



L1 CAPITAL

WHOLESALE

Long Short Fund

Monthly Newsletter | June 2017

Fund NAV: \$477m | Strategy NAV: \$523m

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	4.61	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	4.18	1.70							15.31

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

Market and Fund Review

The Fund returned 1.7% in June, taking the return over the past year to 27.6% (since inception 38.6% p.a.).

The Fund has achieved outstanding risk-adjusted returns (maximum drawdown 2.4%, sharpe ratio 4.1, sortino ratio 23.9).

While the ASX200AI finished June largely flat (+0.17%), there was a large divergence in sector performance. A key driver was global bond yields (Aust 10 year +21bps; US 10 year +10bps), which pushed down yield sensitive sectors; REITs (-4.8%), Utilities (-2.7%), Consumer Staples (-2.6%). Oil price declines (Brent -4.5%) weighed on the Energy sector (-6.9%). The only sector to return more than 1.5% in June was Healthcare (+6.1%). The Healthcare sector rallied 25% over the past year, despite no consensus EPS upgrades. Our view is many Australian healthcare stocks are now overvalued, but lack imminent negative catalysts to trigger a share price de-rating.

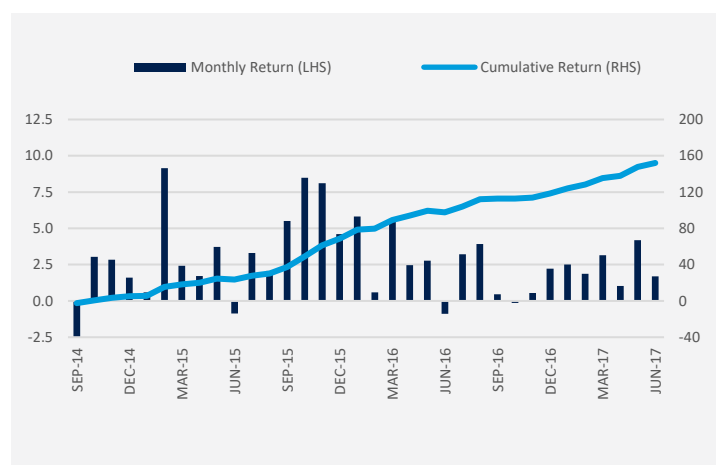
Some of the Fund's best performers in June were long positions in Qantas and Bluescope. These two core holdings were the best performing ASX100 stocks in the past year, having both rallied more than 100%. Both companies have executed impressive operational turnarounds, led by capable management teams with a shareholder friendly approach to capital management. One of the Fund's weaker performers in June was the Hong Kong listed conglomerate CK Hutchison. We believe CK Hutchison is a high-quality business that is dramatically undervalued. The business owns some of the best port assets globally, a fast-growing Chinese pharmacy chain and some strategic European telco assets. We took advantage of the recent share price weakness to increase our holding.

Stockmarket volatility has finally begun to rise from extremely depressed levels and recent hawkish commentary from several central banks is a major change of tone. The resultant rise in global bond yields has profound implications for equities and relative sector performance. Given the uncertainty at present, we believe the most prudent approach is to maintain a highly diversified portfolio that is not reliant on a single macro backdrop to perform well.

Fund Characteristics*

	CURRENT	AVG SINCE INCEPTION
Number of positions	81	71
Number of long positions	51	48
Number of short positions	30	22
Gross long exposure (%)	110%	151%
Gross short exposure (%)	65%	90%
Gross exposure (%)	175%	241%
Net exposure (%)	45%	62%

