



L1 CAPITAL

DAILY CLASS

Long Short Fund

Monthly Newsletter | September 2018

Unit Price: 1.0243¹² | Fund NAV: \$884m

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)	(2.13)				(16.40)

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

Market and Fund Review

The Fund returned -2.1% in September.

Since inception, the Fund has returned 23.7% p.a. (after fees).

The Fund has achieved strong risk-adjusted returns (sharpe ratio 2.1, sortino ratio 4.8).

The ASX200 had its weakest month since March with investors focusing on the escalation in the China/U.S. trade war and rising US bond yields. Energy and Materials were the strongest sectors in Australia, while Healthcare fell heavily.

Chorus (Long) – Shares rallied after a strong operational update in August. We believe the outlook for the company is exceptional, with Chorus set to finally enjoy the benefits of their 10 year, \$6b investment in its monopoly fibre network. We expect the company can deliver a high and fast-growing dividend profile in the years ahead.

Mineral Resources (Long) – Shares recovered from oversold levels in August. We believe the potential sale of a 49% stake in its Wodgina asset (world's largest hard rock lithium mine) could be a major positive catalyst. The CEO recently bought more than \$5m of stock on market.

Alcoa (Long) – Aluminium prices fell on the announcement that Norsk Hydro withdrew its plans to shut down the remaining 50% capacity of its Alunorte alumina refinery in Brazil (Alunorte is the world's largest refinery).

Several positions remained weak in September following unexpected events:

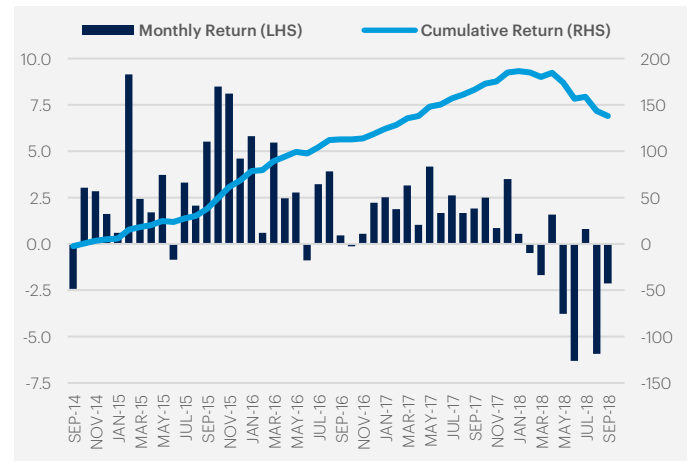
Venator Materials (Long) – Shares continued to be weak after revealing they would no longer rebuild the Pori plant but rather shut down the site and transfer some of the speciality products to other facilities.

Lynas (Long) – The newly-elected Malaysian government announced that the review into the environmental impact of Lynas' operations would be led by a long-term opponent of the plant. The company asserts that this review is unnecessary as it has already passed numerous independent reviews and has never suffered an adverse breach.

Nufarm (Long) – The combination of a temporary glyphosate ban in Brazil, severe drought in Australia and a product registration delay in Europe led to the company deciding to raise \$300m of equity to shore up the balance sheet. We believe the shares are very compelling at these prices, with no value being ascribed to their Omega 3 asset. We have added to our position in recent weeks.

We believe the relative valuation of growth/momentum versus value stocks is at a multi-decade extreme and we are positioned to benefit as this normalises. Investors should expect higher volatility across all asset classes as central bank stimulus is gradually removed over the coming year.

