

L1 Long Short Fund Limited – Prospectus

ACN 623 418 539

Offer of up to 250,000,000 fully paid ordinary Shares at an Application Price of \$2.00 per Share (with the ability to accept applications for up to a further 50,000,000 shares in oversubscriptions).

Date issued 16 February, 2018



L1 CAPITAL

Sole Arranger and Joint Lead Manager:



AFS Licence 230686

Joint Lead Managers:

crestone.

AFS Licence 231127

Morgan Stanley

AFS Licence 233741

morgans

AFS Licence 235410

ORD MINNETT
PRIVATE WEALTH

AFS Licence 237121

 **TAYLOR COLLISON**

AFS Licence 247083

WILSONS

AFS Licence 238383

Co-Managers:

BELL POTTER

AFS Licence 243480

FNZC

FSP number FSP3202

 **HUNTER**
CAPITAL ADVISORS

AFS Licence 334191



AFS Licence 237504

 **PATERSONS**

AFS Licence 239052

Shaw and Partners

AFS Licence 236048

Important Information

This Prospectus contains important information for you as a shareholder or prospective investor and requires your immediate attention. It should be read in its entirety. If you have any questions as to its contents or the course you should follow, please consult your stockbroker, accountant, solicitor or other professional adviser immediately.

Important Notices

This Prospectus (**Prospectus**) is dated 16 February 2018 and was lodged with the Australian Securities & Investments Commission (**ASIC**) on that date. It is issued by L1 Long Short Fund Limited (ACN 623 418 539) (**Company**) and is an invitation to apply for up to 250,000,000 Shares at an Application Price of \$2.00 per Share (with the ability to accept applications for up to a further 50,000,000 shares in oversubscriptions).

None of ASIC, ASX or their respective officers take responsibility for the contents of this Prospectus.

This document is important and requires your immediate attention. It should be read in its entirety. You may wish to consult your professional adviser about its contents.

No Shares will be issued on the basis of this Prospectus later than the expiry date of this Prospectus, being the date 13 months after the date of this Prospectus.

ASX Listing

The Company will apply within 7 days after the date of this Prospectus for admission to the official list of ASX and for the Shares to be quoted on ASX.

The fact that ASX may admit the Company to the official list and quote the Shares is not to be taken in any way as an indication of the merits of the Company. Neither the ASX nor its officers take any responsibility for the contents of this Prospectus. If granted admission to the ASX, quotation of the Shares will commence as soon as practicable after holding statements are dispatched.

The Company does not intend to issue any Shares unless and until the Shares have been granted permission to be quoted on the ASX on terms acceptable to the Company. If permission is not granted for the Shares to be quoted before the end of 3 months after the date of this Prospectus or such longer period permitted by the Corporations Act or with the consent of ASIC, all Application Monies received under the Prospectus will be refunded without interest to Applicants in full within the time prescribed by the Corporations Act.

Exposure Period

Pursuant to the Corporations Act, this Prospectus is subject to an exposure period of 7 days after the date of the Prospectus, which period may be extended by ASIC by a further period of 7 days (**Exposure Period**).

The Exposure Period enables this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus.

Application Forms received prior to the expiration of the Exposure Period will not be processed until after the Exposure Period. No preference will be conferred on Application Forms received during the Exposure Period and all Application Forms received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date.

Intermediary Authorisation

The Company does not hold an Australian Financial Services Licence (**AFSL**) under the Corporations Act. Accordingly, offers under this Prospectus will be made under an arrangement between the Company and holders of an AFSL (**AFSL Holders**) under

Section 911A(2)(b) of the Corporations Act. The Company will only authorise AFSL Holders to make offers to people to arrange for the issue of Shares by the Company under the Prospectus and the Company will only issue Shares in accordance with such offers if they are accepted.

The Joint Lead Managers will manage the Offer on behalf of the Company. The Joint Lead Managers are National Australia Bank Limited (**Sole Arranger**), Morgan Stanley Australia Securities Limited, Ord Minnett Limited, Taylor Collison Limited, Wilsons Corporate Finance Limited, Morgans Financial Limited and Crestone Wealth Management Limited. The Co-Managers are Shaw and Partners Limited, Hunter Capital Advisors Pty Ltd, Bell Potter Securities Limited, Patersons Securities Limited, First NZ Capital Securities Limited and Macquarie Equities Limited. The Joint Lead Managers' functions should not be considered as an endorsement of the Offer, nor a recommendation of the suitability of the Offer for any investor. The Joint Lead Managers do not guarantee the success or performance of the Company or the returns (if any) to be received by investors. Neither the Joint Lead Managers nor any other AFSL Holder is responsible for, or has caused the issue of, this Prospectus.

