

## Fund Overview

King Tide Asset Management Limited (King Tide, or KTAM) is a specialist and independent investment management company based in New Zealand, and the manager of the King Tide NZ/Australian Long/Short Equity Fund (the Fund). • The Fund seeks to generate at or above equity market returns with lower volatility by investing in the best long/short equity managers in Australasia. We research and select managers who employ risk based strategies to extract gains from the divergent sectors in the Australasian markets, where there is very little hedge fund activity. King Tide's management committee and board have more than 90 years combined experience in capital markets and fund selection • We apply in-depth quantitative research which is overlaid by comprehensive qualitative analysis of each fund we select • We constantly monitor existing and new funds, making changes as we see fit • We believe in 'skin in the game' and all of our managers are large investors in their own funds • In keeping with this principle, King Tide personnel are the largest investors in the King Tide Fund. King Tide has a simple, transparent, and tax effective "PIE" structure, making it appealing to NZ and offshore investors alike.

**Please note performance has been restated from NZD to AUD for information purposes only**

Fund size	A\$21.1m		KT AUD	Benchmark
Inception Date	January 1, 2012	1 Month	-1.72%	1.79%
Unit Price	1.290365	6 Month	-7.90%	4.97%
Since Inception p.a.	8.75%	1 Yr	-0.83%	20.95%
Benchmark	90% All Ords Accum/10% NZX50	2 Yr p.a.	3.86%	3.78%
Application	Monthly	3 Yr p.a	8.05%	7.21%
Liquidity	Monthly with 35 days notice	Annualised SD	8.60%	11.22%
Administration fees	0.75% total, incl Trustee, Custodian, Audit	Beta	0.51	1.00
Performance fee	10% with high water mark	Largest monthly loss	-5.54%	-7.13%
Administration	Adminis	Sharp Ratio 3 yr (RFR=RBNZ cash)	0.73	0.53
Legal Counsel	Minter Ellison Rudd Watts	Avg Return in Market Positive Mths	1.58%	2.84%
Auditor	PWC	Avg Return in Market Negative Mths	-1.06%	-2.76%

## Monthly Performance Review

King Tide ended the February month down -1.72% compared to a return of 1.79% for our benchmark. Local markets had a relatively good month with Australia's All Ordinaries rising 2.09% and New Zealand's NZX 50 rising 1.66%, while NZD returns were hampered by a 2.58% rise in the AUD.

Once again it was large cap stocks to the fore, with the top 20 stocks in the ASX up 2.44% compared to a rise of 1.31% for the ASX Small Ordinaries and a fall of -2.13% for the ASX Emerging Companies. The rotation from small to large cap stocks over the last six months has now opened up a 9.34% gap between the Small Ords (-2.12%) and the ASX 200 (7.22%).

It therefore came as no surprise that our managers with large cap exposure and more diversified portfolios such as Wavestone and L1 were amongst the better performers this month with returns of 2.35% and 2.23% respectively. Meanwhile some of our small cap specialists such as PIE Funds found the going tough with their Growth Fund and Emerging Companies Fund falling -5.98% and -4.30%.

PIE's Growth Fund in particular has struggled in the current market conditions, falling more than -16% from its October 2016 high. Nevertheless, it is still up over 12 months and has returned more than 17% per annum since inception. This sort of result is almost inevitable when managing a highly concentrated portfolio of small companies such as PIE does, and is one of the reasons we carefully manage our weightings to their strategy.

Part of the deal with investing is taking the rough with the smooth, and whilst managers typically make every effort to avoid drawdowns, the reality is in order to beat the market you must be doing something different from the market. If fact our own research suggests that many of our best performing managers have periodically been at the bottom of the rankings when viewed over short periods of time.

A segment of the Australian market that suffered last month was the natural resources sector which fell -3.4% versus an increase of 3.4% for the industrials sector. This was the first fall for resources since May last year and capped a rise of almost 65% in the preceding 12 months.

While a number of our managers stay away from resource companies, Paragon and Regal Atlantic invest in this sector and they fell -4.99% and -5.12% respectively, and are down -21% and -37% from their peaks last year. This has been a most difficult period for these two managers who failed to take advantage of the prevailing tail winds and both have been on the receiving end of a number of unfortunate stock specific events.

When constructing a portfolio we endeavour to find managers that have an edge, and this often entails having specialist skills in different segments of the market. One of the beauties of investing in different strategies is that they tend to produce uncorrelated returns which in turn tends to reduce the volatility of the portfolio as a whole. That is all very well in theory but doesn't always play out that way in practice as demonstrated by Paragon and Atlantic, although we hasten to add that a manager can only be assessed on their returns over the long term. Nevertheless, the investment committee has focused their attention on these two funds in light of recent losses, and we have drilled down to gain a better understanding of how their risk management processes allowed these drawdowns.

We added another new fund at the end of last month, the Sandon Capital Activist Fund, that brings a different style of investing than most of our managers. As the name suggests, Sandon pursues an activist strategy in respect of the investments it makes for the fund. This involves undertaking an active engagement with management, directors, trustees and other stakeholders with a view to narrowing the gap between the price at which a security trades and its assessed intrinsic value.

Sandon is managed by Gabriel Radzynski, who is also a Non-Executive Director of Mercantile Investment Co. Ltd, the latest investment vehicle of that well know corporate raider Sir Ron Brierley. Like Sir Ron, Gabriel excels in identifying undervalued companies before shaking up the management in an attempt to extract value. Gabriel also has close ties to several of our other managers including Geoff Wilson of WAM and Matthew Kidman of Level 18, who sits of the board of Sandon's LIC. Sandon has returned 13.2% p.a. since its inception in August 2009 with a maximum drawdown of -6.11%.

