

## Market and Fund Review

King Tide rose 6.5% in May versus a gain of 5.9% for our benchmark. The New Zealand market gained 3.3% compared to a gain of 5.0% for the Australian All Ords, +6.2% in NZ dollar terms, while the Small Ords rallied even more strongly for a gain of 10.6%.

Year to date King Tide is now down -11.0% having regained 17.5% over the last two months while the NZ and Australian markets are down -5.3% and -12.5% respectively.

For the moment markets remain polarised between the bulls, as epitomised by day trading retail punters and the bears who include a number of battle-scarred hedge fund managers. The bull case in short can be boiled down to ultra-cheap money and stimulus (both monetary and fiscal) with a dash of TINA (there is no alternative) and FOMO (fear of missing out). Meanwhile the bears point to the real economy where company earnings are collapsing, unemployment is spiralling and Covid-19 spreads around the world largely unchecked.

So far the bulls have held the upper hand and a whole menagerie of recession shapes have entered the lexicon, starting with talk of an "L-shaped" recovery, followed by "U-shaped", "W-shaped", "J-shaped", "square root" shaped and even "Nike swoosh" shaped. More recently as markets have rebounded the "V-shaped" recovery has gained prominence while those that maintain that this is a bear market rally have dwindled by the day.

Turning to our managers and it was a sea of black, with large gains for most of our small cap managers including honourable mentions for Saville (+18.4%), QVG (+12.9%) and Sandon (+12.1%).

At the other end of the spectrum the sole exception this month was Totus who went into the month net short and were down -2.2% after receiving further punishment from their short position in Afterpay when Chinese internet giant Tencent took a 5% stake. Shorting individual stocks is extremely difficult at the best of times but as Totus has belatedly realised it is nigh on impossible when there is a fanatical fanbase boosting the stock.

The buy-now-pay-later (BNPL) sector has been on a tear lately with the share price of market darlings Afterpay (up 6x), Zip (up 6x) and Sezzle (up 10x) from their March lows. We must be getting near peak BNPL when it seems as if anything with "pay" in its name is getting bid up, even Pushpay is up almost 3x. Credit to QVG then who have ridden this wave with three of their top five holdings in the payments space.

Meanwhile Auscap continued to claw back some of this year's losses, rising 14.6% in May. They are currently up 57% from their mid-March nadir, although they remain more than -30% down for the year. Auscap's heavy exposure to the banking and property sectors backfired badly when the Australian economy was stopped dead in its tracks by the Covid crisis, with these two sectors experiencing drawdowns of -39% and -44% respectively. Despite their recent strong performance these sectors are still down -20% and -24% for the year versus -12% for the wider market.

We have been taking advantage of the recent strength in the market to sell down our high beta funds that also have daily liquidity and had fully exited small cap manager 1851 Capital and Sage's Equity Plus (active extension) Fund by the end of May. As a result of these redemptions the cash balance had increased to 13% of the portfolio by month end. With the remaining funds due to be redeemed at the end of June we are hopeful of winding up the fund on an up-tick!

## NZD \$10,000 Invested at Inception



| Performance Metrics (%) | KT NZD  | Benchmark * |
|-------------------------|---------|-------------|
| 1-Month                 | 6.55%   | 5.92%       |
| 3-Month                 | -3.47%  | -5.76%      |
| 6-Month                 | -12.29% | -11.49%     |
| 1-Year                  | -7.78%  | -3.81%      |
| 3-Year p.a.             | 2.58%   | 6.41%       |
| 5-Year p.a.             | 2.69%   | 5.45%       |
| Since Inception p.a.    | 3.57%   | 7.20%       |

