

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%	0.95%	0.91%	-0.10%	-0.08%	-1.10%	0.79%		4.49%
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 2014 have been audited by Ernst & Young Partnership.

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

MONTHLY		FUND INFORMATION	
Performance:	0.79%	Fund Denomination:	A\$
ROLLING 12 MONTHS		Investor Type:	Sophisticated/Wholesale
Performance:	4.43%	Management Fee:	1.5%
SINCE INCEPTION		Performance Fee:	20%
Annualised Performance:	15.37%	<i>Fees are shown exclusive of GST</i>	
SINCE INCEPTION, OCTOBER 2009		Performance Hurdle:	RBA Cash Rate
Cumulative Performance of A\$1000 invested:	A\$2093	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%	0.67%	0.57%	-0.36%	-0.45%	-1.31	0.45%		1.39%
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:	0.45%	FUND INFORMATION Share Class Denomination:	US\$
ROLLING 12 MONTH Performance:	1.08%	Investor Type:	Eligible Investor
SINCE INCEPTION Annualised Performance:	6.12%	Management Fee:	1.5%
SINCE INCEPTION, JULY 2012 Cumulative Performance of US\$1000 invested:	US\$1154	<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, Chinese, Hong Kong, New Zealand and Singaporean Equities. Australian Chinese, Hong Kong and US Index Futures. Australian and Hong Kong Equity Options.

Arbitrage – Australian, Hong Kong and New Zealand Equities. Australian and Hong Kong Index Futures. Hong Kong Index Options.

Portfolio Hedge – Australian and Canadian Equity Warrants. Australian and US Index Options. Australian equity options.

Convertible Bonds – Australian Listed Hybrid Securities.

Special Situations – Australian, Hong Kong, Singaporean and UK Equities. Hong Kong and Singaporean Equity Rights.

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

This is the last monthly newsletter that will be produced this year. We wish all of our investors, potential investors and readers a Merry Christmas and a Happy New Year. The KIS Capital Office will be operational throughout the holiday period so, if you require any information, please do not hesitate to contact us (email and telephone number at the end of the newsletter).

We are cautious on equity markets.

A key warning barometer watched by KIS Capital is the implied expected inflation levels from inflation protected securities (such as the US TIP market).

With the slump in hard commodities such as Iron and Copper and weakness in energy prices, especially Oil, these inflation expectations were at recent lows in November and continued to fall in the first weeks of December. The lows seen match with the weakness seen in 2010 when the Euro government crisis led to weakness in equities, bonds etc. In fact, the only point when expectations have been lower was during the last months of 2008.

The slump in oil is also a risk factor for the high yield debt market. A substantial portion of the US high yield market is oil and energy related. With oil at these prices some degree of default or difficulty in refinancing can be expected. This will act as a weight on the whole high yield sector.

Long Short

This portfolio contributed 75bp this month.

Our short position in Consumer Staples paid this month, generating 112bp of gains. We started the month short of Woolworths (WOW.AX) and Metcash (MTS.AX) for the reasons mentioned in last month's newsletter (competitor pressure and regulator changes). We covered our short in WOW.AX mid-month post a disappointing sales update but remained short of MTS.AX ahead of their earnings announcement in December.

The opening days of the Shanghai Hong Kong Connect were disappointing.

We expected a higher degree of engagement by Mainland investors in Hong Kong Listed names.

We were not unduly surprised that many non-Chinese investors did not rush to invest in Chinese listed names. The current operational structure of the Chinese markets appears to be focused on discouraging day trading with same day settlement of sales (and next day settlement of purchases) and this is far from the norm for international markets.

We still see huge opportunities coming from the opening of the A share market. These opportunities will not all come on day one. Adaptation of international investors to the mainland market nuances and a better understanding of the psychology of investors will be required. Opportunities will exist in this new market with such a range of companies, valuations and share price catalysts and such strong liquidity: over US\$100 billion of turnover on some days (similar in magnitude to the turnover of all the stocks in the US S&P500 despite a much lower total market capitalization).

Arbitrage, Portfolio Hedge, Convertible Bonds and Special Situations

These portfolios did not make a significant contribution to the funds' 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 24bp.

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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