

## 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%					4.91%
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:	-0.10%	Fund Denomination:	A\$
<b>ROLLING 12 MONTHS</b>		Investor Type:	Sophisticated/Wholesale
Performance:	9.57%	Management Fee:	1.5%
<b>SINCE INCEPTION</b>		Performance Fee:	20%
Annualised Performance:	16.30%	<i>Fees are shown exclusive of GST</i>	
<b>SINCE INCEPTION, OCTOBER 2009</b>		Performance Hurdle:	RBA Cash Rate
Cumulative Performance of A\$1000 invested:	A\$2101	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%					2.74%
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

<b>MONTHLY</b>					<b>FUND INFORMATION</b>		
Performance:				-0.36%	Share Class Denomination:		US\$
<b>ROLLING 12 MONTH</b>					Investor Type:		Eligible Investor
Performance:				6.38%	Management Fee:		1.5%
<b>SINCE INCEPTION</b>					<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:				7.50%	Performance Fee:		20%
<b>SINCE INCEPTION, JULY 2012</b>					Performance Hurdle:		None
Cumulative Performance of US\$1000 invested:				US\$1174	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, New Zealand and Singaporean Equities. Australian and US Index Futures. Australian and Hong Kong Equity Options. Australian Index Options. Australian Equity Rights.

**Arbitrage** – Australian and Hong Kong Equities. Australian and Hong Kong Index Futures. Hong Kong Index Options.

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

**Convertible Bonds** – Australian Listed Hybrid Securities.

**Special Situations** – Australian, Hong Kong and UK 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

We hate losing money at KIS Capital. We are personally invested in the funds we manage and a significant proportion of our investors are personally known to us.

We think it is key that when you do lose money, albeit this month a relatively small amount, you are open and transparent about it with your investors.

You review what went wrong and what would you do differently. This review is not to see what you would have done if you were aware of what would happen next, any fool can do this: hindsight is 20/20 and back tested strategies that are offered for investment seldom lose money. This review is to question your investment process and decision making with the information you had at the time but perhaps did not attach the correct significance to.

What you should not do when you lose money is engage in accounting and reporting sleights of hand to avoid letting investors know your performance.

This may sound like an obvious statement but we were surprised to see a recent measure taken by Blackrock in its ICS Europe Government Liquidity Fund. Currently the short dated yields of some European Government Bonds are negative. An investment in these bonds will lose you money, I assume that the investment logic is that you are hoping to lose money at a slower rate than by making other investments. However Blackrock has decided to 'hold the buck' and maintain its NAV price and not reflect the fall in value. Instead they reduce the number of units owned. In essence "don't worry Sir, our fund has not lost money, you just have less units".

Rest assured when we lose money we are not happy but we will also not try and spin the facts or manipulate the numbers to hide the facts.

## Long Short

This portfolio lost 20bp.

We suffered a loss of 27bp on Transpacific Industries Group (TPI.AX). We held a long position based on their positive action in repairing the balance and turn around potential for investor perception.

The stock went into a trading halt on the 13th August and on 19th August, TPI announced an unexpected write down in relation to landfill asset charges (total was A\$269m charge pre-tax, A\$189m post tax though some of this was expected). The stock fell 11% on the day.

On the 20th August the company issued a statement that they were suspending their fleet following on from a fatal road accident. The stock fell 13% from the previous day and hit -18% before recovering to end -4%. We traded the stock on both days recouping some of the losses but we stopped out by the close of the 20th.

The portfolio as a whole suffered on the short side. We increased our gross book exposures over the month and the short side suffered as the equity markets rallied. We also ran an average net short exposure of -9% and this suffered as the market rallied in later part of August.

On a sectorial basis we suffered in all sectors apart from Consumer Discretionary (mainly as a result of a long position in Harvey Norman Holdings Limited (HVN.X)), and Energy where we made money on the long side, driven by long exposure in names such as Paladin Energy Ltd (PDN.AX) and on the short side in Oil and LNG related names such as Beach Energy Ltd (BPT.AX) and Liquefied Natural Gas Ltd (LNG.AX).

## Arbitrage

This portfolio did not make a significant contribution this month.

We have looked at ways to position this portfolio to benefit from the upcoming Hong Kong - Shanghai Stock Connect (HK-SH). HK-SH is designed to allow Chinese Investors to buy HK listed stocks and International investors to buy Shanghai listed stocks from a pre-defined universe. Due to operational issues we expect the flows to initially be from China to Hong Kong. The more obvious trades (such as the reduction in discount of HK listing vs Shanghai listing of the same companies) have been performing since the announcement of HK-SH in April. We have not wanted to play these as the risk was for a sudden reversal if the project was cancelled. Instead we have taken our assumption about expected flows from China and the market capitalization preferences of mainland investors and mapped these to the HK stock universe. We have created a basket from this subset and are now long of these vs a short in HSCEI futures. To mitigate the risk that HK-SH connect could prompt the international community to review their exposure and implement this via buying large caps, we have bought some upside calls on the HSCEI.

## Portfolio Hedge, Convertible Bonds and Special Situations

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

We will carefully review the Alibaba (BABA.N) IPO to see what opportunities are presented next 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.



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