

## 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
2015	-0.35%												-0.35%
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 2014 have been audited by Ernst & Young Partnership.

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

MONTHLY		FUND INFORMATION	
Performance:	-0.35%	Fund Denomination:	A\$
<b>ROLLING 12 MONTHS</b>		Investor Type:	Sophisticated/Wholesale
Performance:	3.19%	Management Fee:	1.5%
<b>SINCE INCEPTION</b>		Performance Fee:	20%
Annualised Performance:	14.83%	<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\$2091	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
2015	-0.68%												-0.68%
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 2013 have been audited by Ernst & Young Partnership.

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

<b>MONTHLY</b> Performance:	-0.68%	<b>FUND INFORMATION</b> Share Class Denomination:	US\$
<b>ROLLING 12 MONTH</b> Performance:	-0.08%	Investor Type:	Eligible Investor
<b>SINCE INCEPTION</b> Annualised Performance:	5.38%	Management Fee:	1.5%
<b>SINCE INCEPTION, JULY 2012</b> Cumulative Performance of US\$1000 invested:	US\$1145	<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, New Zealand and Singaporean Equities. Australian and Hong Kong Equity Options. Hong Kong and Indonesian ETFs. Hong Kong ETF Options. Australian, Chinese, Hong Kong, Indonesian and US Index Futures. Australian Index Options.

**Portfolio Hedge** – Australian and Canadian Equity Warrants. Australian and US Index Options. JPYUSD FX option.

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

**Special Situations** – Australian, Chinese, Hong Kong, New Zealand, Singaporean 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

Much has been written about the Greek Finance Minister Yanis Varoufakis's background and specifically the fact that he co-authored a book titled "Game Theory: A Critical Introduction".

Entry level game theory is relatively easy to understand. The example often held out is the Prisoner's Dilemma (<http://www.investopedia.com/terms/p/prisoners-dilemma.asp>) and the Nash equilibrium that is required to stabilize, but not optimize, the outcome for both parties.

The issue in playing game theory in European economics are that there are many players who harbor a variety of very different desired outcomes. At this stage we will defer to Woody Brock's recent essay on 'The Future Balance of Power and the Probability of War' but suffice to say, with the number of parties involved in the European union, the 'game' outcome is hard to predict and very unlikely to be stable.

Against this background, and with the benefit of hindsight, the large Quantitative Easing (QE) program announced by the ECB may simply be the creation of a safety net to try to protect asset values and financial economies from future turmoil, not a response to a slowing real economy.

On the subject of desired outcomes, we were interested by comments made by Larry Fink, CEO of Blackrock, on how Germany will watch the impact on the Swiss export economy following on from the Swiss National Banks scrapping of the Swiss Franc peg to the Euro. In his view if Switzerland does not suffer a recession as a result of the strength of its currency then Germany, especially the more politically conservative parts, may begin to consider if it would be better placed outside of the Euro, or at least in a Euro with countries that shared its stronger fiscal discipline.

## Long Short

This portfolio lost 11bp this month.

We suffered on short positions on Australian banks (NAB.AX, CBA.AX, ANZ.AX) all of which found strong buying from yield hungry investors looking for other places to park cash following a significant shift down in yield at the near and far end of the yield curve. We see the Australian banks as expensive and facing headwinds from an economy that has lost support from the resources sector and at risk of regulatory reform either with more stringent lending requirements or, a straight out cash grab from an unpopular government to facilitate more pleasing spending elsewhere. That said there is no point fighting the flow of money so we were quick to stop losses and as a result lost 49bp here.

We also suffered on a long position in Comba Telecom (2342.HK) which we believed to be a beneficiary from Chinese government policy related to extending the reach of mobile communications to more rural areas. 2342.HK announced that a former employee at a subsidiary had been found guilty of bribery charges. The CEO was unconvincing on the conference call immediately post the event and we cut our position losing 32bp on the month.

We benefited on long positions in two small cap holdings.

VMob Group Ltd (VML.NZ) announced a global contract with McDonald's (MCD.NY). MCD.NY is suffering its own business issues presently, as indicated by the resignation of the CEO. VML.NZ has successfully shown its ability to enhance MCD.NY's business in

Holland, Sweden and Japan. The global contract is a huge opportunity for VML.NZ and we believe will prove out its product and business model.

Actinogen Ltd (ACW.AX) rallied strongly as a reaction to company presentations to investors and the appointment to the board of Dr Bill Ketelbey. Actinogen's drug, Xanamem, targets Alzheimer's disease. There is a long way to go in trialing Xanamen. Should the trials prove successful, the opportunity for ACW.AX is enormous. We are confident that the market cap will start to factor in the upside potential well before the drugs are proven and marketable.

## Portfolio Hedge

This portfolio lost 47bp

We did not expect the ECB to be such a strong and cohesive organization to be able to propose QE measures that markets would react positively to.

To hedge the fund, and to profit from our expectation of disappointment from the market to the announcement we had purchased index put options. The value of these options were wiped out very quickly as equity markets rallied (the S&P ASX 200 had its longest winning streak with 12 up days in a row (14 if you exclude the 3bp decline on the 20th Jan).

## Convertible Bonds

This portfolio benefitted by 17bp due to improving sentiments on the pref share structures of Elders Ltd (ELD.AX, ELDPA.AX) and PaperlinX Limited (PPX.AX, PUXPA.AX). Despite being bullish on the view of ELD.AX's business, we feel there is little further upside in the value of ELDPA.AX and will lighten our position.

## Special Situations

This portfolio did not make a significant contribution to performance 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 27bp.

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