Investment Decision

Applicants should read this Prospectus in its entirety before deciding to apply for Shares. This Prospectus does not take into account your individual investment objectives, financial situation or any of your particular needs. You should seek independent legal, financial and taxation advice before making a decision whether to invest in the Company.

An investment in this Company carries risks. An outline of some of the risks that apply to an investment in the Company is set out in Section 5. Applicants are urged to consider this Section of the Prospectus carefully before deciding to apply for Shares.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained or taken to be contained may not be relied on as having been authorised by the Company in connection with the Offer.

Forward Looking Statements

This Prospectus contains forward looking statements. Forward looking statements are not based on historical facts, but are based on current expectations of future results or events. These forward looking statements are subject to risks, uncertainties and assumptions which could cause actual results or events to differ materially from the expectations described in such forward looking statements. While the Company believes that the expectations reflected in the forward looking statements in this Prospectus are reasonable, no assurance can be given that such expectations will prove to be correct. The risk factors set out in Section 5, as well as other matters as yet not known to the Company or not currently considered material by the Company, may cause actual results or events to be materially different from those expressed, implied or projected in any forward looking statements. Any forward looking statement contained in this Prospectus is qualified by this cautionary statement.

Prospectus

An electronic version of this Prospectus (**Electronic Prospectus**) can be downloaded from www.L1LongShort.com/. The Offer or invitation to which the Electronic Prospectus relates is only available to persons receiving the Electronic Prospectus in Australia and New Zealand.

The Company will also send a copy of the paper Prospectus and paper Application Form free of charge if the person asks during the application period.

If you download the Electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by a copy of the Application Form. The Shares to which the Electronic Prospectus relates will only be issued to Applicants who complete the Application Form accompanying the Prospectus and submit that form to the Company together with Application Monies.

Offer to New Zealand Investor Warning

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that

market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

How to Apply

You can only make an Application for Shares under the Offer by completing and submitting an Application Form. You can find detailed instructions on completing the Application Forms on the back of the paper Application Form. You will be provided with prompts and instructions to assist you to complete the electronic Application Form.

Applications must be for a minimum of 2,500 Shares at \$2.00 each (i.e. for a minimum subscription amount of \$5,000). A larger number of Shares may be applied for in multiples of 100 Shares.

Applications

Applications and Application Monies for Shares under the Offer received after 5:00 p.m. (Sydney time) on the Closing Date will not be accepted and will be returned to potential investors.

Applications must be accompanied by payment in Australian currency.

Cheques in respect of Applications should be made payable to "L1 Long Short Fund Limited" and crossed "Not Negotiable".

No stamp duty is payable by Applicants.

Application Forms

Completed paper Application Forms, together with Application Monies, should be forwarded to the following address:

By Mail

L1 Long Short Fund Limited
c/- Link Market Services
Limited
Locked Bag A14
Sydney South NSW 1235

Hand Delivered

L1 Long Short Fund Limited
c/- Link Market Services
Limited
1A Homebush Bay Drive
Rhodes NSW 2138

Alternatively, Applicants can apply online and pay their Application Price by BPAY.

When to Apply

Completed Application Forms and Application Monies under the Offer must be received by 5:00 pm (Sydney time) on the Closing Date. The Directors may close the Offer at any time without prior notice or extend the period of the Offer in accordance with the Corporations Act.

The Directors reserve the right to allocate any lesser number of Shares than those for which the Applicant has applied. Where the number of Shares allotted is fewer than the number applied for, surplus Application Monies will be refunded without interest.

Glossary of Terms

Defined terms and abbreviations included in the text of this Prospectus are set out in the Glossary in Section 11.

