

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 February 2012.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	2.33%	2.89%											5.29%
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. 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

We were surprised with the acceptance level of 96% into the Greek debt restructuring. In many ways it illustrates that bond investors have little choice but to accept what is offered when negotiating with a defaulting sovereign issuer. This is especially true when the governing law is written by the state defaulting (the acceptance level on UK and other foreign law Greek debt was considerably lower at 69%).

Much commentary is now emerging stating that despite achieving a debt forgiveness of approximately 75% by value, the Greek state is unlikely to be able to repay its new lower debt burden. This is further exacerbated by the impact of the austerity measures being imposed and the following slowdown in the Greek economy. The risk here is that the election, likely to be held the 22nd April, and the issues facing the domestic economy, will prompt Greek politicians in the direction of major currency devaluation.

We are concerned by the impact of tensions between Iran and Israel. The current impact can clearly be seen in the price of oil. Unless a quick and peaceful solution can be reached, this increase in price will create inflationary pressures and add a cost burden to the many oil dependent economies in the world. We are not political experts, but it seems unrealistic for a quick and easy solution to be found.

We remain wary of the downside risks both situations represent, but are encouraged by the generally positive economic data coming from the US. We would expect that in the absence of further issues in Iran or Europe, equity markets will continue to perform, probably not as strongly as the first two months of the year. We expect that 'stock picking' will be rewarded in a market that is not so driven by macro events and this tends to benefit KIS's investment process. We will reduce risk if the macro situation begins to dominate again.

FUND PERFORMANCE PROFILE

MONTHLY

Performance: 2.89%

ROLLING 12 MONTHS

Performance: 16.04%

SINCE INCEPTION

Cumulative Performance: 65.97%

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

Long Short

This portfolio generated 238bp of the total return of 289bp.

The largest winner was Prima Biomed which contributed 80bp of the monthly return. We observed that the US listed cancer treatment bio med stock Dendreon Corporation had performed well in January. Additionally we were aware that Prima Biomed Ltd. was seeking an ADR listing in the US and that US investors were likely to place a higher valuation on Prima than Australian investors. The stock performed well and we exited the position during the month.

On the long side we also benefited on a long position in Perpetual Limited, making 33bp. The company is leveraged to a rising market and a recent board shake up indicates to us that the company will become more focused on returning value to its shareholders.

We made 37bp on shorting Arafura Resources after a poor business progress report was released. It would appear that Arafura have had to resort to a heavily discounted Share Purchase Plan to raise funding which is not a good sign of their ability to access the capital markets.

Portfolio Hedge, Convertible Bond, Equity Arbitrage and Portfolios

In total these three portfolios made contribution of 18bp to the return this month.

Special Situations

The special situation portfolio delivered 32bp of the return this month.

10bp was generated through the trading of takeover deals.

The balance of 22bp can from participation in IPOs and capital raisings generating 22bp. Names involved included Pura Vida Energy Ltd, Cardno Ltd and Nuenergy Gas Ltd.

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