



L1 CAPITAL

DAILY CLASS

Long Short Fund

Monthly Newsletter | November 2018

Unit Price: 0.9575¹² | Fund NAV: \$779m

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)	(4.01)	(2.62)		(21.85)

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

Market and Fund Review

The net return was -2.6% in November and -19.1% over the past 12 months. Since inception, the Fund has returned 122.6% (after fees).

This compares to a total return of 21.7% for the ASX200AI and 26.8% for the MSCI World Total Return Index over the same period.

The L1 Long Short Fund Limited returned -2.6% in November. The ASX200AI was the worst performing major market (-2.2%), while the AUD rose 3.3%. Brent oil prices continued their rapid decline, moving from US\$85/barrel to US\$60/barrel, due to strong U.S. shale production, Russia's reluctance to cut supply and Trump granting waivers to a number of countries to continue buying oil from Iran. Fed Chair Powell gave a dovish speech, suggesting that interest rates are now close to neutral. European equities continued to sell off due to Brexit negotiations and Italian budget concerns.

Mineral Resources (Long +7%) rallied after announcing the sale of a 50% stake in its main lithium asset (Wodgina). The price achieved far exceeded analyst expectations (look through value of \$3.2b which is more than the entire market capitalisation of \$2.7b). We believe the shares are incredibly undervalued with a conservative sum of parts valuation providing more than 50% upside to today's share price.

Qantas (Long +9%) shares recovered after a sudden drop in the oil price over the past two months. Qantas continues to deliver strong operational performance and has continued to aggressively buy back shares, reflecting a shareholder friendly board and management team.

CYBG (Long -26%) shocked the market with a weak update on the performance of its newly acquired Virgin Money business. The company stated that they expect net interest margins to be significantly lower than the company's recent guidance and the historical range that they have achieved.

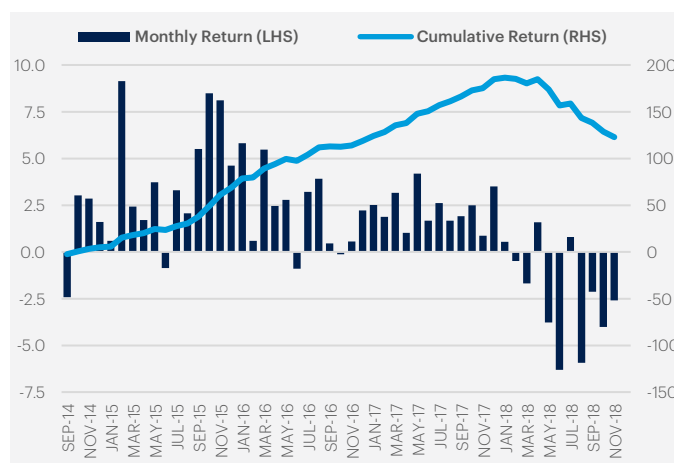
Alcoa (Long -12%) shares traded lower due to concerns over weakening global growth and ongoing trade tensions between China and the U.S. The move in the share price has occurred in spite of a relatively stable aluminium price and the prospect of large and growing buybacks into 2019. Even at currently depressed aluminium prices, Alcoa generates a 15% free cash flow yield.

Given the recent sell-off in markets, we have been selectively adding to some of our long positions and closing some successful shorts. While the Fund's recent performance has been disappointing, we believe the portfolio's positions remain compelling and we expect fundamentals to reassert themselves as we head into 2019.

Fund Characteristics*

	CURRENT	AVG SINCE INCEPTION
Number of positions	74	75
Number of long positions	46	49
Number of short positions	28	26
Gross long exposure (%)	111%	140%
Gross short exposure (%)	52%	84%
Gross exposure (%)	163%	224%
Net exposure (%)	59%	56%

