



L1 CAPITAL

DAILY CLASS

# Long Short Fund

Monthly Newsletter | August 2017

Redemption Price: 1.1833<sup>1,2</sup> | Fund NAV: \$608m | Strategy NAV: \$673m

## 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	1.67					19.69

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

## Market and Fund Review

**The Fund returned +1.7% in August, taking the return over the past 12 months to 23.3% (since inception 37.7% 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 pleasing month, returning +1.7% (ASX200 Accumulation Index rose +0.7%). August was dominated by profit reporting season in Australia. Overall, we viewed results as a touch weaker than expectations with many companies using accounting changes, provision adjustments and other "one-offs" to meet consensus forecasts.

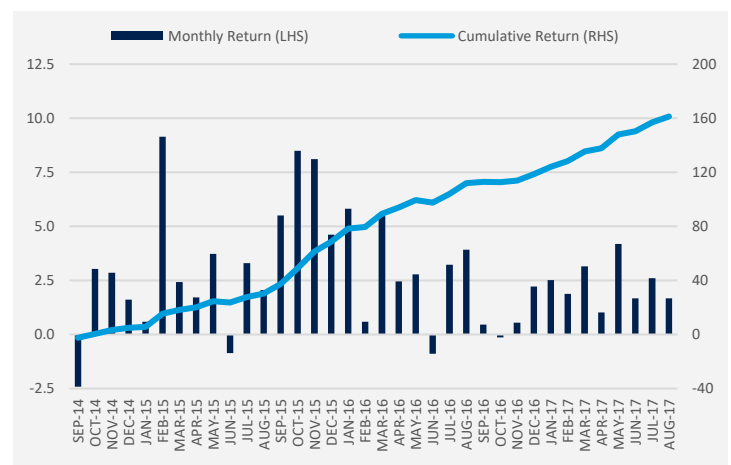
Telcos were by far the weakest sector (-10.8%), with Telstra's large cut to its dividend resulting in a 10.5% fall for the month. Other notable falls included CBA (-9.5%, AUSTRAC investigation), Dominos Pizza (-19.1%, earnings & guidance miss), Healthscope (-16.3%, earnings miss & flat outlook), QBE (-11.9%, lower margin guidance) and Vocus (-33.8%, weak earnings and end of takeover talks).

Some of the Fund's best performers in August were mining stocks, which rallied on the back of strong commodity prices. The Chinese Government has undertaken broad-ranging supply constraints across many manufacturing and mining sectors with a view to improving the profitability of existing players and reducing pollution. The Fund also benefitted from stock specific shorts across the consumer discretionary, financial and telco sectors.

Despite the positive month, a couple of the Fund's long-term positions declined significantly. Bluescope fell 18%, after providing weaker than expected earnings guidance for the coming half. We have used the recent share price weakness to increase our position and believe the medium-term earnings outlook remains positive. Bluescope has paid off almost all its debt, which positions it well for ongoing capital management. Chorus fell 12% after accelerating its national fibre rollout, which resulted in increased capex and operating expense guidance (causing a short-term cashflow strain). We believe Chorus remains one of the best risk-reward opportunities in the market, given it offers a high dividend yield (6%), long-life monopoly infrastructure assets, with considerable longer term upside in dividends as the growth capex profile moderates.

Fund Characteristics*	CURRENT	AVG SINCE INCEPTION
Number of positions	74	71
Number of long positions	45	48
Number of short positions	29	23
Gross long exposure (%)	103%	148%
Gross short exposure (%)	53%	89%
Gross exposure (%)	156%	237%

## Fund Performance (Net)\*



## Performance Metrics (%)\*

Performance Metrics (%)*	LONG SHORT FUND
One month	1.67
Three month (rolling)	6.07
Calendar YTD	19.69
Financial YTD	4.32
One year	23.25
Two years (p.a.)	41.62
Since inception (p.a.)	37.73
Since inception (cumulative)	161.26

