Asia Long Short Fund & Asia Long Short Cayman Fund US$ Series Monthly Report
March 2013

KIS CAPITAL PARTNERS

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
2013	-0.94%	2.20%	0.54%										1.79%
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

Performance:	0.54%

ROLLING 12 MONTHS

Performance:	6.92%

SINCE INCEPTION

Annualised Performance:	18.05%

SINCE INCEPTION, OCTOBER 2009

Cumulative Performance of A$1000 invested:	A$1788

FUND INFORMATION

Fund Denomination:	A$
Investor Type:	Sophisticated/Wholesale
Management Fee:	1.5%
Performance Fee:	20%

Fees are shown exclusive of GST

Performance Hurdle:	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)
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%										0.99%
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
Performance: 0.18%

ROLLING 9 MONTH
Performance: 4.23%

SINCE INCEPTION
Annualised Performance: 5.68%

SINCE INCEPTION, JULY 2012
Cumulative Performance of US$1000 invested: US$1042

FUND INFORMATION

Share Class Denomination:	US$
Investor Type:	Eligible Investor
Management Fee:	1.0%
	The management fee increases to 1.5% from July 2013 and 2.0% from Jan 2014
Performance Fee:	20%
Performance Hurdle:	None
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 Walker Fund Services
Investment Manager:	KIS Capital

Strategies used this month

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

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

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

Equity Arbitrage – Australian Equities and Index Futures.

Special Situations – Australian, Canadian, and Hong Kong Equities. Australian Listed Hybrid Securities. 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.

Monthly Summary

The Cyprus bank 'bail in' shocked us.

At the first pass the Cypriot government was asked to renege on its deposit insurance provision, by defining the bail in required by depositors as a tax. In addition creditors of a similar standing were not expected to be treated equally, depositors were expected to take a loss whilst bond holders were shielded.

Put simply we don't see this as playing by the rules and were disappointed that this was the suggestion of the 'Troika' (European Commission, IMF and ECB). It was voted down by the government and we have a version that is probably fairer and more politically acceptable if still extremely painful.

If a government has issued a commitment to shield depositors, it should honor this obligation. The dilemma is should a government be issuing guarantees it cannot meet? If a government issues a guarantee it should have a method of supporting it. n non-Euro member countries this government guarantee is effectively underwritten by an ability to print their own currency. This would have an impact on currency devaluation etc. but it would mean the government's promise was upheld. This money printing option is not available for Euro members

Given the Cypriot government could not print their way out of their obligations; they should have been required to have a hard provision for the requirement to support their guarantee of depositors. This requirement would have led to a banking system more in line with the economic realities of Cyprus.

This requirement will not be implemented now. It would cause substantial damage in the balance sheets of other Euro zone nations. We expect to see capital requirements for banks to steadily increase to reduce the probability that a government is shown to be unable to meet its deposit guarantees. This will impact loan growth and further handicap any recovery in the broad European economy.

More of a concern is that bank 'bail ins' are now on the agenda for any Euro member country that finds its banking system undercapitalized and at risk of default. Caution should be exercised in maintaining deposits in the banks of weaker Euro zone members.

One last observation is that we have seen calculations that the cost to bail out the Cypriot banking system would have been approximately EUR 15 per person in the Euro member states. The fact that this was an unpalatable amount implies to us that either Cyprus was considered a special case of banking excess or that the leaders of the core Euro nations are fearful of a political backlash against further peripheral support. The commitment to do whatever it takes to maintain the Euro is only viable if the person making that statement remains in power.

Long Short

This portfolio contributed 6bp this month.

Analysing the portfolio at high level we were only successful in 42% of our ideas this month. The mean and median result per idea had a higher absolute value on our winning trades which allowed to produce a positive result in the portfolio.

We suffered a loss of 26bp on BHP Billiton Ltd (BHP.AX). Given the underperformance of the resource sector we expected there to be some degree of mean reversion in the name. Over the month BHP continued to fall, dropping 12% over the month.

We lost 19bp on Santos Ltd (STO.AX). In previous newsletters we have reported that we see STO's Cooper Basin's position and infrastructure key to the eventual consolidation and we held a long position, mostly via call options.

On the positive side, the short ASX 200 index hedge used to offset the broad market risk on our portfolio reduced losses by 28bp.

We also profited by taking a long position in the long short portfolio in Sirius Resources (SIR.AX). The company announced further positive drilling results and we played the stock from the long side for the first half of the month. This contributed 69bp this month.

Portfolio Hedge and Convertible Bonds

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

Equity Arbitrage

This portfolio contributed 18bp this month.

We positioned ahead of expected announcements in relation to index reweights and additions this month. This was on expected flows from passive/benchmarked funds, and even active managers who have a tendency to benchmark hug, who buy the additions and sell the deletions. Fortunately one of our expected additions was SIR, so we were long prior to the positive drilling announcements. This contributed 20bp of return.

Special Situations

This portfolio generated 29bp of this month's return.

We shorted Billabong International Limited (BBG.AX) who had been approached by a private equity and a consortium involving US management and a private equity buyer. BBG.AX downgraded on the 22nd Feb and our view was that this would lead to a reduction or dropping of the approach. The stock broke down in Feb following on from a negative research piece from Credit Suisse. We used this as an opportunity to buy back some of our short which we resold when the stock bounced.

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 February was 0.27%.

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