

Fund Objective

KIS Capital Partners Pty Ltd [KIS Capital] is an Australian based hedge fund investment manager with an Asia ex Japan trading focus. The KIS Asia Long Short Fund Australian Dollar Denominated [A\$] Australian Unit Trust and the KIS Asia Long Short Cayman Fund and Cayman Master Fund are trading focused funds whose objectives are to generate absolute returns with low volatility and correlation to other assets. Trade selection and portfolio management are based on three distinct principals of: Liquidity, Transparency and Risk Management. KIS Capital looks to build a portfolio of 'winning' trade ideas and hedge unwanted market risk.

Performance for KIS Asia Long Short Fund

Performance data for the Master Series of the KIS Asia Long Short Fund Australian Dollar [A\$] denominated Australian Unit Trust [AUT].

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	1.17%	1.76%	0.70%	-0.77%									2.87%
2013	-0.94%	2.20%	0.54%	0.83%	3.00%	0.36%	1.89%	1.03%	1.18%	1.44%	1.82%	-0.06%	14.06%
2012	2.33%	2.89%	0.73%	-1.50%	1.35%	-1.00%	0.24%	3.70%	-0.19%	1.39%	-0.13%	1.17%	11.41%
2011	1.35%	0.81%	-2.20%	1.14%	3.32%	-2.69%	2.70%	3.88%	1.02%	2.48%	0.36%	-0.02%	12.60%
2010	2.15%	2.46%	2.79%	3.05%	4.09%	-0.76%	-0.95%	1.23%	1.63%	1.42%	3.24%	2.84%	25.66%
2009										4.45%	4.82%	1.75%	11.40%

Returns shown are pre-tax and net of fees for the Master Series (inception, October 2009). Returns for other series may differ. Cumulative returns are shown assuming distributions are reinvested. Investors should receive a monthly NAV statement directly from the fund administrator. Please contact SSG.AUS@TMF-Group.com if you have not received your NAV statement. Returns are independently calculated by the fund administrator on an unaudited basis. Results to June 2013 have been audited by Ernst & Young Partnership.

Fund Performance Profile : KIS Asia Long Short Fund A\$ AUT

MONTHLY		FUND INFORMATION	
Performance:	-0.77%	Fund Denomination:	A\$
ROLLING 12 MONTHS		Investor Type:	Sophisticated/Wholesale
Performance:	14.33%	Management Fee:	1.5%
SINCE INCEPTION		Performance Fee:	20%
Annualised Performance:	17.09%	<i>Fees are shown exclusive of GST</i>	
SINCE INCEPTION, OCTOBER 2009		Performance Hurdle:	RBA Cash Rate
Cumulative Performance of A\$1000 invested:	A\$2061	Subscription:	Monthly
		Redemption:	Monthly
		Inception:	Oct 2009
		Domicile:	Australia
		Prime Broker:	Deutsche Bank
		Auditor:	Ernst & Young
		Legal Counsel:	Minter Ellison
		Risk Management:	Imagine
		Fund Administrator:	TMF FundServices (Australia)
		Trustee:	KIS Capital
		Investment Manager:	KIS Capital

Performance for KIS Asia Long Short Cayman Fund US\$ Series

Performance data for KIS Asia Long Short Cayman Fund United States Dollar [US\$] denominated Series [Cayman Fund].

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	0.66%	1.56%	0.62%	-1.02%									1.75%
2013	-1.29%	2.13%	0.18%	0.55%	2.33%	0.14%	1.59%	0.77%	1.03%	1.30%	1.49%	-0.31%	10.31%
2012							-0.21%	2.59%	-0.60%	1.04%	-0.57%	0.95%	3.20%

Returns shown are net of fees for the US\$ class (inception, July 2012) foundation series. Returns for other series may differ.

Investors should receive a monthly NAV statement directly from the fund administrator. Please contact SSG.AUS@TMF-Group.com if you have not received your NAV statement. Returns are independently calculated by the fund administrator on an unaudited basis. Results to December 2013 have been audited by Ernst & Young Partnership.

