

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%	-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 2012 have been audited by Ernst & Young Partnership.

Fund Performance Profile : KIS Asia Long Short Fund A\$ AUT

MONTHLY		FUND INFORMATION	
Performance:	1.17%	Fund Denomination:	A\$
ROLLING 12 MONTHS		Investor Type:	Sophisticated/Wholesale
Performance:	11.41%	Management Fee:	1.5%
SINCE INCEPTION		Performance Fee:	20%
Annualised Performance:	18.92%	<i>Fees are shown exclusive of GST</i>	
SINCE INCEPTION, OCTOBER 2009		Performance Hurdle:	RBA Cash Rate
Cumulative Performance of A\$1000 invested:	A\$1756	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%	-0.57%	0.95%	3.20%

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

MONTHLY		FUND INFORMATION	
Performance:	0.95%	Share Class Denomination:	US\$
ROLLING 6 MONTH		Investor Type:	Eligible Investor
Performance:	3.20%	Management Fee:	From Jan 2013 1.0% increasing over time to 2.0%
SINCE INCEPTION		Performance Fee:	20%
Annualised Performance:	6.51%	Performance Hurdle:	None
SINCE INCEPTION, JULY 2012		Subscription:	Monthly
Cumulative Performance of US\$1000 invested:	US\$1032	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 and Hong Kong Equity Options. Australian Index Options.

Portfolio Hedge – Australian Equity Warrants.

Equity Arbitrage – Australian Equities and Index Futures.

Special Situations – Australian, Hong Kong and Singaporean Equities. Australian Convertible Preference Shares. Australian Index 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

The US legislature looked over the fiscal cliff and took a small step backwards.

They were unable to resolve the issue of the budget deficit/debt ceiling which will be breached in February.

When looking at the cost of debt servicing and future liabilities from entitlement spending, compared to revenue received; it is difficult to see how the US Government can continue to deliver on its promises of items such as Medicare, Medicaid etc.

The amount of media dialogue considering the one trillion platinum coin loophole is concerning. The basic concept is that a loophole exists that allows the US Treasury to mint a platinum coin it deems worth one trillion dollars. The US Treasury then deposits this coin with the the FED. As a result the FED ‘deposits’ one trillion dollars into the US Treasury’s account hence ‘creating’ the cash to avoid the debt ceiling. Technically it is legal but put simply: it is a stupid idea.

Obama recently declared he will not rely on loopholes or his right of veto to avoid or increase the debt ceiling; nor will he be held to ransom to make spending cuts. This appears to be an effort to force the Republicans to tow the presidential line or risk being blamed with crashing the US economy.

Given that politicians, on both sides, often play for power and control over the best interests of the country, once again it will be an eleventh hour deal at best.

In all likely hood this situation will be resolved after the US Government effectively ‘runs out of money’, however a default on US debt obligations such as Treasuries and T Notes will be avoided by prioritizing payments for a short period of time until the ceiling is increased, probably with some minor adjustments to spending.

The main issue is that whilst the US Government cannot reach an agreement, the uncertainty will lead to weak financial markets and a reduced confidence in business decisions which will slow the US economy and global economy.

In our view the US needs to tie its approval of future legislation creating budget requirements to an increase in the debt ceiling to pay for these requirements.

It is unrealistic to spend today and check the credit limit in a few months or years time.

Obama has said that it is not acceptable to lurch “from crisis to crisis to crisis”.

We feel it is also unacceptable to avoid crisis by continually increasing the debt ceiling and printing money to meet unfunded promises. The long term solution is to balance the budget and tackle irresponsible spending.

Long Short

This portfolio contributed 0.70% of this month's return for the AUT and 0.75% for the Cayman.

There were three main contributors to this month's returns:

For the first half of the month the funds ran a long position in Fortescue Metals [FMG.AX] as iron ore prices experienced a strong rally. In the third week of the month we switched to a short bias as we felt the stock had rallied too quickly being up 20% on the period. In total FMG produced 25bp of returns. This theme also allowed us to make returns on Atlas Iron [AGO.AX] and Mount Gibson Iron [MGX.AX] which contributed a further 17bp of performance.

We took a long position in Dart Energy [DTE.AX] as we expect that the UK's lifting of the ban on fracking will benefit DTE. This contributed 16bp to the funds' performance.

The last significant contributor to this month's performance at 14bp was a long position in Fairfax Media Ltd [FXJ.AX]. Large shareholders have been pushing for the disposal of some of FXJ's assets to realize the discount to the 'sum of the parts' valuation of the company. It would appear that the board has listened, opting to sell its remaining stake in TradeMe [TME.AX]. John Singleton's comments in the media and his, albeit small, ownership of FXJ also added to the dynamic that FXJ will need to react to shareholders request.

Portfolio Hedge and Equity Arbitrage

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

Special Situations

This portfolio generated 0.45% of this month's return.

The long position held in Arrium Limited [ARI.AX] post a failed merger approach, benefited from the strength in the price of iron ore. This contributed 15bp to this month's returns. As ARI moves away from the support offered by the failed takeover approach, we are reducing the holding.

The fund also benefited from its long position in Macquarie International Infrastructure Fund [MIIF.SI] creating 11bp of returns. Activist shareholders, who had been agitating for a realization of the net asset value of MIIF via asset sales, managed to obtain a seat on the board of MIIF. MIIF is now expected to pay a special dividend and to engage in selling its assets to realize its NAV.

Finally we benefited from strength in Australand Property Group [ALZ.AX]. GPT Group [GPT.AX] approached ALZ in relation to its commercial and industrial assets. We felt that the market was discounting the value of ALZ's remaining residential assets post GPT's approach and we benefited from the rally in ALZ's share price as investors became more comfortable with the notion of ALZ as a residential focused REIT. This contributed 9bp to the return of the funds.

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\$. The cost of this hedge for December was 0.30%.

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