

**L1 CAPITAL**

DAILY CLASS

Long Short Fund

Monthly Newsletter | February 2019

Unit Price: 0.9865¹² | Fund NAV: \$734m

Monthly Net Performance (%)*

PERIOD	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT*	NOV	DEC	YEAR
2014	-	-	-	-	-	-	-	-	(2.42)	3.03	2.85	1.61	5.07
2015	0.59	9.14	2.42	1.71	3.73	(0.86)	3.30	2.06	5.51	8.49	8.11	4.62	60.52
2016	5.81	0.59	5.47	2.46	2.78	(0.89)	3.22	3.92	0.46	(0.18)*	0.55	2.13	29.43
2017	2.48	1.79	2.83	1.01	4.14	1.68	2.61	1.67	1.91	2.50	0.86	3.50	30.50
2018	0.54	(0.49)	(1.68)	1.59	(3.77)	(6.31)	0.79	(5.93)	(2.13)	(4.01)	(2.62)	(6.07)	(26.60)
2019	4.33	5.14											9.68

Past performance should not be taken as an indicator of future performance.

Market and Fund Review

The L1 Capital Long Short Fund returned 5.1% in February.**The Fund has had a strong start to 2019, returning 9.7% for the year to date.****Since inception, the Fund has returned 20.3% p.a. after fees. (129.3% total return since inception).**

Reporting season provided a major positive catalyst, with many of the Fund's positions enjoying strong performance from better than expected profit results. Performance was very broad based, with a wide range of stocks in Australia and overseas contributing to returns.

Key contributors in February were:

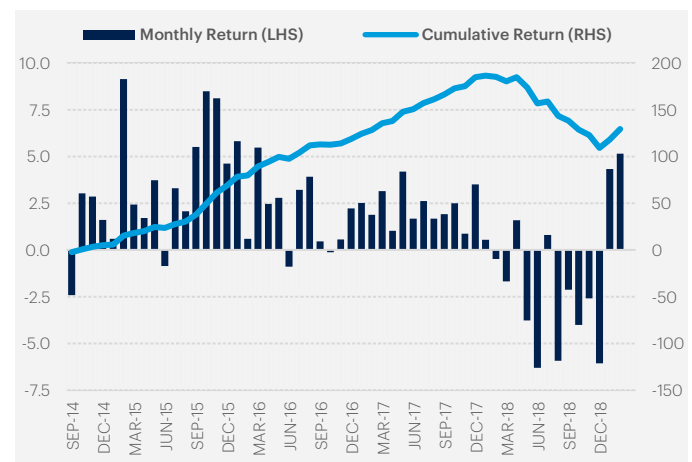
Chorus (long) performed strongly again in February as the market began to appreciate the implications of the recently passed telecommunications legislation in New Zealand. We believe Chorus is set to enjoy an accelerating dividend growth profile over the coming years as the capital expenditure from their fibre build winds down and their free cash flow generation surges.

CYBG (long) recovered on the back of a positive first quarter trading update and an improving backdrop for Brexit. On consensus forecasts, CYBG trades at a F19 P/E of 8x with a strong earnings growth outlook due to the £150m net cost synergies from its recent Virgin Money acquisition and cross-sell of products across their expanded customer base.

Vivendi (long) is a French music and media conglomerate whose main asset is the world's number 1 music label, UMG. UMG has a 30% market share of global recorded music, which provides it enormous market power. The business has reached a major positive inflection point, where profits are accelerating rapidly on the back of huge demand globally for streaming services, such as Spotify, Apple Music and Amazon Music. The business also enjoys very high incremental profit margins and many years of strong growth ahead, given the low penetration rates for music streaming in many parts of the world. The board of Vivendi has started a process to sell up to 50% of UMG and has indicated an intention to conduct a massive stock buyback with at least half of the UMG sale proceeds. We are attracted to the valuation upside, business quality and major positive catalysts embedded in Vivendi.

Given the strength of the recent market rally, we have begun reducing the portfolios net market exposure. The investment team has been significantly increasing its personal investment in the Long Short strategy and we are very optimistic about the outlook for the portfolio over the years ahead.

Fund Performance (Net)*



Performance Metrics (%)*

	LONG SHORT FUND
One month	5.14
Three months	3.02
One year	(19.93)
Two years (p.a.)	1.20
Three years (p.a.)	8.72
Since inception (p.a.)	20.26
Since inception (cumulative)	129.34

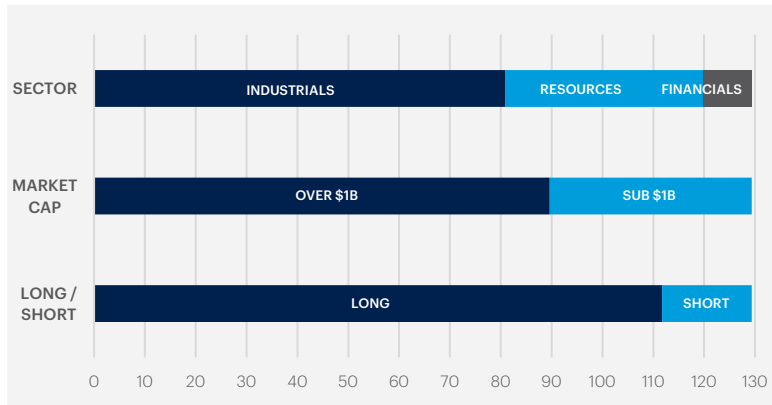
Fund Characteristics*

	CURRENT	AVG SINCE INCEPTION
Number of positions	85	75
Number of long positions	55	49
Number of short positions	30	26
Gross long exposure (%)	139%	140%
Gross short exposure (%)	72%	83%
Gross exposure (%)	211%	223%
Net exposure (%)	67%	57%

