



L1 CAPITAL

DAILY CLASS

# Australian Equities Fund

Monthly Report | May 2018

INCEPTION DATE: 23 AUGUST 2007 | FUND NAV: \$163M | REDEMPTION PRICE: 1.7493<sup>1,2</sup>

## Monthly Report – May 2018

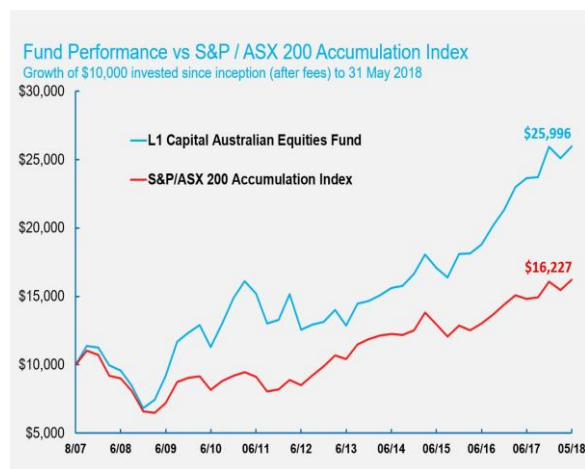
- The L1 Capital Australian Equities Fund delivered a net return of 0.5% for May.
- Over the past three years, the Fund returned 12.5% p.a. versus the S&P / ASX200 Accumulation Index 5.9% p.a. (after fees).
- The Fund has been one of the best performing large cap, long only Australian equities funds since its inception, outperforming the index by 4.6% p.a. (after fees).

The ASX200AI rose 1.1% in May, following on from the strong gains in April. In Australia, Health Care (+5.6%), Consumer Discretionary (+5.1%) and Property (+3.1%) rose most strongly, whilst Telcos continued their heavy losses (-10.2%). Small declines were recorded by Consumer Staples (-0.4%) and Financials (-0.2%).

The Fund generated positive returns from Industrials, Telecommunication Services and Consumer Staples whilst Consumer Discretionary, Financials and Health Care detracted. The biggest detractor from performance in May was again Boral, after a weak quarterly update. We have used the weakness to top up as we believe the medium-term upside is compelling. Boral trades on 13.5x P/E (FY19), with double digit earnings growth likely for the next few years.

Markets are at an extreme in terms of the relative valuation of growth/momentum versus value stocks, both in Australia and globally. The valuation differential is at multi-decade highs and we believe this will normalise over time. We believe this is the right positioning in a medium-term sense but accept it may cost us performance in the short term. We typically have a modest value bias in the portfolio, but that is more pronounced at the moment given how extreme the relative valuations are for growth versus value.

	FUND*	ASX200 (AI)	ALPHA (NET)*
One month	0.46%	1.09%	(0.63%)
Three months	0.09%	1.08%	(0.99%)
One Year	10.65%	9.63%	1.02%
Three Years (p.a.)	12.47%	5.94%	6.53%
Five Years (p.a.)	13.84%	8.76%	5.08%
Ten Years (p.a.)	9.17%	5.24%	3.93%
Since inception (p.a.)	9.21%	4.57%	4.64%
Since inception (cumulative)	159.66%	62.27%	97.38%



\*All performance numbers in this update are quoted after fees. All performance numbers prior to 15 September 2017 relate to the L1 Capital Australian Equities Fund wholesale class of units. The L1 Capital Australia Equities Fund PDS and RG issued 5 September 2017 are a daily class of units. Past performance is not predictive of future returns.

## L1 Capital Overview

L1 Capital is a global investment manager with offices in Melbourne, New York and London. The business was established in 2007 is 100% owned by its senior staff, led by founders Raphael Lamm & Mark Landau. The team is committed to offering clients best of breed investment products. L1 Capital manages money for a range of clients including large superannuation funds, endowment funds, financial planning groups, asset consultants, family offices, high net worth individuals and retail investors.

L1 Capital uses a fundamental, bottom-up research process to identify investments with the potential to provide attractive risk-adjusted returns. The L1 Capital investment approach is largely style-neutral with modest value and contrarian characteristics. The firm launched the L1 Capital Long Short Fund in September 2014. The net return of 31.2% p.a. since inception has been delivered with significantly lower beta and volatility than the market. The Fund has achieved outstanding risk-adjusted returns (maximum drawdown 4.2%, sharpe ratio 3.2, sortino ratio 11.3).

## Fund Information

<b>Name</b>	L1 Capital Australian Equities Fund
<b>Class of Units</b>	Daily
<b>Structure</b>	Unit Trust
<b>Domicile / Currency</b>	Australia / AUD
<b>Inception</b>	23 August 2007
<b>Management Fee</b>	0.77% p.a. inclusive of GST and RITC
<b>Expenses</b>	Maximum of 0.20% p.a.
<b>Performance Fee</b>	15.38% above S&P / ASX200 Acc Index*
<b>High Watermark</b>	Yes
<b>APIR / ARSN</b>	LCPO001AU / 621 183 195
<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>Fund Administrator</b>	Link Fund Solutions
<b>Fund Auditor</b>	EY
<b>Fund Custodian</b>	JP Morgan
<b>Legal Advisor</b>	Hall & Wilcox

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



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## Disclosure

\*\*All performance numbers in this update are quoted after fees. All performance numbers prior to 15 September 2017 relate to the L1 Capital Australian Equities Fund wholesale class of units. The L1 Capital Australia Equities Fund PDS and RG issued 5 September 2017 are a daily class of 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.

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