

### Market and Fund Review

King Tide ended January marginally higher, gaining 0.2% in what was another stellar month for Australian equities. Both the All Ordinaries Index and the Small Ords began the new decade with a rush, gaining 4.7% and 3.4% respectively. NZ equities continued their phenomenal run with a 2.7% gain but the AUD fell -0.6% against the Kiwi. Currency has cost us 4% over the last 4 months, but we remain unhedged, believing the risk is skewed in our favour over the medium term.

If you ever needed proof that our managers are not correlated to the market, January was it. Just quietly, we would not have minded if they were!! Of course, we all want the up months, and it can be frustrating when you miss out. Gains in January were driven by the big four banks, CSL, Telstra and Wesfarmers – seven of the largest companies in Australia. Big moves in big companies dragged up the healthcare, financials and tech indices.

Corona virus impacted returns in commodity related stocks and continues to weigh on markets, with real world effects given China's importance in the global economy.

What was pleasing about January was the stronger performance of our larger weightings, Regal, Sandon and QVG, with our investment in QVG spread over their opportunities and long/short fund.

Level 18 also had a strong month, and a pretty good six months in which they have gained 8.4% versus the Small Cap market's 2.8%. While they have lagged this benchmark over 2, 3 and 5 years, we are very happy with their returns. The fund, run by industry veterans Matt Kidman, Gary Joffe and Glenn Poswell invest the fund how they would run their own money - which in fact they are. When it's your own capital, you're not as focused on the 'index' because you're not really trying to keep up. Your primary focus is to not lose your capital, and yes, try and make some money too.

The two worst market drawdowns since Level 18's inception in July 2012 were in 2013 (-17.8%) and 2018 (-14.0%). In these two market sell-offs, Level 18 fell -3.3% and -6.8% respectively. There were also decent drawdowns in 2014 and 2015 in which Level 18 did not participate! It has been this ability to protect capital when markets are tanking that has resulted in their annualised 11.9% p.a. versus the Small Ords 8.1% p.a.

Other funds to make money in January were Smallco, Totus Alpha, Sage Equity Plus and Millex.

The outlier on the downside was L1, which appears to have positioned for a rotation into cyclicals and were undone by Corona fears. The fund fell -7.8% taking the shine off a strong recovery in 2019. While they obviously were on the wrong side of things in January, they have certainly been on the money with their largest position, NZ's Chorus, which continues to beat consensus. L1 have been on this story for a long time now despite widespread market scepticism. They are being proven right.

We talked about LHC and their holding in iSignthis in our last newsletter and there has been no change in this situation. The company is still suspended, and in a legal dispute with the ASX. They issued an update on 31 January showing continued strong growth in the business. If there is no resolution before the end of the quarter, LHC is likely to write down the value of this position again.

In January we added to our investment in Sage Absolute Return, a market neutral strategy based on a mix of fundamental and quantitative analysis, and at month end we added 1851 Capital, the new fund launched by Chris Stott, ex CIO of Wilson Asset Management.

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



Performance Metrics (%)	KT NZD	Benchmark *
1-Month	0.20%	3.81%
3-Month	-2.80%	2.61%
6-Month	2.23%	4.84%
1-Year	15.43%	23.69%
3-Year p.a.	6.83%	12.95%
5-Year p.a.	6.83%	9.62%
Since Inception p.a.	5.25%	9.31%

\* 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	8.54%	11.13%
5-Yr Sharpe Ratio	0.53	0.66
Standard Deviation (from inception)	8.07%	11.09%
Sharpe Ratio (from inception)	0.34	0.61
Ave Rtn in Market Positive Months	1.46%	2.70%
Ave Rtn in Market Negative Months	-1.42%	-2.74%
Up Capture	0.54	1.00
Down Capture	0.52	1.00
Annualised Tracking Error	7.90%	n/a
Beta	0.51	1.00
Maximum Drawdown	-12.89%	-12.21%
Annualised Alpha	-0.66%	n/a
Worst Month	-6.13%	-7.04%
Best Month	5.07%	7.31%

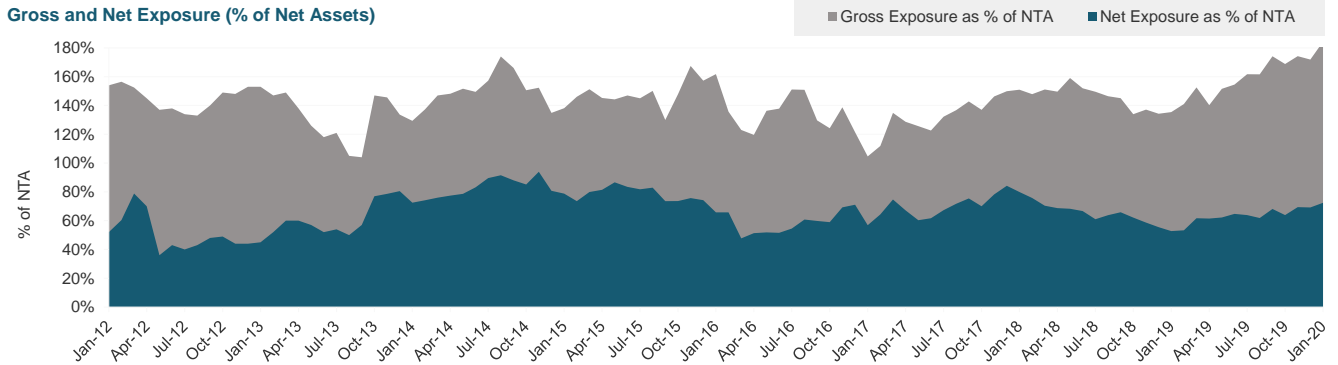
^ RFR = RBNZ 90 day bank bill rate

**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%	-1.49%	17.43%
2020	0.20%												0.20%

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

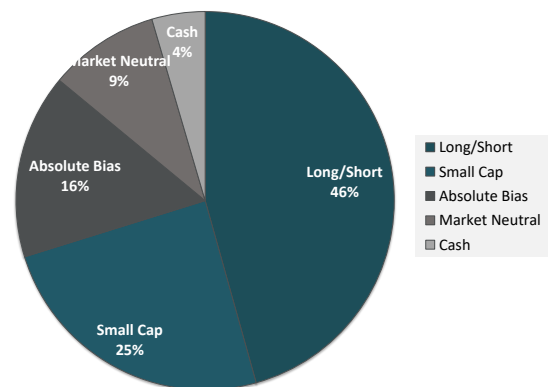
**Gross and Net Exposure (% of Net Assets)**



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

Fund name	Strategy	% of assets
Atlantic Absolute Return Fund	Long/Short	9.09%
Sandon Capital Activist Fund	Small Cap	8.80%
The Level 18 Fund	Absolute Bias	7.92%
Totus Alpha Fund	Long/Short	7.76%
Auscap Long Short Australian Equities Fund	Long/Short	7.56%
Firetrail Absolute Return Fund	Market Neutral	7.53%
LHC Capital Australia High Conviction Fund	Long/Short	6.33%
L1 Capital Long Short Fund	Long/Short	6.31%
QVG Long Short Fund	Long/Short	5.26%
Smallco Investment Fund	Small Cap	5.04%

**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.