Fund Performance (Net)*



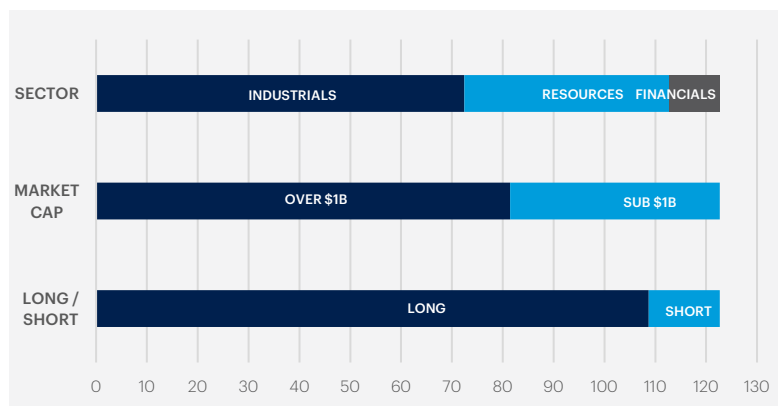
Performance Metrics (%)*

	LONG SHORT FUND
One month	(2.62)
Three months	(8.52)
One year	(19.12)
Two years (p.a.)	2.06
Three years (p.a.)	11.36
Since inception (p.a.)	20.72
Since inception (cumulative)	122.62

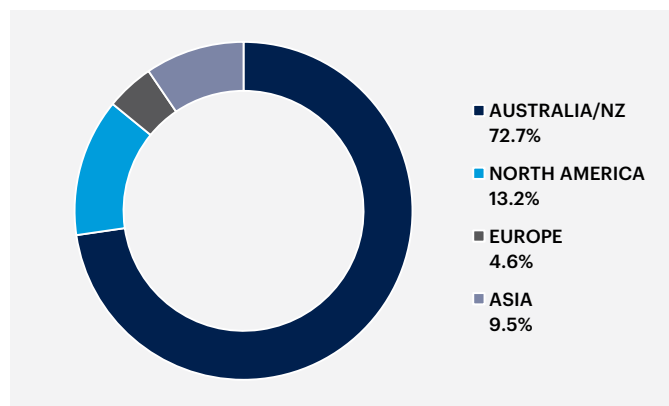
Risk Metrics (%)*

	LONG SHORT FUND
Beta	0.28
Sharpe ratio	1.7
Sortino ratio	3.9
Maximum drawdown	22.1%
Percentage of positive months	76.5%
Annualised standard deviation	10.9%
Annualised downside deviation	5.4%

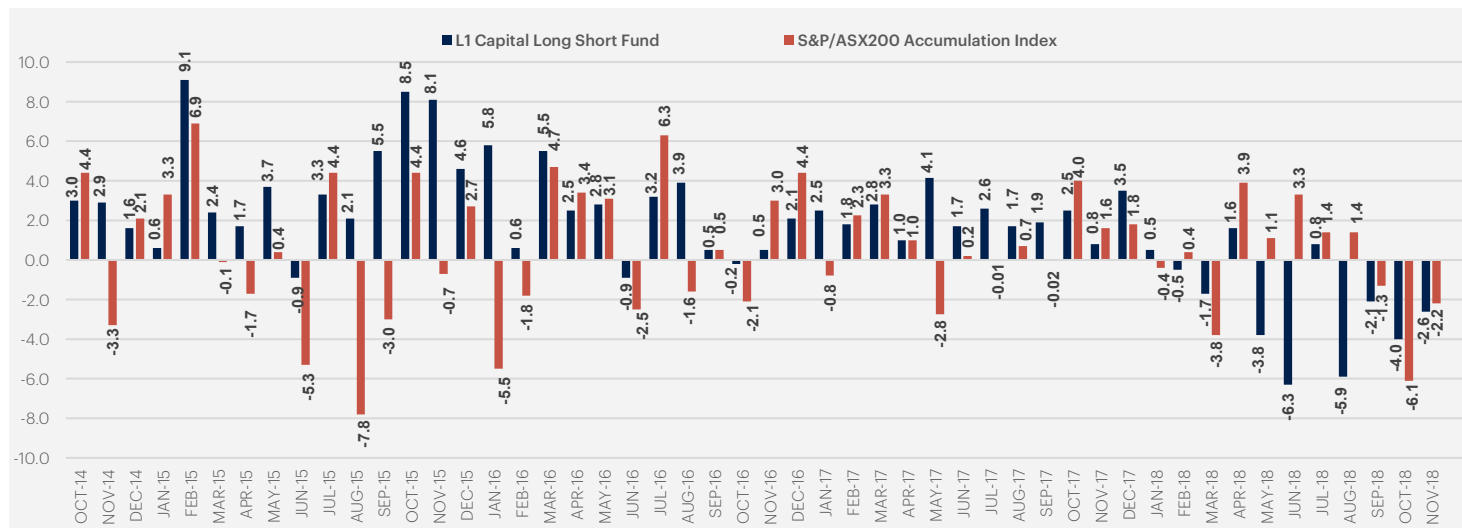
Attribution since inception (Net %)*



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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