

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 absolute returns with low volatility and correlation to other assets. 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
2013	-0.94%	2.20%	0.54%	0.83%	3.00%	0.36%							6.09%
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:	0.36%	Fund Denomination:	A\$
ROLLING 12 MONTHS		Investor Type:	Sophisticated/Wholesale
Performance:	12.76%	Management Fee:	1.5%
SINCE INCEPTION		Performance Fee:	20%
Annualised Performance:	18.05%	<i>Fees are shown exclusive of GST</i>	
SINCE INCEPTION, OCTOBER 2009		Performance Hurdle:	RBA Cash Rate
Cumulative Performance of A\$1000 invested:	A\$1863	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
2013	-1.29%	2.13%	0.18%	0.55%	2.33%	0.14%							4.06%
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. Results to December 2012 have been audited by Ernst & Young Partnership.

Fund Performance Profile: KIS Asia Long Short Cayman Fund US\$ Series

MONTHLY		FUND INFORMATION	
Performance:	0.14%	Share Class Denomination:	US\$
ROLLING 12 MONTH		Investor Type:	Eligible Investor
Performance:	7.39%	Management Fee:	1.5%
SINCE INCEPTION			<i>The management fee increases to 2.0% from Jan 2014</i>
Annualised Performance:	7.39%	Performance Fee:	20%
SINCE INCEPTION, JULY 2012		Performance Hurdle:	None
Cumulative Performance of US\$1000 invested:	US\$1074	Subscription:	Monthly
		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 Intertrust Corporate Services (Cayman) Limited
		Investment Manager:	KIS Capital

Strategies used this month

Equity Long/Short – Australian, Hong Kong, New Zealand and Singaporean Equities. Australian, Hong Kong, Indonesian and US Index Futures. Australian Index and Equity Options.

Portfolio Hedge – Australian Equity and Equity Warrants. Australian Index Options

Convertible Bonds – Australian Listed Hybrid Securities. Convertible Bonds on HK Issuer.

Equity Arbitrage – Australian Equities.

Special Situations – Australian, Canadian and Singaporean Equities. Australian Listed Hybrid Securities and Equity Warrants. A\$/C\$ FX.

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.

Administrational Matters

Please note KIS Capital has moved into larger premises effective 8th July. Telephone numbers and emails remain unchanged but postal address details are updated at the end of this newsletter.

To update various housekeeping matters, such as the change of address, an updated Private Placement Memorandum [PPM] was issued for the KIS Asia Long Short Cayman Fund. Please email ir@kiscapital.com if you would like to receive a copy of the updated PPM. Existing investors should already have received it by email.

We have not updated the Information Memorandum [IM] for the KIS Asia Long Short Fund. The latest version can still be obtained from our website here: http://www.kiscapital.com/documents/KIS_ALSF_JAN12.pdf. If this is not convenient please email ir@kiscapital.com and we will email a copy to you. We will issue a notification when we update the IM and will email the updated version to investors.

Monthly Summary

We return this month to a feeling of uneasiness with the situation in Europe.

Youth unemployment remains at an elevated level across the whole European region and at extreme levels in the periphery states such as Spain and Greece which have neared or exceeded 60%.

We are entering a time of year prone to strikes and general civil unrest against a political backdrop of divided or weak coalition governments.

It simply does not bode well for 'headline risk' and may stress Euro currency membership again.

Within the Asia region, the People's Bank of China [PBOC] has sent a warning shot across the bows of the banking system by allowing, or even inducing, tight monetary liquidity.

Chinese banks experience a generous net interest margin but there are questions in relation to how they have tackled the issue of non-performing loans. It is unclear what percentage of Chinese loan growth is prudent lending vs. what percentage has been extending the maturity of loans that would have otherwise defaulted.

The Wealth Management Products [WMP] and trust products that are creating China's shadow banking system are very concerning with very high leverage rates (we have read talk of levels approaching 40x). Some of these WMPs have been used to finance infrastructure and property projects that have questionable real economic rational.

A simple example of this would be a WMP product that exists to finance a highway between Puerishi and Mynamar. Puerishi has a population of approximately three million people with an average GDP of US\$500 (both numbers are generous) i.e. a total GDP for the area of approx. US\$ 1.1 billion. The highway cost is expected to be US\$ 1.2 billion. More confusingly, per journalists reporting for the Next Magazine in China, the highway "is for public use and will not be charged". It is hard to see the economic rational here.

Please note the current value of WMP/trust products as of Q1 2013 was US\$ 1.4 trillion.

The PBOC should be congratulated for taking steps to control the shadow banking system rather than allowing it to continue to expand and implode at a later stage.

However, until the PBOC signals it is once again comfortable with the banking and shadow banking environment, China should be viewed with caution from an investment perspective.

On a positive basis for the broad Australian economy the Reserve Bank of Australia (RBA) seems to be finally seeing the A\$ weakness it has indicated it would like.

The above commentary on China would suggest an expectation of slowing demand for commodities but a weaker A\$ improves Australia's competitiveness in this and other export industries.

We expect that until the impact of this A\$ weakness has had a chance to work through the economic system, interest rate declines will be on hold or merely threatened for a future date.

That said, if the A\$ strengthens or the economy remains sluggish, expect to see another reduction in the RBA cash rate target.

Long Short

Overall this portfolio did not make a significant contribution to the overall result this month.

Turning to specifics:

- We took a short position of Origin Energy (ORG.AX) mainly via put options as these offered a good way to gain exposure to their result announcement in July. Our belief is ORG.AX will announce a write down on its resource business; there are no buyers in this space at the moment. At the same time the domestic retailing space is suffering as can be seen by the performance of AGL Energy. ORG.AX's balance sheet is stretched and to maintain its credit rating in this difficult environment, it may need to sell assets at low prices or even sacrifice its dividend. This positioning produced a profit of 37bp.
- We took a positive view on the future price action in Perseus Mining (PRU.AX) coming into its deletion from the ASX100 index. We expected to see many small cap managers add PRU.AX to their portfolios as it would comprise a large weight in their benchmarks. Whilst we expected, given how small PRU.AX's weighting had become in the ASX100, few large cap managers would still hold it. We have profited from this technical situation on previous ASX100 deletions. We underestimated how bad the sentiment to gold would be over the period and stopped our position out for a loss of 31bp. By month end the stock had fallen a further 43% from where we stopped out.
- We also lost money on a long position in Transpacific Industries (TPI.AX). Corporate activity in other waste management players had highlighted the potential attractiveness of these companies. The focus of other international acquisitions, noticeably recently by Li Ka-Shing, had been on business with a higher waste to energy focus than TPI.AX, but we view this as a business opportunity for TPI.AX. TPI.AX has also worked hard on improving the quality of its balance sheet. Unfortunately there was a surprise change in the CEO and the company used this as an opportunity to announce a minor downgrade to profit expectations taking its expected profit towards the lower end of street expectations. This led to a fall in the stock and a loss of 22bp. We remain long and believe that the industry is in a positive stage and will remain the target of asset acquirers.
- We took a short position in BHP Billiton Ltd (BHP.AX) seeing little positive news flow in the near term and a chart pattern that looked to point towards retesting lows. This generated 27bp of profits.

Portfolio Hedge, Convertible Bonds, Equity Arbitrage

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

Special Situations

This portfolio generated 22bp of this month's return.

All of the profit was generated by participating in the IPO of Virtus Health (VRT.AX).

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 impact of interest rate differentials reduced the performance of the US\$ series by 26bp.

This month there was no significant impact from the allocation of profit and loss between series based on opening AUM vs. closing AUM levels.

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