

### 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 June 2012.

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%							4.82%
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

We were pleased to see that the various administrative bodies facilitating the bailout of the Spanish banking system have realized that the capital injection needs to be made directly to the banks and not via the sovereign. This helps avoid the issue of the bailout passing through the balance sheet of Spain adding further stress to it.

One issue that needs to be observed is that these bailouts will come at a heavy cost to the financial institutions requiring them. This could lead to the wiping out of equity holders and leave bail out providers with a significant stake in these financial institutions. The control of a significant proportion of a country's financial system could end up in the hands of one or more pan European body/bodies.

In our view, the Euro was never purely a financial union; it would always require some degree of political unification and shared vision. Maybe the 'Eurofication' of the banking systems is where this unification and shared vision will be achieved?

We have been disgusted by the LIBOR fixing scandal.

Barclays have taken most of the flack with both the Chairman and CEO resigning. Barclays acted as a whistle blower. If other banks are found to have acted in a similar way but not confessed, should their senior management also resign?

It may be possible to argue that Barclay's artificially lower rate contribution during the GFC, possibly at the behest of senior UK government figures at the time, may have served the wider purpose of increasing the perception of creditworthiness. It is not possible to argue that the earlier manipulation of LIBOR rates was for any purpose other than to fraudulently benefit Barclays. In order to be able to evaluate and execute a trade properly it is imperative that the price is correct, that was not the case here. The recent questioning of Bob Diamond by UK Member's of Parliament was woeful and we were reminded of a quote in relation to a UK MP of yesteryear whose attack was described as "being savaged by a dead sheep". We hope that those directly responsible and those aware of the earlier price manipulation, face criminal charges. If this includes the senior management, then this should be where the price for their incompetence is paid.

On a happier note, we are pleased to announce that KIS Capital is the Investment Manager to the newly launched KIS Asia Long Short Cayman Fund and Master Fund. Unlike the existing Australian Unit Trust this will be offered globally (with some exceptions required due to overseas regulation) and in A\$ and US\$. The funds were launched the 1st July and the next subscription date is 1st August. If you would like further information please contact us via the contact information below.

#### FUND PERFORMANCE PROFILE

##### MONTHLY

Performance: -1.00%

##### ROLLING 12 MONTHS

Performance: 16.16%

##### SINCE INCEPTION

Annualised Performance: 20.03%

##### SINCE INCEPTION

Cumulative Performance of A\$1000 invested:: A\$1652.30

#### 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 Singaporean Equities. ADRs. Australian Equity & Index Options. Australian & US Index Futures.
- Portfolio Hedge – Australian Equity Options and Warrants.
- Equity Arbitrage – Australian Equities.
- Special Situations – Australian & Hong Kong Equities.

## Long Short

This portfolio experienced a difficult month losing 122bp.

We suffered on our long position in QRxPharma Limited [QRX] after the US Food and Drug Administration [FDA] raised safety concerns related to its pain relief drug MoxDuo. From conversations with management we felt that the FDA approval was all but a formality. Given the companies' balance sheet we only held a small position as we expected them to have to raise cash to start to widely market and distribute the drug. After the FDA raised concerns as to the safety of MoxDuo we were unhappy with the management's responses in relation to their prior confidence re FDA approval, the length of time to respond to the FDA's queries and the need to raise capital. As a result, we cut the position losing a total of 33bp on the month.

There was no other significant driver of the loss on the month. The average loss per failed trade idea or name was very close to the average profit per successful trade idea or name. The loss in the portfolio was a function of the ratio of failed trade ideas to winning ideas with 60% of idea being losers.

## Portfolio Hedge, Equity Arbitrage and Convertible Bond

None of these portfolios made a significant contribution in their own right. The total contribution across the three portfolios was a 12bp profit.

## Special Situations

This portfolio contributed 10bp profit to the monthly result. The main contributor was the closing of our position in Brockman Resources Limited position which was being taken over by Wah Nam International Holdings.

## Contact Information

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