

## 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%	2.39%										2.65%
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:	2.39%	Fund Denomination:	A\$
<b>ROLLING 12 MONTHS</b>		Investor Type:	Sophisticated/Wholesale
Performance:	13.39%	Management Fee:	1.5%
<b>SINCE INCEPTION</b>		Performance Fee:	20%
Annualised Performance:	14.67%	<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\$2435	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%	2.13%										2.13%
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

<b>MONTHLY</b>		<b>FUND INFORMATION</b>	
Performance:	2.13%	Share Class Denomination:	US\$
<b>ROLLING 12 MONTH</b>		Investor Type:	Eligible Investor
Performance:	10.68%	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:	7.13%	Performance Fee:	20%
<b>SINCE INCEPTION, JULY 2012</b>		Performance Hurdle:	None
Cumulative Performance of US\$1000 invested:	US\$1295	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, Thai and US Equities. ADRs on Indian equities. Australian Equity Options and Hybrid Securities. Australian and US Index Futures.

**Portfolio Hedge** – Australian Equity Warrants. Australian Index Options. Options on ETFs

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

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.

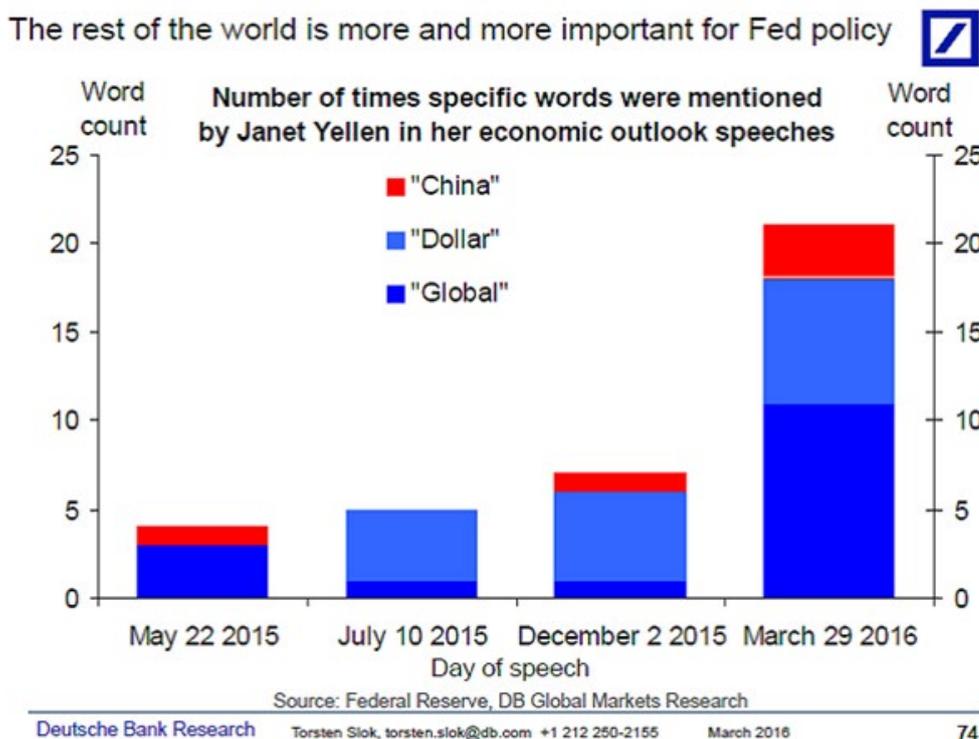
## Monthly Summary

Markets in March had a more positive tone with most risk assets being firmer. There was a very pronounced rally in emerging markets with the CSI300 rallying 12% and the MSCI Emerging Market Index (denominated in US\$) rallying 13%.

The US\$ continued to experience weakness with a 4% fall in the DXY index and a 7% fall vs the A\$.

We still feel that moving from ZIRP (Zero Interest Rate Policy) to NIRP (Negative Interest Rate Policy) will not stimulate economies. Taking rates negative does not have the same impact as 'dropping dollars on door mats' and we think the main consequence is to inflate financial assets. We have a suspicion that at some stage there will be an 'Emperor's New Clothes moment' of lucidity and a realisation that investing in negative yields guarantees a known loss and a substantial mark to market loss is possible if rates move higher (I still have problems when modelling assets using a discount factor great than 1, multiplying by >1 is not really discounting anymore!).

