



L1 CAPITAL

RETAIL

# Long Short Fund

Monthly Newsletter | July 2017

Redemption Price: 1.1639<sup>1,2</sup> | Fund NAV: \$540m | Strategy NAV: \$597m

## 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	2.61						17.72

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

## Market and Fund Review

**The Fund returned 2.6% in July, taking the return over the past year to 26.0% (since inception 38.2% p.a.).**

**The Fund has achieved outstanding risk-adjusted returns (maximum drawdown 2.4%, sharpe ratio 4.1, sortino ratio 24.2).**

The Fund had a strong month, returning 2.6% (versus the ASX200 Accumulation Index -0.01%). Only four sectors delivered positive returns, with Materials (+3.6%) and Banks (+2.3%) the strongest performers. Healthcare stocks sold off on currency concerns and elevated P/E multiples (-7.5%), while yield sensitive sectors, like Utilities (-5.3%) and Telcos (-4.3%), were weak. Commodity prices were strong with coking coal up more than 20% and iron ore rallying 13.5%. Oil also had its firstly monthly rise since February (Brent +7.5%) and Gold rose 2.2%. As we wrote in our June quarterly report, we believe many US dollar stocks appear overvalued, with the recent reversal in the AUD/USD proving to be a significant near-term headwind. Aristocrat (-10.2%), CSL (-8.7%) and Cochlear (-8.1%) all suffered meaningful pullbacks after enjoying spectacular runs over the past year.

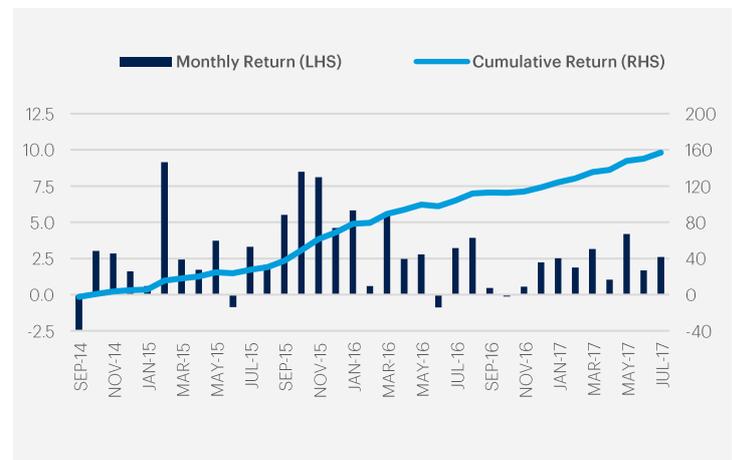
Some of the Fund's best performers in July included long positions in CIMIC (which rallied after a strong first half profit result) and Alcoa. We added Alcoa to the portfolio after it demerged its downstream assets into Arconic, leaving Alcoa with a high-quality suite of bauxite, alumina and aluminium assets. We believe the business is well positioned to benefit from China's aluminium producers rationalising their supply, which enables a structurally higher price for alumina/aluminium. During July, the Fund also generated strong returns from specific stock shorts across the Healthcare, Retail and Telco sectors.

Stockmarket volatility has finally begun to rise from extremely depressed levels and recent hawkish commentary from several central banks represents a significant 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	86	71
Number of long positions	49	48
Number of short positions	37	23
Gross long exposure (%)	114%	150%
Gross short exposure (%)	67%	90%
Gross exposure (%)	181%	240%
Net exposure (%)	47%	60%

## Fund Performance (Net)\*



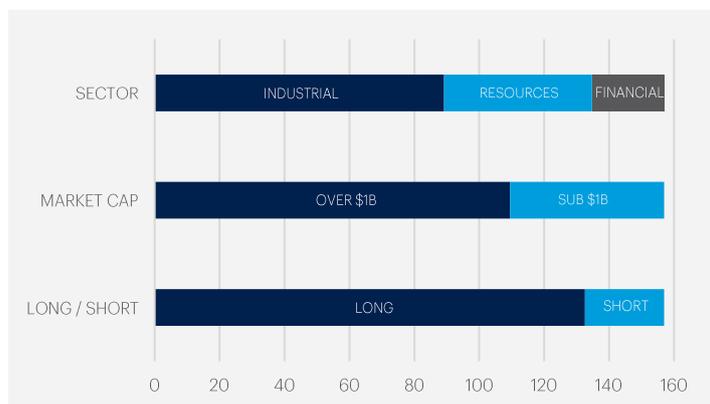
## Performance Metrics (%)\*

	LONG SHORT FUND
One month	2.61
Three month (rolling)	8.65
Calendar YTD	17.72
Financial YTD	2.61
One year	25.98
Two years (p.a.)	39.92
Since inception (p.a.)	38.21
Since inception (cumulative)	156.97

