



L1 CAPITAL

DAILY CLASS

Long Short Fund

Monthly Newsletter | May 2018

Redemption Price: 1.2181^{1,2} | Fund NAV: \$1.088m

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	(3.77)								(3.83)

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

Market and Fund Review

May proved to be a disappointing month for the Fund, returning -3.8%. The Fund had its first month of falling more than 2% since September 2014.

Since inception, the Fund has returned 30.8% p.a. (after fees).

The Fund has achieved outstanding risk-adjusted returns (maximum drawdown 4.2%, sharpe ratio 3.2, sortino ratio 11.3).

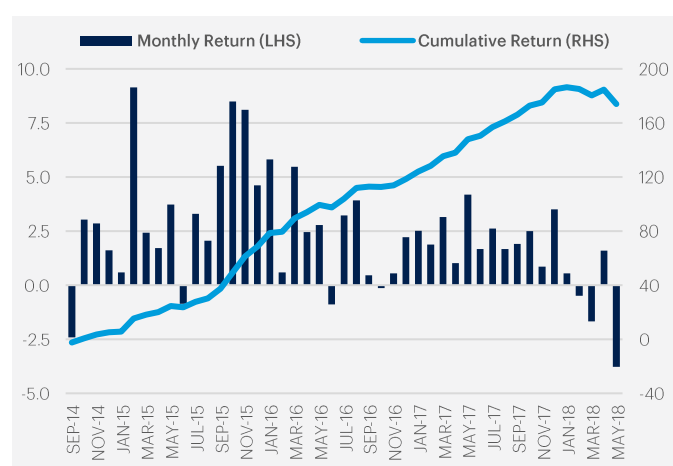
There were three main drags on performance during May:

Long European Stocks - The Italian election caused European stocks, particularly European financials, to sell off heavily in May. European banks were down 10-20%, even those less exposed to Italy. We exited some positions that would be more susceptible from a broader European crisis but have maintained our core positions that are lower risk. These financials trade on single digit P/Es, at less than book value, 5-6% dividend yields and offer an asymmetric payoff as European bond yields rise from all-time lows. Our other stocks that are listed in Europe also got sold off despite being truly global businesses with a minority of their earnings coming from Europe (e.g. HeidelbergCement). We believe this sell off is an overreaction and have maintained our positions in these stocks.

Long Value, Short Growth/Momentum - 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.

Stock-Specific News - The smallest impact on performance was stock specific news, such as Boral falling 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.

Fund Performance (Net)*



Performance Metrics (%)*

LONG SHORT FUND

One month	(3.77)
Three months (rolling)	(3.88)
Financial YTD	9.44
One year	11.23
Two years (p.a.)	17.22
Three years (p.a.)	30.02
Since inception (p.a.)	30.83
Since inception (cumulative)	173.97

Fund Characteristics*

CURRENT AVG SINCE INCEPTION

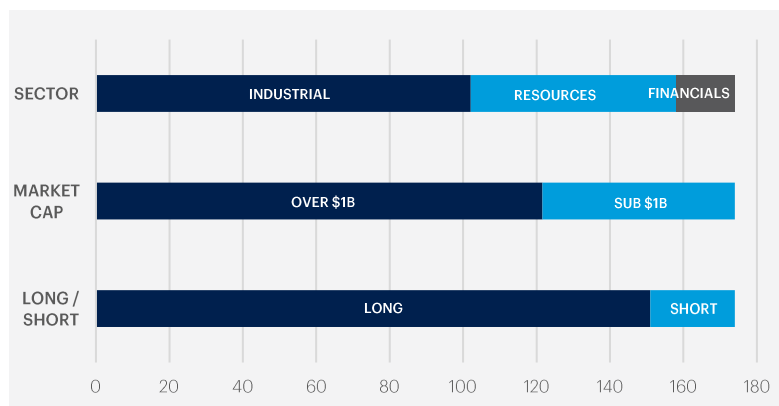
Number of positions	92	75
Number of long positions	52	50
Number of short positions	40	25
Gross long exposure (%)	115%	144%
Gross short exposure (%)	87%	87%
Gross exposure (%)	203%	231%
Net exposure (%)	28%	57%

