



L1 CAPITAL

RETAIL

# Long Short Fund

Monthly Newsletter | June 2017

Redemption Price: 1.1443<sup>1,2</sup> | Fund NAV: \$477m | Strategy NAV: \$523m

## 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	1.68							14.73

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

## Market and Fund Review

**The Fund returned 1.7% in June, taking the return over the past year to 26.7% (since inception 38.3% p.a.).**

**The Fund has achieved outstanding risk-adjusted returns (maximum drawdown 2.4%, sharpe ratio 4.1, sortino ratio 23.9).**

While the ASX200AI finished June largely flat (+0.17%), there was a large divergence in sector performance. A key driver was global bond yields (Aust 10 year +21bps; US 10 year +10bps), which pushed down yield sensitive sectors; REITs (-4.8%), Utilities (-2.7%), Consumer Staples (-2.6%). Oil price declines (Brent -4.5%) weighed on the Energy sector (-6.9%). The only sector to return more than 1.5% in June was Healthcare (+6.1%). The Healthcare sector rallied 25% over the past year, despite no consensus EPS upgrades. Our view is many Australian healthcare stocks are now overvalued, but lack imminent negative catalysts to trigger a share price de-rating.

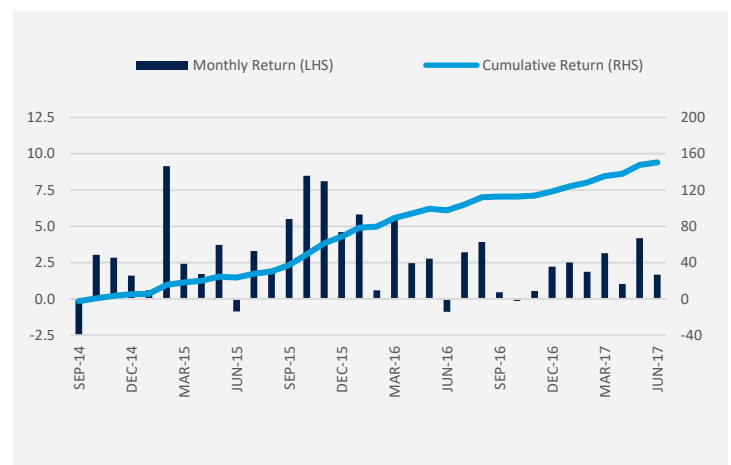
Some of the Fund's best performers in June were long positions in Qantas and Bluescope. These two core holdings were the best performing ASX100 stocks in the past year, having both rallied more than 100%. Both companies have executed impressive operational turnarounds, led by capable management teams with a shareholder friendly approach to capital management. One of the Fund's weaker performers in June was the Hong Kong listed conglomerate CK Hutchison. We believe CK Hutchison is a high-quality business that is dramatically undervalued. The business owns some of the best port assets globally, a fast-growing Chinese pharmacy chain and some strategic European telco assets. We took advantage of the recent share price weakness to increase our holding.

Stockmarket volatility has finally begun to rise from extremely depressed levels and recent hawkish commentary from several central banks is a major change of tone. The resultant rise in global bond yields has profound implications for equities and relative sector performance. Given the uncertainty at present, we believe the most prudent approach is to maintain a highly diversified portfolio that is not reliant on a single macro backdrop to perform well.

## Fund Characteristics\*

	CURRENT	AVG SINCE INCEPTION
Number of positions	81	71
Number of long positions	51	48
Number of short positions	30	22
Gross long exposure (%)	110%	151%
Gross short exposure (%)	65%	90%
Gross exposure (%)	175%	241%
Net exposure (%)	45%	61%

## Fund Performance (Net)\*



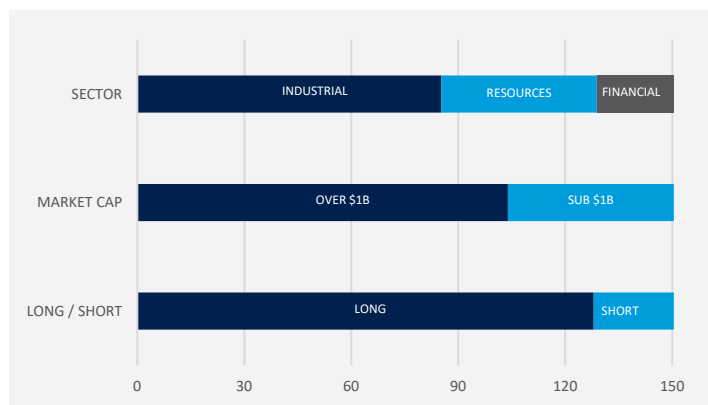
## Performance Metrics (%)\*

	LONG SHORT FUND
One month	1.68
Three month (rolling)	6.95
Calendar YTD	14.73
Financial YTD	26.73
One year (rolling)	26.73
Two years (p.a. rolling)	40.37
Since inception (p.a.)	38.27
Since inception (cumulative)	150.44

