



L1 CAPITAL

DAILY CLASS

# Long Short Fund

Monthly Newsletter | December 2017

Redemption Price: 1.2903<sup>1,2</sup> | Fund NAV: \$1.065m

## 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	1.91	2.50	0.80	3.50	30.50

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

## Market and Fund Review

**The Fund returned 3.5% in December (30.5% net return in 2017).**

**Since inception, the Fund has returned 36.9% p.a. (after fees).**

**The Fund has achieved outstanding risk-adjusted returns (maximum drawdown 2.4%, sharpe ratio 4.2, sortino ratio 25.0).**

**The Fund achieved a rare milestone of delivering positive returns in every month this year.**

In December, the ASX200 continued its rally, rising 1.8%. Energy (+6.4%) and Materials (+6.2%) led the market higher, while Telcos (+5.5%) recovered after a horrendous year. Consumer Discretionary (+3.6%) benefited as fears of the immediate impact of Amazon moderated. Utilities (-5.2%) were the biggest laggard, with uncertainty around new gas rules weighing on APA.

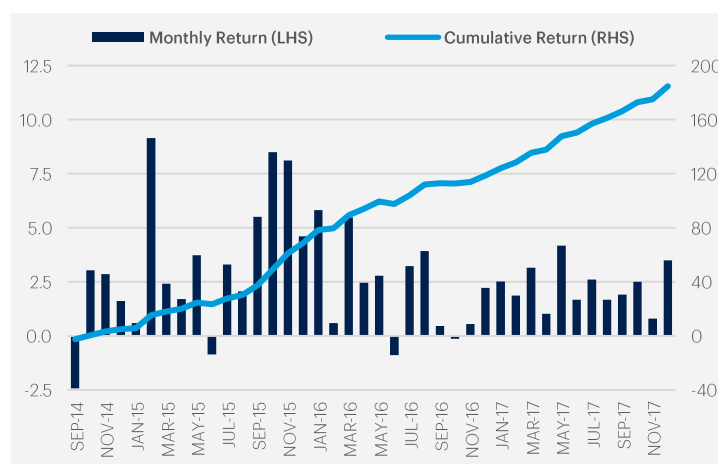
The Fund had a strong finish to 2017, with top performers including Alcoa (+30%), Bluescope (+13%) and Chorus (+7%). Qantas (-11%) remained under pressure, given higher oil prices and concerns over excess international airline capacity. Even allowing for these factors, we believe the outlook for Qantas remains attractive and we have been using the sell-off to top up our position. Other contributors for the month included international exposures in the Energy and Financial sectors.

Alcoa (US\$10b market cap) is a core long position in the Fund. It is a leading global integrated aluminium producer experiencing strong structural demand growth as the lightweight metal is used increasingly in automotive and aviation manufacturing. Simultaneously, supply growth of alumina is being curtailed in China given the Government's pervasive supply-side reforms. This major inflection point has seen the shares almost double in 2017 and yet they are still only trading on 5x EV/EBITDA with balance sheet flexibility to reward investors with higher than expected dividends and/or share buybacks in 2018.

In the past year, the Fund has had 18 stocks across eight different sectors contribute more than 1% to net return, while only one position detracted more than 1%. The Fund's returns have continued to track well ahead of our investment objective and we remind clients to expect net returns closer to our 10% target over the long term.

Fund Characteristics*	CURRENT	AVG SINCE INCEPTION
Number of positions	85	73
Number of long positions	58	49
Number of short positions	27	24
Gross long exposure (%)	133%	146%
Gross short exposure (%)	79%	87%
Gross exposure (%)	212%	233%
Net exposure (%)	53%	59%

## Fund Performance (Net)\*



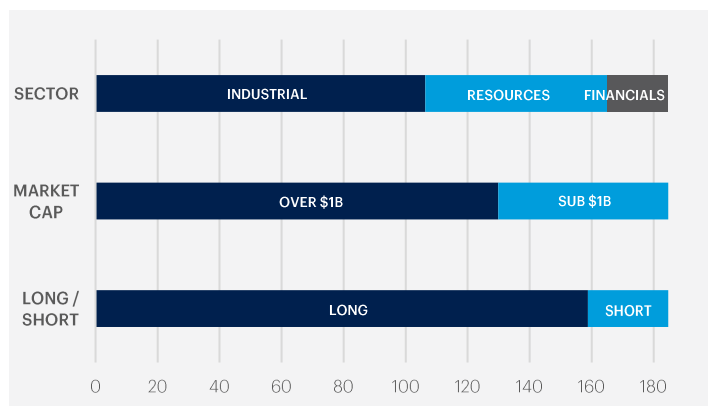
## Performance Metrics (%)\*

	LONG SHORT FUND
One month	3.50
Three months (rolling)	7.00
Calendar YTD	30.50
Financial YTD	13.75
One year	30.50
Two years (p.a.)	29.93
Three years (p.a.)	39.42
Since inception (p.a.)	36.87
Since inception (cumulative)	184.72

