

Market and Fund Review

Equity markets continued to rebound from their March lows with King Tide up a record 10.3% in April while our benchmark ended the month up 12.5%. The NZX 50 was up 7.5%, lagging the ASX All Ords which gained 9.5%, while weakness in the NZD contributed a 3% currency gain on Australian assets. This was the strongest month for Australian equities since 1988.

Despite the bounce equities have a way to go to erase the year's losses, with the All Ords and NZX 50 still down respectively 16.7% and 8.4% year to date.

Across our managers, all but one ended the month in the black, the exception being Totus which fell 13.9% having been our biggest winner in March. Totus went into the month with a net short exposure of -16% and were badly hurt by short positions in Afterpay (+66%) and Tesla (+49%). Despite both companies having questionable business models, it would appear that in the current environment some investors appear are prepared to chase growth at any price. Nonetheless Totus remain one of the brighter spots in the portfolio, having fallen a mere 3.7% in 2020.

Meanwhile most of our managers that had suffered the most in March came out on the positive side of the ledger in April with small cap strategies benefiting from gains of 14.3% for the ASX Small Ordinaries Index and 25.8% for the ASX Emerging Companies Index. There is a lot to be said for focusing on stock picking and trying to avoid getting too cute when you are a small cap manager. As we have recently seen when sentiment changes it can turn on a dime and it often pays to ride out the ebbs and flows rather than trying to time the market.

Another positive result came from Arnott (+8.8%), its best month in almost six years, which benefited when the bombed-out uranium market started to show early signs of life. It has been a lean couple of years for this fund and the performance was all the more impressive given its net exposure averaged less than 20% during the month. Kenny is a trader by nature, so his style should be suited to the current climate where it is hard to pin a value on anything. To steal a line from his latest newsletter courtesy of Stan Druckenmiller - "Earnings don't move the overall market...it's liquidity that moves markets".

According to the IMF, global fiscal support currently stands at around \$9 trillion, with the G20, which accounts for 90% of the global economy, spending an average of 4.5% of GDP. This compares to a mere 2.5% of GDP spent by the G20 during the GFC. Interestingly China's support package is currently around 1/10th of the support it provided to its economy during the GFC. Meanwhile the Australian government is currently providing support to the tune of 13.3% of GDP including 6.9% of GDP spent on direct fiscal measures.

The net effect of all this support is impossible to say. If a by some miracle a Coronavirus vaccine is discovered, tested, manufactured, and distributed in the next 6-months it could be hugely inflationary for the global economy. On the other hand, we may be locked down to a greater or lesser extent for years to come as we dodge further waves of the virus, in which case job support packages may be simply postponing the inevitable recession/depression while blowing out central bank balance sheets. In any case it seems the only policy response to too much debt is even more debt with no indication how we will broach this impasse. Thankfully both the Australian and New Zealand reserve banks currently have plenty of headroom to take on more debt, however China remains a wildcard given its importance to both economies.

All this to say it seems that forecasting the direction of travel for the economy has never been harder with a vast dispersion in potential outcomes. While anyone buying equities in mid to late March had the odds firmly stacked in their favour, two months later the equation is not nearly so compelling. Perhaps the easiest way forward is to reduce exposure to managers most dependant on a trending market and focus on those managers who can generate good returns irrespective of market moves. In this camp we would highlight, in addition to the managers mentioned above, Sage Absolute (+7.4% year to date) and Firetrail Absolute (+1.9% YTD), both market neutral funds.

