



L1 CAPITAL

DAILY CLASS

Long Short Fund

Monthly Newsletter | December 2018

Unit Price: 0.8994¹² | Fund NAV: \$707m

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)	(6.07)	(26.60)

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

Market and Fund Review

The L1 Capital Long Short Fund returned -6.1% in December.

The Fund returned -26.6% for the 2018 calendar year.

Since inception, the Fund has returned 109.1% (after fees) compared to a total return of 21.5% for the ASX200AI and 17.7% for the MSCI World Index.

The L1 Long Short Fund Limited returned -6.0% in December. Global equity markets collapsed in December (MSCI World -7.7%), with the S&P500 (-9.0%) having its worst December since 1931 and its biggest monthly loss since February 2009. The S&P500 was highly volatile during December, having a -14.8% intra month drawdown. The Fed elected to increase rates by 25bps in December and flag another two rate rises for 2019. Fed Governor Powell also stated that quantitative tightening is now on "autopilot", which suggested the 'Fed put' was no longer in place.

The Fund had a weak month, with many of our cyclical stocks falling 5-20%. We believe many of the price moves in December were not justified by fundamentals and were driven by other technical factors (quant/ETF selling, margin calls, transition portfolios). December's lower liquidity only served to exacerbate these moves.

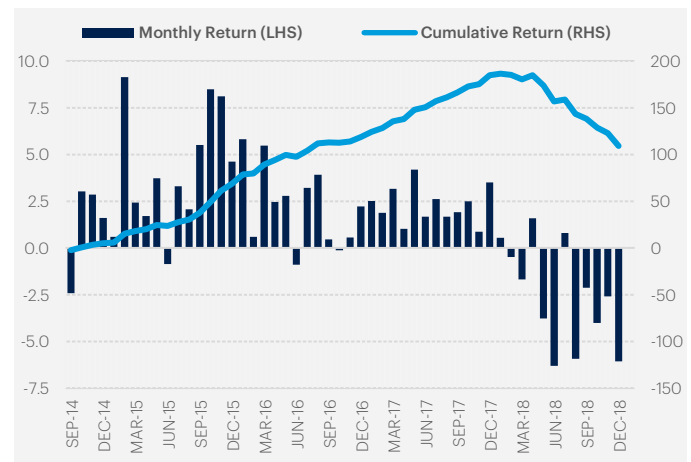
One of the weakest parts of the portfolio was the Fund's long exposure to energy: **Worley (-14%)** - Shares fell due to the continued collapse in oil prices (-40%) from US\$75 to US\$45 in the quarter. Worley is one of the world's leading oil services companies and it recently acquired the Energy, Chemicals, & Resources division of U.S. peer Jacobs. We believe Worley is extremely oversold, with the shares now trading 40% lower than only 4 months ago. The Fund bought the stock in November at around \$13. On our forecasts, the shares trade on a P/E of only 9x FY21 once the synergies from combining the two businesses have been achieved.

Oil ETF - The Fund holds a long position in an oil ETF as we believe the current WTI oil price of -US\$45/barrel is unsustainably low. U.S. shale production is loss making at current levels and budgetary pressures on key oil producing countries, such as Saudi Arabia, Russia and Iran, mean they need to manage supply for their own self-interest/political survival.

Alcoa and Newscorp were also significant detractors despite no company specific news.

We have used the market sell-off to increase our net exposure and re-introduce some U.S longs. We believe many of our cyclical stocks are now pricing a prolonged global recession, which provides large, asymmetric upside if the global economy achieves even modest growth.

