



L1 CAPITAL

DAILY CLASS

Long Short Fund

Monthly Newsletter | June 2018

Redemption Price: 1.1413¹² | Fund NAV: \$1.033m

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)	(6.31)							(9.90)

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

Market and Fund Review

The Fund had a weak month as speculative stocks continued to rally globally on little fundamental news, while value stocks continued to drift lower.

Since inception, the Fund has returned 27.9% p.a. (after fees).

The Fund has achieved strong risk-adjusted returns (sharpe ratio 2.6, sortino ratio 6.9).

The ASX200AI defied flat global markets to rise 3.3% in June compared to the MSCI World -0.2%. Despite fears of an escalating trade war, most Australian sectors rallied. The Fund generated small positive returns from Energy, Financials and Telcos, while Consumer Discretionary, Healthcare and Materials were the key detractors in June. Brent oil rose 2.6% to US\$79/barrel, benefiting long positions in BP and Shell. Mineral Resources fell 13% as the company flagged its direct shipping ore operation would end 1-2 years earlier than expected. While this reduces near-term earnings, the valuation impact is immaterial and we believe the shares have been significantly oversold. The Fund added to its holding during the recent sell off.

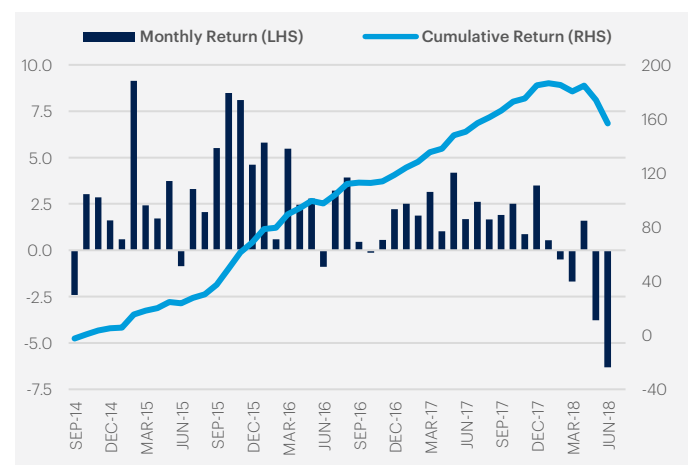
Interestingly, the seven largest detractors in June (apart from Mineral Resources) were shorts in highly priced, speculative 'momentum' stocks, whose shares rose sharply despite little meaningful positive news. The electric car company, Tesla, remains a small short position in the portfolio. The shares rose 23% in June due to increasing expectations around Model 3 car production. Tesla has a market cap of -US\$60b, despite having huge and growing losses, high levels of senior executive resignations and a raft of strong competitors about to enter the electric car industry.

Across each of these shorts, we have conducted detailed bottom-up fundamental research that has identified major structural problems in the business. We remain confident that the share prices of our shorts will reverse course as our negative catalysts play out. The relative valuation of growth/momentum stocks versus value stocks has now reached a 20-year extreme – a level not seen since the peak of the dot com bubble. The average long position in our portfolio now trades on a FY19 P/E of only 13x, compared to our shorts, which are trading on close to 30x. Furthermore, the earnings growth of our long portfolio is higher than that of our shorts. We believe the current market backdrop will prove to be an ideal hunting ground for generating alpha over the coming years and we are very excited about the valuation anomalies currently on offer.

Fund Characteristics*

	CURRENT	AVG SINCE INCEPTION
Number of positions	84	75
Number of long positions	47	50
Number of short positions	37	25
Gross long exposure (%)	120%	143%
Gross short exposure (%)	65%	87%
Gross exposure (%)	185%	230%
Net exposure (%)	56%	57%

Fund Performance (Net)*



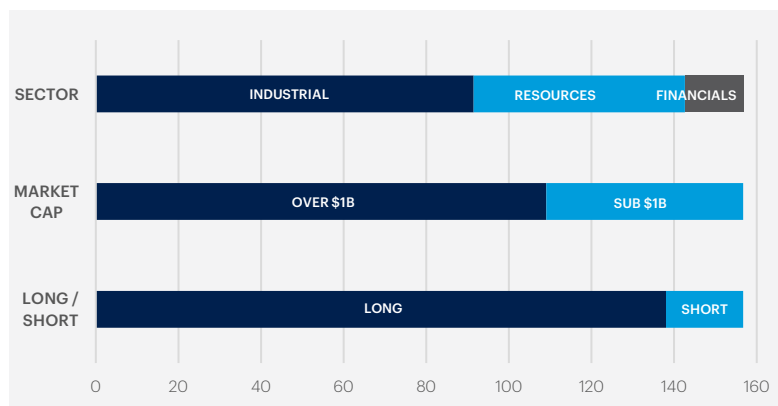
Performance Metrics (%)*

	LONG SHORT FUND
One month	(6.31)
Three months (rolling)	(8.41)
Calendar YTD	(9.90)
One year	2.49
Two years (p.a.)	13.97
Three years (p.a.)	27.59
Since inception (p.a.)	27.88
Since inception (cumulative)	156.67

