



July 31, 2018

L1 Long Short Fund Limited

(ASX Code: LSF)

Key Details

ASX code	LSF
Share price	\$1.93
Market capitalisation	\$1.28b
Shares on issue	664,839,144
Listing date	24 April 2018

Net Tangible Assets Per Share (As at 31 July 2018)

NTA pre-tax	\$1.7987
NTA post-tax	\$1.8602

Source: Link Fund Solutions. NTA pre-tax is calculated before all taxes. NTA post-tax is calculated after tax of realised and unrealised gains/losses, deferred tax assets and deferred tax liabilities.

Commentary

The L1 Long Short Fund Limited returned 1.0% in the month of July.

The ASX200 closed the month above 6200 for the first time in 10 years. Global indices outperformed the local market as positive US data and earnings pushed up the S&P500 and European equity markets recovered some recent underperformance. This was despite ongoing US/China trade threats and US/Iran tensions post the nuclear deal withdrawal.

The Company generated positive returns from longs in Industrials, as well as shorts in both Healthcare and Materials. Energy, Consumer Discretionary and Real Estate detracted. Brent oil fell 7% to US\$69/barrel in July.

Clydesdale Bank (long) rallied 8% over the month, as the company announced a highly accretive acquisition of Virgin Money. The acquisition is expected to generate GBP120m in pre-tax synergies and enhance the company's strong earnings growth outlook. The shares are trading on a P/E of only 9x in FY20, with earnings expected to grow around 10% p.a. over the medium term.

Qantas (long) continued to rally, up 9% for the month, on the back of strong operational performance in its domestic franchise, along with the fall in oil prices.

Downer (long) rose 9% in July, as the shares recovered from oversold levels in June. The market has become increasingly comfortable with the Spotless acquisition, with management providing upbeat commentary on the synergies and earnings outlook for both Spotless and the core Downer business.

One of the worst performers in July was **Nufarm** (long) down 19%. Nufarm lowered its earnings expectations for the full year due to severe drought conditions in Australia, along with an unexpected delay for a key product approval in France (Imidacloprid). We believe Nufarm is well positioned to deliver strong earnings growth for many years to come, due to its exciting Omega 3 technology, along with its growing European distribution footprint.

Overview and Investment philosophy

L1 Long Short Fund Limited has been established to invest in a portfolio of predominantly Australian and New Zealand securities, with up to 30% invested in global securities. The Company has the ability to both buy and short-sell securities, which provides a flexible strategy to deal with changing stock market conditions. The objective is to deliver strong, positive, risk-adjusted returns to investors over the long term. The portfolio is managed by L1 Capital Pty Ltd, which has established a reputation for offering clients best of breed investment products. L1 Capital manages money for a range of clients including large superannuation funds, endowment funds, financial planning groups, asset consultants, family offices, high net worth individuals and retail investors.

DISCLAIMER: This communication has been prepared for L1 Long Short Fund Limited (ACN 623 418 539) by its investment manager, L1 Capital Pty Ltd (ABN 21 125 378 145 and AFS License 314302). L1 Capital Pty Ltd 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 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 is not a reliable indicator of future performance.

Portfolio Exposures (Month End)

Number of positions	83
Number of long positions	45
Number of short positions	38
Gross long exposure (%)	116%
Gross short exposure (%)	64%
Gross exposure (%)	179%
Net exposure (%)	52%

Investment Guidelines

Typical number of positions	50-100 securities
Geographic exposures	Max 30% outside of Aust/NZ
Net exposure limits	Max 150% of NAV; typically 30-90%
Gross exposure limits	Max 300% of NAV; typically 150%-300%

Net Performance

1 month	1.0%
Total return since inception	(10.1%)

Source: Link Fund Solutions. Net performance is defined as the movement in NTA pre-tax. Performance is shown after all applicable fees and charges.

Board of Directors

Andrew Larke	Independent Chair
John Macfarlane	Independent Director
Harry Kingsley	Independent Director
Raphael Lamm	Non-Independent Director
Mark Landau	Non-Independent Director

Key Contacts

Company secretaries	Mark Licciardo Adam Sutherland
Investor relations	Wayne Murray WMurray@L1.com.au
Manager	L1 Capital Pty Ltd +61 3 9286 7000 info@L1LongShort.com
Registry	Link Market Services Limited 1300 554 474 registrars@linkmarketservices.com.au