Highlights of the Offer

Important Dates

Lodgement of Prospectus with ASIC	16 February 2018
Offer expected to open	5 March 2018
Broker Firm Offer expected to close	29 March 2018
General Offer expected to close	6 April 2018
DvP Settlement	17 April 2018
Expected date of allotment / date of dispatch of holding statements	18 April 2018
Shares expected to commence trading ASX	24 April 2018

The above dates are subject to change and are indicative only and times are references to Sydney time. The Company reserves the right to amend this indicative timetable subject to the Corporations Act and the ASX Listing Rules. In particular, the Company reserves the right to close the Offer early, extend the Closing Date or accept late Applications.

Key Offer Statistics

Company	L1 Long Short Fund Limited (ACN 623 418 539)
Proposed ASX code	LSF
Shares offered	Fully paid ordinary Shares
Minimum number of Shares available under the Offer	50,000,000
Minimum proceeds from the Offer	\$100,000,000
Maximum number of Shares available under the Offer (before oversubscriptions)	250,000,000
Maximum proceeds from the Offer (before oversubscriptions)	\$500,000,000
Maximum number of Shares available under the Offer assuming oversubscriptions are fully subscribed	300,000,000
Maximum proceeds from the Offer assuming oversubscriptions are fully subscribed	\$600,000,000
Application Price per Share	\$2.00
Pro forma Net Asset Value (NAV) backing per Share if the minimum subscription amount is raised (based on pro forma balance sheet set out in Section 6.2)	\$2.00
Pro forma NAV backing per Share if the maximum subscription amount is raised (before oversubscriptions) (based on pro forma balance sheet set out in Section 6.2)	\$2.00
Pro forma NAV backing per Share if the maximum subscription amount and \$100,000,000 in oversubscriptions is raised (based on pro forma balance sheet set out in Section 6.2)	\$2.00

Enquiries

Investors with questions relating to the Offer or who require additional copies of the Prospectus should contact the Company, on 1800 129 431 or +61 1800 129 431 (outside Australia) or via email to info@L1LongShort.com.

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Chairman's Letter

16 February 2018

Dear Investor,

On behalf of the Directors of the Company, I am pleased to present this Prospectus and offer you the opportunity to become a shareholder in L1 Long Short Fund Limited (ACN 623 418 539) (**Company**), a new listed investment company.

The Company is seeking to raise up to \$500,000,000 under the Offer (before Oversubscriptions) and to obtain a listing on the Australian Securities Exchange (**ASX**). The Offer is open to investors in Australia and New Zealand.

The Company has been established to invest in a portfolio of predominantly Australian and New Zealand Securities, with up to 30% of the gross exposure allowed in Global Securities. The Company's objective is to deliver strong, positive, risk-adjusted returns to investors over the long term.

The Company's portfolio will be managed by L1 Capital Pty Limited (**Manager**), which was founded in 2007 by Mr Raphael Lamm and Mr Mark Landau and has approximately \$3 billion of funds under management (as at 31 December 2017).

The Manager's existing unlisted L1 Capital Long Short Fund has a strong track record of historical performance, having delivered an average compound return of 36.9% p.a. (after fees) since it was launched in September 2014 up until December 2017. Over the same period, the S&P / ASX200 Accumulation Index (**ASX200 AI**) has achieved an average compound annual return of 6.9% p.a. Importantly, the existing Fund's historical returns have been achieved with significantly less volatility and market risk than the ASX200 AI. The existing Fund has also demonstrated historically strong downside protection during periods of market stress, outperforming the ASX200 AI in all months (up until 31 December 2017) where the ASX200 AI fell (17 separate occasions).

The investment strategy and processes that L1 Capital will apply to the Company's portfolio are the same as those employed by the Manager for the existing unlisted L1 Capital Long Short Fund. However, investors should be aware that the historical performance of the existing unlisted L1 Capital Long Short Fund is not indicative of future performance of the Company's portfolio and it is particularly important for investors to review carefully the risks associated with an investment in the Company. These risks are set out in detail in Section 5 and summarised in the Key Investment Risks Section at the beginning of this Prospectus.

