



L1 CAPITAL

RETAIL

# Long Short Fund

Monthly Newsletter | May 2017

Redemption Price 1.1255<sup>1,2</sup> | Fund NAV: \$438m | Strategy NAV: \$473m

## 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	4.61	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								12.84

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

## Market and Fund Review

The Fund returned 4.1% in May, taking the return over the past year to 23.5% (and since inception 38.8% p.a.).

Performance continues to be generated from a very broad range of sectors and stocks.

The Fund has achieved outstanding risk-adjusted returns (sharpe ratio 4.1, sortino ratio 23.8, maximum drawdown 2.4%).

The ASX200AI suffered its largest monthly fall since Jan 2016 (-2.8%). Bank shares collapsed (-11.5%) after the Government announced a new bank levy, while APRA enacted further regulatory tightening measures. Recent data suggests consumer spending has weakened significantly, given weak wages growth, increased mortgage repayments (due to new macroprudential measures) and surging electricity bills. Mining stocks reversed course, with iron ore (-17%) and thermal coal prices (-12%) leading the sector lower.

The potential for President Trump's proposed tax cuts to get stalled, along with the recent weakness in Australia's economy, has led to a palpable change in investors' risk appetite. The recent flattening of the yield curve in both Australia and the U.S has important implications for sector performance (in favour of yield stocks and away from domestic cyclicals).

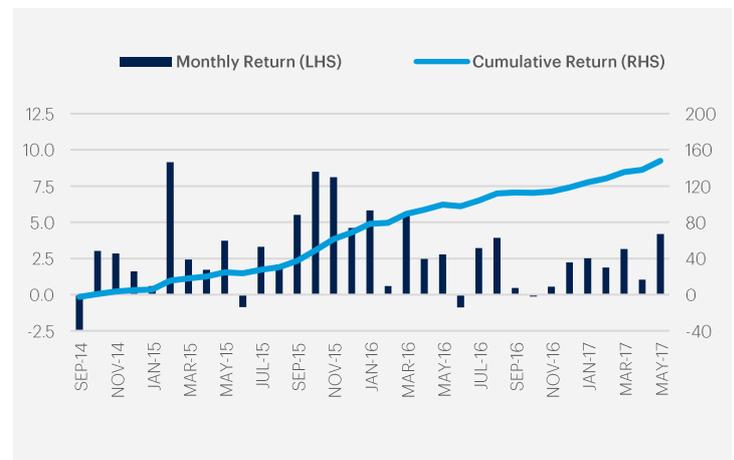
The Fund had a very broad spread of winners in May, with 12 positions each contributing more than 0.25% to returns. Importantly, there was no position in the Fund that detracted more than 0.25%. On the long side, the continued strength in Qantas (+18%), Boral (+11%) and Macquarie Atlas (+10%) was pleasing given the fall in the broader market. On the short side, the Fund generated strong returns from several shorts in the retail, telco, technology and mining sectors.

We continue to believe that volatility will rise from very depressed levels over the coming year. We remain defensively positioned with a low portfolio beta and a very diversified portfolio to allow for a wide range of potential macro outcomes.

## Fund Characteristics\*

	CURRENT	AVG SINCE INCEPTION
Number of positions	81	70
Number of long positions	47	48
Number of short positions	34	22
Gross long exposure (%)	113%	152%
Gross short exposure (%)	71%	91%
Gross exposure (%)	184%	243%
Net exposure (%)	42%	61%

## Fund Performance (Net)\*



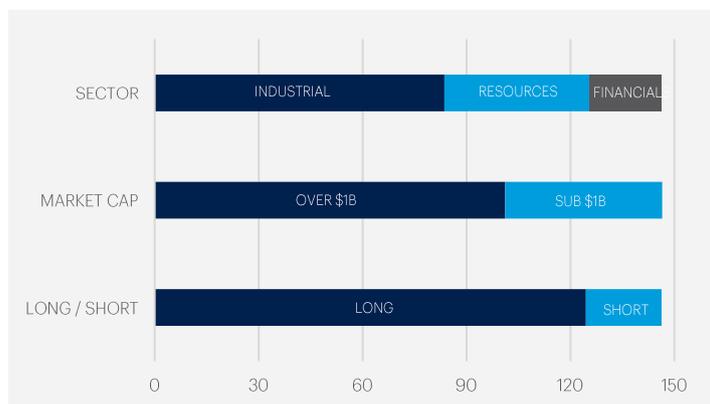
## Performance Metrics (%)\*

	LONG SHORT FUND
One month	4.14
Three month (rolling)	8.17
Calendar YTD	12.84
Financial YTD	24.64
One year (rolling)	23.54
Two years (p.a. rolling)	38.68
Since inception (p.a.)	38.79
Since inception (cumulative)	146.31