Risk Metrics*

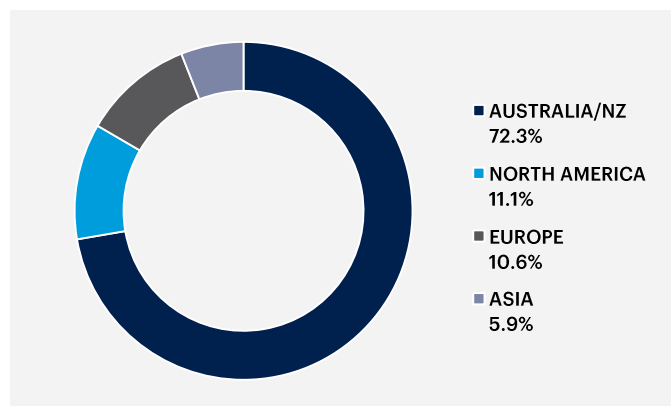
LONG SHORT FUND

Beta	0.25
Sharpe ratio	3.2
Sortino ratio	11.3
Maximum monthly drawdown	4.2%
Percentage of positive months	84.4%
Annualised standard deviation	9.0%
Annualised downside deviation	2.7%

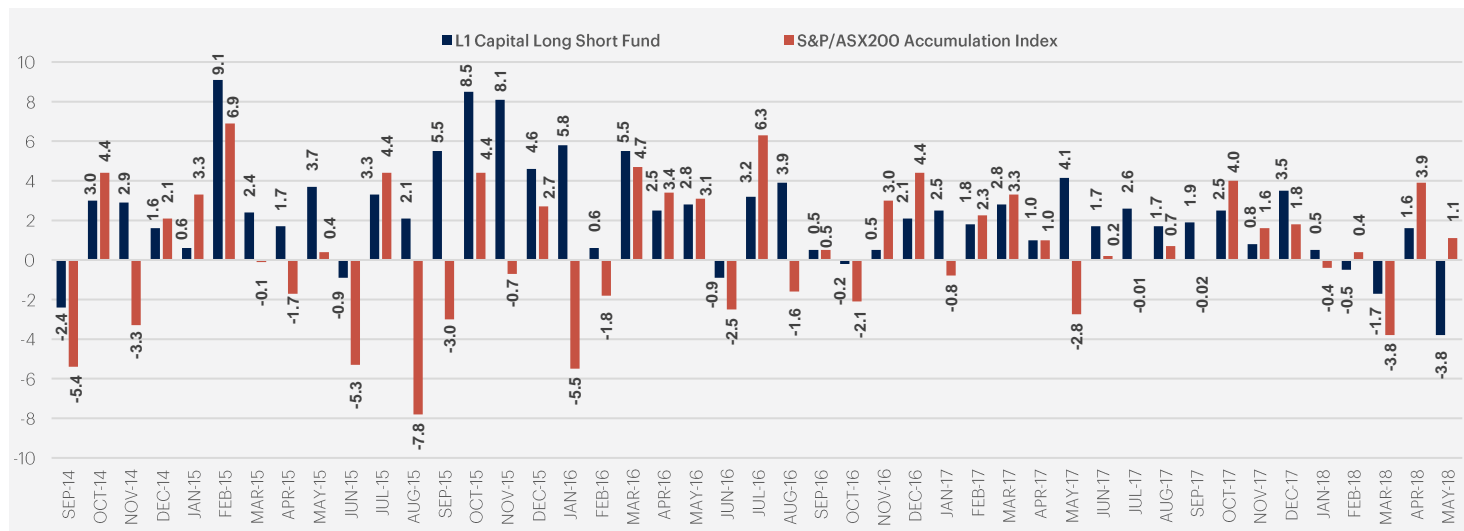
Attribution since inception (Net %)*



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

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

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



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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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