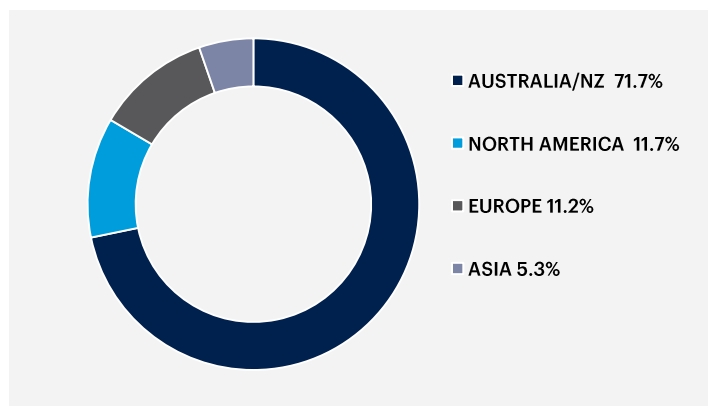
## Risk Metrics\*

	LONG SHORT FUND
Beta	0.23
Sharpe ratio	4.2
Sortino ratio	25.0
Maximum drawdown	2.4%
Percentage of positive months	90.0%
Annualised standard deviation	8.3%
Annualised downside deviation	1.5%

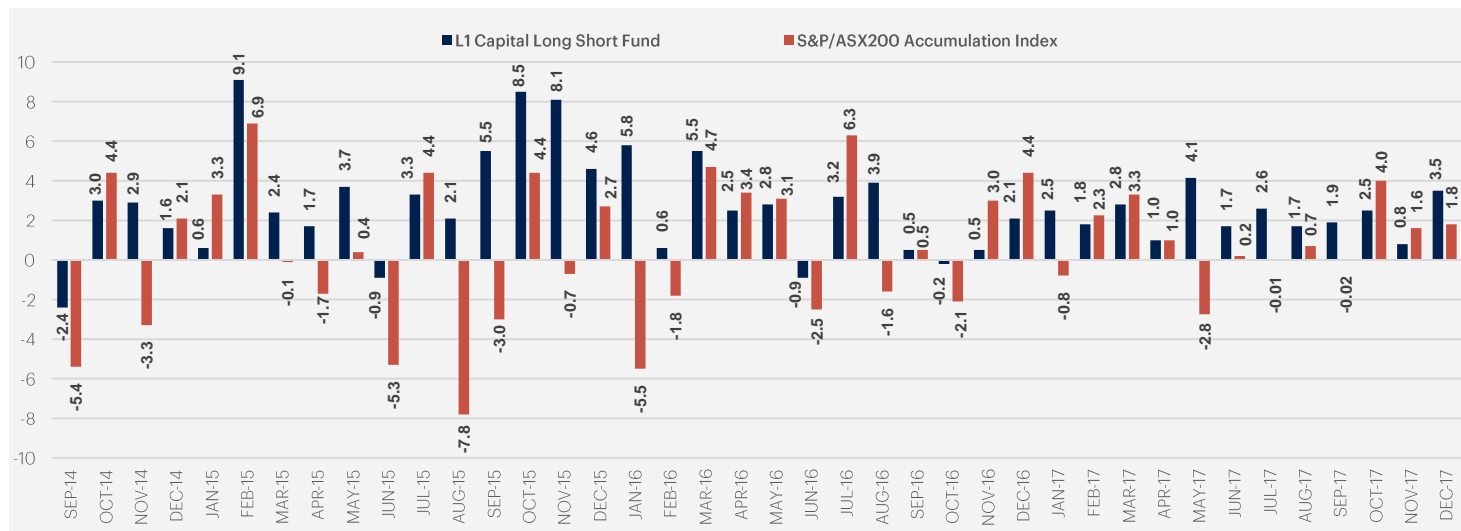
## Attribution since inception (Net %)\*



## Gross exposure by region\*



## 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 / AU60ETL04909
<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
<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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