

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
2016	-0.41%	0.67%											0.26%
2015	-0.35%	0.09%	2.59%	4.04%	1.14%	-1.48%	0.26%	0.34%	2.81%	2.50%	-2.33%	2.90%	13.02%
2014	1.17%	1.76%	0.70%	-0.77%	0.21%	0.95%	0.91%	-0.10%	-0.08%	-1.10%	0.79%	0.26%	4.76%
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 2015 have been audited by Ernst & Young Partnership.

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

MONTHLY		FUND INFORMATION	
Performance:	0.67%	Fund Denomination:	A\$
ROLLING 12 MONTHS		Investor Type:	Sophisticated/Wholesale
Performance:	13.61%	Management Fee:	1.5%
SINCE INCEPTION		Performance Fee:	20%
Annualised Performance:	14.45%	<i>Fees are shown exclusive of GST</i>	
SINCE INCEPTION, OCTOBER 2009		Performance Hurdle:	RBA Cash Rate
Cumulative Performance of A\$1000 invested:	A\$2378	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
2016	-0.58%	0.58%											0.00%
2015	-0.68%	-0.11%	2.27%	4.44%	0.66%	-1.64%	-0.09%	0.17%	2.46%	2.15%	-2.48%	2.60%	9.96%
2014	0.66%	1.56%	0.62%	-1.02%	0.03%	0.67%	0.57%	-0.36%	-0.45%	-1.31%	0.45%	-0.12%	1.27%
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 2015 have been audited by Ernst & Young Partnership.

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

MONTHLY Performance:	0.58%	FUND INFORMATION Share Class Denomination:	US\$
ROLLING 12 MONTH Performance:	10.83%	Investor Type:	Eligible Investor
SINCE INCEPTION Annualised Performance:	6.66%	Management Fee:	1.5%
SINCE INCEPTION, JULY 2012 Cumulative Performance of US\$1000 invested:	US\$1268	<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, Chinese, Hong Kong, Malaysian, New Zealand, Singaporean and US Equities. ADRs on Indian equities. Australian Equity Options and Hybrid Securities. Australian and US Index Futures.

Portfolio Hedge – Australian Equity Warrants. Options & Warrants on ETFs. Australian and Hong Kong Index Options.

Special Situations – Australian, Chinese, Hong Kong, and Singaporean Equities. ETFs and Warrants on ETFs. Options on Singaporean equities.

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

Monthly Summary

Many equity markets reached their low in the second or third week of February. This was also true for high yield bond indices and ETFs.

It is never really possible to certain what makes a market rally or fall over a period of time but we would suggest that what is driving a return to risk is the appalling situation of not being invested. Bloomberg has reported that US\$7 trillion of government bonds have a negative yield, this is approx. 29% of Bloomberg's Global Developed Sovereign Bond Index. There are a further 9 trillion of government bonds yielding between zero and one percent. In summary across 2/3rds of the world's developed markets it is possible to invest at best for a poor return and at worse for a loss. No wonder the [sale of safes are booming in Japan](#), which issued a 10 year bond with negative interest rates for the first time, and [demand for 1,000 Swiss franc notes is booming](#). [The ECB is considering scrapping the EUR500 note](#). If a zero interest rate policy was ineffective at boosting economic growth it is a generous extrapolation to assume that a negative interest rate policy will be the solution, unless you are a safe manufacturer or print bank notes, both niche activities!

In a worrying development, the US Commerce Department imposed export sanctions on US Companies supplying goods in relation to one of China's larger, and high profile, technology businesses, ZTE Corporation (0763.HK/000063.CH).

With the US being one of the only economies to be increasing interest rates, they risk seeing significant strength in their currency hence damaging their exporters.

These sanctions appear politically motivated, it is an election year after all, and we will watch this situation very carefully as an escalation to a full blown trade war could easily cause significant damage to a relatively weak global economy.

Long Short

This portfolio was the main contributor generating 77bp.

February was a very difficult month to navigate. A lot of price action seen in the market was contrary to the fundamentals of the companies. This was particularly noticeable where crowded shorts existed e.g. Primary Health Care Ltd (PRY.AX) whose price rallied aggressively with the Chinese based Jangho Group (601886.CH) emerging with a significant stake on the register. As a reminder Jangho is acquisitive having successfully taken over Vision Eye Institute Ltd (VEI.AX) late last year. We were running a small short exposure to PRY.AX but immediately cut our position and moved to a long bias as soon Jangho announced, protecting ourselves and benefitting from the rally.

On specific names that benefitted our portfolio we were able to benefit from the rally in the price of gold, possibly driven as a store of money which did not attract negative interest rates, through a long position in Newcrest Mining Limited (NCM.AX). This contributed 41bp of the gains.

On the short side of the book we benefitted from our pessimistic view on Collection House (CLH.AX). CLH.AX announced unimpressive first half results and days later notified the market the CEO would retire. We have not been overly impressed with the company when we have reached out for information with regard to certain comments in their financial statements. As is often the case when we have been successful in picking a stock to short, and that stock has experienced a significant drop, we have taken some profits rather than trying to keep the size of the position constant relative to the fund; we find it difficult to double the quantity of stock we are short to compensate for a halving of the share price.

Portfolio Hedge & Special Situations

Neither portfolio made a significant contribution to the return this month.

Currency Class FX Hedge - KIS Asia Long Short Cayman Fund US\$ Class 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\$. This forward hedge is then rolled one month into the future each month. The cost of this forward 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 21bp.

Profit is allocated between the US\$ Series and the A\$ Series of the KIS Asia Long Short Cayman Fund based on the A\$ capital of the series at the start of the month, this is the required methodology under accounting standards. Additionally the US\$ value of the US\$ series is hedged at the start of the month. As a result profits generated on the month attributed to the US\$ series are subject currency appreciation and depreciation with their value contribution being crystalized at the foreign exchange rates at month end.

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