KIS CAPITAL PARTNERS

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

November 2012

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%		10.12%
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:	-0.13%

ROLLING 12 MONTHS

Performance:	10.12%

SINCE INCEPTION

Annualised Performance:	19.02%

SINCE INCEPTION, OCTOBER 2009

Cumulative Performance of A$1000 invested:	A$1736

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 Stated 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%		2.23%

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
Performance: -0.57%

ROLLING 5 MONTH
Performance: 2.23%

SINCE INCEPTION
Annualised Performance: 5.44%

SINCE INCEPTION, JULY 2012
Cumulative Performance of US$1000 invested: US$1022

FUND INFORMATION

Share Class Denomination:	US$
Investor Type:	Eligible Investor
Management Fee:	0.5% increasing over time to 2.0%
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, New Zealand and Singaporean Equities. Australian and US Index Futures. Australian and Hong Kong Equity Options. Australian Warrants.

Portfolio Hedge – Australian Equity Warrants. US Index Futures. Australian Index Options.

Equity Arbitrage – Australian Equities.

Special Situations – Australian, Hong Kong, New Zealand 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

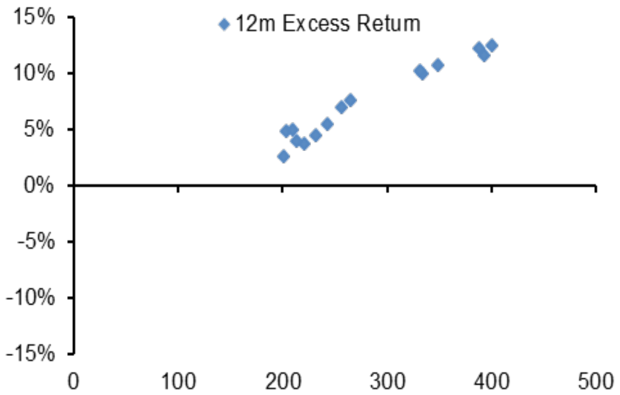
Our big picture view remains consistent:

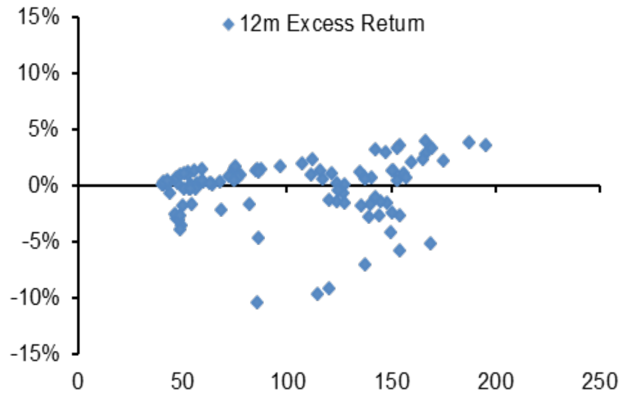
- The US will not fall over the fiscal cliff as there will be a last minute agreement between the involved parties.
- The European Currency Union will be protected until the social cost of doing so becomes too painful. A large political swing, driven by dissatisfaction of the voting populous, will lead to one of the periphery members leaving the union. This will not occur in the immediate future.

Many central banks are employing a printing press approach to stimulating their domestic economies. This surge of liquidity does not necessarily stimulate their domestic economy but is more likely to drive asset values higher. Due to the fluid nature of money, these surges can occur in many different places, for example:

- Swiss Banks now charge to hold Swiss francs on deposit. The yield on five year Swiss Sovereign debt is negative.
- In an effort to contain the Hong Kong property market, the government introduced 15% stamp duty for non HK permanent residents buying property. This does not apply to car parking spaces and a bubble is surely developing when these are up 6.7% QoQ. Earlier in the year a space sold for HK$ 3m (A$366k/US$ 387k).
- Returns on credit risk are back at a point where it is not clear if there is any substantial gain to be made by buying them; however the signals coming out of the economy are not indicative of a stable environment.

Please refer to the graphs below courtesy of data from Jim Reid and Stephen Stakhiv of Deutsche Bank.





The X axis on both graphs is the credit spread on Investment Grade Non-Financial European 1-10 year debt index.

The Y axis on both graphs is the return in the next twelve months if investing at that spread.

The data set on both reflects the past twelve years.

The difference in graphs is one shows data for credit spreads greater than 200bp, the other for less than 200bp.

There is a clear line of best fit on the left graph, the right graph appears random.

The credit spread on Investment Grade Non-Financial European 1-10 year debt index is currently 134bp, not a point that appears to give any excess return, yet fixed income markets are experiencing huge issuance and demand.

In summary, there is too much money looking for a home. Returns on investments do not reflect the risk and value of those investments.

This does not mean that asset prices are about to suddenly collapse. Keynes said "Markets can remain irrational a lot longer than you and I can remain solvent", but be sure you are not investing with a buy and hold mind set in an asset inflated beyond fair value.

Long Short

This portfolio contributed a loss of 21bp to the AUT and a loss of 35bp to the Cayman Fund.

