

### Fund Objective

KIS Capital Partners is an Australian based hedge fund manager with an Asia ex Japan trading focus. The KIS Asia Long Short Fund is a trading focused fund whose objective is to generate high absolute returns. Trade selection and portfolio management are based on three distinct principals of: Liquidity, Transparency and Risk Management. KIS looks to build a portfolio of 'winning' trades and hedge unwanted market risk.

### Performance

This month's update includes performance data for the Master Series of the KIS Asia Long Short Fund (KIS ALSF), trade summaries and strategies deployed in April 2012.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	2.33%	2.89%	0.73%	-1.50%									4.47%
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 2011 have been audited by Ernst & Young Partnership.

### Monthly Summary

The KIS Asia Long Short Fund [KIS ALSF] lost -1.5% in April. The majority of this loss was a result of a court action in Russia that frustrated the acquisition of Australian listed Flinders Mines Ltd [FMS] by Magnitogorsk Iron & Steel Works [MMK]. This is covered in the section on Special Situations portfolio below.

We are concerned about the 'mandate to govern' that some of European governments currently have. With the high levels of unemployment that some of the periphery countries of the European Union are experiencing it is unrealistic to expect the incumbent parties to retain power. This is likely to lead to a weakening of the resolve to meet fiscal targets, implementation of austerity measures and a possible exit from the Euro.

In Australia it was interesting to see that the government predicted delivery of a budget surplus, albeit small and in addition based on achievement of various cost cutting terms. Given a slowing economy and a government that does not have strong support, we doubt this surplus will be achieved.

The Reserve Bank of Australia cut rates by 50bp, which was not widely anticipated by economists, and is an indication of the broad slowdown that is occurring. The recent share price action in mining service companies would also indicate that the area perceived to be 'hot', may not be quite so.

Assuming that events in Europe do not lead to a large sell down we feel that the ASX200 will be in a range of 3,900 and 4,400 for some time.

### FUND PERFORMANCE PROFILE

#### MONTHLY

Performance: -1.50%

#### ROLLING 12 MONTHS

Performance: 16.40%

#### SINCE INCEPTION

Annualised Performance: 21.30%

#### SINCE INCEPTION

Cumulative Performance of A\$1000 invested:: A\$1646.70

### FUND INFORMATION

Fund Denomination:	A\$
Investor Type:	Sophisticated/Wholesale
Management Fee:	1.5%
Performance Fee:	20%
Management and Performance Fee are shown ex. GST	
Performance Benchmark:	RBA Cash Rate
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)

### FUND DESCRIPTION

Asia Long Short: please see below for list of countries and strategies employed

#### Strategies used this month

- Equity Long/Short – Australian, Hong Kong and US Equities. ADR on Australian Equities. Australian Equity & Index Options. Australian & US Index Futures. .
- Portfolio Hedge – Australian Equity Options and Warrants. Australian 3 Year Bond Futures.
- Equity Arbitrage – Australian & Hong Kong Equities.
- Convertible Bond – Australian Hybrid & Convertible Bonds (CBs) and Credit Default Swap on Australian Issuer.
- Special Situations – Australian, Hong Kong & Singaporean Equities. Australian Hybrid & CBs. Australian Index Futures. Australian Equity Options.

## Long Short

This portfolio contributed a loss of 83bp this month with no one single major losing name or factor. The average loss on a name for the month was of a very similar magnitude to the average profit but the median of our losses was 62% higher than our gains. In essence we had two good short trades that helped keep the average profit and loss similar. Additionally we had slightly more losing trades than winning. The combination of these statistics defines the lack of a specific source of loss and left us with a feeling of suffering a variety of small losses.

We have reduced long exposure to stocks with lower liquidity as these positions have not performed. The world may be about to suffer from a more 'risk off' environment, we do not believe the performance of these stocks will improve. We reduced the gross delta exposure in the long short book, but will look to increase this again as we return to profitability and if markets remain stable.

Looking at the specific names we lost 21bp on our long position Transfield Services Ltd. following an earnings downgrade. We were surprised by the downgrade and immediately exited the position.

We made 30bp on our short position in Mirabela Nickel Ltd [MBN]. We have been short of this stock for some period of time, the price of Nickel has fallen dramatically this year and we estimate MBN's production cost to be above the current Nickel price. The company has substantial debt of AUD 394m vs. an equity market capitalization of AUD 241m at month end. We question the company's ability to remain a going concern without further funding which we suspect will be detrimental to existing shareholders.

We made 46bp on shorting Energy World Corp Ltd [EWC]. An article in the Sydney Morning Herald raised some doubts as to EWC's execution of its LNG plant strategy. We closed this short position as we are fearful that it could easily be squeezed higher.

## Portfolio Hedge, Equity Arbitrage and Convertible Bond.

These portfolios did not make a significant contribution to the return this month.

## Special Situations

This portfolio contributed a loss of 71bp this month.

We lost 112bp in FMS. MMK's approach to buy FMS was held up by an injunction action lodged in the Chelyabinsk Arbitration Court. The action was lodged by a Russian individual who owned less than 0.001% of MMK on the premise that MMK's action to buy FMS was detrimental to MMK shareholders. Many conspiracy theories have been circulated as to why this action was lodged. These included: an attempt by Russian mafia to extort money from MMK to allow the deal to proceed; MMK trying to withdraw from the deal due to funding constraints; another party who may be interested in purchasing FMS trying to sabotage the deal and the last, and most worrying to the probability of the deal succeeding, the Kremlin trying to reign in the oligarchs global aspirations and direct them towards internal projects.

Both FMS and MMK stated that they were committed to the merger and sought to lift the injunction imposed. MMK lodged an appeal to have the injunction lifted but this was refused.

We concluded that the situation was far too uncertain and any definitive resolution too far off and we have completely cut the holding.

Across the rest of the Special Situations book we made 41bp, largely due to involvement in stock placements.

## Contact Information

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