

Market and Fund Review

King Tide fell -1.5% in November. Underlying managers were marginally positive in aggregate, but a stronger NZ dollar led to currency losses of -1.5%. It is a source of frustration suffering negative months simply because of currency fluctuations, but over the longer term, since we began to actively hedge currency in September 2013, we have covered all currency losses through profits booked from our hedging activities, despite never being more than 60% hedged at any point in time.

Right now, with the NZD close to its highs against the AUD, we are unhedged, and will remain so until we see a reasonable pull back in the NZD. While this may again impact the December results, we see this as a potential tail wind going forward.

Equity markets were strong again in November with the All Ords gaining 3.1% and the NZ50 up 4.9%. The NZ market in particular has had a phenomenal run, gaining 28% in 2019. It is hard to over-emphasise the impact lower interest rates have had on the NZ market. We think this tail wind is either done or very close to being done, and any back up in rates will have a negative impact. It would not be surprising to see muted returns from NZ equities over the next few years.

Further we believe it will be a difficult time for bond investors, which will challenge traditional bond/equity portfolios. King Tide, with its diversity and independence from market returns is well positioned for this environment.

You may have seen on our social media links that King Tide was ranked #1 in Asia Pacific Fund of Funds this year by Preqin, a leading global data base of alternative funds. While this is not to be sneezed at, it is over a short time frame, and rather meaningless as a measure of our fund. However, we understand that we also rank highly over five years and look forward to seeing these results when they are published in February next year.

As I mentioned already, underlying manager returns were just above flat, and this again illustrates our low correlation to the market.

The range of manager returns was -8.3% to +5.5%. The average unweighted return was +0.9%, but it was our larger weightings which suffered the biggest losses. Regal Atlantic has had a stellar year, gaining 107% through to the end of September but has given up 8% in each of the past two months, which, you may think, would reduce the gains to say 90%, but in fact it reduces year to date to 74%!

The other large weighting which lagged in November was Sandon, which is an activist fund. That means they buy positions in companies where they see value which is not being realized and they 'agitate' to try and change that. Sandon was down 3.3% but are still up 16.4% year to date. Their approach to investing means they are very uncorrelated to the market. Even their mathematical correlation of 0.34 overstates this fund's relationship to the market. On average they have made money when markets are up and when markets are down. When the All Ords is up they tend to be up about half as much, and when the All Ords is down they have averaged gains of around 16c for every \$1 the market is down. From inception, this combination has led to a cumulative return of 212.8% versus the market's 139.0%.

It was good to see a strong month from Arnott Opportunities Fund. Manager Kenny Arnott has been struggling to make money over the past couple of years but has done well to limit losses. In the past, Arnott has made more money in tough volatile markets than strongly rising markets.

The best November results came from small/microcap manager Tony Hansen. Tony's fund EGP has many of the characteristics we look for in a fund – the bulk of the manager's personal liquid capital is invested in the fund, and all of the manager's equity exposure is via their fund. Capacity is limited so as not to inhibit performance, and fees are performance based. On this last point EGP is somewhat unique. Tony does not charge a management fee and is in fact only paid a performance fee on his outperformance of the Australian All Ordinaries 200 Total Return Index.

In an industry where fees are often the first thing investors look at, it is hard to imagine a structure which provides stronger manager/investor alignment than EGP. I can imagine sceptics saying it could incentivize a manager to take undue risk if they fell too far behind their benchmark, and I guess it could. But Tony also has 90% of his net worth in his fund which helps to offset that temptation.

When you do the maths, EGP's fee structure, assuming say a 15% p.a. return versus the markets long term 10% p.a. means it returns to investors 3.5% p.a. more than a traditional 1.5% and 20% fee structure. Little wonder that over the past 5 years, EGP is ranked 4th on our database with a 15.8% p.a. net return versus the All Ords 10.1% p.a.