Fund Performance (Net)*



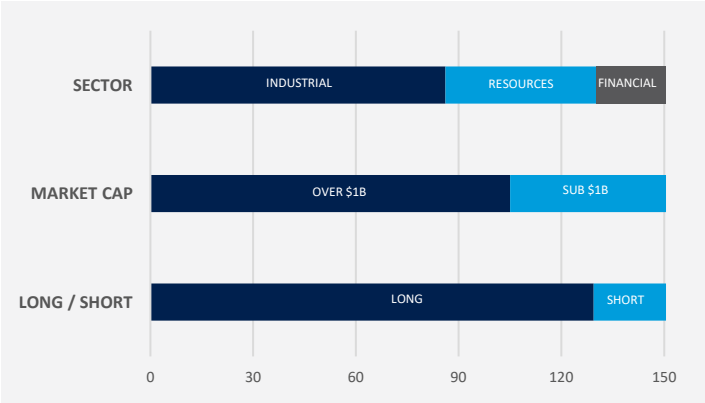
Performance Metrics (%)*

	LONG SHORT FUND
One month	1.70
Three month (rolling)	7.04
Calendar YTD	15.31
Financial YTD	27.56
One year (rolling)	27.56
Two years (p.a. rolling)	42.79
Since inception (p.a.)	38.62
Since inception (cumulative)	152.07

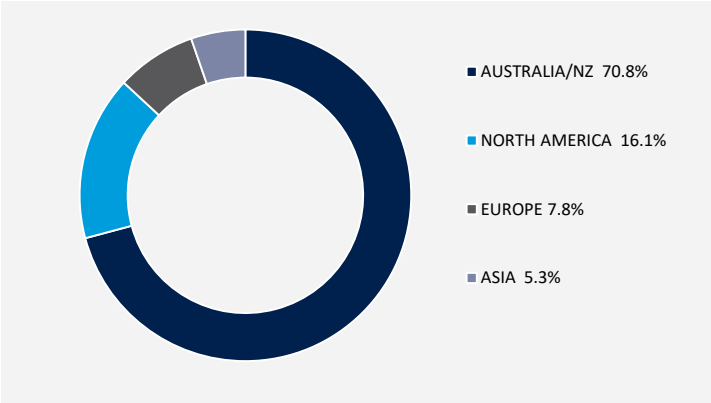
Risk Metrics*

	LONG SHORT FUND
Beta	0.25
Sharpe ratio	4.1
Sortino ratio	23.9
Maximum drawdown	2.4%
Percentage of positive months	88.2%
Annualised standard deviation	8.9%
Annualised downside deviation	1.6%

