



L1 CAPITAL

MONTHLY CLASS

# Long Short Fund

Monthly Newsletter | October 2017

Fund NAV: \$799m

## 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	1.69	1.93	2.54			25.77

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

## Market and Fund Review

**The Fund returned +2.5% in October, taking the net return over the past 12 months to 29.3%.**

**Since inception, the Fund has returned 37.6% p.a. (after fees).**

**The Fund has achieved outstanding risk-adjusted returns (maximum drawdown 2.4%, sharpe ratio 4.2, sortino ratio 24.6).**

In October, the ASX200 finally broke out of its narrow trading range, rallying 4%. Technology (+8.7%), Energy (+6.5%) and Consumer Discretionary (+6.2%) were the standout sectors, while defensive/yield sectors such as REITs (+2.2%), Telcos (+2.4%) and Banks (+2.8%) lagged. Globally, the most notable trend was the ongoing strength in U.S. technology stocks and global cyclical, due to ongoing signs of economic strength across both the developed and emerging markets.

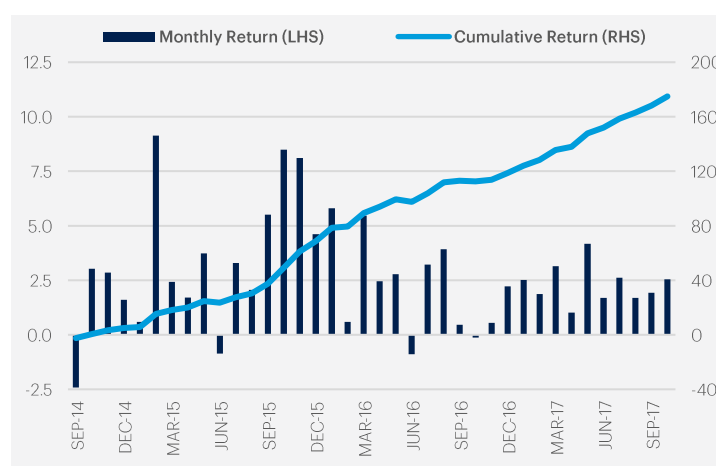
Some of the Fund's best performers in October were long positions in Bluescope Steel (+17%), Bank of America (+11%) and Peet Ltd (+20%). We aggressively increased our Bluescope Steel position after the shares sold off by 20% after announcing their full year result in August. As we mentioned in our August monthly report, we believe the sell-off was an overreaction to a temporary earnings issue, which was likely to reverse in the coming year. Bluescope shares have rallied more than 200% from our initial investment at around \$4 in late 2015 and we continue to see further upside. While equities appear fully valued, we believe the market could be poised for a relatively strong period ahead, given rising M&A activity, along with large institutional investors looking to shift their asset allocation away from bonds (which are currently offering no real returns).

During the month, the Fund had 10 stocks that contributed more than 0.25% to performance, while only one position detracted more than 0.25%. Performance during 2017 has been very strong (+25.8%), with the Fund delivering positive returns in every month so far. The Fund's returns have continued to track well ahead of our investment objective and we remind clients to expect net returns closer to our 10% target over the long term.

## Fund Characteristics\*

	CURRENT	AVG SINCE INCEPTION
Number of positions	87	72
Number of long positions	56	49
Number of short positions	31	23
Gross long exposure (%)	122%	147%
Gross short exposure (%)	82%	88%
Gross exposure (%)	204%	234%
Net exposure (%)	40%	59%

## Fund Performance (Net)\*



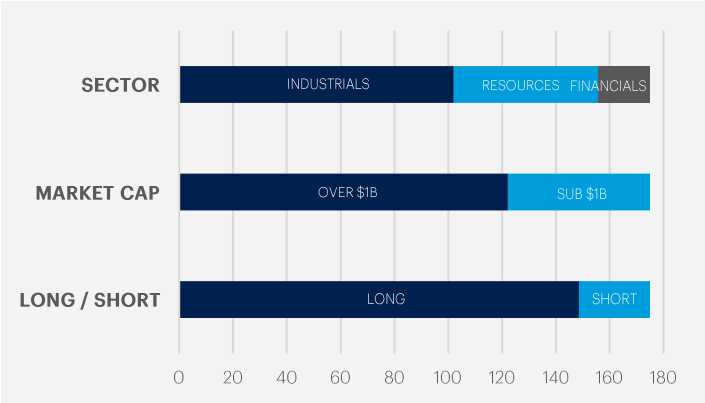
## Performance Metrics (%)\*

	LONG SHORT FUND
One month	2.54
Three month (rolling)	6.28
Calendar YTD	25.77
Financial YTD	9.07
One year	29.27
Two years (p.a.)	35.76
Three years (p.a.)	39.83
Since inception (p.a.)	37.61
Since inception (cumulative)	174.93

