

Fund Objective

KIS Capital Partners is an Australian based hedge fund manager with an Asia ex Japan trading focus. The KIS Asia Long Short Fund is a trading focused fund whose objective is to generate high absolute returns. Trade selection and portfolio management are based on three distinct principals of: Liquidity, Transparency and Risk Management. KIS looks to build a portfolio of 'winning' trades and hedge unwanted market risk.

Performance

This month's update includes performance data for the Master Series of the KIS Asia Long Short Fund (KIS ALSF), trade summaries and strategies deployed in January 2012.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	2.33%												2.33%
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. Please contact the manager or fund administrator for more information. 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 2011 have been audited by Ernst & Young Partnership.

Monthly Summary

Markets seemed happy to put the trials and tribulations of last year behind them, at least in the near term.

Authorities seem to be embracing the idea that the way to keep the world solvent is through a loose money policy. This is being affected by a variety of different methods: European financial stability fund, zero interest rate policies, long term refinancing operations, etc.

This has resulted in a strong rally in risky assets but this may have been too fast. We think equity markets will be range bound for the year with rallies that start slowly, building momentum before economic realities curb enthusiasm and markets decline.

The condition that will allow markets to break out to a consistent upside will be economic growth from activity, rather than asset price pumping by easy money conditions. The austerity measures that have been introduced in various European states are a real deterrent to economic growth but are required to address the excesses of previous years.

Long Short

This portfolio was responsible for all of the return this month.

The change in sentiment this month was quite pronounced with a strong appetite for growth stocks and beta sensitivity in the early part of the month. We were able to trade this change of sentiment effectively and moved to a small short bias for some of the later part of the month.

The largest contributor to the profit this month was long positioning on Azimuth Resources, contributing 44bp. The company continues to having stunning exploration success in Guyana and announced a very favourable exploration update in January.

Also on the long side we were able to trade Sims Metal Management where we benefitted from the rush to cyclical growth stocks seen in the first part of the month. This generated 27bp.

FUND PERFORMANCE PROFILE

MONTHLY

Performance: 2.33%

ROLLING 12 MONTHS

Performance: 13.69%

SINCE INCEPTION

Cumulative Performance: 61.31%

FUND INFORMATION

Fund Denomination:	AUD
Investor Type:	Sophisticated/Wholesale
Management Fee:	1.5%
Performance Fee:	20%
Management and Performance Fee are shown ex. GST	
Performance Benchmark:	RBA Cash Rate
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)

FUND DESCRIPTION

Asia Long Short: please see below for list of countries and strategies employed

Strategies used this month

- Equity Long/Short – Australian, Hong Kong and Singaporean Equities. Australian Equity Options Warrant and Rights. Australian & US Index Futures.
- Portfolio Hedge – Australian Equity Options and Warrants.
- Equity Arbitrage – Australian & Hong Kong Equities.
- Convertible Bond Trading – Australian Convertible Bonds (CBs) and Credit Default Swap on Australian Issuer.
- Special Situations – Australian, Hong Kong & Singaporean Equities. Hong Kong Equity Rights. Australian Warrants, Options and Index Futures.

Long Short (cont)

We reentered into a long position in ABM Resources and the stock found favor with investors. The company launched a capital raising in which we participated. In total we made 24bp trading in this name, though approximately quarter of that is related to the participation in the capital raising and hence is counted in the Special Situations portfolio.

On the short side we benefitted from a view that the rally in Atlas Iron had been too aggressive in the first three weeks of the month. Trading in this name created 42bp of the monthly return.

Portfolio Hedge, Convertible Bond, Equity Arbitrage and Portfolios

We saw some significant moves in QBE and the credit markets related to QBE debt following on from the profit warning issued. Our exposure to the debt via the convertible bonds was well hedged with credit default swap.

Overall these three portfolios did not make a significant contribution to the return this month.

Special Situations

In total this portfolio lost 10bp this month.

Overall participation in capital raising via IPOs and placements incurred a loss of 27bp this month.

Within the M&A space we were able to make 17bp of this month's performance.

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