NZD \$10,000 Invested at Inception



| Performance Metrics (%) | KT NZD | Benchmark * |
|-------------------------|--------|-------------|
| 1-Month | -1.52% | 1.39% |
| 3-Month | 0.05% | 3.62% |
| 6-Month | 5.15% | 8.67% |
| 1-Year | 13.77% | 25.04% |
| 3-Year p.a. | 6.73% | 13.55% |
| 5-Year p.a. | 7.51% | 10.16% |
| Since Inception p.a. | 5.54% | 9.34% |

* 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 | 8.59% | 11.13% |
| 5-Yr Sharpe Ratio | 0.60 | 0.70 |
| Standard Deviation (from inception) | 8.13% | 11.10% |
| Sharpe Ratio (from inception) | 0.37 | 0.61 |
| Ave Rtn in Market Positive Months | 1.49% | 2.68% |
| Ave Rtn in Market Negative Months | -1.42% | -2.74% |
| Up Capture | 0.55 | 1.00 |
| Down Capture | 0.52 | 1.00 |
| Annualised Tracking Error | 7.88% | n/a |
| Beta | 0.52 | 1.00 |
| Maximum Drawdown | -12.89% | -12.21% |
| Annualised Alpha | -0.44% | n/a |
| Worst Month | -6.13% | -7.04% |
| Best Month | 5.07% | 7.31% |

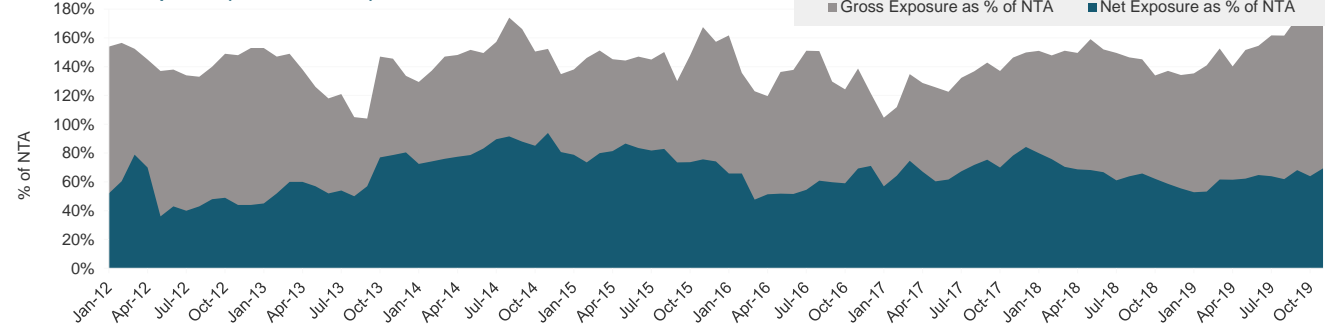
^ RFR = RBNZ 90 day bank bill rate

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% | -1.52% | | 19.20% |

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

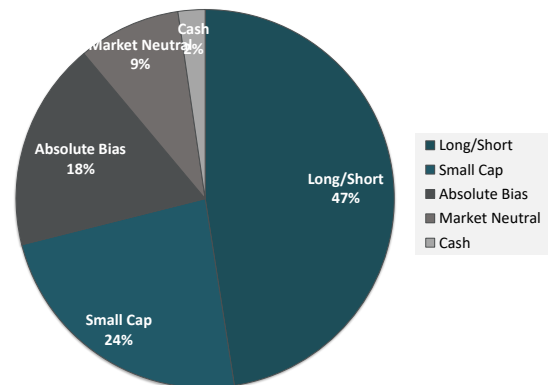
Gross and Net Exposure (% of Net Assets)



Top 10 Funds: (% of Net Assets)

| Fund name | Strategy | % of assets |
|--|----------------|-------------|
| Sandon Capital Activist Fund | Small Cap | 8.72% |
| Atlantic Absolute Return Fund | Long/Short | 8.28% |
| Totus Alpha Fund | Long/Short | 7.74% |
| The Level 18 Fund | Absolute Bias | 7.74% |
| Auscap Long Short Australian Equities Fund | Long/Short | 7.42% |
| Firetrail Absolute Return Fund | Market Neutral | 7.39% |
| LHC Capital Australia High Conviction Fund | Long/Short | 7.35% |
| L1 Capital Long Short Fund | Long/Short | 6.75% |
| Smallco Investment Fund | Small Cap | 6.69% |
| Miford Australian Absolute Growth Fund | Absolute Bias | 5.25% |

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.

