



L1 Capital Long Short Fund

Monthly Newsletter
November 2016

The L1 Capital Long Short Fund returned 0.55% in November, taking performance over the past year to 32.65% (ASX200AI 10.03%, MSCI World Index 1.05%, HFRX Global Hedge Fund Index 0.27%)

The Fund has returned 113.85% since inception in September 2014 (40.18% p.a.)

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

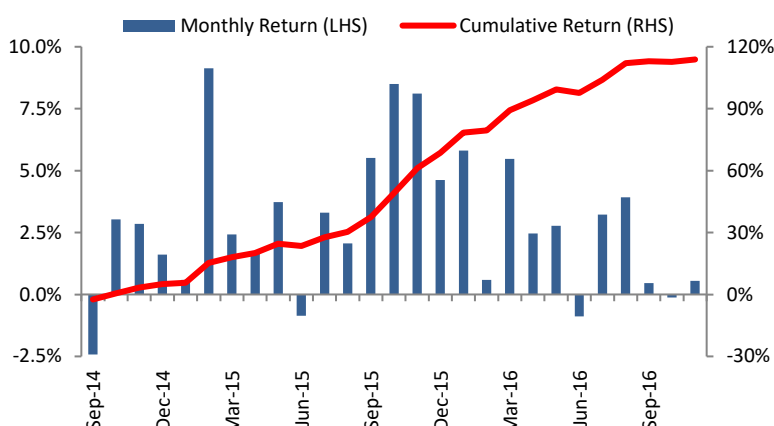
The fund has achieved outstanding risk-adjusted returns (sharpe ratio 3.86, sortino ratio 22.16, maximum drawdown 2.42%)

The surprise election win of Donald Trump resulted in an initial market sell-off, followed by a strong market rally. Expectations of dramatic fiscal stimulus, in the form of tax cuts and infrastructure spending saw U.S. bond yields increase significantly. This 'reflation trade' triggered a huge rotation out of 'yield' stocks and into 'cyclicals', with resources being the biggest beneficiary. Rising bond yields also pressured long duration stocks, such as healthcare and other high P/E sectors.

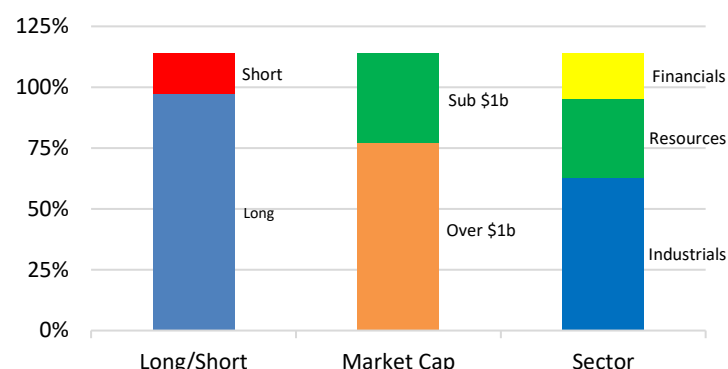
As we flagged in our March quarterly report, P/E dispersion across the stockmarket had reached extreme levels (where higher growth stocks were being bid up to historically high multiples). We believe the fall in a range of high P/E stocks was warranted and has brought this anomaly back into line with historical norms.

The fund benefited from shorting a number of these highly rated stocks, while long term holdings, such as Rio Tinto, Bluescope Steel and Bank of America all performed strongly. The biggest detractor in November was a long position in Boral, which fell after announcing their acquisition of Headwaters (a diversified U.S. building materials business). We believe Boral is very undervalued and will gradually recover as the market begins to appreciate the strong earnings growth they will enjoy in both Australia and the U.S over the coming years.

Fund Performance (Net)



Performance Attribution since inception (Net)



Period	1 month	3 month	1 year	Since Inception (p.a)	Since Inception
Long Short Fund (Net Return)	0.55%	0.89%	32.65%	40.18%	113.85%

FUND ANALYTICS

Sharpe Ratio	3.86
Sortino Ratio	22.16
Annualised Standard Deviation (%)	9.81
Downside Deviation (%)	1.81
Maximum Drawdown (%)	-2.42
Percentage of Positive Months (%)	85
Annualised Returns (%)	40.18

FUND EXPOSURES

Exposures	Current Portfolio	Average Since Inception
No. of Positions	91	68
Net Long	56%	63%
Gross Long	150%	157%
Gross Short	94%	94%
Gross Exposure	244%	250%
Beta	0.29	0.41

Note: 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 to Date
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		26.80

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 November 2016, the Australian Equities Fund achieved annual outperformance above the S&P/ASX200 Accumulation Index of 6.75% 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	LCP0002AU / AU60LCP00024	Legal Advisor	Hall & Wilcox

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