



L1 CAPITAL

DAILY CLASS

Long Short Fund

Monthly Newsletter | January 2018

Redemption Price: 1.2735¹² | Fund NAV: \$1.092m

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	0.86	3.50	30.50
2018	0.54												0.54

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

Market and Fund Review

The Fund returned 0.5% in January, taking the net return over the past 12 months to 28.0%.

Since inception, the Fund has returned 36.1% p.a. (after fees).

The Fund has achieved outstanding risk-adjusted returns (maximum drawdown 2.4%, sharpe ratio 4.1, sortino ratio 24.7).

Since inception, the Fund has provided strong downside protection, outperforming the S&P / ASX200 Accumulation Index in every month that the market recorded a negative return (18 different months in total).

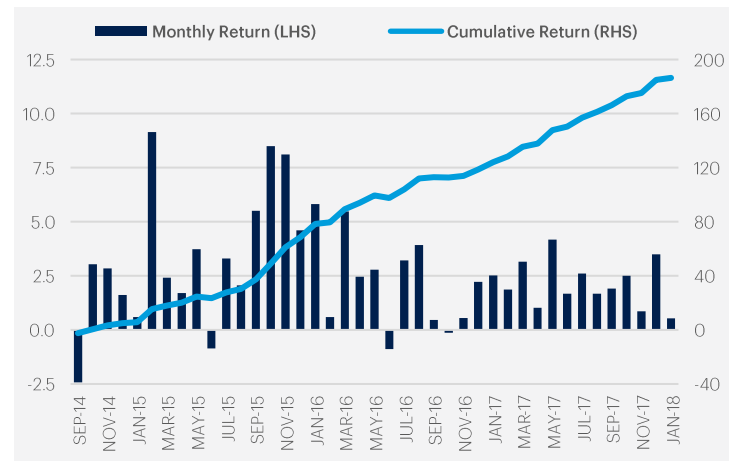
The ASX200 fell 0.4% in January, despite strong returns in offshore markets. The S&P500 rallied 5.7%, while the MSCI World rose 5.3%. More hawkish Fed comments and signs of inflationary pressures saw bond yields rise in the U.S. and Australia. Yield sensitive sectors were weakest, with Utilities (-4.5%), REITs (-3.3%) and Industrials (-2.1%).

The Fund generated positive returns from a range of sectors including Financials, Energy, IT and Utilities. Contributors in January included CK Hutchison, Bank of America and Boral. The Fund exited its long-standing position in Bank of America during January. We bought Bank of America at US\$16 a share at the Fund's inception in September 2014. Since that time, the shares have doubled on the back of a much-improved U.S. housing market, stronger capital position and a large fall in bad debts. CK Hutchison (\$60b+ mkt cap) remains a core position with exciting long-term prospects given its attractive asset portfolio of 50+ leading global ports, a fast-growing Chinese pharmacy chain, a high-quality infrastructure portfolio (CKI), a large European Telco and a stake in a Canadian energy business. The business is well managed, generates strong cash flows and has an under-gearred balance sheet.

The recent increase in market volatility (from unsustainably low levels) should not come as a surprise to investors. We expect higher volatility to persist, given the gradual withdrawal of central bank asset purchases, which will result in higher volatility for equities and the Fund. We remain optimistic about the outlook for the Fund and believe we can achieve our investment objective of 10% p.a. after fees (on average) with significantly less beta and volatility than the market.

Fund Characteristics*	CURRENT	AVG SINCE INCEPTION
Number of positions	94	73
Number of long positions	63	49
Number of short positions	31	24
Gross long exposure (%)	139%	146%
Gross short exposure (%)	93%	87%
Gross exposure (%)	232%	233%
Net exposure (%)	45%	58%

Fund Performance (Net)*



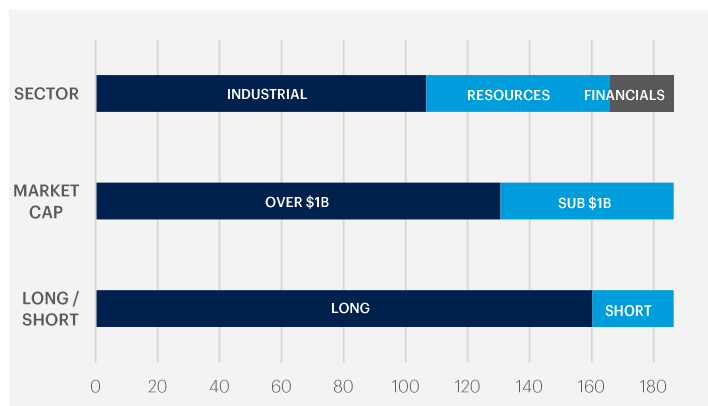
Performance Metrics (%)*

Performance Metrics (%)*	LONG SHORT FUND
One month	0.54
Three months (rolling)	4.95
Calendar YTD	0.54
Financial YTD	14.37
One year	28.03
Two years (p.a.)	26.69
Three years (p.a.)	39.42
Since inception (p.a.)	36.07
Since inception (cumulative)	186.42

