

## Fund Objective

KIS Capital Partners is an Australian based hedge fund manager with an Asia ex Japan trading focus. The KIS Global Multi-Strategy Fund is a trading focused fund whose objective is to generate high absolute returns via the execution of three core strategies: 1) Equity Long Short 2) Special Situations; & 3) Macro Hedge. KIS also deploys capital to both 4) Convergence & 5) Convertible Bond strategies as scale and market environment allow. Trade selection and portfolio management are based on three distinct principals of: Liquidity, Transparency and Risk Management. Generally, KIS looks to build a portfolio of ‘winning’ trades and then hedges potential macro risks.

## Performance

This month’s update includes performance data for the Master Series of the KIS Global Multi-Strategy Fund (KIS GMSF), trade summaries and strategies deployed in October 2011.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	1.35%	0.81%	-2.20%	1.14%	3.32%	-2.69%	2.70%	3.88%	1.02%	2.48%			12.22%
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

Having recently watched the movie, I reread the novel “Too Big to Fail” by Andrew Sorkin. I was curious to see if there was a parallel to Europe and the issues it is facing with Greece.

The key observation was a simple one. When things go wrong, they go wrong fast. Only a similarly fast, decisive response can prevent catastrophe.

There is no political and fiscal union in Europe. As stated in past commentaries, it is not clear who can make the wide and far reaching decisions that are required to resolve current issues. For much of the duration of the European sovereign crisis, the press releases from European leaders indicate a strong hand, but the detail of the policies and method of implementation disappoints.

The other observation is that sometimes the outcome that is mutually beneficial is not achieved as one of the parties will opt for a better outcome for themselves even if it damages the other party. Default and devaluation is sometimes the best option for the debtor, seldom for the creditor.

Obviously if the outcome of defaulting is seen to be less painful than: austerity measures, forced asset sales and collateral charges over state assets; default could become a popular decision with that countries electorate. In the end, decisions are being made by politicians who, in the current political framework are supposed to represent the desires of the people and who themselves are often driven by a desire to retain power.

The next issue we see as most likely to create unrest in the markets will be the US congressional “super committee’s” inability to identify 1.2 trillion US dollars of deficit reduction over the next ten years. The committee’s deadline to propose how these savings will be achieved is the 23rd of November.

The decisions that have to be taken are unpleasant and to achieve this goal, cuts to entitlement spending (especially Medicare and Medicaid) and tax increases are likely to be involved, both of which will restrict near term growth. Neither political party will want to be associated with these measures with less than a year to the next presidential election.

### FUND PERFORMANCE PROFILE

#### MONTHLY

Performance: 2.48%

#### ROLLING 12 MONTHS

Performance: 19.15%

#### SINCE INCEPTION

Cumulative Performance: 57.10%

#### 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 Hurdle:	RBA Cash Rate
Subscription:	Monthly
Redemption:	Monthly
Start Date:	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

Global Multi-Strategy

##### Strategies used this month

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

## Equity Long/Short

This portfolio contributed 199bp of the total return this month.

We continue to use S&P as the main index hedge. This month due to the strong rally in equity markets, this hedging cost us 59bp. We also suffered 41bp of losses from our long position in Boart Longyear Ltd, where we anticipated a rally in the stock from an improved order book for mining equipment. We stopped ourselves out of the position early in the month before the stock rallied.

We made 51bp of profits on Fortescue Metals Group Ltd trading the range the stock moved through from both the long and short side. The range through which this stock has moved cannot be justified by changes in fundamentals. This month the stock fell 8%, rallied 26%, fell 17%, rallied 18% and fell 4% to make a net change on the month of +10%. This kind of movement confirms that the market is not a place for buy and hold investors who do not have very stable capital.

We profited from BHP Billiton Ltd, making 40bp. We took advantage of short dated call options to take a long position with good risk return characteristics in the last days of the month.

We were aware that coming into this month some stocks had very large short positions. We took the catalyst of an easing interest rate environment, which could be seen as positive to retailers, as an opportunity to buy JB Hi-Fi for a short squeeze. This produced a profit of 38bp.

Our greatest success this month was in the active trading of Lynas Corporation which produced 90bp of the month's profits. The majority of this profit was made on the 19th November when continued negative press related to Lynas' rare earth operations in Malaysia presented the opportunity to short and cover the stock.

## Portfolio Hedge

Given the higher levels of volatility in most markets, we found the cost of portfolio hedges to be expensive.

As a result we were not active in this portfolio and it did not make a meaningful contribution to this month's return.

## Convertible Bond Trading

This portfolio contributed 27bp.

The CB market reversed approximately 2/3rd of the previous two month's losses and we used the strength to take some profits on previous mark to market values and purchases.

The Asian CB market is heading into a difficult redemption schedule with much of the Indian CB universe coming up for redemption over the next year. The top quality names will pay, but quality of issuance was varied and defaults will occur. We will look for forced selling, under fund redemption pressure, to present us with opportunities to position in the top quality names in India or more likely outside.

## Special Situations

This portfolio contributed 18bp.

We suffered a loss of 8bp due to our long position in New Hope Corporation. We await the outcome of the sale process initiated by New Hope. Given the lack of large scale coal production companies available for purchase, we believe there should be a strong degree of bidding tension.

Participating in a placement in Phosphagenics Limited produced a return of 12bp for the fund.

Other M&A deals contributed to the total return by 15bp.

## Contact Information

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