\* 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             | 13.38%  | 16.14%    |
| 5-Yr Sharpe Ratio                   | 0.04    | 0.21      |
| Standard Deviation (from inception) | 11.27%  | 14.20%    |
| Sharpe Ratio (from inception)       | 0.10    | 0.33      |
| Ave Rtn in Market Positive Months   | 1.68%   | 2.90%     |
| Ave Rtn in Market Negative Months   | -2.06%  | -3.36%    |
| Up Capture                          | 0.58    | 1.00      |
| Down Capture                        | 0.61    | 1.00      |
| Annualised Tracking Error           | 7.86%   | n/a       |
| Beta                                | 0.66    | 1.00      |
| Maximum Drawdown                    | -26.59% | -26.58%   |
| Annualised Alpha                    | -1.91%  | n/a       |
| Worst Month                         | -17.84% | -20.89%   |
| Best Month                          | 10.27%  | 12.46%    |

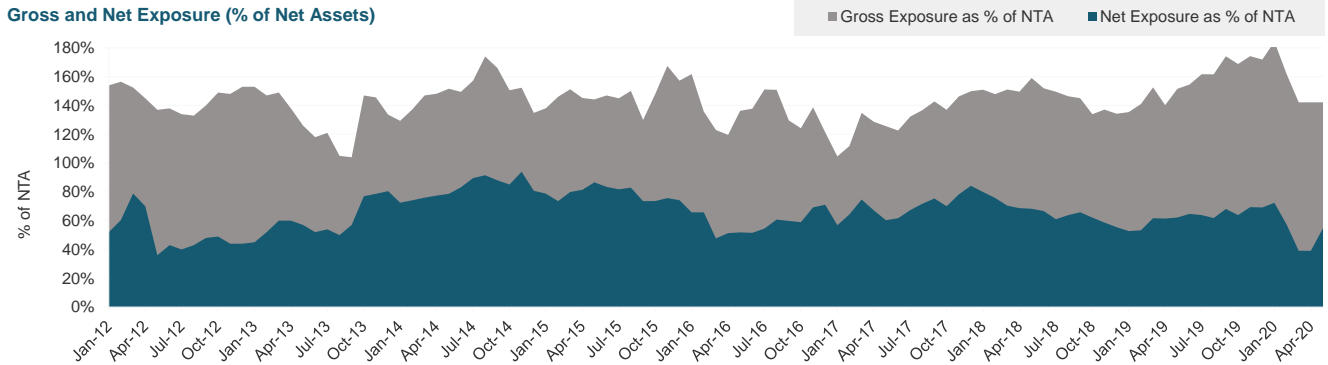
^ RFR = RBNZ 90 day bank bill rate

**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% | 6.55%  |        |        |        |        |        |        |        | -10.97% |

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

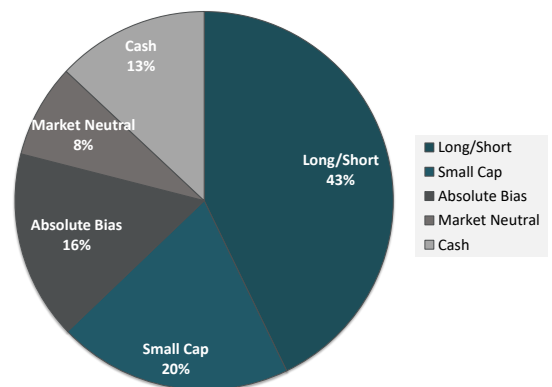
**Gross and Net Exposure (% of Net Assets)**



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

| Fund name                                  | Strategy       | % of assets |
|--|----------------|-------------|
| The Level 18 Fund                          | Absolute Bias  | 10.08%      |
| Totus Alpha Fund                           | Long/Short     | 9.48%       |
| Sandon Capital Activist Fund               | Small Cap      | 8.61%       |
| Auscap Long Short Australian Equities Fund | Long/Short     | 6.96%       |
| LHC Capital Australia High Conviction Fund | Long/Short     | 6.76%       |
| Millex Ethical Fund                        | Absolute Bias  | 6.06%       |
| QVG Long Short Fund                        | Long/Short     | 5.21%       |
| Firetrail Absolute Return Fund             | Market Neutral | 5.18%       |
| Arnot Opportunities Fund                   | Long/Short     | 5.03%       |
| L1 Capital Long Short Fund                 | Long/Short     | 4.96%       |

**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                       |

**King Tide Asset Management**

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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.

