



L1 CAPITAL

DAILY CLASS

Long Short Fund

Monthly Newsletter | January 2019

Unit Price: 0.9383^{1,2} | Fund NAV: \$712m

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)
2019	4.33												4.33

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

Market and Fund Review

The L1 Capital Long Short Fund returned 4.3% in January.

Since inception, the Fund has returned 118.1% (after fees) compared to a total return of 26.2% for the ASX200AI and 24.9% for the MSCI World Index.

Global equities recovered some of their December losses after dovish comments from Fed Governor Powell soothed investor nerves. The S&P/ASX200 rose 3.9%, with Energy (+11.5%), Technology (+9.3%) and Resources (+9.2%) the standouts, while Banks (-1.3%), Consumer Staples (+2.8%) and Industrials (+3.1%) lagged.

Oil prices rebounded strongly (Brent +13%) in January after three consecutive months of declines. Iron ore prices continued to surge (+16.3%), with Fortescue the best performer in the ASX200, up 35% in January alone.

10 year bond yields in both Australia and the U.S. continued to drift lower, despite the more optimistic backdrop for equities.

Some of the best performers in the portfolio were:

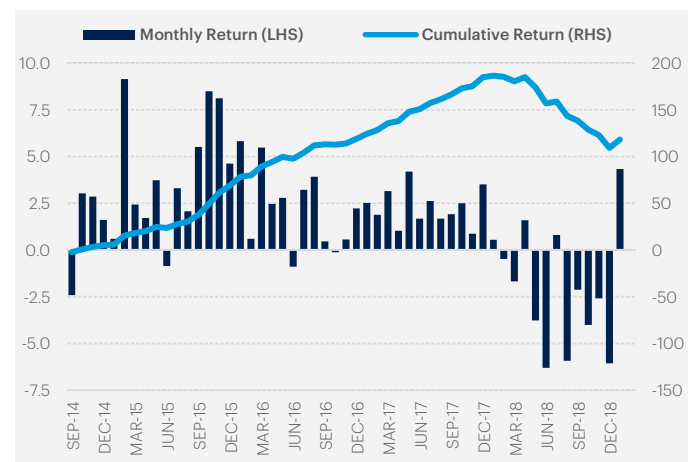
WorleyParsons (WOR) – WOR is one of the world’s leading engineering consulting businesses. The shares had fallen from around \$19 to \$11 between October and December last year due to concerns about falling demand for new energy and chemicals projects, along with indigestion from the Jacobs deal capital raising. We used the extreme sell-off to build a position and the shares have since rallied back above \$14. On our forecasts, Worley is trading on a P/E of only 11x FY21 (once the synergies from the Jacobs assets flow through). We believe the shares deserve to trade at a much higher multiple, given the structural growth in demand for their services (due to rising long term demand for resources from Asia).

HeidelbergCement (HEI) – HEI is a high quality global construction materials businesses. The shares performed strongly in January (+13%) on the back of improved sentiment towards global growth and the prospect of rising infrastructure spending in some of their key markets. Despite the prevailing economic weakness, we believe HEI can deliver 5-10% EPS growth p.a. and the current P/E multiple of 9.6x FY20 factors in an overly bearish outlook for the business.

News Corporation (NWS) – News Corp recovered some of its recent losses after falling on no significant company news. We believe a spin out of News Corp’s global digital real estate assets is a possibility in 2019/20, which would act as a catalyst to highlight the hidden value in the group.

We expect markets will remain volatile and heavily influenced by sentiment towards a range of geopolitical risks (such as Brexit, US/China trade relations, Chinese government policy). We continue to look for opportunities that arise from extreme price moves, where share prices deviate dramatically from fundamentals.

Fund Performance (Net)*



Performance Metrics (%)*

	LONG SHORT FUND
One month	4.33
Three months	(4.58)
One year	(23.84)
Two years (p.a.)	(1.25)
Three years (p.a.)	6.92
Since inception (p.a.)	19.32
Since inception (cumulative)	118.14

