



L1 CAPITAL

WHOLESALE

Long Short Fund

Monthly Newsletter | July 2017

Fund NAV: \$540m | Strategy NAV: \$597m

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	2.62						18.34

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

Market and Fund Review

The Fund returned 2.6% in July, taking the return over the past year to 26.8% (since inception 38.5% p.a.).

The Fund has achieved outstanding risk-adjusted returns (maximum drawdown 2.4%, sharpe ratio 4.1, sortino ratio 24.2).

The Fund had a strong month, returning 2.6% (versus the ASX200 Accumulation Index -0.01%). Only four sectors delivered positive returns, with Materials (+3.6%) and Banks (+2.3%) the strongest performers. Healthcare stocks sold off on currency concerns and elevated P/E multiples (-7.5%), while yield sensitive sectors, like Utilities (-5.3%) and Telcos (-4.3%), were weak. Commodity prices were strong with coking coal up more than 20% and iron ore rallying 13.5%. Oil also had its firstly monthly rise since February (Brent +7.5%) and Gold rose 2.2%. As we wrote in our June quarterly report, we believe many US dollar stocks appear overvalued, with the recent reversal in the AUD/USD proving to be a significant near-term headwind. Aristocrat (-10.2%), CSL (-8.7%) and Cochlear (-8.1%) all suffered meaningful pullbacks after enjoying spectacular runs over the past year.

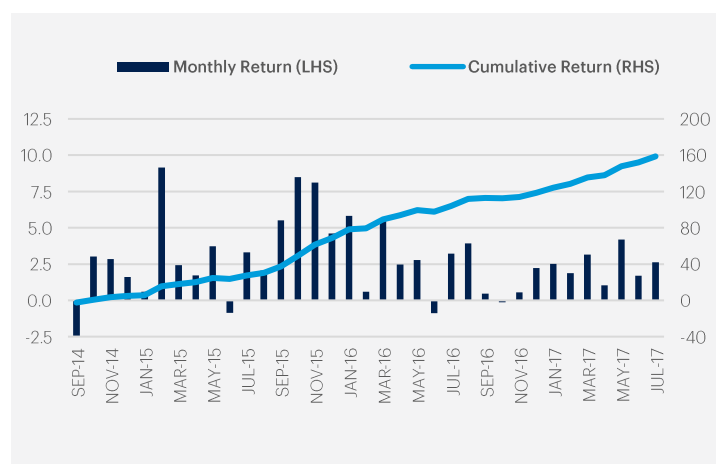
Some of the Fund's best performers in July included long positions in CIMIC (which rallied after a strong first half profit result) and Alcoa. We added Alcoa to the portfolio after it demerged its downstream assets into Arconic, leaving Alcoa with a high-quality suite of bauxite, alumina and aluminium assets. We believe the business is well positioned to benefit from China's aluminium producers rationalising their supply, which enables a structurally higher price for alumina/aluminium. During July, the Fund also generated strong returns from specific stock shorts across the Healthcare, Retail and Telco sectors.

Stockmarket volatility has finally begun to rise from extremely depressed levels and recent hawkish commentary from several central banks represents a significant 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	86	71
Number of long positions	49	48
Number of short positions	37	23
Gross long exposure (%)	114%	150%
Gross short exposure (%)	67%	90%
Gross exposure (%)	181%	240%
Net exposure (%)	47%	60%

Fund Performance (Net)*



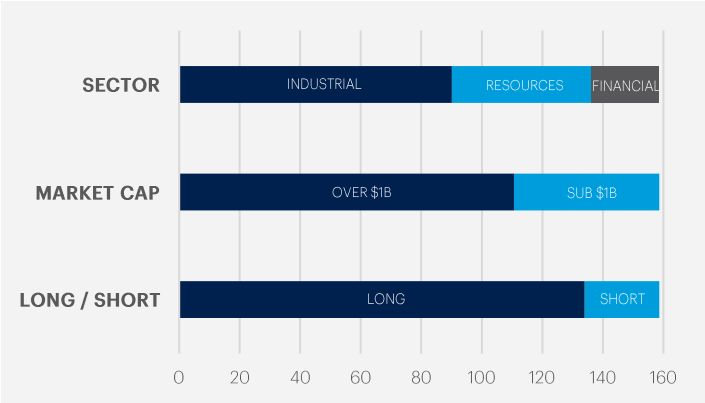
Performance Metrics (%)*

	LONG SHORT FUND
One month	2.62
Three month (rolling)	8.74
Calendar YTD	18.34
Financial YTD	2.62
One year (rolling)	26.82
Two years (p.a. rolling)	42.33
Since inception (p.a.)	38.54
Since inception (cumulative)	158.68

