



# L1 Capital Long Short Fund (Wholesale Class)

Monthly Newsletter  
February 2017

The L1 Capital Long Short Fund returned 1.87% in February.

Over the past year, the Fund has delivered a net return of 27.2%.

Since inception, the Fund has returned 39.2% p.a (after fees), far exceeding our investment objective of 10% p.a.

Performance has been generated from a very wide range of sectors and stocks.

The Fund has achieved outstanding risk-adjusted returns (sharpe ratio 3.9, sortino ratio 22.7, maximum drawdown 2.4%).

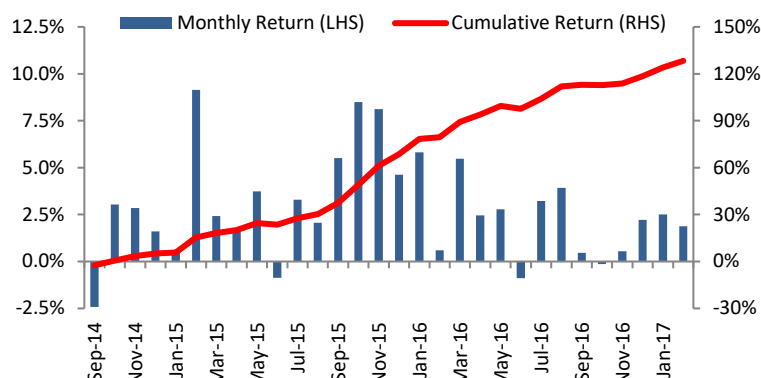
Equity markets had a positive month, with ongoing positive economic data in the U.S., Europe and China providing a boost to investor sentiment. Bond markets are now convinced that the Fed will re-commence tightening at its March meeting, with commentary from Janet Yellen suggesting a further 3-4 rate hikes in 2017.

In a surprising change, it was mainly the defensive sectors that led the market higher in February, with consumer staples (+6.2%), banks (+4.6%), REITs (+4.1%) and healthcare (+3.9%) the best performers, while resources (-3.4%) and materials (-3.2%) lagged.

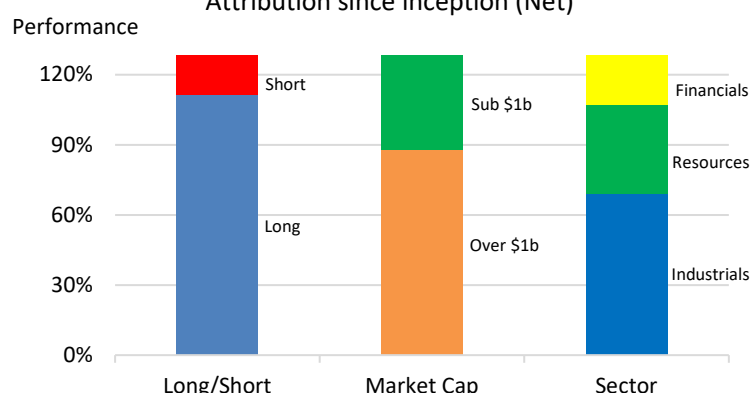
Some of the Fund's best performing stocks were Seven Group, which rose another 36% during February, taking its return over the past year to almost 150%. The company upgraded earnings guidance given a stronger outlook for its Westrac and Coates Hire businesses. The Fund exited its entire stake this month given the dramatic price rise. Bluescope Steel (+9.0%) and CIMIC (+10.0%) continued their strong performance, while Canadian technology stock Sierra Wireless was a standout, rallying 50% over the month, after it far exceeded analyst forecasts and signed a further contract with a large auto manufacturer to its wireless technology platform.

We have been methodically rotating the portfolio into new opportunities and remain confident of achieving our investment objective of a 10% net return p.a.

Fund Performance (Net)



Attribution since inception (Net)



Period	1 month	3 month	1 year	Since Inception (p.a)	Since Inception
Long Short Fund (Net Return)	1.87%	6.75%	27.17%	39.18%	128.28%

## FUND ANALYTICS

Annualised Returns	39.2%
Sharpe Ratio	3.9
Sortino Ratio	22.7
Annualised Volatility	9.3
Downside Deviation	1.7
Maximum Drawdown	-2.4%
Percentage of Positive Months	86%

## FUND EXPOSURES

Exposures	Current Portfolio	Average Since Inception
No. of Positions	75	69
Net Long	57%	62%
Gross Long	134%	155%
Gross Short	77%	92%
Gross Exposure	211%	248%
Beta	0.27	0.39

Note: All performance numbers are quoted after fees.  
Past performance is not predictive of future returns. Beta is calculated versus the ASX200AI.



# L1 Capital Long Short Fund (Wholesale Class)

## Monthly Performance (Net %)

Period	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	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	4.61	60.52
2016	5.81	0.59	5.47	2.46	2.78	-0.89	3.22	3.92	0.46	-0.12	0.55	2.22	29.61
2017	2.51	1.87											4.43

## FUND OBJECTIVE & STRATEGY

The L1 Capital Long Short Fund aims to deliver a net return of at least 10% p.a. over the long term.

L1 Capital uses a fundamental, bottom-up research process to identify securities with the potential to provide attractive risk-adjusted returns.

The core focus of the fund is the identification of equities that have substantial upside/downside compared to L1 Capital's valuation and qualitative assessment. Other equity related derivatives may be used where attractive opportunities are identified or to reduce portfolio risk. The fund utilises a variable beta strategy where market exposure is adjusted to reflect the manager's view of likely risk and return expectations for equities.

## L1 CAPITAL – COMPANY PROFILE

L1 Capital is a specialist boutique fund manager established in Melbourne in 2007. The business is 100% owned by its investment team led by Raphael Lamm & Mark Landau. L1 Capital launched its flagship L1 Capital Australian Equities Fund in August 2007. Since inception until the end of February 2017, the Australian Equities Fund achieved annual outperformance above the S&P/ASX200 Accumulation Index of 7.1% p.a. (before fees).

Raphael Lamm is a co-founder of L1 Capital and jointly manages L1 Capital's Australian Equities Fund & Long Short Fund. Raphael has primary responsibility for a number of industries including metals & mining, oil & gas, building materials and steel.

Mark Landau is a co-founder of L1 Capital and jointly manages the L1 Capital Australian Equities Fund & Long Short Fund. Mark has primary responsibility for a number of industries including banks, insurers, retail, healthcare and transport.

Lev Margolin is a portfolio manager of the L1 Capital Long Short Fund and is responsible for diversified financials, gaming, media, utilities, infrastructure and property sector research.

## FUND INFORMATION

Name	L1 Capital Long Short Fund	Minimum Investment	A\$500,000
Class of Units	Wholesale	Subscription Frequency	Monthly
Structure	Unit Trust	Redemption Frequency	Monthly
Domicile / Currency	Australia / AUD	Responsible Entity	Equity Trustees Limited
Fund Inception	1 September 2014	Administrator	White Outsourcing
Management Fee	1.281%	Auditor	Ernst & Young
Performance Fee	20.50%	Custodian	HSBC
High Watermark	Yes	Prime Brokers	Credit Suisse (Europe) Morgan Stanley
APIR / ISIN	ETL4912AU / AU60ETL49128	Legal Advisor	Hall & Wilcox

## CONTACT INFORMATION

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