create a 'cause and effect' story around these. L1 is another example when their large capital raise via a new listed vehicle was immediately followed by a period of very poor returns.

Fortunately for our investors, we stayed the course with both managers, and this appears to have been the right decision. Poor performance is a test not only for investors, but for managers too, and we have been impressed with the way both managers have handled the pressure and remained true to their process and strategy.

King Tide is always on the look out for new fund launches. In the past 12 months we have been early investors in Millex Ethical, Firetrail, QVG long/short and Saville. In November we are adding Sage Capital, the new funds management business of Sean Fenton, previously from Tribeca. Sean and his team tick the boxes for us - experienced in the Australian market where they have a strong local advantage, a strong track record built over many years at Tribeca, a unique strategy which combines quantitative and fundamental research, skin in the game with their own capital invested in their funds, ownership of the business, and of course early stage, which brings added focus.

In October, we had a change in the investment committee and board of King Tide, with Geoff Nixon resigning, and we appointed in his place Sam Brindle. We are sorry to lose Geoff's experience as a previous hedge fund manager, but we are confident that Sam is more than capable of filling the gap. Sam is a senior analyst and was already performing an advisory role within King Tide.

NZD \$10,000 Invested at Inception



Performance Metrics (%)	KT NZD	Benchmark *
1-Month	-0.14%	-0.69%
3-Month	5.17%	2.18%
6-Month	9.31%	9.46%
1-Year	12.24%	18.79%
3-Year p.a.	5.77%	13.13%
5-Year p.a.	7.18%	8.45%
Since Inception p.a.	5.81%	9.26%

* 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%	11.57%
5-Yr Sharpe Ratio	0.55	0.52
Standard Deviation (from inception)	8.14%	11.15%
Sharpe Ratio (from inception)	0.40	0.60
Ave Rtn in Market Positive Months	1.53%	2.70%
Ave Rtn in Market Negative Months	-1.42%	-2.74%
Up Capture	0.57	1.00
Down Capture	0.52	1.00
Annualised Tracking Error	7.87%	n/a
Beta	0.52	1.00
Maximum Drawdown	-12.89%	-12.21%
Annualised Alpha	-0.16%	n/a
Worst Month	-6.13%	-7.04%
Best Month	5.07%	7.31%

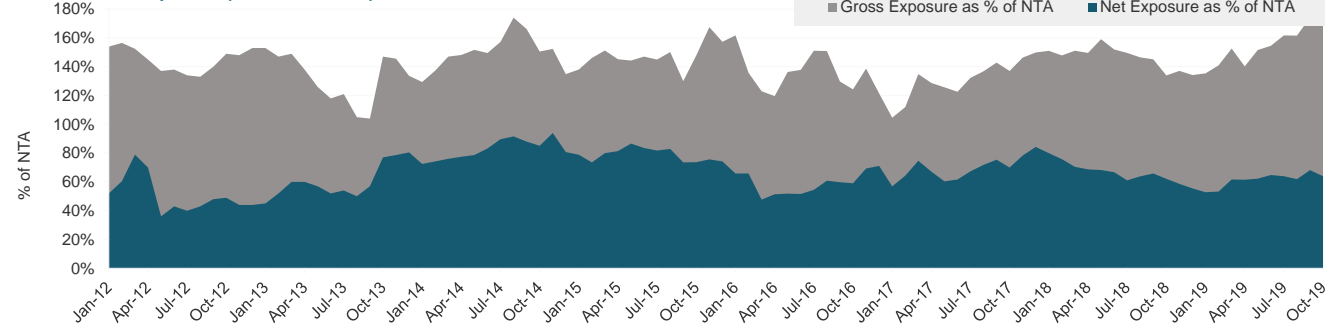
^ RFR = RBNZ 90 day bank bill rate

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%	1.82%	-0.14%			21.04%

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

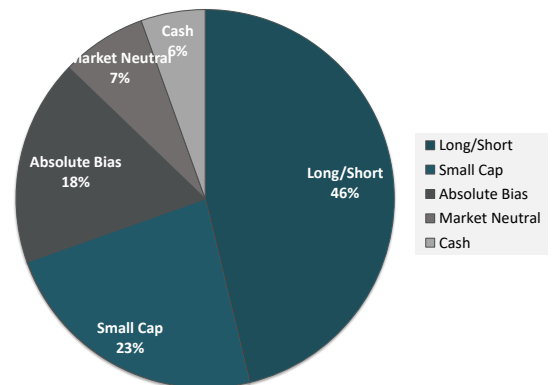
Gross and Net Exposure (% of Net Assets)



Top 10 Funds: (% of Net Assets)

Fund name	Strategy	% of assets
Atlantic Absolute Return Fund	Long/Short	9.00%
Sandon Capital Activist Fund	Small Cap	8.99%
Totus Alpha Fund	Long/Short	7.73%
The Level 18 Fund	Absolute Bias	7.61%
Firetrail Absolute Return Fund	Market Neutral	7.33%
LHC Capital Australia High Conviction Fund	Long/Short	7.32%
Auscap Long Short Australian Equities Fund	Long/Short	7.23%
L1 Capital Long Short Fund	Long/Short	6.71%
Smallco Investment Fund	Small Cap	6.44%
Miford Australian Absolute Growth Fund	Absolute Bias	5.09%

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.