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King Tide Asset Management  
Monthly Performance Summary - February 2017

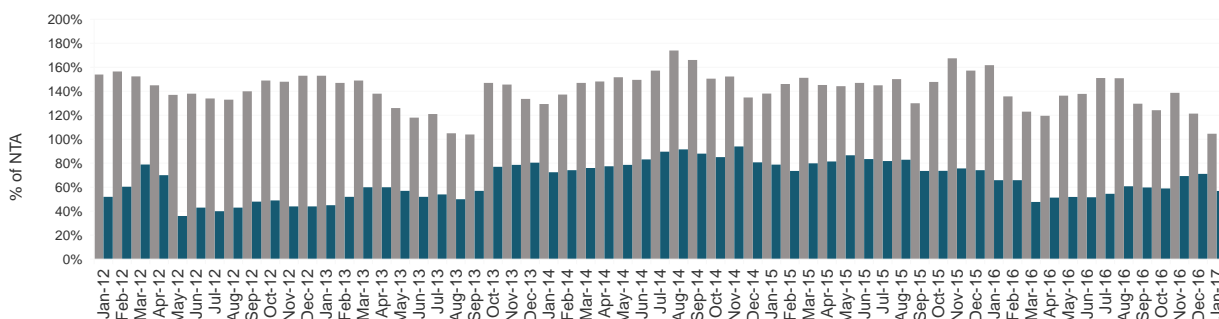
King Tide - Fund Performance vs. Benchmark (Net of Fees)

2017	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
King Tide AUD	-0.45%	-1.72%											-2.17%
Blended Benchmark*	-0.43%	1.79%											1.35%
2016	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
King Tide AUD	-4.03%	-3.03%	-0.77%	0.61%	4.76%	0.08%	3.27%	-0.39%	0.20%	-3.30%	-2.21%	-0.64%	-5.67%
Blended Benchmark*	-5.32%	-1.15%	4.87%	3.18%	3.30%	-2.01%	6.21%	-0.95%	0.15%	-2.60%	2.32%	3.77%	11.69%
2015	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
King Tide AUD	0.96%	7.05%	2.05%	-1.12%	-0.41%	-5.54%	5.88%	-0.66%	3.65%	6.40%	5.07%	5.19%	26.33%
Blended Benchmark*	2.84%	6.89%	0.04%	-1.59%	0.26%	-5.60%	4.43%	-7.13%	-2.13%	5.27%	-0.83%	3.05%	4.58%
2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
King Tide AUD	-0.22%	3.53%	1.29%	-0.34%	0.86%	0.26%	1.71%	1.79%	-1.29%	0.32%	1.01%	2.36%	11.79%
Blended Benchmark*	-2.17%	4.76%	0.50%	1.25%	0.29%	-1.17%	3.94%	0.54%	-5.04%	3.73%	-2.40%	2.36%	6.69%
2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
King Tide AUD	0.65%	0.29%	0.33%	0.59%	-1.78%	-1.90%	4.03%	1.88%	3.59%	2.47%	0.48%	1.72%	12.85%
Blended Benchmark*	5.17%	3.60%	-0.65%	4.17%	-4.11%	-2.37%	5.66%	2.13%	2.85%	3.69%	-1.27%	1.03%	21.16%
2012	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
King Tide AUD	2.49%	2.98%	-0.76%	-1.09%	-4.14%	-1.04%	-0.47%	1.97%	2.00%	1.06%	0.84%	1.17%	4.89%
Blended Benchmark*	4.99%	2.29%	1.74%	1.06%	-6.54%	0.09%	3.63%	2.33%	2.66%	2.91%	0.39%	3.23%	19.93%

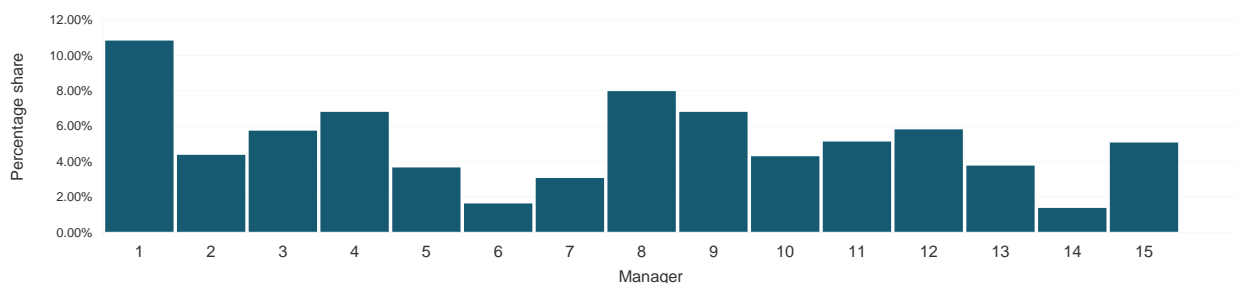
\*90% All Ordinaries Accum/10% NZX50

Gross and Net Exposure (% of Net Asset)

■ Gross Exposure as % of NTA ■ Net Exposure as % of NTA



Manager Weightings: % Share of total King Tide capital



Note: An updated version of our prospectus and investment statement are both available on our website.

King Tide's performance is expressed in NZ dollars, and currency fluctuations may significantly impact on 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.