



L1 CAPITAL

DAILY CLASS

# Long Short Fund

Monthly Newsletter | February 2018

Redemption Price: 1.2673<sup>12</sup> | Fund NAV: \$1.083m

## 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	4.62	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	(0.49)											0.05

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

## Market and Fund Review

The Fund returned -0.5% in February, taking the net return over the past 12 months to 25.2%. Since inception, the Fund has returned 34.9% p.a. (after fees).

The Fund has achieved outstanding risk-adjusted returns (maximum drawdown 2.4%, sharpe ratio 4.0, sortino ratio 23.9).

February was the first negative month for the Fund since October 2016.

The Fund has provided exceptional downside protection in falling markets, outperforming the S&P / ASX200AI every time the Index has recorded a negative month (18 occasions).

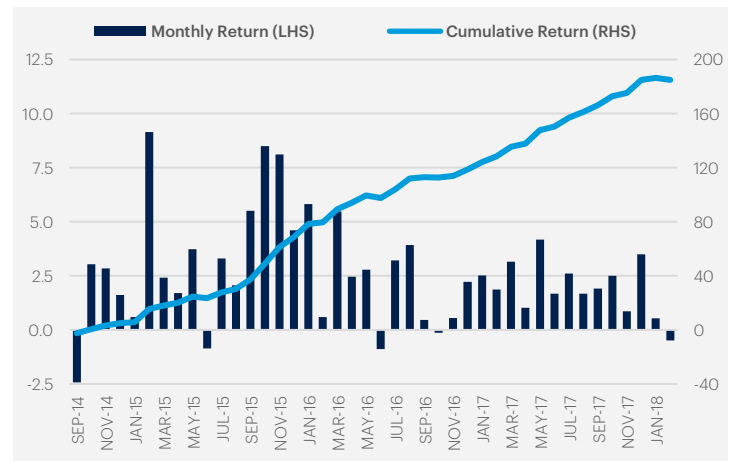
In February, the S&P500 suffered a technical correction losing 10% to end the month down 4.3%, while the MSCI World fell 3.9%. Our view is that systematic trading strategies, such as Risk Parity Funds, Macro/CTA & Quant funds (rather than fundamental investors) were the main driver of the short-lived market volatility in February. The ASX200 recovered strongly from the initial bout of volatility to end the month up 0.4%. Healthcare was again the standout sector, surging 7% whilst Telcos and Energy fell 7.8% and 4.6%, respectively. US 10-year bond yields continued to rise on positive economic data.

The Fund generated positive returns from a range of sectors including Technology, Energy and Mining. Qantas was the standout performer for the Fund (rising 12% after delivering an earnings beat and providing upbeat commentary). Detractors this month were primarily long positions in the U.S. and Europe that fell in-line with global markets. Chorus (-7%) was the single largest detractor for the portfolio, despite no negative news of note. We used the sell-off to top up our holding and we remain very optimistic about the long term outlook for Chorus.

We believe the unwind of central bank asset purchases is likely to see volatility increase over the next 1-2 years. The Fund remains conservatively positioned and extremely diversified by stock, sector and themes. We believe we are well positioned to withstand whatever macro backdrop eventuates over the coming year. At a stock level, we are continuing to find exceptional risk-reward opportunities and remain confident of achieving 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	93	74
Number of long positions	62	50
Number of short positions	31	24
Gross long exposure (%)	133%	145%
Gross short exposure (%)	89%	87%
Gross exposure (%)	223%	233%
Net exposure (%)	44%	58%

## Fund Performance (Net)\*



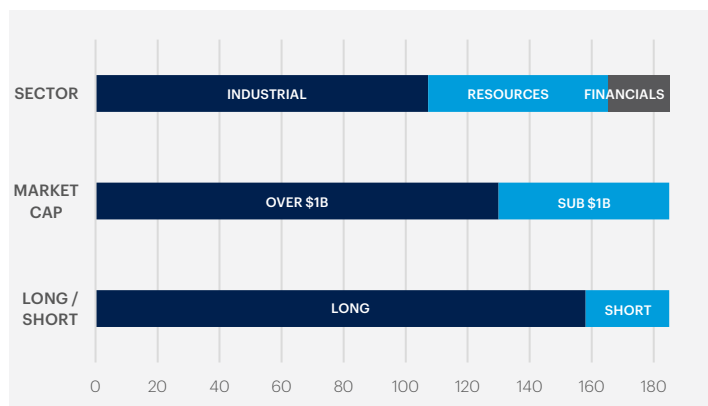
## Performance Metrics (%)\*

Performance Metrics (%)*	LONG SHORT FUND
One month	(0.49)
Three months (rolling)	3.56
Calendar YTD	0.05
Financial YTD	13.81
One year	25.17
Two years (p.a.)	26.01
Three years (p.a.)	35.20
Since inception (p.a.)	34.89
Since inception (cumulative)	185.03