Fund Performance Profile: KIS Asia Long Short Cayman Fund US\$ Series

MONTHLY		FUND INFORMATION	
Performance:	-1.02%	Share Class Denomination:	US\$
ROLLING 12 MONTH		Investor Type:	Eligible Investor
Performance:	10.60%	Management Fee:	1.5%
SINCE INCEPTION		<i>The management fee increases to 2.0% from Jan 2014 for non-Foundation Series Investors The Management fee remains 1.5% for Foundation series Investors, the Foundation series remains open but is subject to closure without notice.</i>	
Annualised Performance:	8.38%	Performance Fee:	20%
SINCE INCEPTION, JULY 2012		Performance Hurdle:	None
Cumulative Performance of US\$1000 invested:	US\$1159	Subscription:	Monthly
		Redemption:	Monthly
		Inception:	July 2012
		Domicile:	Cayman
		Prime Broker:	Deutsche Bank
		Auditor:	Ernst & Young
		Legal Counsel:	Henry Davis York, Shipman and Goodwin LLP & Walkers
		Risk Management:	Imagine
		Fund Administrator:	TMF FundServices (Australia)
		Independent Board:	Refer to Private Placement Memorandum for details, Vice Presidents of Intertrust Corporate Services (Cayman) Limited
		Investment Manager:	KIS Capital

Strategies used this month

Equity Long/Short – Australian, Canadian, Hong Kong, Indonesian, New Zealand and Singaporean Equities. Australian, Hong Kong and US Index Futures. Australian Index & Equity Options and Equity Rights.

Portfolio Hedge – Australian Equity Warrants. Australian, Hong Kong and Japanese Index Options. Australian Index Futures. OTC Options on US\$/SG\$ FX.

Convertible Bonds – Australian Listed Hybrid Securities. Convertible Bonds on HK and Singaporean Issuers.

Special Situations – Australian Equities.

Most exposures are now booked via portfolio total return swaps and CFDs between the Funds and the Prime Broker. This improves operational efficiency and facilitates cost saving. References above refer to the underlying exposure of the total return swaps and CFDs.

Monthly Summary

Reflecting back on our comments from last month in relation to the upcoming Australian budget, it would appear that the Australian Government is operating a policy of a “leak a day keeps the electorate at bay”.

Rightly or wrongly at KIS we have tended to respect politicians who make considered and principled decisions without resorting to prior approval by the media. We elect leaders to lead. In Australia there is less of a need to ‘check the electorates’ pulse than in most democracies due to the relatively short, three year, election cycle.

The electorate can, and should, pass judgment at that time; not on a blow by blow and day by day basis. We can’t mark to market our politicians daily, we aren’t looking at their daily return series and we don’t have daily liquidity to redeem and subscribe to them. We should be looking at their return over a period of years.

For the record we support a longer election cycle for the reason that changes that government make need to be reviewed over a longer time frame.

Also looking back at last month’s observations we commented that US tech and biotech sectors (growth stocks) were reported to be out of favour on the basis of not needing to pay high multiples for earning growth, when earnings growth will happen naturally for US companies in a growing US economy.

This month we spent a lot of time questioning how this reconciled with improving US Treasury prices (i.e. lowering yields which would suggest a worsening economy) with continued weakness in growth stocks.

Maybe the answer is a simple one: markets are not efficient. If previously US growth stocks had demanded such a high earnings multiple on the basis of irrational expectations then, assuming rationality does not arrive en masse and at the same time, bond prices can rally and growth stocks can underperform for a period of time.

Long Short

This portfolio lost 57bp.

We benefitted from a long position in Goodman Fielder [GFF.AX]. GFF.AX issued an earnings warning early in the month which led to a 22% fall. We used this decline as an opportunity to buy stock feeling that there was support from the shares dividend yield and a strong possibility that Wilmar International Ltd (WIL.SI) would use this opportunity to try and gain control, holding 10% at the time.

On the 28th Apr WIL.SI in cooperation with Frist Pacific (0142.HK) made a conditional offer for GFF.AX leading to a 15% rally.

