

### Market and Fund Review

If we thought February was exceptional it paled into insignificance compared to March, for all the wrong reasons, with volatility spiking to levels higher than the even the darkest hours of the GFC. Peak pessimism hit on the 23rd of March with the All Ords down 29% for the month and 36% off its February all-time high while on this side of the Tasman the NZX 50 bottomed out down 27%, 32% off its highs.

While the speed of the drawdown caught many managers wrongfooted, the strength and speed of the rebound has broken all sorts of records with the NZX 50 rebounding 19% off its lows, closing the month down a mere 13%. Unfortunately, the recovery in the Australian market was slightly more muted given weakness in the energy, banking and property sectors, closing the month down 21%.

With the NZD also strengthening our benchmark ended the month down a staggering 20.1%, and we would have to go all the way back to October 1987 to find a worse month for the market. In this environment relative managers would happily point to any outperformance as a "win" however we are not in the business of producing relative performance, so we view King Tide's fall of 17.8% as nothing short of an abject failure. The performance was all the more galling given we had entered the month with a net equity exposure of only 57% across our managers.

Turning to our managers and it was generally a case of more of the same following the last week of February. With stocks selling off almost irrespective of any underlying fundamentals, it was those managers who saw the threat early and had the flexibility to not just protect capital but take advantage of the selloff that had the strongest performance. It was no surprise then that managers with more of a trading style such as Totus (+10.4%) and Arnott (+6.8%) led the way.

Our market neutral managers Firetrail (-6.9%) and Sage (+6.2%) were also well positioned for a market tumble however their stock selections, particularly in the hard-hit travel sector, quickly led to a large divergence in performance. On average these strategies did exactly what was expected of them, unfortunately their collective weight wasn't nearly large enough to compensate for problems elsewhere within the portfolio.

While we have previously discussed our increased exposure to small cap managers, we can tolerate this risk if the other parts of the portfolio perform as expected. Unfortunately, three of our Long/Short managers in particular, L1 (-23%), Auscap (-47%) and Atlantic (-59%), appeared to get their positioning all wrong going to the sell-off in the expectation that economic growth was picking up. Together these managers accounted for more than half of King Tides losses for the month.

Whereas L1 were caught out by the sharp selloff in the energy sector following the collapse in oil prices, Auscap's performance was a bitter pill to swallow, after falling more than twice as far as the market. It seemed owning cheap stocks provided no protection with banks and property stocks some of the hardest hit areas given their leverage to the domestic economy. Even their put protection failed to live up to expectations having been covered in the early stages of the drawdown in the expectation of a market rebound, similar to that experienced by China once it was clear they had Covid-19 under control. The mathematics of drawdowns make falls such as these particularly hard to recover from given you need a 100% gain just to break even following a 50% fall.

Finally, we have always acknowledged that Atlantic is a high-octane strategy, and one which we believed could be tolerated given the diversification within a fund-of-funds structure. Despite taking the decision to reduce this obvious risk by switching out of Atlantic into Regal's less leveraged Small Companies strategy, we were unable to execute the change due to Atlantic's quarterly redemption schedule and to be honest the change would have made little difference to King Tide's performance as this strategy was itself down 45%. On reflection any fund five times levered would have struggled to survive events of the last month and frankly it reflects well on Phil King's skill that the fund didn't blow up. Having survived the fall, we have decided to hold tight in the expectation he will make the most of any recovery.

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



Performance Metrics (%)	KT NZD	Benchmark *
1-Month	-17.84%	-20.89%
3-Month	-24.22%	-23.78%
6-Month	-26.59%	-25.18%
1-Year	-16.24%	-14.56%
3-Year p.a.	-3.63%	-1.17%
5-Year p.a.	0.24%	2.68%
Since Inception p.a.	1.64%	5.10%

\* 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	12.33%	15.08%
5-Yr Sharpe Ratio	-0.16	0.03
Standard Deviation (from inception)	10.61%	13.60%
Sharpe Ratio (from inception)	-0.08	0.19
Ave Rtn in Market Positive Months	1.46%	2.70%
Ave Rtn in Market Negative Months	-2.06%	-3.36%
Up Capture	0.54	1.00
Down Capture	0.61	1.00
Annualised Tracking Error	7.91%	n/a
Beta	0.64	1.00
Maximum Drawdown	-26.59%	-26.58%
Annualised Alpha	-2.41%	n/a
Worst Month	-17.84%	-20.89%
Best Month	5.07%	7.31%

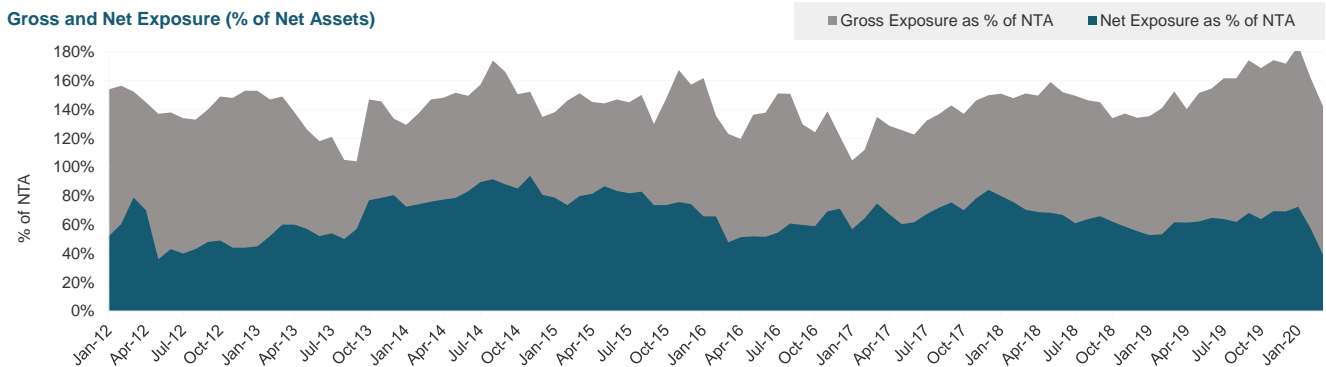
^ RFR = RBNZ 90 day bank bill rate

**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%	-7.95%	-17.84%										-24.22%

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

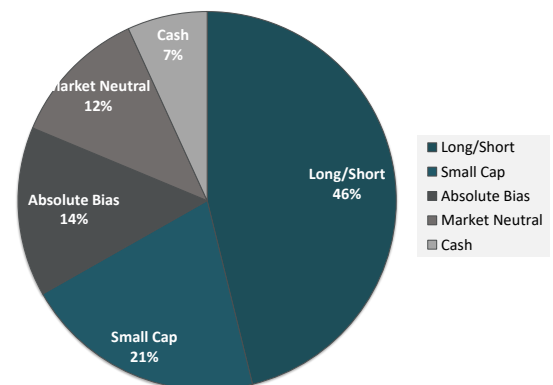
**Gross and Net Exposure (% of Net Assets)**



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

Fund name	Strategy	% of assets
Totus Alpha Fund	Long/Short	11.09%
Firetrail Absolute Return Fund	Market Neutral	9.16%
The Level 18 Fund	Absolute Bias	8.86%
L1 Capital Long Short Fund	Long/Short	7.19%
Sandon Capital Activist Fund	Small Cap	6.78%
LHC Capital Australia High Conviction Fund	Long/Short	6.51%
QVG Long Short Fund	Long/Short	5.99%
Millex Ethical Fund	Absolute Bias	5.64%
Auscap Long Short Australian Equities Fund	Long/Short	4.81%
Smallco Investment Fund	Small Cap	4.69%

**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.

