

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%	0.21%								3.09%
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:	0.21%	Fund Denomination:	A\$
ROLLING 12 MONTHS		Investor Type:	Sophisticated/Wholesale
Performance:	11.23%	Management Fee:	1.5%
SINCE INCEPTION		Performance Fee:	20%
Annualised Performance:	16.81%	<i>Fees are shown exclusive of GST</i>	
SINCE INCEPTION, OCTOBER 2009		Performance Hurdle:	RBA Cash Rate
Cumulative Performance of A\$1000 invested:	A\$2065	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%	0.03%								1.85%
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:	0.03%	FUND INFORMATION Share Class Denomination:	US\$
ROLLING 12 MONTH Performance:	8.11%	Investor Type:	Eligible Investor
SINCE INCEPTION Annualised Performance:	8.02%	Management Fee:	1.5%
SINCE INCEPTION, JULY 2012 Cumulative Performance of US\$1000 invested:	US\$1159	<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 and US Index Futures. Australian and Hong Kong Equity Options. Australian Index Options.

Equity Arbitrage – Australian Equities and Index Futures.

Portfolio Hedge – Australian and Canadian Equity Warrants. Australian Index Options.

Convertible Bonds – Australian Listed Hybrid Securities.

Special Situations – Australian and Hong Kong Equities. US Listed Chinese ADRs. Australian Index Options.

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

There is an old stock market adage of “sell in May and go away”. Academic studies have found that there is some degree of seasonality over this period but this is skewed by some extreme movements such as the collapse of LTCM in 1998 and the October 1987 stock market crash. This May, equity markets were generally higher with the MSCI world index +1.6%, the US Markets were a notable outperformer with the S&P500 +2.1% and the NASDAQ composite +3.1%.

This was set against a background of a strong US Treasury market with 10y yields falling by 17bp implying lower inflation and growth expectations.

HK and Chinese equity indices posted gains ranging from +0.6% to +4.9% but we felt part of these moves were driven by investor action to bring weightings up in Chinese stocks, especially financials; we still see many Chinese stocks as offering good value.

One notable weak area was the price of Iron Ore which continued to fall in May as it has for the year so far. This is obviously detrimental to Australia as Iron Ore represents circa 20% of Australia’s exports. This may lend itself to a softening bias from the RBA, especially if the Australian budget leads to slower growth as well.

Anecdotally we have recently noticed that Australian assets, such as the Australian dollar itself and Australian equity index futures, seem to ‘catch a bid’ during US market hours but this fades in Australian market hours. This would seem to indicate a more positive external view of Australia. That is also seen in the M&A events announced this month with more than 80% of the buying coming from offshore entities.

Long Short

This portfolio made 39bp for the AUT and 44bp for the Cayman this month.

We benefitted from long positions in some stocks that received takeover approaches in May. These included Ambassador Oil & Gas Ltd (AQO.AX), PanAust Ltd (PNA.AX) and Treasury Wine Estates Ltd (TWE.AX) which contributed 46bp in total. These positions were moved to the Special Situations portfolio to isolate, observe and manage their more binary risk exposure.

Over the month, 46% of our ideas were winning and the average profit on our winning ideas was 1.5x larger than our average loss. If we exclude the above names, the ratio of profit on a winning trade vs losing trade drops to 1.2x. Both ratios are an improvement on April and are accompanied by a higher portfolio turnover. We will continue to focus on stopping losing trades quickly improving this ratio.

Equity Arbitrage, Portfolio Hedge, Convertible Bonds

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

Special Situations

This portfolio lost 7bp this month.

There has been a noticeable pick up in M&A activity globally including Australia with deals or approaches being announced in May for: Ambassador Oil and Gas Ltd (AQO.AX) by Drillsearch Energy Ltd (DLS.AX), Aquila Resources Ltd (AQA.AX), Dart Energy (DTE.AX) by IGAS Energy PLC (IGAS LN), PanAust Ltd (PNA.AX), SAI Global Ltd (SAI.AX), SGG Australia Ltd (SFW.AX) by IOOF Holdings Ltd (IFL.AX), Treasury Wine Estates Ltd (TWE.AX) and increased bids for Aurora Oil & Gas (AUT.AX), Envestra Ltd (ENV.AX), Goodman Fielder (GFF.AX) and Australand (ALZ.AX) by Stockland (SPG.AX) and then in early June by Frasers Centrepoint Ltd (FCL SP).

As mentioned above we profited in some of these announcements and approaches though long positions we held in the Long Short portfolio. We have retained exposures in some of these names and also added exposure in others, expecting these deals to complete smoothly or be subject to a competitive bidding situation. At the end of the month our total net exposure to M&A names stood at +8% and our gross exposure at 10% both up significantly from the previous six months.

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 26bp.

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