The Company is also very pleased that the Manager has agreed to provide the following commitments to the Company, which the Board believes help align their interests with shareholders:

1. The Manager has agreed to reimburse the company for all set up costs incurred. The Company will recover the initial set up costs from the Manager from Management Fees that would otherwise have been payable to the Manager. The Manager will not receive a Management Fee until those costs have been reimbursed in full;
2. The Manager will pay for the vast majority of the Company's ongoing operating costs, including ASX and ASIC fees, legal and registry costs and any fees charged by the Company's administrator. For corporate governance reasons, the Manager will not pay for the Directors fees and associated expenses or audit expenses;
3. The Manager has agreed that its owners will reinvest in the Company all of their after-tax proceeds from any Performance Fees generated from the Company and these Shares will be escrowed for up to 10 years from listing; and
4. Mr Raphael Lamm and Mr Mark Landau have each agreed to invest \$5 million into the Company under the Offer.

You are encouraged to read the Prospectus carefully as it contains detailed information about the Company and the Offer.

On behalf of the Board, I look forward to welcoming you as a Shareholder in the Company.

Yours sincerely



Andrew Larke
Chairman

This is a summary only. This Prospectus should be read in full before making any decision to apply for Shares.

Question	Answer	More Information
A. KEY INVESTMENT HIGHLIGHTS AND KEY RISKS		
What are the benefits of the Offer?	<p>The Offer aims to provide investors with:</p> <ol style="list-style-type: none"> access to a Portfolio that: <ul style="list-style-type: none"> will be predominantly comprised of Long and Short Positions in Australian & NZ Securities; can comprise Global Securities of up to 30% of the Portfolio's gross exposure; aims to deliver strong, positive, risk-adjusted returns over the long term (being a period of more than 5 years); and will be seeking to preserve capital. access to a manager, L1 Capital Pty Limited (Manager) that: <ul style="list-style-type: none"> has deep expertise across equity markets; has an exceptional network of contacts across all industries and extensive company visitation program; has a very stable investment team (no departures since inception); has significant personal investments made by its senior Investment Team staff alongside investors; and has a strong and robust investment process (see Section 4 for details). 	Sections 3 and 4
What is the business model of the Company?	<p>The Company is a newly incorporated company which has not conducted any business to date.</p> <p>Upon completion of the Offer, the Company will be a listed company that will invest predominantly in Australian Securities (both Long and Short Positions). The Company may invest in Securities, Pre-IPO Securities, Derivatives, currency positions, cash and other permitted investments. Notwithstanding this broad mandate, the Company's Portfolio is expected to be predominantly comprised of Long and Short Positions in Australian and New Zealand Securities (with up to 30% of the Portfolio's gross exposure in Global Securities) (see Sections 3.4, 3.5 and 3.6).</p> <p>The Company's Portfolio will be managed by the Manager in accordance with the terms of the Investment Management Agreement between the Manager and the Company (see Section 9.1 for a summary of this agreement).</p>	Section 3
Will the Company pay dividends?	<p>Delivering a high dividend is not a primary objective of the Investment Strategy or the Manager. The Investment Strategy's primary objectives are focused on delivering positive, risk-adjusted returns to investors while seeking to preserve capital over the long term. As a result, there may be extended periods where the Company does not pay regular franked dividends to Shareholders.</p> <p>Whilst achieving a high dividend yield from the underlying equity portfolio is not a focus of the Manager, the Board of the Company intends to pay fully franked dividends, to the extent permitted by law and the payment being within prudent business practices. This is not intended to be a forecast; it is merely an objective of the Company. The Company may not be successful in meeting this objective.</p> <p>Investors are reminded that the Investment Strategy is not aimed at achieving a high dividend yield from the Portfolio. The Investment Strategy's primary objective is long term capital growth.</p> <p>The amount of any dividend will be at the discretion of the Board and will depend on a number of factors, including the availability of profit reserves and franking credits, future earnings, capital requirements, financial conditions and other factors that the Board deems relevant.</p>	Section 3.7

A. KEY INVESTMENT HIGHLIGHTS AND KEY RISKS (CONTINUED)

What are the key risks associated with the business model and the Offer?

The Company's investment activities will expose it to a variety of risks. The key risks identified by the Company include:

Investment Strategy risk: The success and profitability of the Company will largely depend upon the ability of the Manager to invest in a Portfolio which generates a return for the Company. The past performance of the funds managed by the Manager is not a guide to future performance of the Investment Strategy or the Company. There are risks inherent in the Investment Strategy that the Manager will employ for the Company. An inherent part of the strategy is to identify Securities which are undervalued (or, in the case of Short Positions, overvalued) by the marketplace. Success of such a strategy depends upon the market eventually recognising such value in the price of the Security, which may not necessarily occur. Equity positions, including initial public offerings, may involve highly speculative Securities. The ability of the Manager to construct a long portfolio of Securities that outperforms and a short portfolio of Securities that outperforms are both crucial to the success and profitability of the Company. While certain Short Positions act as a hedge for the Company's long investments, there is a risk that losses are incurred on the long and short portfolios at the same time.