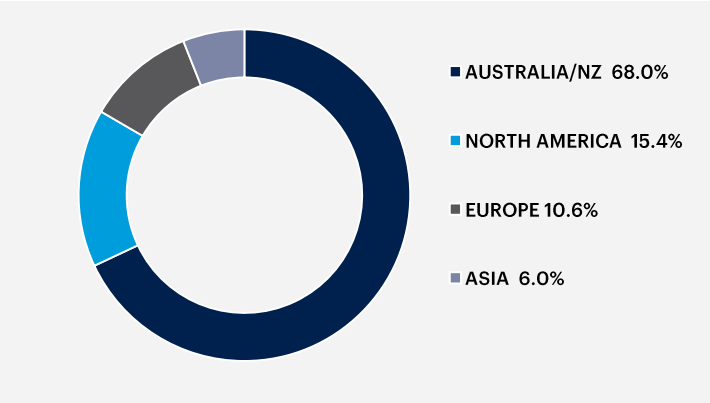
## Risk Metrics\*

	LONG SHORT FUND
Beta	0.24
Sharpe ratio	4.2
Sortino ratio	24.6
Maximum drawdown	2.4%
Percentage of positive months	89.5%
Annualised standard deviation	8.5%
Annualised downside deviation	1.5%

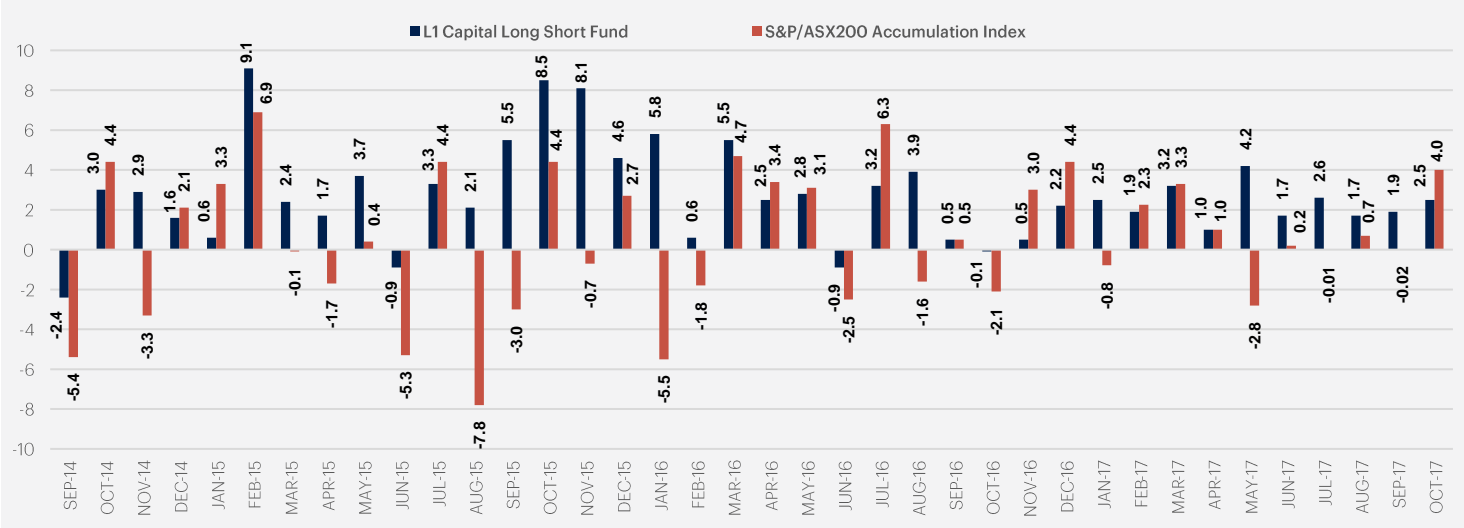
Attribution since inception (Net %)\*



Gross exposure by region\*



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



Fund Information

Name	L1 Capital Long Short Fund
Class of Units	Monthly
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](http://www.L1.com.au)

Phone +61 3 9286 7000  
Fax +61 3 9286 7099  
Email [info@L1.com.au](mailto: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.