



L1 CAPITAL

DAILY CLASS

Long Short Fund

Monthly Newsletter | August 2018

Unit Price: 1.0467¹² | Fund NAV: \$930m

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)	0.79	(5.93)					(14.58)

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

Market and Fund Review

The Fund returned -5.9% in August.

Since inception, the Fund has returned 24.9% p.a. (after fees).

The Fund has achieved strong risk-adjusted returns (sharpe ratio 2.2, sortino ratio 5.1).

ASX200 momentum stocks outperformed value stocks by 8% in August, marking a dramatic acceleration vs an average 1.4% move per month over 5 years (UBS data).

Surprisingly, results season exacerbated this trend. The top quintile of high P/E stocks rallied 15% on average for the month, despite forward EPS consensus forecasts being revised down by an average of 3% (JP Morgan 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 course:

Nufarm (Long) – 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 (Long) – 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 limited impact on their business to date.

Offshore Short – Spiked 70% post a change of control transaction, just as the industry was beginning to face pressure from falling product prices.

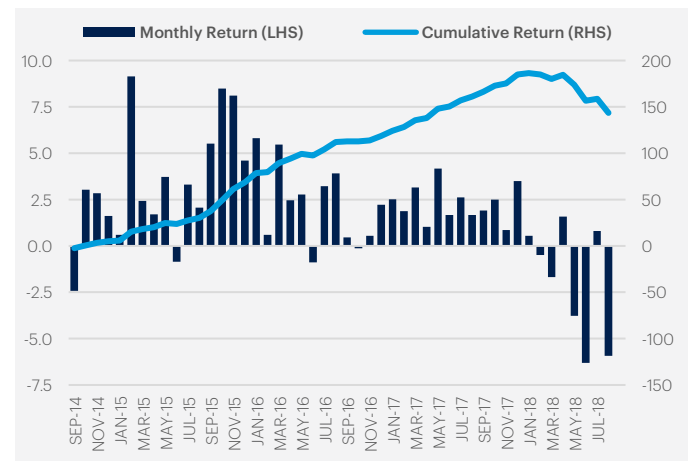
Tesla (Short) – Shares spiked on a bogus \$420/share privatisation plan. The shares have subsequently sold off and the SEC is investigating the CEO.

Venator Materials (Long)– Company shocked the market by revealing insurance coverage (from a fire at its Pori plant 2 years ago) would fall significantly short of the rebuild costs. We believe the shares are heavily oversold, even allowing for the higher cost of rebuild or remediation and no future production from Pori.

News Corp (Long) – 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 delivering more than \$1.2b earnings p.a.

Mineral Resources (Long) – 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 Performance (Net)*



Performance Metrics (%)*

	LONG SHORT FUND
One month	(5.93)
Three months	(11.17)
One year	(6.86)
Two years (p.a.)	7.15
Three years (p.a.)	23.16
Since inception (p.a.)	24.90
Since inception (cumulative)	143.35

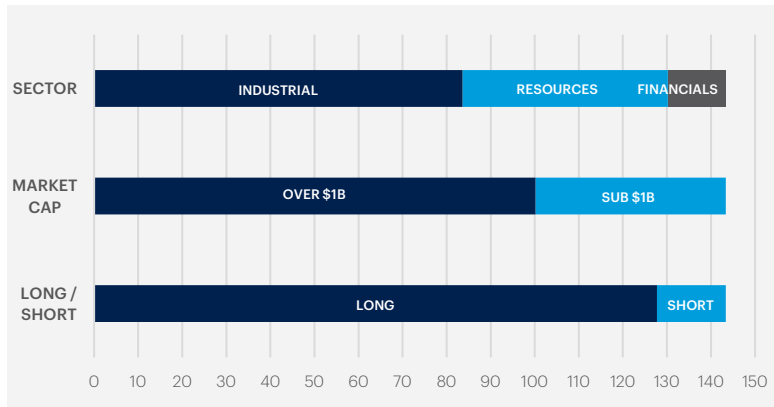
Fund Characteristics*

	CURRENT	AVG SINCE INCEPTION
Number of positions	76	76
Number of long positions	43	50
Number of short positions	33	26
Gross long exposure (%)	116%	142%
Gross short exposure (%)	58%	86%
Gross exposure (%)	174%	228%
Net exposure (%)	59%	57%

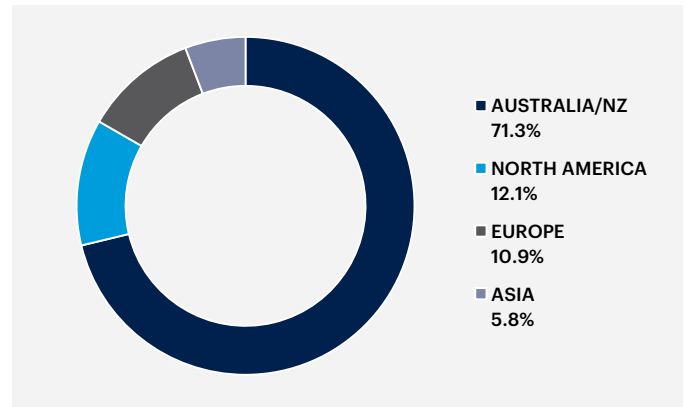
Risk Metrics*

	LONG SHORT FUND
Beta	0.19
Sharpe ratio	2.2
Sortino ratio	5.1
Maximum drawdown	14.9%
Percentage of positive months	81.3%
Annualised standard deviation	10.5%
Annualised downside deviation	5.0%