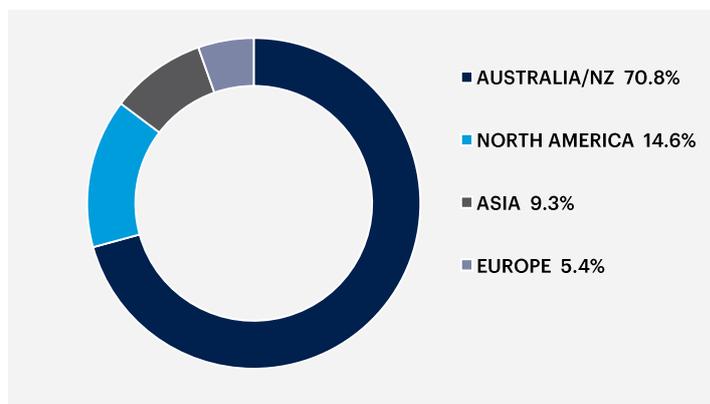
## Risk Metrics\*

	LONG SHORT FUND
Beta	0.25
Sharpe ratio	4.1
Sortino ratio	23.8
Maximum drawdown	2.4%
Percentage of positive months	87.9%
Annualised standard deviation	9.0%
Annualised downside deviation	1.6%

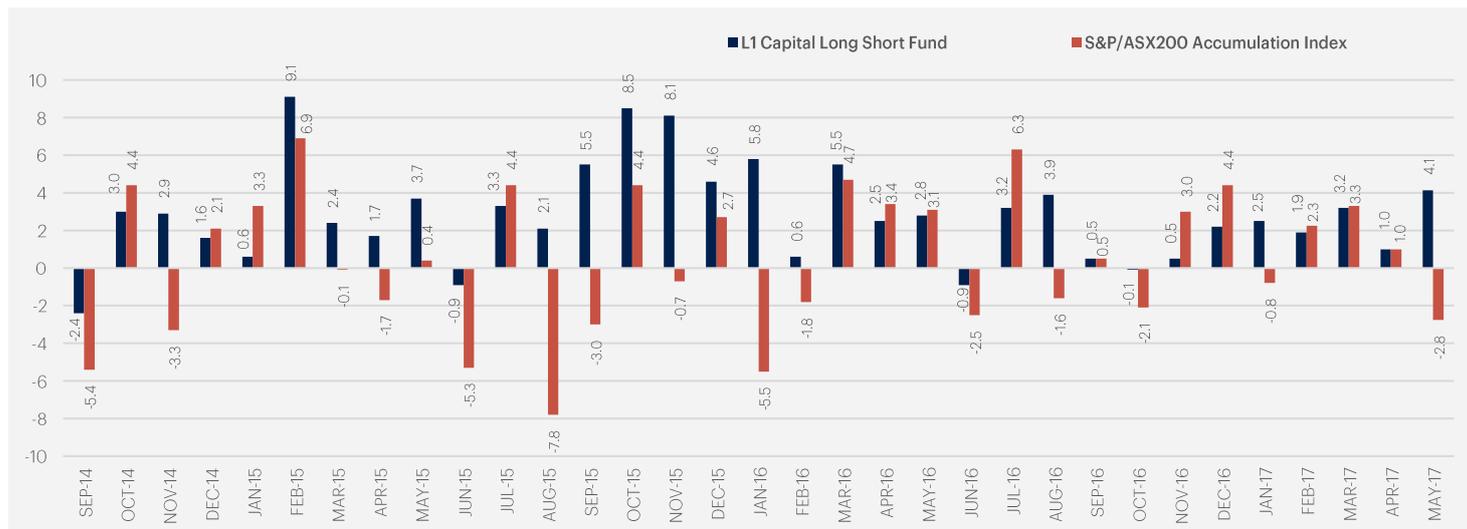
## Attribution since inception (Net %)\*



## Gross exposures to international markets\*



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



## Fund Information

<b>Name</b>	L1 Capital Long Short Fund
<b>Class of Units</b>	Retail
<b>Structure</b>	Unit Trust
<b>Domicile / Currency</b>	Australia / AUD
<b>Inception</b>	1 September 2014
<b>Management Fee</b>	1.54%
<b>Performance Fee</b>	20.50%
<b>High Watermark</b>	Yes
<b>APIR / ISIN</b>	ETL0490AU / AU60LCP00024
<b>Minimum Investment</b>	A\$25,000
<b>Subscription Frequency</b>	Daily
<b>Redemption Frequency</b>	Daily

## Service Providers

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

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



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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 wholesale class units which are subject to a different fee structure. 1. The value of the Fund's assets less the liabilities of the Fund net of fees, costs and taxes. 2. The redemption 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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