Fund Performance (Net)*



Performance Metrics (%)*

	LONG SHORT FUND
One month	(6.07)
Three months	(12.20)
One year	(26.60)
Two years (p.a.)	(2.13)
Three years (p.a.)	7.43
Since inception (p.a.)	18.56
Since inception (cumulative)	109.10

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 (%)	128%	140%
Gross short exposure (%)	59%	83%
Gross exposure (%)	187%	223%
Net exposure (%)	69%	57%

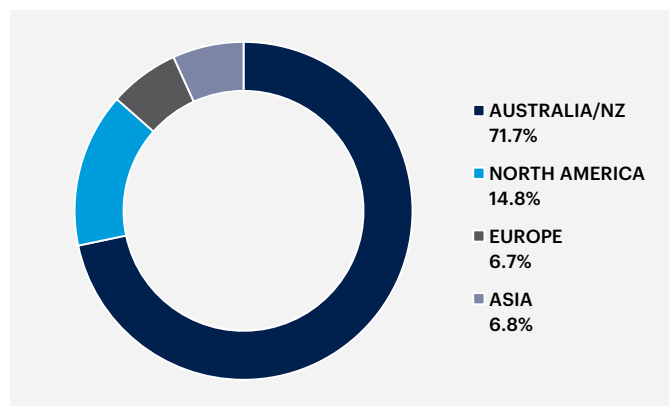
Risk Metrics (%)*

	LONG SHORT FUND
Beta	0.28
Sharpe ratio	1.5
Sortino ratio	3.1
Maximum drawdown	26.8%
Percentage of positive months	75.0%
Annualised standard deviation	11.4%
Annualised downside deviation	6.1%

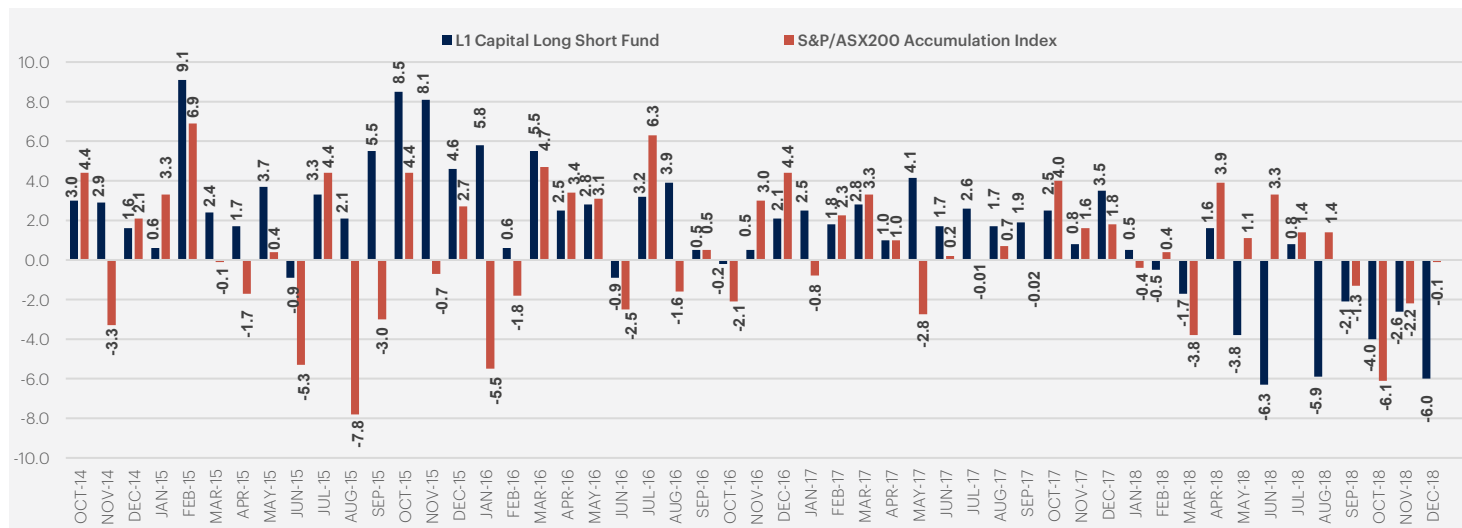
Attribution since inception (Net %)*



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

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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