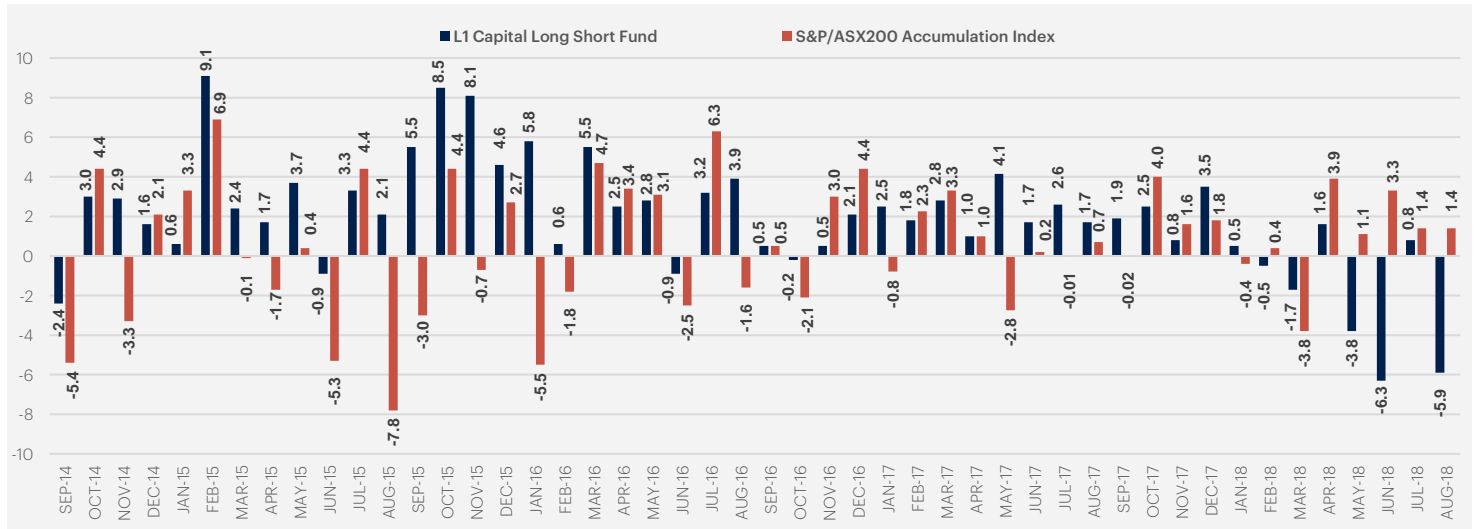
Attribution since inception (Net %)*



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



Level 28, 101 Collins Street
Melbourne VIC 3000 Australia
www.L1.com.au

Phone +61 3 9286 7000
Fax +61 3 9286 7099
Email info@L1.com.au

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 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. Beta is calculated versus the ASX200AI.

The opinions, advice, recommendations and other information contained in this publication, whether express or implied, are published or made by L1 Capital Pty Ltd (ABN 21 125 378 145), Australian Financial Services License (314302), and by its officers and employees (collectively "L1 Capital") in good faith in relation to the facts known to it at the time of preparation. L1 Capital has prepared this publication without consideration of the investment objectives, financial situation or particular needs of any individual investor, and you should not rely on the opinions, advice, recommendations and other information contained in this publication alone. This publication contains general financial product advice only. Equity Trustees Limited ("EQT") (ABN 46 004 031 298) AFSL 240975 is the Responsible Entity for the L1 Capital Long Short Fund. This publication has been prepared to provide you with general information only. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. We do not express any view about the accuracy or completeness of information that is not prepared by us and no liability is accepted for any errors it may contain. Past performance should not be taken as an indicator of future performance. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. You should obtain a copy of the product disclosure statement before making a decision about whether to invest in this product.

Disclaimer and limitation of liability

To the maximum extent permitted by law, L1 Capital will not be liable in any way for any loss or damage suffered by you through use or reliance on this information. L1 Capital's liability for negligence, breach of contract or contravention of any law, which cannot be lawfully excluded, is limited, at L1 Capital's option and to the maximum extent permitted by law, to resupplying this information or any part of it to you, or to paying for the resupply of this information or any part of it to you.

Copyright Copyright in this publication is owned by L1 Capital. You may use this information in this publication for your own personal use, but you must not (without L1 Capital's consent) alter, reproduce or distribute any part of this publication, transmit it to any other person or incorporate the information into any other document.