The 14bp larger loss to the Cayman Fund was driven by a difficulty in allocating ASX SPI 200 Index Futures [SPI] between the funds. At this time the ratio of AUMs between the funds is approx. 2:1 with the AUT being larger. Due to the size of the SPI each trade is in a relatively small number of lots for the strategy. This makes allocating the execution to the funds difficult e.g. if we sell 2 SPI it is not possible to allocate this in any other ratio than 1:1. We plan to address this problem in future by trading a number of contracts that is easier to allocate in a similar ratio to the funds AUM ratio.

This month 40% of our ideas were winners. Strong stop loss discipline allowed us to keep the size of our average loss at 73% of our average winning idea, mitigating the fact we hadn't been having the right ideas.

Reviewing specific names and contributors to the portfolio:

We had one significant losing position. We have always played Energy World Corp Ltd. [EWC] from the short side. We believe there is a remarkable disconnect between the company's market capitalisation and their reported business activities. Despite our high conviction in this belief the stock squeezed higher against our short and we stopped out of the position for a loss of 17bp to the funds. We remain convinced that there are few listed companies in Australia with a more opaque business and level of reporting. It remains on our watch list for a better entry point or time to short again.

We had three significant profit contributors to the portfolio:

Fairfax Media Ltd [FXJ.AX]: As discussed last month we see this as a cheap company but in a poor business segment. That said, they have a wide range of media that users may be prepared to pay for in a digital form. FXJ's deletion from the MSCI Australia Index was well highlighted and we expected a squeeze up to the end of the month. This was the case and our long position on the name contributed 23bp to the funds.

Paladin Energy [PDN]: We were short of PDN at different points during the month covering most of our short when the downtrend looked to be being tested. With the current price and demand for Uranium we cannot see how PDN can make money given their production costs. Additionally, the market cap of the PDN hit a low of A$640m, the company has outstanding debt, mostly convertible bonds, of A$963m with the 2015 trading at a credit spread of 1300bp. These are not the characteristics of a company that is perceived by the market to be a going concern. Trading from the short side in PDN generated 16bp of returns.

Cabcharge Australia Limited [CAB]: We started to short this name in October as we felt that their main business could be under threat from technological advancement. The use and acceptance of smart phones as a device to both book and pay for a cab or hire car is a significant threat to CAB. CAB has been trying to diversify its business by tendering for payment service contracts on other transport channels such as buses, however the NSW bus contracts were put out to tender putting further competitive pressure on CAB. We closed our short too early for a profit of 19bp and were surprised how quickly the market discounted CAB's business sinking to a low of 6.2x share price/trailing earnings ratio (as a comparison the S&P/ASX 200 is trading on 18x).

Portfolio Hedge and Equity Arbitrage

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

Special Situations

This portfolio contributed 11bp of performance in the AUT and Cayman Fund.

We noted in the last newsletter the collapse of the takeover approach of Arrium Ltd [ARI, formerly OneSteel Ltd]. The consortium that approached ARI in relation to the takeover had excellent timing in relation to the change of sentiment in iron ore. The improvement in this sentiment cushioned ARI from the fall that would have occurred. We still view ARI as a takeover target at a higher price. This position contributed 4bp this month, in the middle of the month we had been looking at a 15bp loss.

We participated in the placement of Lynas [LYC] who raised funds after announcing they had obtained regulatory approval for their Malaysian plant. We have been bearish on LYC for a long time; but our opinion was that positive sentiment would make it possible to trade this from the long side for a brief period of time and capture the placement discount. The positive sentiment was very short lived as LYC was once again challenged in court in relation to its ability to execute its strategy. This appeared to lead to one sizable holder to start selling their position as the stock borrow disappeared from the market. This made it impossible to exit the second tranche of the placement. LYC cost us 29bp this month.

We benefited on the placement of Shopping Centres Australasia [SCP] (the REIT spin out from Woolworths). As we have said previously, we hold a negative long term view on physical retailing; however we expected passive REIT index tracking demand and yield chasing investors to buy the stock. This was correct however we underestimated how far the REIT index tracking demand would push the stock and took our profits too early. SCP contributed 17bp to the funds returns.

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 November was 0.30%.

Contact Information

Trustee; KIS Asia Long Short Fund:
KIS CAPITAL PARTNERS

Address: Suite 1306, 109 Pitt Street, Sydney, NSW 2000, Australia

Tel: +61 2 8227 7111
Email: ir@kiscapital.com

Board of Directors; KIS Asia Long Short Cayman Fund and KIS Asia Long Short Cayman Master Fund:
KIS Asia Long Short Cayman Fund and KIS Asia Long Short Cayman Master Fund c/o Walkers Corporate Services Limited

Address: Walker House, 87 Mary Street, George Town,Grand Cayman KY1-9005, Cayman Islands

Investment Manager; KIS Asia Long Short Fund, KIS Asia Long Short Cayman Fund and KIS Asia Long Short Cayman Master Fund:
KIS CAPITAL PARTNERS

Address: Suite 1306, 109 Pitt Street, Sydney, NSW 2000, Australia

Tel: +61 2 8227 7111
Email: ir@kiscapital.com

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