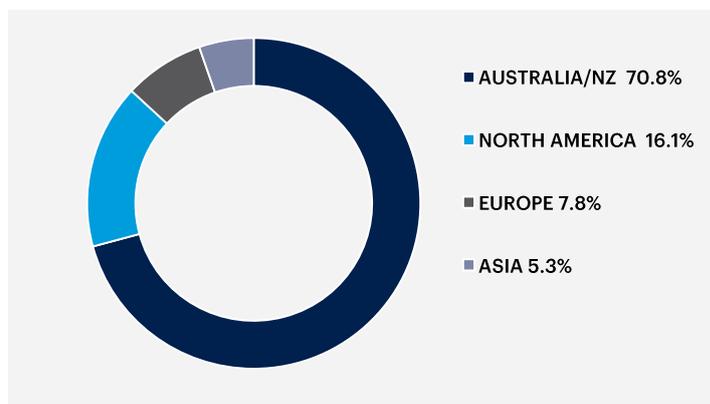
## Risk Metrics\*

	LONG SHORT FUND
Beta	0.25
Sharpe ratio	4.1
Sortino ratio	24.2
Maximum drawdown	2.4%
Percentage of positive months	88.6%
Annualised standard deviation	8.8%
Annualised downside deviation	1.6%

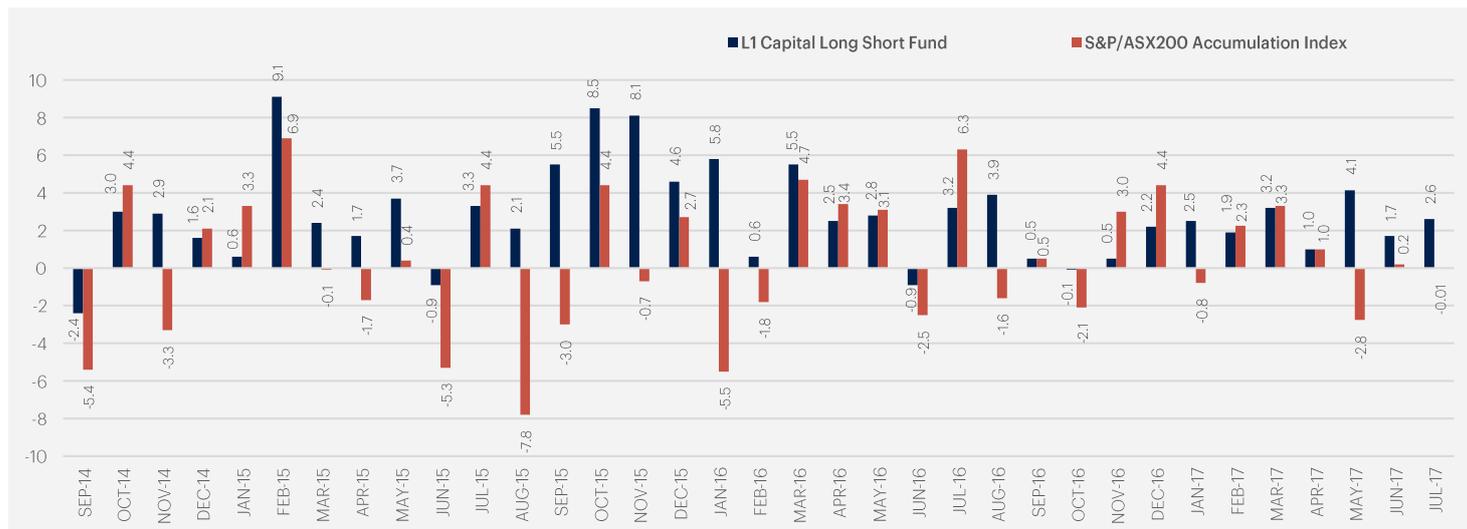
## Attribution since inception (Net %)\*



## 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.



Level 28, 101 Collins Street  
Melbourne VIC 3000 Australia  
[www.L1.com.au](http://www.L1.com.au)

Phone +61 3 9286 7000  
Fax +61 3 9286 7099  
Email [info@L1.com.au](mailto:info@L1.com.au)

## 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.

The opinions, advice, recommendations and other information contained in this publication, whether express or implied, are published or made by L1 Capital Pty Ltd (ABN 21 125 378 145), Australian Financial Services License (314302), and by its officers and employees (collectively "L1 Capital") in good faith in relation to the facts known to it at the time of preparation. L1 Capital has prepared this publication without consideration of the investment objectives, financial situation or particular needs of any individual investor, and you should not rely on the opinions, advice, recommendations and other information contained in this publication alone. This publication contains general financial product advice only. Equity Trustees Limited ("EQT") (ABN 46 004 031 298) AFSL 240975 is the Responsible Entity for the L1 Capital Long Short Fund. This publication has been prepared to provide you with general information only. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. We do not express any view about the accuracy or completeness of information that is not prepared by us and no liability is accepted for any errors it may contain. Past performance should not be taken as an indicator of future performance. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. You should obtain a copy of the product disclosure statement before making a decision about whether to invest in this product.

### To whom this information is provided

This publication is only made available to persons who are wholesale clients within the meaning of section 761G of the Corporations Act 2001. This publication is supplied on the condition that it is not passed on to any person who is a retail client within the meaning of section 761G of the Corporations Act 2001.

### Disclaimer and limitation of liability

To the maximum extent permitted by law, L1 Capital will not be liable in any way for any loss or damage suffered by you through use or reliance on this information. L1 Capital's liability for negligence, breach of contract or contravention of any law, which cannot be lawfully excluded, is limited, at L1 Capital's option and to the maximum extent permitted by law, to resupplying this information or any part of it to you, or to paying for the resupply of this information or any part of it to you.

### Copyright

Copyright in this publication is owned by L1 Capital. You may use this information in this publication for your own personal use, but you must not (without L1 Capital's consent) alter, reproduce or distribute any part of this publication, transmit it to any other person or incorporate the information into any other document.