

## 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
2012	2.33%	2.89%	0.73%	-1.50%	1.35%	-1.00%	0.24%	3.70%	-0.19%	1.39%			10.26%
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:	1.39%	Fund Denomination:	A\$
<b>ROLLING 12 MONTHS</b>		Investor Type:	Sophisticated/Wholesale
Performance:	10.64%	Management Fee:	1.5%
<b>SINCE INCEPTION</b>		Performance Fee:	20%
Annualised Performance:	19.64%	<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\$1738	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
2012							-0.21%	2.59%	-0.60%	1.04%			2.82%

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. The fund will be audited by Ernst & Young Partnership in December 2012.

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

<b>MONTHLY</b>		<b>FUND INFORMATION</b>	
Performance:	1.04%	Share Class Denomination:	US\$
<b>ROLLING 4 MONTH</b>		Investor Type:	Eligible Investor
Performance:	2.82%	Management Fee:	0.5% increasing over time to 2.0%
<b>SINCE INCEPTION</b>		Performance Fee:	20%
Annualised Performance:	8.70%	Performance Hurdle:	None
<b>SINCE INCEPTION, JULY 2012</b>		Subscription:	Monthly
Cumulative Performance of US\$1000 invested:	US\$1028	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 and Singaporean Equities. Australian and US Index Futures. Australian Equity and Equity Index Options.

**Portfolio Hedge** – Australian Equity Warrants. Options on US Listed Exchange Traded Funds. US Index Futures. Australian Index Options.

**Equity Arbitrage** – Australian Equities.

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

**Special Situations** – Australian, Hong Kong, New Zealand and Singaporean Equities. Australian Index Futures and Options.

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

Barack Obama is re-elected and markets immediately fear that we are heading over the US fiscal cliff we discussed last month!

Our view remains that the US political system is a sufficiently cohesive body to allow a sensible conclusion to the issue. We suspect that the compromise reached will be at the 11th hour. The most unexpected outcome could be a speedy solution which would lead to significant upside in the equity markets. Sadly politicians seldom realize that quick and decisive action is what is usually desirable and would prefer to avoid the required unpleasant decisions until the last minute.

One observation we would make at an Australian economic level is that the RBA still appears to be looking to control the strength of the A\$. Many reasons have been cited for the strength in the A\$: a proxy for global growth, a carry trade as it has a non-zero interest rate, no immediate budget deficit issues as in Europe & US and its status as a currency that is backed by hard assets. What is clear is that the RBA would prefer a weaker A\$. The RBA did not cut the cash rate on the 6th November, however there have been some moves in the foreign exchange reserves to indicate that the RBA has accumulated nearly one billion A\$ of foreign currencies on its balance sheet over the past two months (vs. two hundred million in the previous twelve months). One billions A\$ is a small amount in the scale of the foreign exchange markets and the RBA's balance sheet, but it does send a message that there is resistance to the upside of the currency.

## Long Short

This portfolio contributed 109bp of performance in the AUT and 107bp of performance in the Cayman Fund.

This month 59% of our ideas were winners. Our average winning and losing P&L were very similar at 5bp.

Reviewing specific names and contributors to the portfolio:

Telstra Corp Ltd [TLS.AX]: was our largest winner contributing 28bp. We took a long position into the AGM based on a series of factors. The minor factors included: positive sentiment to the I-phone 5, TLS has the most credible 4G network; loss of subscribers from competitors based on poor network experiences and a belief that the company could review its dividend policy: the A\$ 0.14 semi-annual payment has been in place since 2006 and we felt the company would signal moving to a more percentage pay out of earnings basis. Our main driver was the fall in A\$ interest rates pushing investors to relocate money from deposit accounts to stable high dividend yield stocks such as TLS. TLS announced that they would review their dividend policy semi-annually rather than annually, but did not announce any further change of policy and we exited the position at a profit.

Wotif.com Holdings Ltd [WTF.AX]: we feel that this company has weak management and is under threat from their competitors including Expedia. With the recent change in CEO we were expecting poor guidance at the AGM which would have cast doubts over how the stock would maintain its lofty 17x futures earning multiple. As a result, coming into the AGM, we were running a short. Instead the CEO stated that they would be increasing commissions charged to its customers by 10% a year for 2013 and 2014. The stock had a relatively high short interest and the stock squeezed 16% higher. We cut the position for a loss of 33bp to the fund. We still feel that the stock is overvalued and the business subject to threat, but the market obviously disagrees with us and we try not to 'fight the tape'.

Fairfax Media Ltd [FXJ.AX]: FXJ is obviously in a declining industry being involved in paper print. That said, it is trading at a low multiple relative to estimated EPS and our market feedback indicated that a significant size seller of the stock had finished and the stock looked as if it had found a support level. The stock did not rally as we expected and we closed the trades out for a loss of 30bp. We still feel the business offers value and it remains on our watch list looking for a better entry point or time.

We found that with the fall in option implied volatility there were opportunities to take directional views at good risk rewards.

Leighton Holdings Ltd [LEI.AX]: Although we remain bearish of mining services in the near term, some stocks have become oversold. These stocks are subject to quick, sharp rallies where the short interest in the name was high. We felt investors were beginning to look through the economic cycle to better times for companies such as LEI, and positioned ourselves for the short squeeze by buying near dated call options. When the stock rallied 11% in the third week of October, we sold stock to lock in our profit. We risked 3bp of AUM in option premium to generate a 21bp return.

Woodside [WPL.AX]: Morgan Stanley produced some excellent research on WPL tracking the ship movements out of West Australia and the gas prices being paid in Japan. They concluded that WPL would likely announce a strong production forecast. Once again, the option market gave us an excellent risk reward basis to play this expectation via near dated call options. When the company announced strong production numbers and the stock rallied, we sold stock to lock in our profits. We risked 5bp of AUM in option premium to generate a 16bp profit.

## Portfolio Hedge, Convertible Bonds & Hybrid Securities and Equity Arbitrage

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

## Special Situations

This portfolio contributed 31bp of performance in the AUT and 30bp of performance in the Cayman Fund.

The largest contributor this month was Arrium Ltd [ARI, formerly OneSteel Ltd]. ARI was approached at the start of the month by a consortium of Korean companies including Posco and Singaporean listed Noble Group. The Australian stock market was open the 1st October, despite it being a public holiday in most of the states of Australia, and as a result the stock did not react as significantly as we expected to the approach and we built a long position. ARI rejected the bid as insufficient and opportunistic. On the morning of the 31st Oct the consortium increased their indicative bid from A\$0.75 to A\$0.88. ARI pushed back the increased bid but with less aggressive language. After the close of the 31st October the consortium withdrew their offer. For the month of October we recorded a profit of 25bp on the name. In November the stock has fallen and as of the 12th November we have lost 15bp on the name in the month. We still feel that a deal will occur here. Pressure is growing on ARI to engage with the consortium and other potential buyers. The consortium have continued with meetings after withdrawing from their approach, e.g. with the South Australian Premier. We see this as a further sign that a deal will be tabled.

The participation in placements and IPOs lead to a loss of 8bp.

Involvement in other M&A created a profit of 11bp.

## 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\$. Please note that the monies attract interest in A\$ for the month. The cost of this hedge for October was 0.36%.

Please note that one month Australian interest rates have fallen and we estimate cost of this hedge for November will be 6bp lower at 0.30%.

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