

The L1 Capital Long Short Fund returned 2.51% in January.

The Fund has returned 124.09% since inception in September 2014 (39.57% p.a.).

Performance has been extremely broad with more than 70 positions contributing at least 1% to returns since inception.

The fund has achieved outstanding risk-adjusted returns (sharpe ratio 3.7, sortino ratio 21.9, maximum drawdown 2.42%).

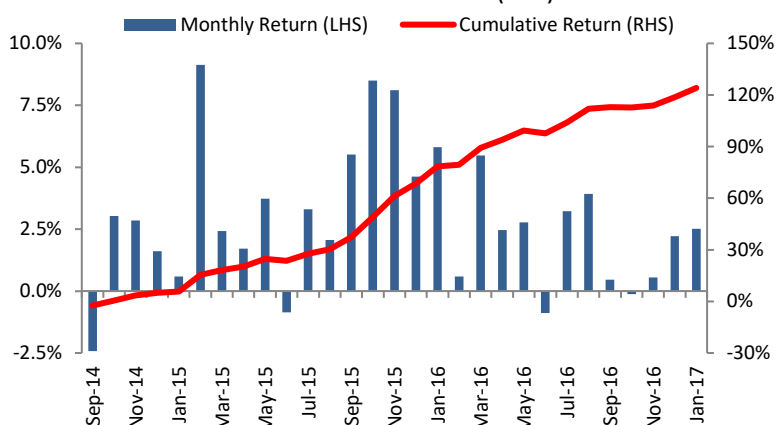
The ASX200 fell 0.8% in January, with most sectors suffering a modest pullback after a strong December. The combination of higher global bond yields and a more uncertain political environment in the U.S. kept equities investors relatively cautious.

The materials sector was again a very strong performer in January (+4.7%), with the market continuing to embrace the 'reflation trade'. Some of the Fund's best performing positions in January were Bluescope Steel, Boral and Alcoa (U.S) while short positions in some property trusts and telecom stocks added to returns. Bluescope Steel was the best performing stock in the ASX100 in January (+21%) after it announced another large profit upgrade. As we discussed in our December report, we remain positive on Bluescope's outlook and believe consensus earnings expectations remain too low.

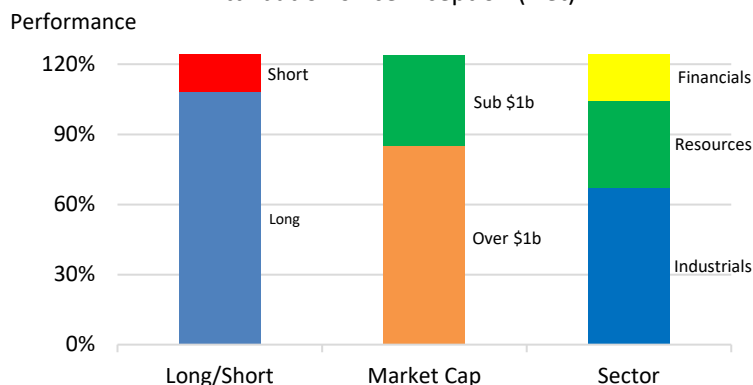
The excessive P/E dispersion that had been present in the market for most of 2016 has now corrected back to normal levels. We believe most high P/E stocks have now de-rated to more palatable levels, although few appear genuinely cheap to us.

Our expectation is that market volatility is likely to rise over the coming year, given the gradual withdrawal of massive monetary stimulus in the U.S. and more uncertainty around the Trump Administration's policy direction. In light of that, we remain defensively positioned with a low beta and a very diversified portfolio to allow for a wide range of potential macro outcomes.

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)	2.51%	5.36%	25.57%	39.57%	124.09%

### FUND ANALYTICS

Annualised Returns	39.6%
Sharpe Ratio	3.7
Sortino Ratio	21.9
Annualised Volatility	9.6
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	55%	63%
Gross Long	141%	156%
Gross Short	86%	93%
Gross Exposure	228%	249%
Beta	0.28	0.40

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

## 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												

## 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 January 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
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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