On the subject of ZIRP, NIRP and US\$ strength and weakness we believe that the FED is shifting its policy in relation to interest rate hikes. The FED had positioned its decision making process around the US domestic economy, which had led to an expectation of further rate rises and US\$ strength as the domestic economy began to revive. The FED is now clearly looking at the impact of its increasing interest rates in the context of a slow world economy and the damage a strengthening US\$ has on its export economy. With thanks to Deutsche Bank please refer to the table below:



Finally, referring back to last month's observations on the US Government's implementation of sanctions on ZTE Corporation (0763.HK/000063.CH). This month there was a softening of these sanctions with a temporary lifting. In what could appear to be a quid pro quo gesture ZTE replaced three of its senior executives including its CEO.

This is positive news and we hope that all parties can progress to a point that free trade is possible. The global economy is not in a position to cope with trade barriers & tariffs and import & export restrictions.

## Long Short

Last month the gains in this portfolio arose from our short positions, this month the gains were driven from the long side. Across our long and short positions we generated 256bp

On the long side the biggest contributor to our P&L was Paladin Energy Ltd (PDN.AX). We still see PDN.AX as a target for a Chinese suitor and our understanding from comments from the Chinese communist party and [activity in the nuclear reactor construction sector](#) that securing a source of Uranium will be of high importance. This contributed 73bp to our returns.

We also managed to catch the turn in sentiment on resources via a long position in BHP Billiton Limited (BHP.AX) which we took when BHP.AX lagged the rally that was occurring in the commodities themselves. We were less fortunate in Fortescue Metals (FMG.AX) and had a small short position into the weekend when Iron Ore staged its largest one day rally and FMG experienced a 24% rally on the Monday. This month across these two names and positions we made a small profit.

On the short side of the book we were wrongly positioned in Medibank Private (MPL.AX). Our anecdotal evidence suggested the MLP.AX was losing traction in some practices. In addition we expected that the Private Health Insurance rate increase would come through lower than the market expected given an election year with diminishing support for the incumbent government. [We were wrong](#) and the government announced a 5.59% increase on the 2nd March. MPL.AX opened up only 1% higher from the previous day and we took our position from short to long on the open and during the first hour of trading. The stock closed 8% higher and made fresh highs during March and continues to rally in April although we have now closed our long position. We try to place little ego on our investment positions, we accept when we are proved wrong and aim to cut losses quickly and efficiently. Our short position cost us 42bp; our quick reaction to the news, stopping out and subsequent positioning made 34bp; generating a net loss on the month on the name of 8bp

Finally on the short side, our position in Ramsay Health Care (RHC.AX) benefitted us. RHC.AX suffered from a reduction to hospital tariffs of 2% imposed by Comité économique des produits de santé. Although this is not the core reason we are short RHC.AX it is indicative of our broad thesis where we believe the margin RHC.AX is able to make on prosthetics will be reduced and, quoting a comment from a broker on RHC.AX's earnings announcement "operationally light, upgrade driven by tax, interest and depreciation." RHC.AX cannot command a premium valuation under these conditions.

## Portfolio Hedge

This portfolio did not make a significant contribution to this month's returns

## Special Situations

This portfolio lost 28bp.

Our position of a long call option on Singapore Airlines (SIAL.SI), arising from SIAL.SI's takeover of Tiger Airways (TAHL.SI), hedged with short SIAL.SI stock contributed 21bp of the loss offsetting last month's gain. The experienced volatility of SIAL.SI dropped significantly over the month reaching 12% at the end on March versus a range in 2015 of 11% - 33%. Gamma trading activity ended up pinning the share price near to the strike of the call option. A significant majority of the open option positions, e.g. approximately three quarters of our position, will expire early April. This will reduce the total gamma in the market and is likely to allow the stock to move more freely hence benefitting our remaining position.

## 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.

## Contact Information

**Trustee; KIS Asia Long Short Fund:  
KIS CAPITAL PARTNERS**

Address: Suite 601, 23 Hunter Street, Sydney, NSW, 2000, Australia

Tel: +61 2 8227 7111

Email: [ir@kiscapital.com](mailto:ir@kiscapital.com)

**Board of Directors; KIS Asia Long Short Cayman Fund and KIS Asia Long Short Cayman Master Fund:  
KIS Asia Long Short Cayman Fund and KIS Asia Long Short Cayman Master Fund c/o Intertrust Corporate Services  
(Cayman) Limited**

Address: Walker House, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands

**Investment Manager; KIS Asia Long Short Fund, KIS Asia Long Short Cayman Fund and KIS Asia Long Short Cayman  
Master Fund:  
KIS CAPITAL PARTNERS**

Address: Suite 601, 23 Hunter Street, Sydney, NSW, 2000, Australia

Tel: +61 2 8227 7111

Email: [ir@kiscapital.com](mailto:ir@kiscapital.com)

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