

## 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 August 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%					8.40%
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

Henry Kissinger once asked "If I want to call Europe, who do I call?" From an outsiders perspective this seems to be the fundamental problem of the single European currency [EUR], it is a construct of many legs and arms, but no single head or heart. We think many Europeans are also questioning who is in charge of the EUR.

It is unrealistic to assume that such a diverse set of interests as the member states of the EUR, will speak with one voice. In our opinion for the EUR to survive, as it is currently constructed, a political and fiscal union is required to accompany the currency union. This would be a long process and with the current fiscal situation of the weaker member states, time is a scarce commodity.

Kissinger also said "There cannot be a crisis next week, my diary is full" which in some ways seems to echo the slow response from some European leaders during August.

Finer, and more surreal, minds seem to share a view that at the moment the Europe situation lacks a solution. Michael Cembalest, CIO of JPM Private Banking wrote "a common monetary policy does not by itself create a durable monetary union" ... "If today's diorama analysis borders on the absurd, so does maintaining the fiction that accumulation of massive public and private sector claims in Europe can somehow be engineered away". For those who want to read what was said in full please refer to <http://blogs.reuters.com/felix-salmon/2011/09/06/jp-morgan-explains-the-euro-crisis-with-lego/>.

Given the turmoil we saw in the markets in August we opted to 'derisk' and trade the situation on a daily, and often hourly, basis. Looking across the various measures of risk we use to analyze exposure, we reduced by approximately 40% from July. In a storm it is best to have small sails.

### FUND PERFORMANCE PROFILE

#### MONTHLY

Performance: 3.88%

#### ROLLING 12 MONTHS

Performance: 18.63%

#### SINCE INCEPTION

Cumulative Performance: 51.75%

#### 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, Hong Kong, Singaporean & US Equities, Options, Warrants and Index Futures.
- Portfolio Hedge – Australian and US Equity, Equity Options and Warrants. OTC options on Foreign Exchange. Australian & US Government Bond Futures. Listed commodity trackers. Equity Index Futures and Options.
- Convertible Bond Trading – Australian & Hong Kong Convertible Bonds and Credit Default Swap on Australian Issuer.
- Special Situations – Australian, Hong Kong & Singaporean Equities and Equity Options. Equity Index Futures and Options

## Equity Long/Short

Generally in the trading of this portfolio, on a specific case by case basis, we tend to have more positive trading ideas compared to negative ones. As a result we tend to have a long bias which we manage with short index hedges.

It is also common that our positive ideas take longer to reach fruition than our short ideas and this also tends to lead to a need to run short index hedges to manage the risk of the portfolio.

This was not the situation for August and we had little difficulty in identifying stocks that were likely to fall and these falls tended to be violent. As a result we actually needed to use long index hedges to effectively manage the risk of the portfolio; this is an unusual situation for us and highlights the exceptional times we were trading in.

The volatility of the equity market also presented us with some good trading opportunities. The range of movement on 9th Aug was tremendous; equity markets seldom open 1% lower, fall a further 5% and then rally 7% from that low in a day. To put this move into perspective, up to the end of July the average daily movement in the market had been in the range of 1/-1%. Almost a month of movement in a day!

Strange though it may be to say it the biggest contributor for us this month was a long in Telstra. We feel that the NBN deal presents Telstra with a huge profit potential and its positive results announcement hinted at the profits that Telstra expects to reap from delivering this infrastructure; this will support Telstra's dividend and may lead to other capital management actions which will benefit shareholders. The trading of Telstra contributed 127bp of the return this month.

We also made good returns actively trading Lynas Corp from the short side which contributed 59bp of this month's result and were able to make 33bp of this month's return, with excellent risk/reward, by taking a short view on OZ minerals with put options.

In total this portfolio contributed 307bp of the total return.

## Portfolio Hedge

The sum of our hedges did not produce a meaningful contribution this month.

That said, we had a variety of successes and failures in this portfolio.

Our biggest performance drag were long FX put options designed to protect the portfolio vs a strong 'risk off' environment, leading to a significant strengthening of the US Dollar [USD]. Despite financial markets having a weak tone, the USD did not rally significantly. We feel this was reflective of the worsening economic conditions in the US. In total we lost 58bp and we significantly reduced these positions.

Fund flows from markets would appear to have headed into commodity markets and we benefited here by trading the Australian listed gold tracker and taking a long position on US listed silver tracker. This contributed a profit of 27bp.

Finally equity index hedges contributed a profit of 19bp.

## Convertible Bond Trading

Convertible trading did not make a meaningful contribution to returns this month.

We used weakness in convertible bond market sentiment to increase our holdings. We continue to only hold high quality and short dated paper, average duration sub 2 years.

## Special Situations

The sharp fall in markets led to some indiscriminate selling of merger arbitrage trades early in the month. We were able to trade on this panic selling, realizing profits on our short Eastern Star Gas against long Santos and to trade Connect East Group. We also used this as an opportunity to take positions in deals we felt were less susceptible to failure as a result of financial market weakness. We are currently running positions in Coal and Allied, Bow Energy and Macarthur Coal. Trading and positioning of merger arbitrage trades produced a return of 59bp.

We participated in some IPOs this month and despite the poor market sentiment, did not suffer significant losses. It would appear that primary capital market pricing is starting to reflect the value premium that must be paid to investors to take risk at this time.

Index hedges we ran also produced a profit of 20bp.

In total this portfolio contributed 81bp.

## Contact Information

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