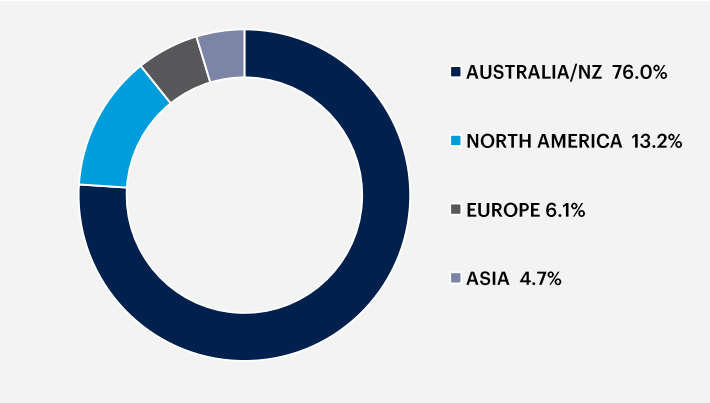
Risk Metrics*

	LONG SHORT FUND
Beta	0.25
Sharpe ratio	4.1
Sortino ratio	24.2
Maximum drawdown	2.4%
Percentage of positive months	88.6%
Annualised standard deviation	8.8%
Annualised downside deviation	1.6%

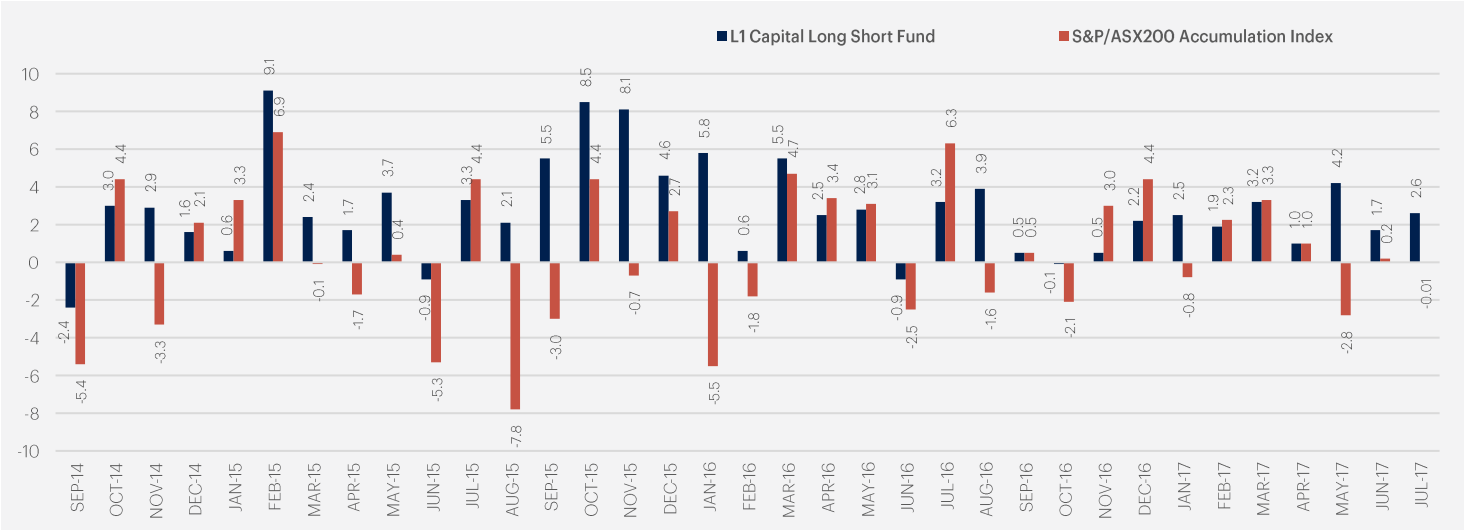
Attribution since inception (Net %)*



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.

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