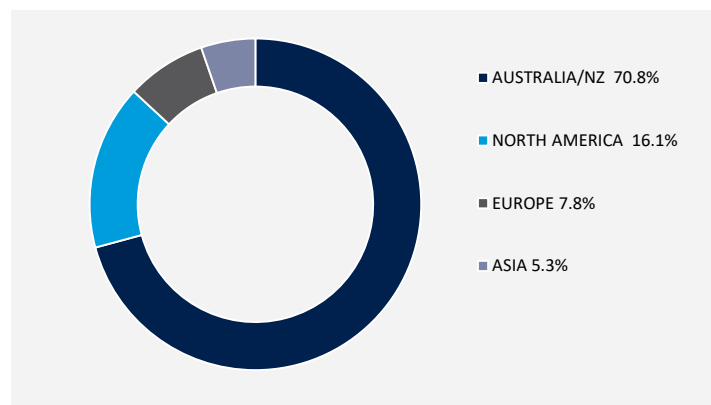
## Risk Metrics\*

	LONG SHORT FUND
Beta	0.25
Sharpe ratio	4.1
Sortino ratio	23.9
Maximum drawdown	2.4%
Percentage of positive months	88.2%
Annualised standard deviation	8.9%
Annualised downside deviation	1.6%

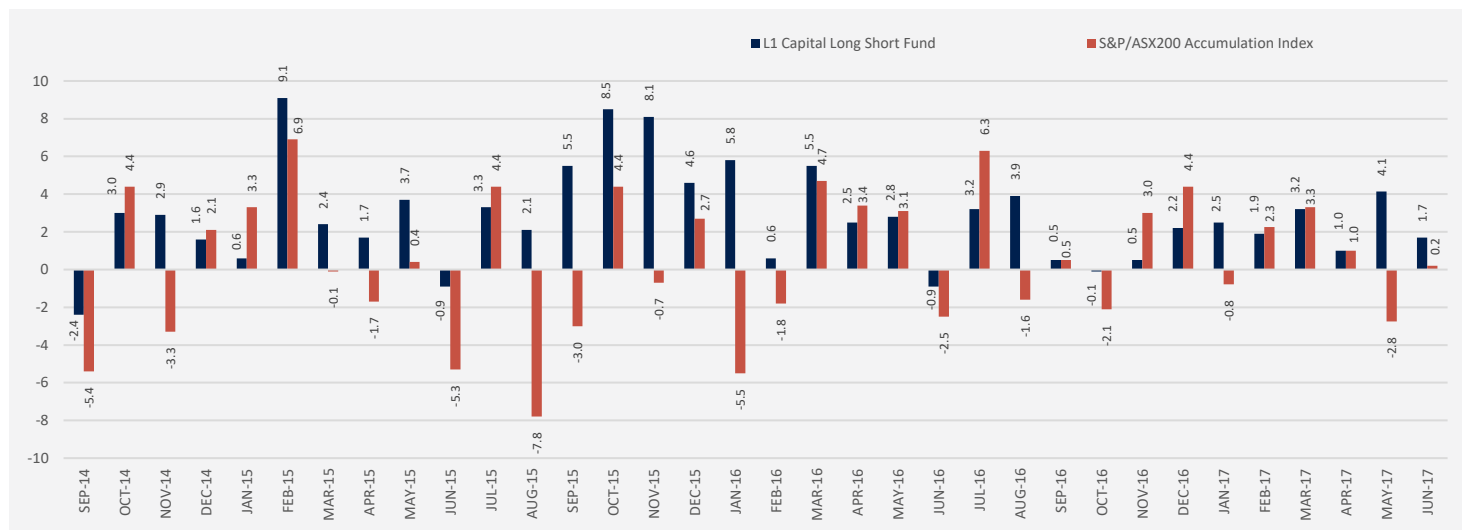
## Attribution since inception (Net %)\*



## Gross exposures to international markets\*



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



### Fund Information

Name	L1 Capital Long Short Fund
Class of Units	Retail
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 / AU60LCP00024
Minimum Investment	A\$25,000
Subscription Frequency	Daily
Redemption Frequency	Daily

### Service Providers

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