

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 high absolute returns. 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
2013	-0.94%												-0.94%
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 2012 have been audited by Ernst & Young Partnership.

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

MONTHLY		FUND INFORMATION	
Performance:	-0.94%	Fund Denomination:	A\$
ROLLING 12 MONTHS		Investor Type:	Sophisticated/Wholesale
Performance:	7.85%	Management Fee:	1.5%
SINCE INCEPTION		Performance Fee:	20%
Annualised Performance:	18.40%	<i>Fees are shown exclusive of GST</i>	
SINCE INCEPTION, OCTOBER 2009		Performance Hurdle:	RBA Cash Rate
Cumulative Performance of A\$1000 invested:	A\$1740	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
2013	-1.29%												-1.29%
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). Returns for other classes 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 2012 are in the process of being audited by Ernst & Young Partnership, this is expected to be completed in the coming weeks.

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

MONTHLY		FUND INFORMATION	
Performance:	-1.29%	Share Class Denomination:	US\$
ROLLING 7 MONTH		Investor Type:	Eligible Investor
Performance:	1.87%	Management Fee:	1.0%
SINCE INCEPTION		<i>The management fee increases to 1.5% from July 2013 and 2.0% from Jan 2014</i>	
Annualised Performance:	3.23%	Performance Fee:	20%
SINCE INCEPTION, JULY 2012		Performance Hurdle:	None
Cumulative Performance of US\$1000 invested:	US\$1019	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 Walker Fund Services
		Investment Manager:	KIS Capital

Strategies used this month

Equity Long/Short – Australian, Hong Kong, Malaysian and Singaporean Equities. Australian, Hong Kong and US Index Futures. Australian and Hong Kong Equity Options. Australian Index Options.

Portfolio Hedge – Australian Equity Warrants. Australian Index Options.

Convertible Bonds – Australian Listed Convertible Preference Securities.

Equity Arbitrage – Australian Equities.

Special Situations – Australian, Canadian, Hong Kong and Singaporean Equities. Australian Convertible Preference Shares. A\$/C\$ FX.

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

Equity markets rallied in January as investors found that they could no longer accept the poor returns offered in credit markets and didn't feel a need to hide in bond markets.

The degree that equity markets lost their fear surprised us. The fiscal issues facing the US, Europe and Japan have not been fixed, just kicked down the road.

The biggest indicator of this was probably the fall in the VIX index which dropped from 23 on 28th December to 15 on the 2nd January.

At KIS we like to see 'worry' in the market and media, as this is what makes markets rally smoothly. If everybody is overconfident, lacking concerns then valuations are elevated, the relative merit of an investment is not considered and bubbles form.

Over the past year there has been a very strong relationship between the liquidity supplied by the world's Central Banks and the health of the equity markets. This liquidity is starting to drain away as various long term repo operations [LTROs] reduce. There is a further fall in liquidity expected around the first week of March as the second LTRO matures. Others have estimated this as draining US\$550 billion out of the financial system in one month. We would expect this to be felt in the credit and bond market initially; both of which exhibited a weak January especially relative to the strength of equities.

The counter theory to this is that the world economy is finally managing to put in decent growth and that Central Bank liquidity/money printing is no longer required. GDP numbers are still not overwhelming. The most positive indication of economic activity is in the prices of assets e.g. the appreciation in house and stock market prices. But, if this price appreciation is predicated on loose Central Bank policy then any tightening of that policy will see that asset prices fall.

Long Short

This portfolio lost 1.08% for the Australian Unit Trust and 1.14% for the Cayman Fund.

We managed to generate 47bp of returns in Hong Kong whilst we lost 139bp in Australia.

The two markets exhibited very different characteristics.

In Hong Kong, stock pickers were rewarded. Stocks reacted to positive and negative news in a manner that would be expected.

In Australia, we were left with a feeling that the movements in stocks were being driven by a large reallocation of monies from outside of equities into the equity market. The stocks that performed were those that had positive price momentum, high dividend yields and/or high short interest.

Very few stocks that performed exhibited any specific strong positive news and it is stocks with positive news that KIS aims to own.

Long Short (continued)

In January the twenty most shorted names (excluding short interest for names with Convertible bonds or involved in an M&A situation) in the ASX200 rallied 8% vs. a rally in the ASX 200 itself of 5%. In February this has continued and to the 12th there has been a rally of 5% for the 20 most shorted names vs. a rally of 2% for the index. The move in February has been driven by Bradken Ltd [BKN.AX] and JB Hi-Fi Ltd [JBH.AX] which exhibited 11% and 17% rallies on results announcements which were best described as not as bad as expected. BKN and JBH were both in the group of 20 most shorted stocks

The largest contribution to our loss was our Australian index hedge. Using the ASX 200 index as a short to hedge our long names cost the fund 63bp. The main issue was not the cost of the hedge but the lack of success of our longs in comparison to the index which has been commented on above.

We lost 42bp on Metcash [MTS.AX]. MTS's business continues to be squeezed as Coles and Woolworths offer steep price discounts. The independent retailers that MTS support are suffering in this price competition and we would expect to see further hits to MTS's balance sheet from vendor financing arrangements. Despite this tough backdrop, MTS rallied 15% on the month, possibly driven by investors expecting MTS ability to continue to grow dividends, though we cannot see where the increased profit to pay these increased dividends will come from.

We lost 37bp on Lynas Corp Ltd [LYC.AX]. LYC also has a large short interest and we positioned ourselves long after positive news announcements expecting the stock to continue to move upwards towards the A\$ 0.75 November placement price. The short squeeze was relatively quick and we were stopped out of our long position.

Portfolio Hedge, Convertible Bonds and Equity Arbitrage

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

Special Situations

This portfolio generated +0.16% of this month's return.

We made 12bp on setting up a position in the takeover of Cerro Resources [CJO.AX] by the Canadian company Primero Mining [P.TO]. CJO is trading cheap to the terms offered by Primero and the market assigning a zero value to the spinout of the Mt. Isa assets to CJO shareholders. We expect to run this position to deal completion.

We stopped out of the long position in Allmine Group [AZG.AX] for a loss of 12bp this month. The company announced at the start of December that it had been approached by various agents and parties but no firm offer has emerged.

We closed out our long position in Arrium Limited [ARI.AX] for a profit of 8bp. The stock had moved too far away from the valuation floor created by the failed takeover approach and we took profits.

We reduced our long position in Macquarie International Infrastructure Fund [MIIF.SI]. The discount to estimated net asset value [NAV] has been closed by unit holder activism. There is still some value in the name as the NAV values are lower than would be expected for assets with this level of cash generation but the catalyst for this value to emerge will be a sale of the assets and the timing of this is unknown.

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 cost of this hedge for January was 0.29%.

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