



L1 CAPITAL

DAILY CLASS

# Australian Equities Fund

Monthly Report | August 2018

INCEPTION DATE: 23 AUGUST 2007 | UNIT PRICE: 1.7329<sup>1,2</sup> | FUND NAV: \$163M

## Monthly Report – August 2018

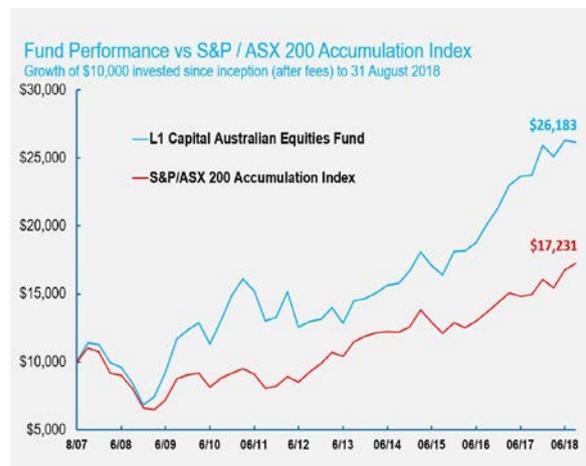
- The L1 Capital Australian Equities Fund delivered a net return of -1.2% for August.
- Over the past three years, the Fund returned 16.2% p.a. (after fees) versus the S&P / ASX200 Accumulation Index 11.5% p.a.
- The Fund has been one of the top performing large cap, long only Australian equities funds since its inception, outperforming the index by 4.0% p.a. (after fees).

In August, the S&P / ASX200 Accumulation Index rose 1.4%. Telcos (+13.1%), Information Technology (+12.9%) and Healthcare (+10.7%) were strongest, while Materials (-4.8%), Energy (-1.2%) and Financials (0.0%) were weakest in August. The largest detractors were Healthcare, Energy and Materials.

ASX200 momentum stocks outperformed value stocks by 8% in August, marking a dramatic acceleration vs an average 1.4% spread per month over the past 5 years (UBS data). The Fund's performance was adversely impacted by a high number of left-field stock events during August, most of which we expect to reverse:

- **Nufarm** – A Brazilian judge announced a ban on the sale of glyphosate (generic Roundup) following a Californian court case against Monsanto. This ban was overturned after month end.
- **Sims Metal** – Shares fell largely due to Trump's announcement of steel tariffs on Turkey and some uncertainty around Chinese scrap import regulations. Management has stated they have seen little impact on their business to date.
- **News Corp** – Confusion around the consolidation of Foxtel/Fox Sports non-recourse debt into NWS accounts resulted in several brokers lowering their SOTP valuations by 15%. NWS' numerous global media assets (excl REA/Move/cash) are currently ascribed zero value despite earning around \$1.2b p.a.
- **Mineral Resources** – Remained weak post its June update of the earlier end to DSO operations (~2% valuation impact). A major positive near-term catalyst is the 49% sale of Wodgina (world's largest hard rock lithium mine). The CEO recently purchased \$5.5m stock on market.

	FUND*	ASX200 (AI)	ALPHA (NET)*
One month	(1.21%)	1.42%	(2.62%)
Three months	0.84%	6.19%	(5.35%)
One Year	10.42%	15.40%	(4.98%)
Three Years (p.a.)	16.20%	11.46%	4.74%
Five Years (p.a.)	13.32%	8.94%	4.38%
Ten Years (p.a.)	10.69%	6.77%	3.92%
Since inception (p.a.)	9.07%	5.03%	4.04%
Since inception (cumulative)	161.83%	72.31%	89.52%



\*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.



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## 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 24.9% p.a. since inception has been delivered with significantly lower beta and volatility than the market. The Fund has achieved strong risk-adjusted returns (sharpe ratio 2.2, sortino ratio 5.1).

## Fund Information

Name	L1 Capital Australian Equities Fund
Class of Units	Daily
Structure	Unit Trust
Domicile / Currency	Australia / AUD
Inception	23 August 2007
Management Fee	0.77% p.a. inclusive of GST and RITC
Expenses	Maximum of 0.20% p.a.
Performance Fee	15.38% above S&P / ASX200 Acc Index*
High Watermark	Yes
APIR / ARSN	LCPO001AU / 621 183 195
Minimum Investment	A\$25,000
Subscription Frequency	Daily
Redemption Frequency	Daily

## Service Providers

Responsible Entity	Equity Trustees Limited
Fund Administrator	Link Fund Solutions
Fund Auditor	EY
Fund Custodian	JP Morgan
Legal Advisor	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 unit 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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