

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%										3.67%
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:	0.70%	Fund Denomination:	A\$
ROLLING 12 MONTHS		Investor Type:	Sophisticated/Wholesale
Performance:	16.17%	Management Fee:	1.5%
SINCE INCEPTION		Performance Fee:	20%
Annualised Performance:	17.63%	<i>Fees are shown exclusive of GST</i>	
SINCE INCEPTION, OCTOBER 2009		Performance Hurdle:	RBA Cash Rate
Cumulative Performance of A\$1000 invested:	A\$2077	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%										2.86%
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 Performance:	0.62%	FUND INFORMATION Share Class Denomination:	US\$
ROLLING 12 MONTH Performance:	12.35%	Investor Type:	Eligible Investor
SINCE INCEPTION Annualised Performance:	9.44%	Management Fee:	1.5%
SINCE INCEPTION, JULY 2012 Cumulative Performance of US\$1000 invested:	US\$1171	<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>	
		Performance Fee:	20%
		Performance Hurdle:	None
		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

Most global equity indices closed the month with a small positive performance.

Noticeable exceptions to this included:

- The Russian equity market, which fell 5% following on from political and economic risks related to the Ukraine,
- The NASDAQ which fell 3%, compared to a 1% rally in the S&P.

Some 'growth darlings' in the NASDAQ suffered some extreme falls: Netflix lost 21%, Facebook 12% and Google 8%. These appear to be big numbers until phrased in terms of the number of months of recent gains that were lost: 5 months' of gains lost, 3 months and 4 months respectively.

Some research seen recently highlighted that coming into 2014 the median of the most expensive top decile of stocks in the US had a Price/Book [PB] ratio of 9.4 the highest since 1926. Looking at eight other points (1929, 1937, 1946, 1961, 1968, 1973, 1990 and 2000) when markets peaked and had extreme distribution of valuations, the top decile of P/B lost an average of 30% over the following 18 months. We are a couple of months post the peak and have fallen 10%.

One reason suggested to switch out of growth stocks has been the expectation of inflation. The argument being that well managed companies that can pass cost increases onto users will experience earnings growth in an inflationary environment and hence paying expensive multiples for earnings growth in social media and biotech stocks may not be necessary.

On the subject of inflation another interesting piece of Australian specific economic research recently crossed our desk. It highlighted that there has been a persistent factor driving inflation in Australia and this has been government inflation. The estimate has been that private sector inflation sits at 2.0% whereas government inflation sits at 5.8%. This big difference has been present for nearly 5 years and reflects high increased costs in health and child care but also many specific government interventions such as the introduction of carbon pricing; local authority, property & water rates; sewerage prices and increased taxation on alcohol & tobacco products. These increases are set against a deteriorating fiscal statement.

The next Australian budget requires some unpleasant choices to be made to close the gap caused by this excessive government inflation. Large spending cuts can be expected.

Long Short

This portfolio contributed 98bp.

The largest contributor to the P&L this month was Metcash (MTS.AX) which contributed 40bp of the returns.

We have been bearish of MTS.AX business positioning for some period. It is suffering from an increased competitive threat from ALDI, its dividend is unsustainable from its operating profits and it also has an expanding debt position. A new management team entered the business in July 2013 and there has been increasing 'new blood' at a board level since that time.

A strategic review date was set for 21st March. As we approached this date the new management team had not yet made any announcement with regard to the current state of the business. We would normally expect some degree of prior disclosure.

We had built a short position starting in January up to 2% of AUM but were reticent to increase this further given the high short interest and risk of a short squeeze in the share price.

On the 21st March MTS.AX announced a poor business outlook and announced a dividend reduction. The stock fell 10% on the day but we felt that this was too small a fall for the business situation announced. This under reaction and the high turnover indicated to us that a lot of short positions were being closed and that once this support was removed the stock would trade lower as the full impact of the downgrade would be realized. We increased our short to 4% of AUM on the 21st.

The stock fell a further 8% over the rest of the month and we took profits reducing our short to 2% of AUM by month end and closing it completely in the first two weeks of April.

No other single underlying created an impact of more than 20bp and the balance of this portfolios return this month was a feature of our success ratio.

In March only 47% of our long and short ideas, i.e. excluding hedges, were winning. Our ability to generate a positive return this month was driven by our success ratio where our average winning idea generated 1.6x the average loss suffered on the losing ideas.

Portfolio Hedge, Convertible Bonds

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

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

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