



L1 Capital Long Short Fund (Wholesale Class)

Monthly Newsletter
April 2017

The Fund delivered 1.0% in April, taking the return to 8.8% for the first four months of 2017.

The Fund has returned 38.5% p.a. since inception in September 2014.

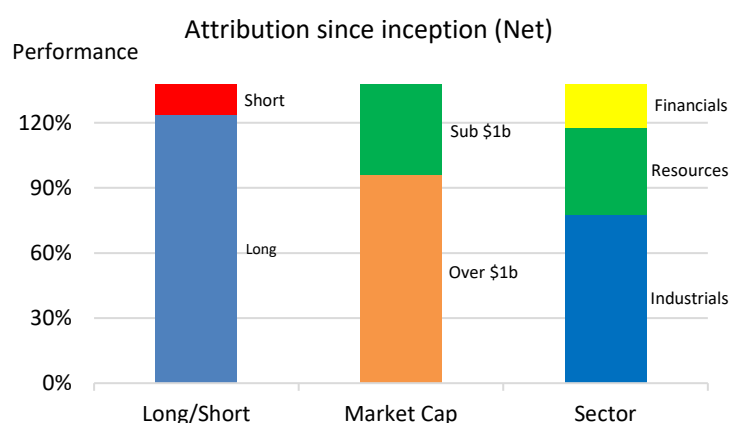
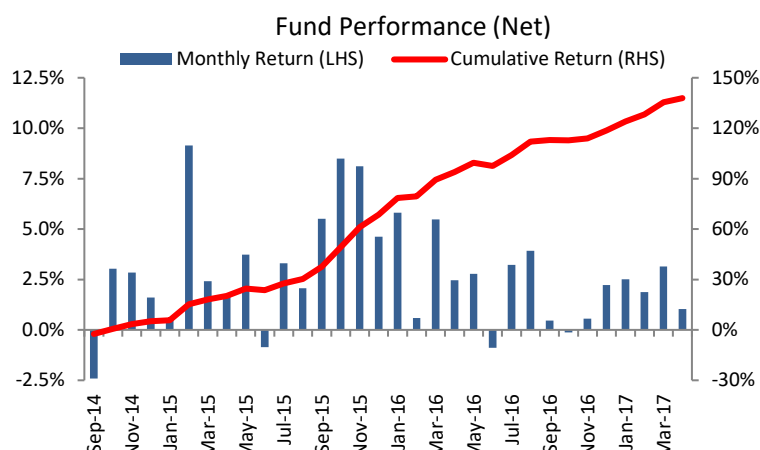
Performance continues to be generated from a very broad range of sectors and stocks.

The Fund has achieved outstanding risk-adjusted returns (sharpe ratio 3.9, sortino ratio 23.0, maximum drawdown 2.4%).

April was a tale of two halves. Markets were initially jittery given the first round of the French election, North Korean tensions and growing doubts about the US economic momentum. The ASX200 rallied in late April to end the month up 1.0%, given more clarity in France and the unveiling of Trump's proposed tax reforms. Industrials (+4.4%), Health Care (+3.2%) and Utilities (+3.1%) led the market, while Telcos remained under severe pressure (-9.9%) and Consumer Staples were also weaker (-2.6%).

Some of the fund's strongest performers in April were long positions in Qantas, Boral and Vinci (high quality French tollroad and airport assets & an infrastructure construction business). Specific shorts across the Telco & Mining sectors also added significantly to returns. Qantas has rallied over 60% since its June 2016 lows as the market begins to appreciate Qantas' increasingly dominant position in the domestic aviation market, along with upside from its Loyalty business and ongoing capital management. The shares remain very compelling, given it trades at a P/E of only 8x, with a positive earnings outlook and an impressive management team.

Our expectation is that market volatility will rise from very depressed levels over the next year. The Fund remains defensively positioned with a low beta and a very diversified portfolio to allow for a wide range of potential macro outcomes. Clients should expect short term periods of weakness or volatility in returns, however we remain confident in being able to deliver a 10% return p.a. over the long term.



| Period | 1 month | 3 month | 1 year | Since Inception (p.a) | Since Inception |
|------------------------------|---------|---------|--------|-----------------------|-----------------|
| Long Short Fund (Net Return) | 1.03% | 6.16% | 22.63% | 38.45% | 137.89% |

FUND ANALYTICS

| | |
|-------------------------------|-------|
| Annualised Returns | 38.5% |
| Sharpe Ratio | 3.9 |
| Sortino Ratio | 23.0 |
| Annualised Volatility | 9.1 |
| Downside Deviation | 1.7 |
| Maximum Drawdown | -2.4% |
| Percentage of Positive Months | 88% |

FUND EXPOSURES

| Exposures | Current Portfolio | Average Since Inception |
|------------------|-------------------|-------------------------|
| No. of Positions | 86 | 70 |
| Net Long | 43% | 62% |
| Gross Long | 120% | 153% |
| Gross Short | 77% | 92% |
| Gross Exposure | 198% | 245% |
| Beta | 0.26 | 0.39 |

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



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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 | 1.72 | 3.73 | -0.86 | 3.31 | 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 | -0.13 | 0.55 | 2.22 | 29.61 |
| 2017 | 2.51 | 1.87 | 3.15 | 1.03 | | | | | | | | | 8.83 |

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 April 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 | 20.5% | Custodian | HSBC |
| High Watermark | Yes | Prime Brokers | Morgan Stanley Credit Suisse (Europe) |
| APIR / ISIN | ETL4912AU / AU60ETL49128 | Legal Advisor | Hall & Wilcox |

CONTACT INFORMATION

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