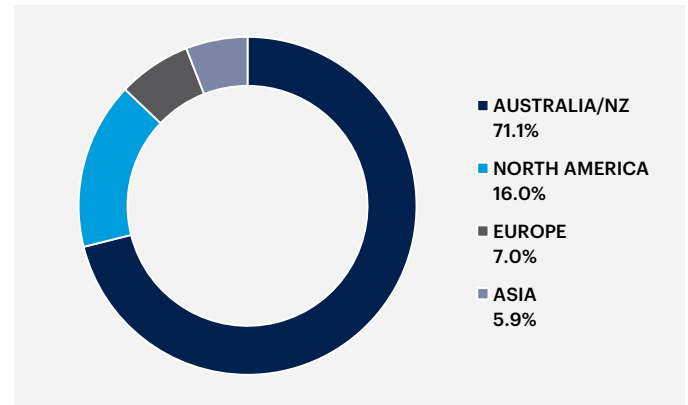
Risk Metrics (%)*

	LONG SHORT FUND
Beta	0.31
Sharpe ratio	1.6
Sortino ratio	3.4
Maximum drawdown	26.8%
Percentage of positive months	75.9%
Annualised standard deviation	11.4%
Annualised downside deviation	6.0%

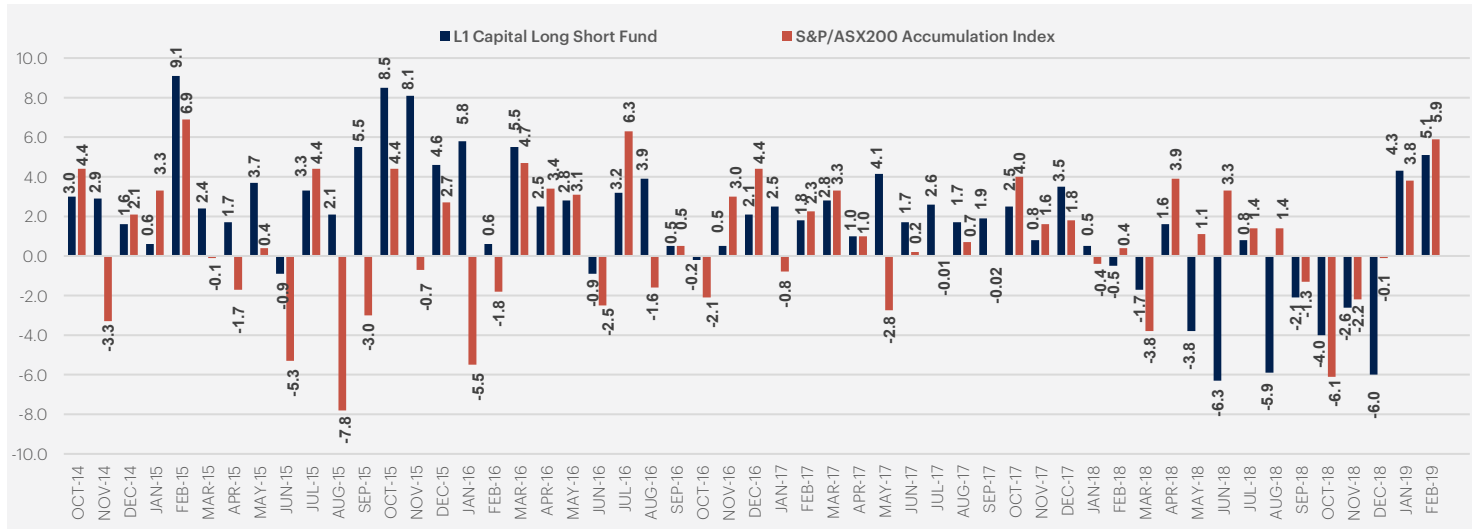
Attribution since inception (Net %)*



Gross exposure by region*



Monthly Fund Performance vs S&P/ASX200 Accumulation Index (since inception)*



Fund Information

Name	L1 Capital Long Short Fund
Class of Units	Daily
Structure	Unit Trust
Domicile / Currency	Australia / AUD
Inception	1 September 2014
Management Fee	1.54%
Performance Fee	20.50%
High Watermark	Yes
APIR / ISIN	ETL0490AU / AU60ETL04909
Minimum Investment	A\$25,000
Subscription Frequency	Daily
Redemption Frequency	Daily

There have been no changes to key service providers since the last monthly newsletter.

Service Providers

Responsible Entity	Equity Trustees Limited
Prime Broker	Morgan Stanley, Credit Suisse (Europe)
Fund Administrator	Link Fund Solutions
Fund Auditor	EY
Fund Custodian	HSBC
Legal Advisor	Hall & Wilcox



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Information contained in this publication

*All performance numbers are quoted after fees. All performance in this update prior to 3 October 2016 (being the date that the first retail class units were issued) relate to the monthly class units which are subject to a different fee structure. Beta, sharpe ratio, sortino ratio, maximum monthly drawdown, annualised standard deviation and annualised downside deviation relate to the monthly class units. 1. The value of the Fund's assets less the liabilities of the Fund net of fees, costs and taxes. 2. The unit price is calculated by decreasing the NAV price by the sell spread (currently 0.25%). The NAV price is the NAV divided by the units on issue. Past performance is not predictive of future returns. Beta is calculated versus the ASX200AI.

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