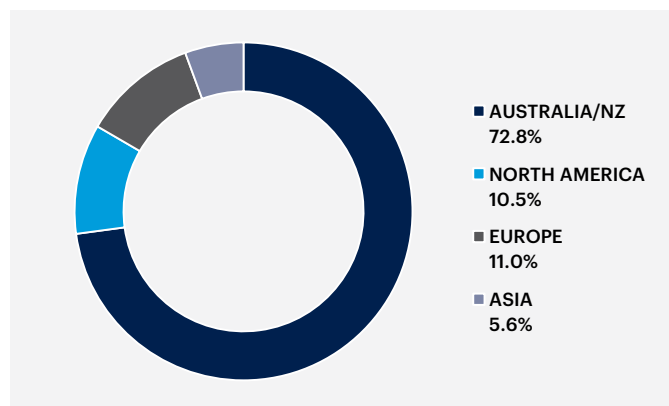
Risk Metrics*

	LONG SHORT FUND
Beta	0.20
Sharpe ratio	2.6
Sortino ratio	6.9
Maximum drawdown	10.3%
Percentage of positive months	82.6%
Annualised standard deviation	9.9%
Annualised downside deviation	4.1%

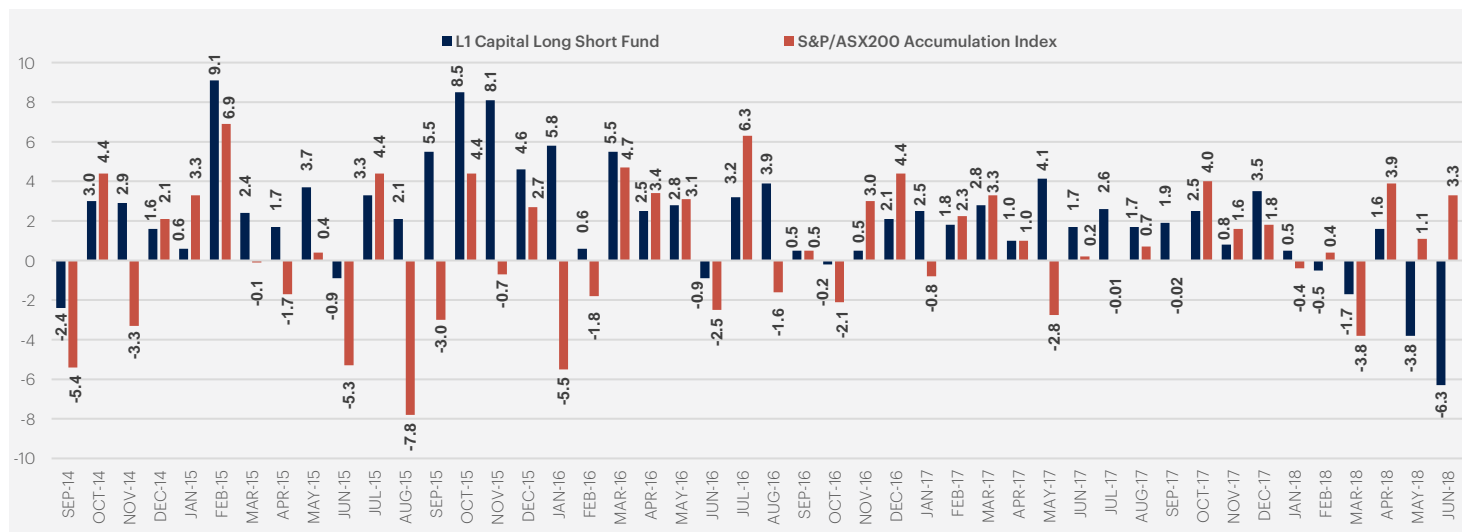
Attribution since inception (Net %)*



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



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

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.

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