



L1 CAPITAL

DAILY CLASS

# Long Short Fund

Monthly Newsletter | April 2018

Redemption Price: 1.2659<sup>1,2</sup> | Fund NAV: \$1,134m

## 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)	(1.68)	1.59									(0.06)

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

## Market and Fund Review

**The Fund returned 1.6% in April, taking the net return over 12 months to 20.4%.**

**Since inception, the Fund has returned 33.0% p.a. (after fees).**

**The Fund has achieved outstanding risk-adjusted returns (maximum drawdown 2.4%, sharpe ratio 3.7, sortino ratio 19.9).**

**The ASX200AI snapped back sharply in April, the rise of 3.9% erasing the heavy losses in March. In Australia, Energy (+10.8%), Materials (+7.6%) and Health Care (+7.4%) were strongest, whilst the Royal Commission weighed on Financials (+0.2%) and Telcos (+2.0%) also struggled to keep pace with the market.**

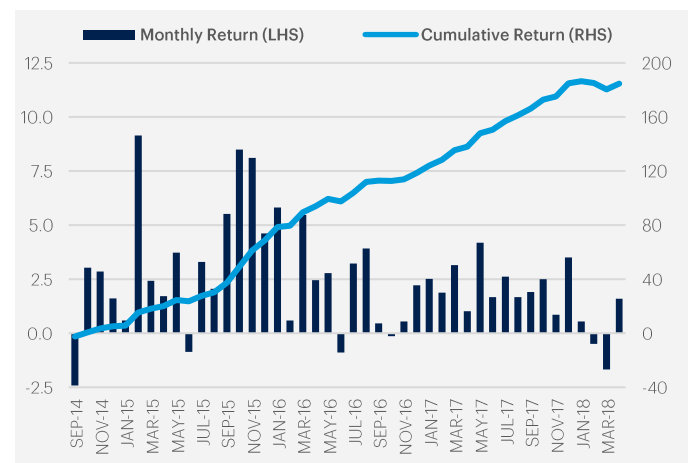
The Fund generated positive returns from Industrials, Energy and Telcos whilst Consumer Discretionary, Health Care and Information Technology detracted. Healthcare and technology stocks continue to look very expensive to us, however near-term earnings certainty has enabled these stocks to continue rallying in the face of ever-expanding earnings multiples.

Crude oil gained more than 5% in both March and April, reaching US\$68 a barrel. In the December quarterly report, we outlined our views on the energy sector, including our reasons for being long some of the global super majors (such as BP & Shell), whose share prices have significantly lagged the oil price. We continue to believe the outlook for oil is very positive, given favourable supply/demand dynamics, capital discipline from the oil majors (reducing new project spend) and ongoing tensions in the Middle East. We believe the oil majors offer a compelling opportunity, given their conservatively geared balance sheets, low cost of production, 6% dividend yields and potential for additional capital management. The biggest detractor from performance in April was Boral, after a disappointing quarterly trading update that was adversely affected by poor weather conditions in some of their key markets. We remain optimistic about the outlook for Boral given its strong leverage to the infrastructure construction boom that is set to occur on the east coast of Australia over the next few years.

We believe the valuation dispersion between growth/momentum stocks and value stocks is becoming extreme, which is providing some contrarian stock opportunities for the Fund. We recognise this valuation dispersion may take some time to revert, but we believe the risk-reward opportunity is attractive and we have positioned the Fund to benefit as valuations eventually normalise.

Fund Characteristics*	CURRENT	AVG SINCE INCEPTION
Number of positions	104	75
Number of long positions	58	50
Number of short positions	46	25
Gross long exposure (%)	126%	145%
Gross short exposure (%)	90%	87%
Gross exposure (%)	217%	232%
Net exposure (%)	36%	57%