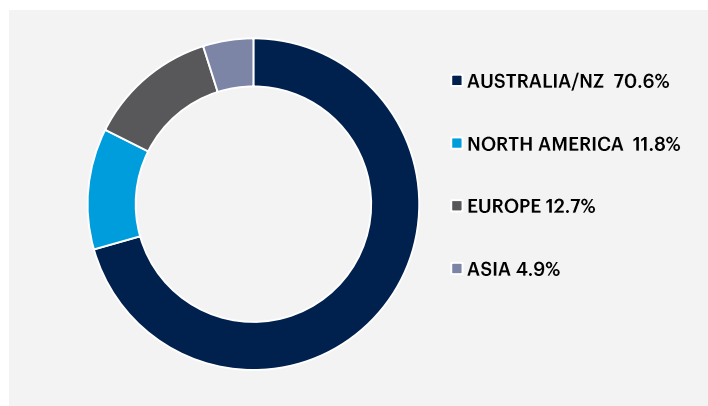
Risk Metrics*

Risk Metrics*	LONG SHORT FUND
Beta	0.24
Sharpe ratio	4.1
Sortino ratio	24.7
Maximum drawdown	2.4%
Percentage of positive months	90.2%
Annualised standard deviation	8.3%
Annualised downside deviation	1.5%

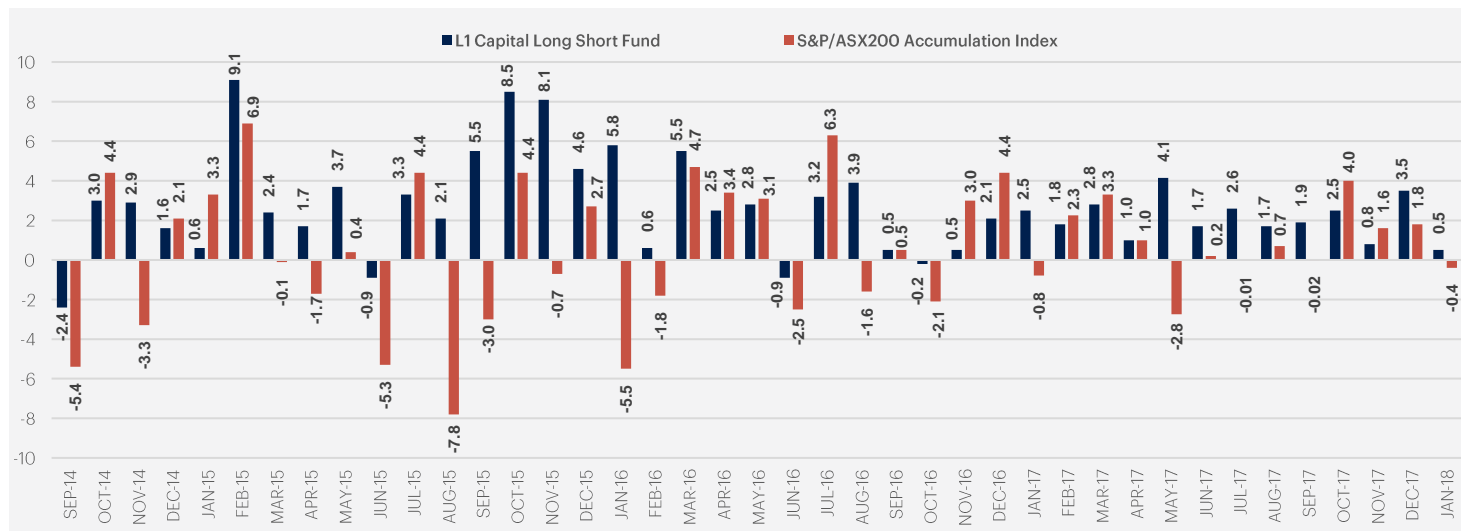
Attribution since inception (Net %)*



Gross exposure by region*



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



Fund Information

Name	L1 Capital Long Short Fund
Class of Units	Daily
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 / AU60ETL04909
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
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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