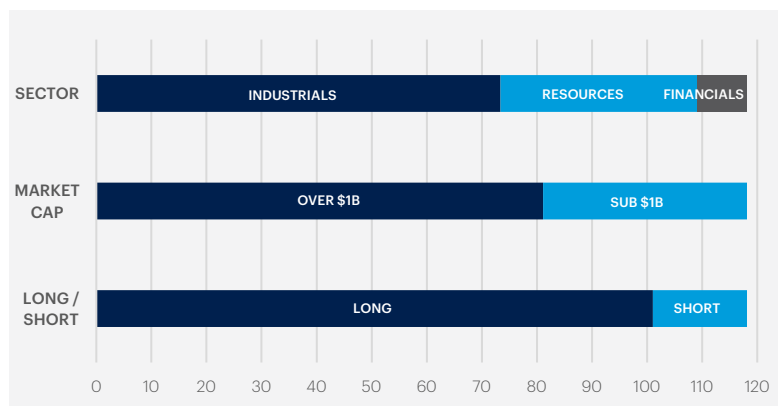
Fund Characteristics*

	CURRENT	AVG SINCE INCEPTION
Number of positions	75	75
Number of long positions	48	49
Number of short positions	27	26
Gross long exposure (%)	133%	140%
Gross short exposure (%)	64%	83%
Gross exposure (%)	197%	223%
Net exposure (%)	69%	57%

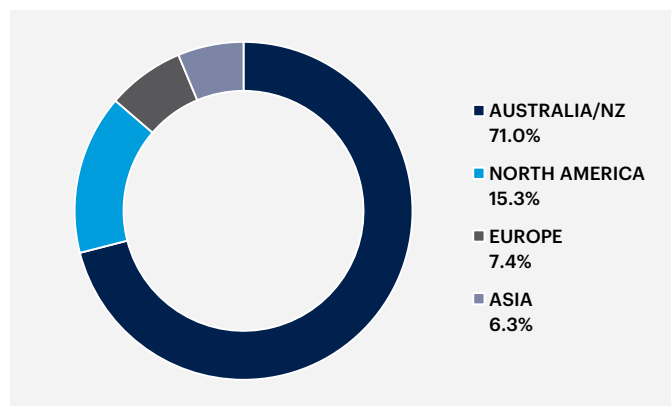
Risk Metrics (%)*

	LONG SHORT FUND
Beta	0.29
Sharpe ratio	1.5
Sortino ratio	3.2
Maximum drawdown	26.8%
Percentage of positive months	75.5%
Annualised standard deviation	11.4%
Annualised downside deviation	6.1%

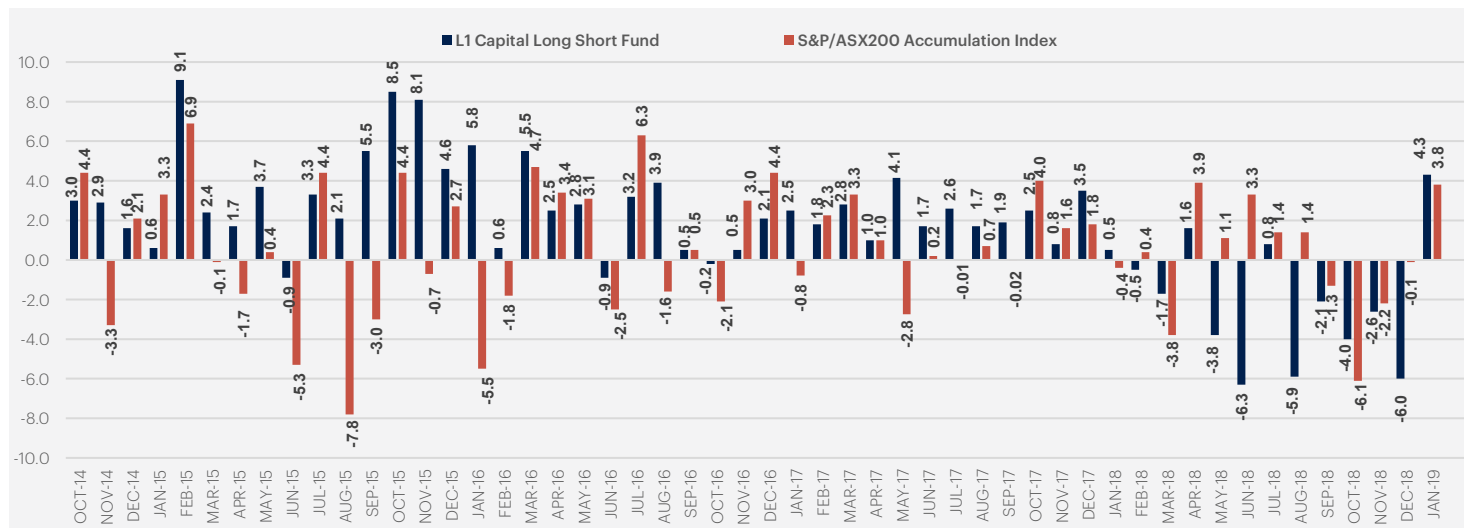
Attribution since inception (Net %)*



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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