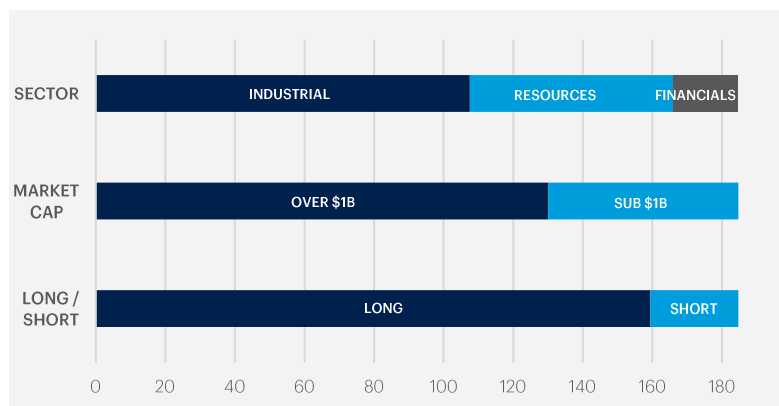
## Fund Performance (Net)\*



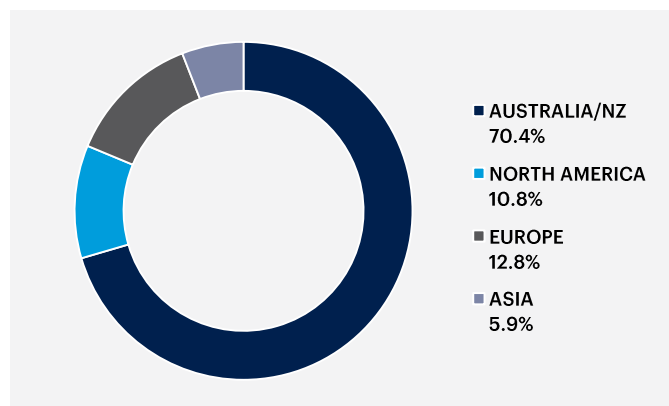
Performance Metrics (%)*	LONG SHORT FUND
One month	1.59
Three months (rolling)	(0.60)
Financial YTD	13.68
One year	20.38
Two years (p.a.)	21.14
Three years (p.a.)	33.32
Since inception (p.a.)	33.02
Since inception (cumulative)	184.71

Risk Metrics*	LONG SHORT FUND
Beta	0.26
Sharpe ratio	3.7
Sortino ratio	19.9
Maximum monthly drawdown	2.4%
Percentage of positive months	86.4%
Annualised standard deviation	8.5%
Annualised downside deviation	1.7%

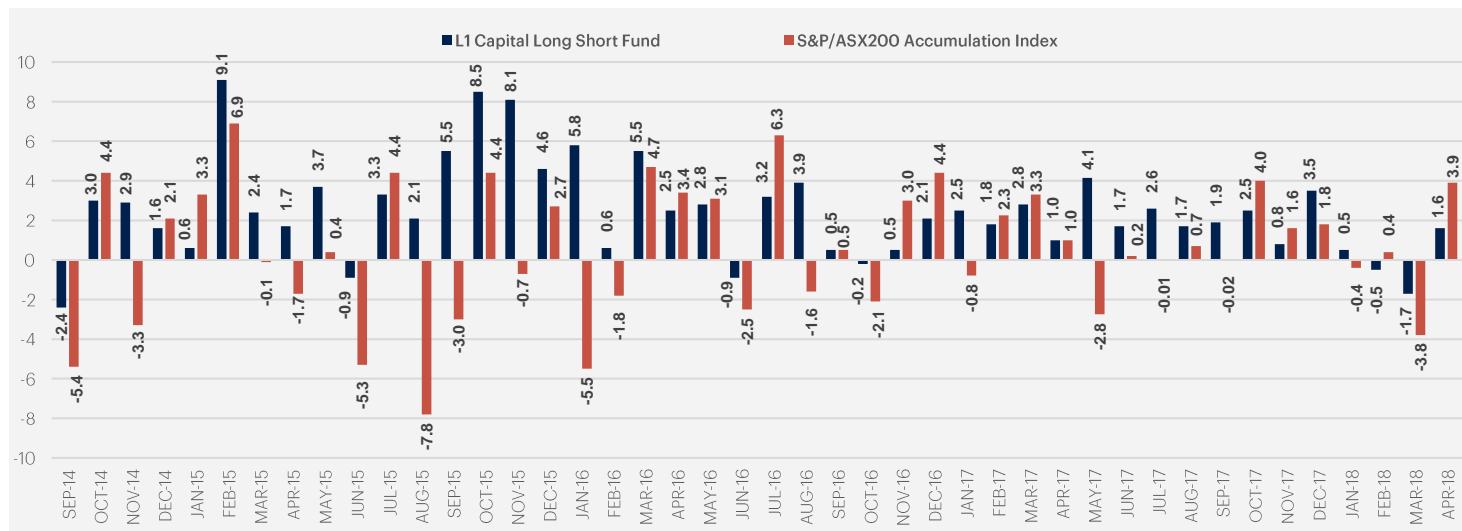
## Attribution since inception (Net %)\*



## 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

There have been no changes to key service providers since the last monthly newsletter.

## 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



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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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