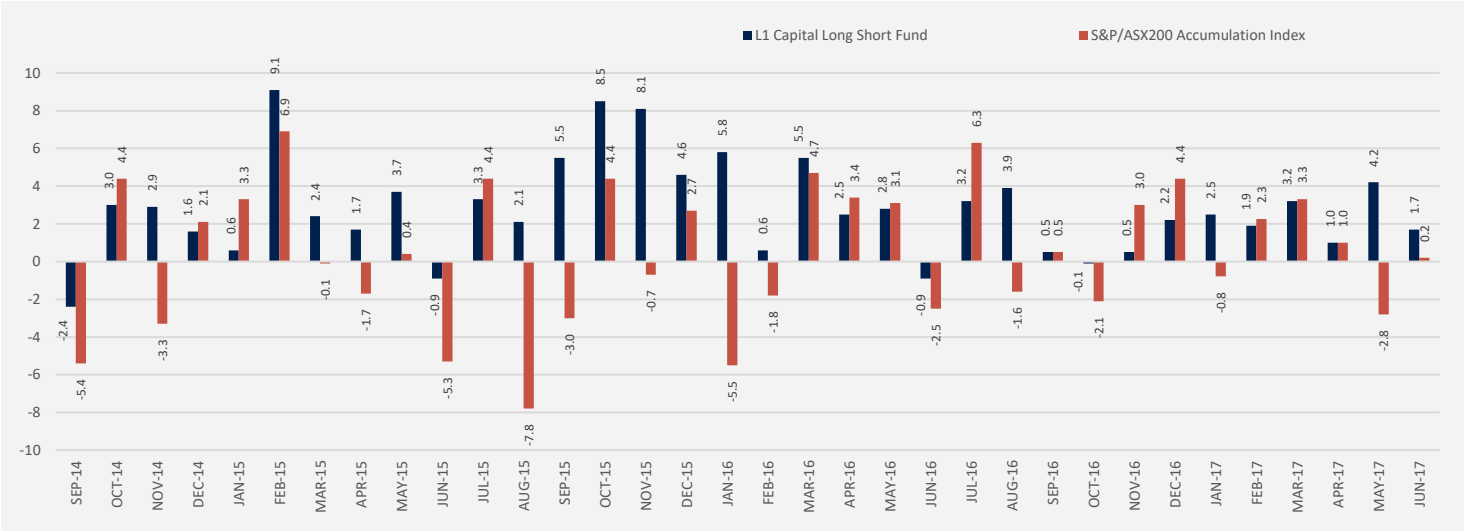
Attribution since inception (Net %)*



Gross exposures to international markets*



Monthly Fund Performance vs S&P/ASX200 Accumulation Index (since inception)*



Fund Information

Name	L1 Capital Long Short Fund
Class of Units	Wholesale
Structure	Unit Trust
Domicile / Currency	Australia / AUD
Inception	1 September 2014
Management Fee	1.281%
Performance Fee	20.50%
High Watermark	Yes
APIR / ISIN	ETL4912AU / AU60ETL49128
Minimum Investment	A\$500,000
Subscription Frequency	Monthly
Redemption Frequency	Monthly

Service Providers

Responsible Entity	Equity Trustees Limited
Prime Broker	Morgan Stanley, Credit Suisse (Europe)
Fund Administrator	Link Fund Solutions (formerly White Outsourcing)
Fund Auditor	EY
Fund Custodian	HSBC
Legal Advisor	Hall & Wilcox

There have been no changes to key service providers since the last monthly newsletter.



Level 28, 101 Collins Street Melbourne VIC 3000 Australia www.L1.com.au	Phone +61 3 9286 7000 Fax +61 3 9286 7099 Email info@L1.com.au
--	--

Information contained in this publication

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

The opinions, advice, recommendations and other information contained in this publication, whether express or implied, are published or made by L1 Capital Pty Ltd (ABN 21 125 378 145), Australian Financial Services License (314302), and by its officers and employees (collectively "L1 Capital") in good faith in relation to the facts known to it at the time of preparation. L1 Capital has prepared this publication without consideration of the investment objectives, financial situation or particular needs of any individual investor, and you should not rely on the opinions, advice, recommendations and other information contained in this publication alone. This publication contains general financial product advice only. Equity Trustees Limited ("ETL") (ABN 46 004 031 298) AFSL 240975 is the Responsible Entity for the L1 Capital Long Short Fund. This publication has been prepared to provide you with general information only. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. We do not express any view about the accuracy or completeness of information that is not prepared by us and no liability is accepted for any errors it may contain. Past performance should not be taken as an indicator of future performance. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. You should obtain a copy of the product disclosure statement before making a decision about whether to invest in this product.

To whom this information is provided
This publication is only made available to persons who are wholesale clients within the meaning of section 761G of the Corporations Act 2001. This publication is supplied on the condition that it is not passed on to any person who is a retail client within the meaning of section 761G of the Corporations Act 2001.

Disclaimer and limitation of liability
To the maximum extent permitted by law, L1 Capital will not be liable in any way for any loss or damage suffered by you through use or reliance on this information. L1 Capital's liability for negligence, breach of contract or contravention of any law, which cannot be lawfully excluded, is limited, at L1 Capital's option and to the maximum extent permitted by law, to resupplying this information or any part of it to you, or to paying for the resupply of this information or any part of it to you.

Copyright
Copyright in this publication is owned by L1 Capital. You may use this information in this publication for your own personal use, but you must not (without L1 Capital's consent) alter, reproduce or distribute any part of this publication, transmit it to any other person or incorporate the information into any other document.