Fund Performance (Net)*



Performance Metrics (%)*

	LONG SHORT FUND
One month	(2.13)
Three months	(7.21)
One year	(10.55)
Two years (p.a.)	5.75
Three years (p.a.)	20.11
Since inception (p.a.)	23.68
Since inception (cumulative)	138.16

Fund Characteristics*

	CURRENT	AVG SINCE INCEPTION
Number of positions	69	76
Number of long positions	42	50
Number of short positions	27	26
Gross long exposure (%)	110%	142%
Gross short exposure (%)	52%	85%
Gross exposure (%)	162%	227%
Net exposure (%)	58%	57%

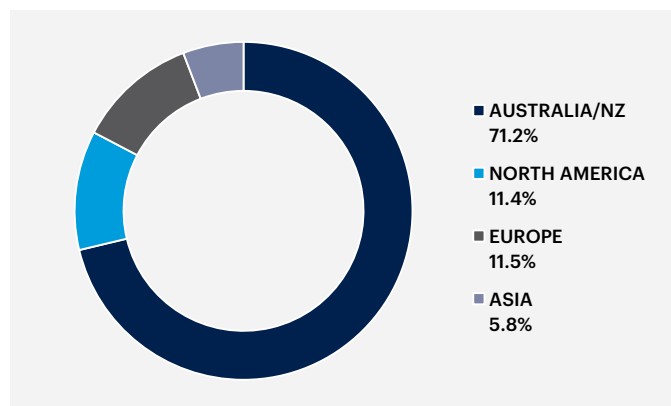
Risk Metrics*

	LONG SHORT FUND
Beta	0.20
Sharpe ratio	2.1
Sortino ratio	4.8
Maximum drawdown	16.7%
Percentage of positive months	79.6%
Annualised standard deviation	10.5%
Annualised downside deviation	5.0%

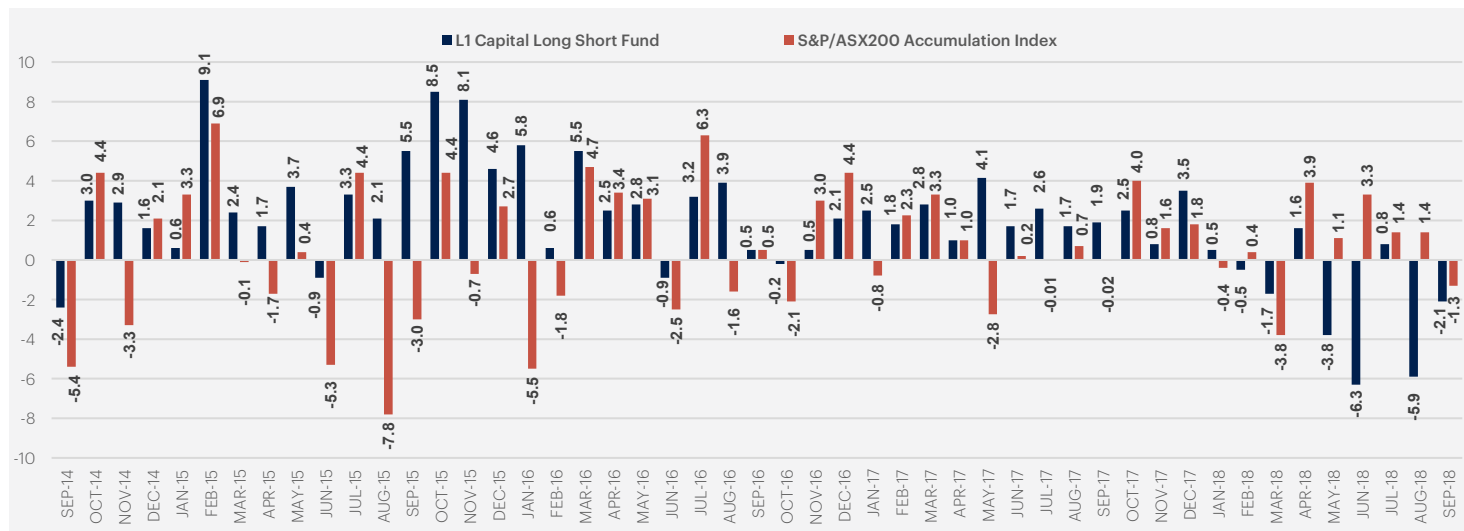
Attribution since inception (Net %)*



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

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 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.

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