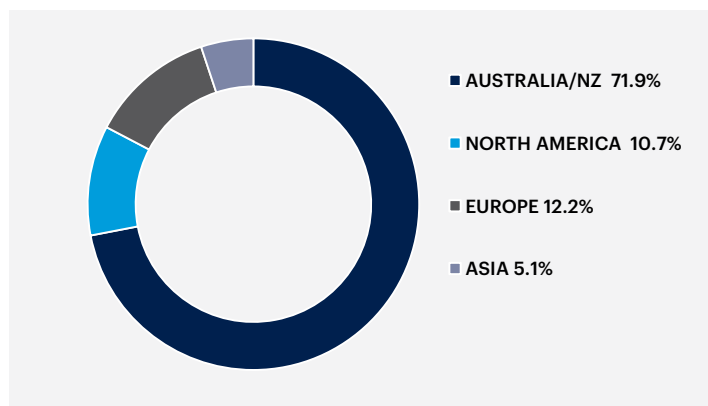
## Risk Metrics\*

Risk Metrics*	LONG SHORT FUND
Beta	0.24
Sharpe ratio	4.0
Sortino ratio	23.9
Maximum monthly drawdown	2.4%
Percentage of positive months	88.1%
Annualised standard deviation	8.4%
Annualised downside deviation	1.5%

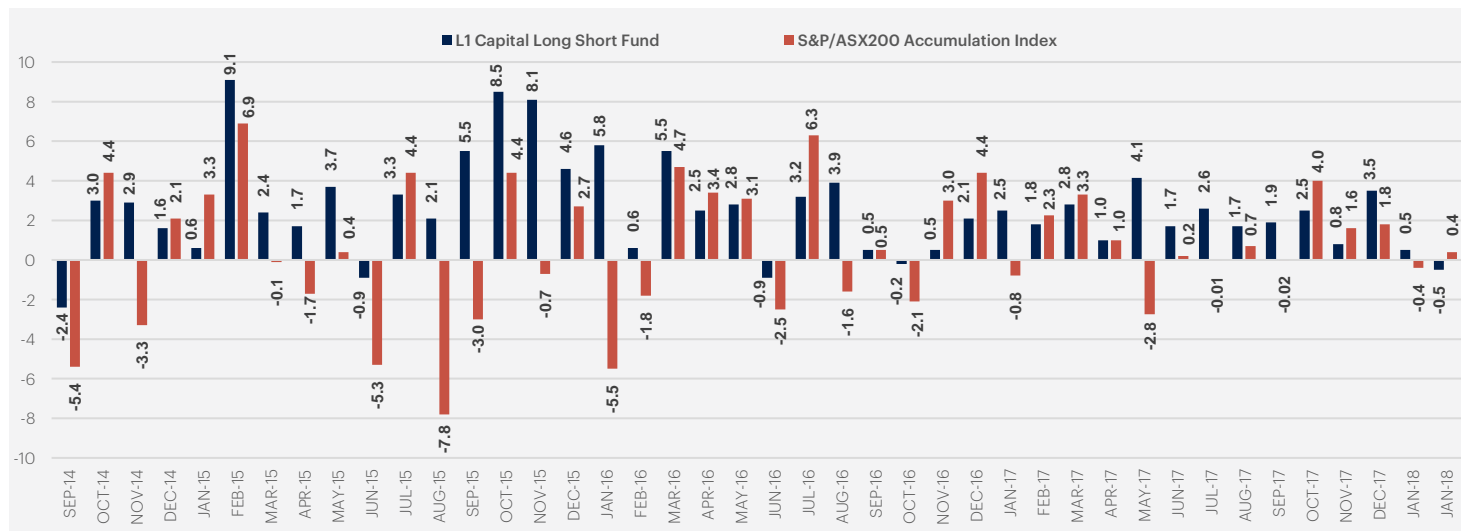
## Attribution since inception (Net %)\*



## 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 monthly class units which are subject to a different fee structure. Beta, sharpe ratio, sortino ratio, maximum monthly drawdown, annualised standard deviation and annualised downside deviation relate to the monthly class units. 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. Maximum monthly drawdown is based upon calendar month net returns.

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