NZD \$10,000 Invested at Inception



Performance Metrics (%)	KT NZD	Benchmark *
1-Month	10.27%	12.46%
3-Month	-16.60%	-17.43%
6-Month	-18.94%	-15.27%
1-Year	-11.39%	-7.26%
3-Year p.a.	-0.10%	2.39%
5-Year p.a.	2.05%	5.05%
Since Inception p.a.	2.82%	6.54%

* 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	13.14%	16.03%
5-Yr Sharpe Ratio	-0.01	0.18
Standard Deviation (from inception)	11.12%	14.15%
Sharpe Ratio (from inception)	0.03	0.29
Ave Rtn in Market Positive Months	1.60%	2.85%
Ave Rtn in Market Negative Months	-2.06%	-3.36%
Up Capture	0.56	1.00
Down Capture	0.61	1.00
Annualised Tracking Error	7.89%	n/a
Beta	0.65	1.00
Maximum Drawdown	-26.59%	-26.58%
Annualised Alpha	-2.19%	n/a
Worst Month	-17.84%	-20.89%
Best Month	10.27%	12.46%

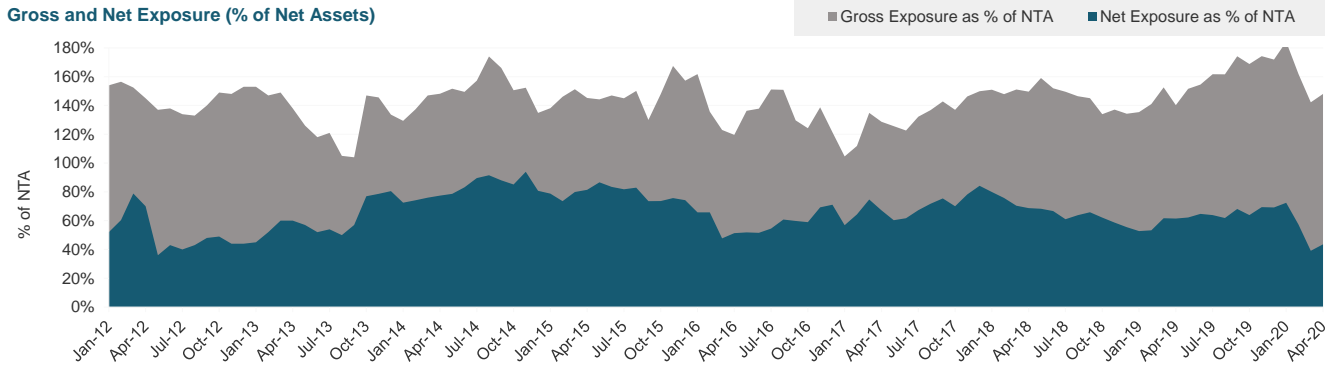
^ RFR = RBNZ 90 day bank bill rate

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%	10.27%									-16.44%

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

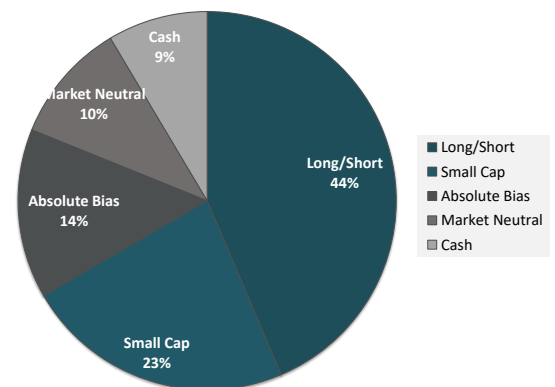
Gross and Net Exposure (% of Net Assets)



Top 10 Funds: (% of Net Assets)

Fund name	Strategy	% of assets
Totus Alpha Fund	Long/Short	9.22%
The Level 18 Fund	Absolute Bias	8.92%
Firetrail Absolute Return Fund	Market Neutral	7.67%
Sandon Capital Activist Fund	Small Cap	7.31%
LHC Capital Australia High Conviction Fund	Long/Short	6.33%
QVG Long Short Fund	Long/Short	6.04%
Auscap Long Short Australian Equities Fund	Long/Short	5.78%
Millex Ethical Fund	Absolute Bias	5.57%
Smallco Investment Fund	Small Cap	5.42%
L1 Capital Long Short Fund	Long/Short	5.00%

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.