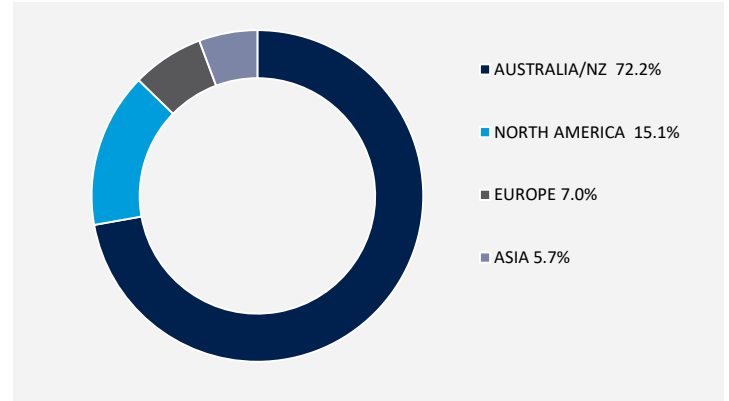
## Risk Metrics\*

Risk Metrics*	LONG SHORT FUND
Beta	0.25
Sharpe ratio	4.1
Sortino ratio	24.2
Maximum drawdown	2.4%
Percentage of positive months	88.9%
Annualised standard deviation	8.7%
Annualised downside deviation	1.6%

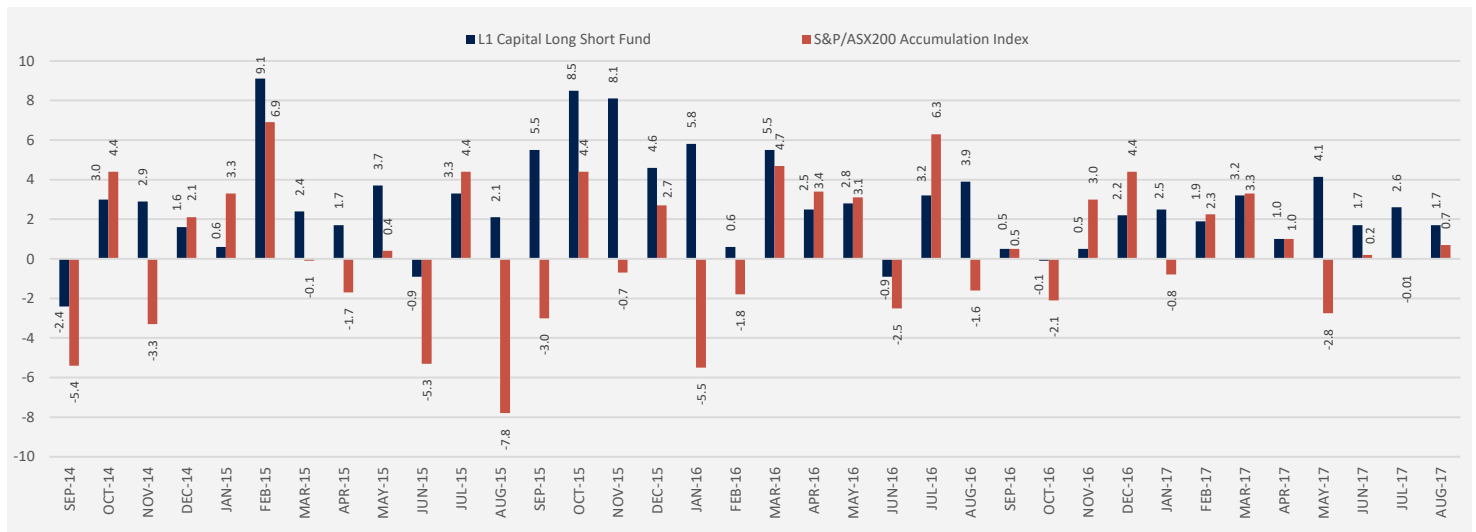
Attribution since inception (Net %)\*



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>	Daily
<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.

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