GFF.AX rejected the offer stating it was opportunistic and undervalued the company. We increased our position as we felt some of the ‘deeper value’ longer term holders of GFF.AX would encourage GFF.AX to engage with an increased bid from WIL.SI & 0142.HK.

We transferred the position to the Special Situations portfolio to reflect the more binary price outcomes of the current situation.

In total, GFF.AX contributed 57bp this month, with 42bp of this in this portfolio and the balance in Special Situations portfolio.

With weakness in global tech stocks we suffered on our two long holdings with VMob Group (VML.NZ) and iBuy Group (IBY.AX) losing 25bp each, with approx. half of the IBY.AX loss being in the Special Situations portfolio.

We managed to recoup 17bp in the tech sector by shorting and then trading Xero Ltd (XRO.NZ).

No other single underlying created an impact of more than 20bp this month.

In March only 44% of our long and short ideas, i.e. excluding hedges, were winning. Unfortunately this month our success ratio, was evenly balanced, rather than being biased to winning trades, with the average size of a loss on a failed trade idea being very close to the size of a profit on a winning trade idea.

Of particular note in the metrics was Hong Kong. Many of the more 'thematic' trades failed in April with weakness in Macau, Tech and Environmental names. We were quick to exit our losing positions and as a result, despite having only 26% of our ideas being profitable, our success ratio of 1.3 meant this month cost only 30bp. Looking at moves that have occurred in the first two weeks of May, there has been further pain in these trades.

Portfolio Hedge, Convertible Bonds

These portfolios did not have a significant impact on returns this month.

Special Situations

This portfolio lost 36bp this month.

We lost 46bp on David Jones Limited [DJS.AX]. Following on from Myer/MYR.AX "merger of equals proposal" with regard to DJS.AX, the DJS.AX/MYR.AX premium/ratio pushed out to a high level.

We were of the view that this premium/ratio would contract/fall and as a result were positioned long MYR.AX and short DJS.AX, the short in DJS.AX was -2% of AUM.

On the 9th April South African Retailer Woolworths [WHL.SJ] announced a bid for DJS.AX at a 25% premium to the closing price of 8th April which led to a large jump in the share price of DJS.AX.

We closed our short position as the offer was sufficiently strong to elicit the recommendation of DJS.AX board and the conditions to the offer do not look onerous therefore the offer looks very likely to complete.

After checking investor sentiment with regard to the required approval from WHL.SJ, who plan to raise cash via an equity issue to pay for DJS.AX, we reestablished the short position, but in smaller size at 1% of AUM. We do not see a further bid emerging for DJS.AX and as such the price risk to the upside is capped relative to the possible gain if WHL.SJ's shareholders oppose the share issue.

Currency Class FX Hedge - KIS Asia Long Short Cayman Fund US\$ Series Only

Investments are received in US\$ and spot exchanged to A\$. This FX spot trade is then one month forward FX hedged back to US\$. The cost of this FX hedge is a function of the differential of interest rates between US\$ and A\$. The impact of interest rate differentials reduced the performance of the US\$ series by 25bp.

Contact Information

**Trustee; KIS Asia Long Short Fund:
KIS CAPITAL PARTNERS**

Address: Suite 601, 23 Hunter Street, Sydney, NSW, 2000, Australia

Tel: +61 2 8227 7111

Email: ir@kiscapital.com

**Board of Directors; KIS Asia Long Short Cayman Fund and KIS Asia Long Short Cayman Master Fund:
KIS Asia Long Short Cayman Fund and KIS Asia Long Short Cayman Master Fund c/o Intertrust Corporate Services (Cayman) Limited**

Address: Walker House, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands

**Investment Manager; KIS Asia Long Short Fund, KIS Asia Long Short Cayman Fund and KIS Asia Long Short Cayman Master Fund:
KIS CAPITAL PARTNERS**

Address: Suite 601, 23 Hunter Street, Sydney, NSW, 2000, Australia

Tel: +61 2 8227 7111

Email: ir@kiscapital.com

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