Manager risk: The Company's performance depends on the expertise and investment decisions of the Manager. Its opinion about the intrinsic worth of a company or Security may be incorrect, the Company's investment objective may not be achieved and the market may continue to undervalue the Securities within the Portfolio from time to time. Further, the success and profitability of the Company will largely depend on the Manager's continued ability to manage the Portfolio in a manner that complies with the Company's objectives, strategies, policies, guidelines and permitted investments (see Section 3). Should the Manager become unable to perform investment management services for the Company or should there be significant key personnel changes at the Manager, the Company's investment activities may be disrupted and its performance negatively impacted. Even if the Company does not perform well, it may be difficult to remove the Manager.

Market risk: The Portfolio will be exposed to market risk. The market risk of assets in the Company's Portfolio can fluctuate as a result of market conditions. The value of the Portfolio may be impacted by factors such as economic conditions, interest rates, regulations, sentiment and geopolitical events as well as environmental, social and technological factors. The Manager will seek to reduce market and economic risks to the extent possible. In addition, as the Company will be listed on the ASX, the Shares will be exposed to market risks. As a result, the Share price may trade at a discount or a premium to its NTA.

Derivative risk: The Company may invest in Exchange Traded Derivatives and Over-the-counter Derivatives including options, futures and swaps, currency, and credit default exposures, currency forwards/contracts and related instruments. The Company may use derivative instruments for risk management purposes and to take opportunities to increase returns. Investments in Derivatives may cause losses associated with the value of the Derivative failing to move in line with the underlying Security or as expected. Derivative transactions may be highly volatile and can create investment leverage, which could cause the Company to lose more than the amount of assets initially contributed to the transaction.

Short Selling risk: There are inherent risks associated with Short Selling. Short Selling involves borrowing Securities which are then sold. If the price of the Securities falls then the Company can buy those Securities at a lower price to transfer back to the lender of the Securities. However, if the price of Securities rises the Company may be required to sell the Securities to the lender at a significant loss. Short Selling can be seen as a form of leverage and may magnify the gains and losses achieved in the Portfolio. While Short Selling may be used to manage certain risk exposures in the Portfolio and increase returns, it may also have a significantly increased adverse impact on its returns. Short Selling exposes the Portfolio to the risk that investment flexibility could be restrained by the need to provide collateral to the Securities lender and that positions may have to be liquidated at a loss and not at a time of the Manager's choosing. Section 3.5(c) contains examples of how losses from Short Selling can have a materially adverse effect.

Investors should read these risks together with the other risks described in Section 5

A. KEY INVESTMENT HIGHLIGHTS AND KEY RISKS (CONTINUED)

What are the key risks associated with the business model and the Offer?

Foreign issuer and market risk: The Company's investment objective and strategies are focused on Australian and New Zealand Securities, however, it can invest in up to 30% of the Portfolio's gross exposure in Global Securities. Investments in foreign companies may be exposed to a higher degree of sovereign, political, economic, market and corporate governance risks than Australian and New Zealand investments.

Currency risk: Investing in assets denominated in a foreign currency creates an exposure to foreign currency fluctuations, which can change the value of the Portfolio's investments measured in Australian dollars. For example, if an equity investment is denominated in a foreign currency and that currency depreciates in value against the Australian dollar, the value of that investment may depreciate when translated into Australian dollars and the Portfolio may suffer a loss as a result (notwithstanding that the underlying equity has appreciated in value in its currency of denomination). The Manager will seek to regularly monitor price movements for Global Securities and may perform currency trades to maintain an Australian dollars hedged portfolio. While it is the general intention of the Manager to hedge the portfolio into Australian Dollars, the Manager is allowed to leave Global Securities unhedged if the Manager believes this would be in the best interests of the Company. This decision may result in gains or losses in local currency terms.

Counterparty and Collateral risk: The Company uses the services of Prime Brokers to facilitate the lending of Securities to Short Sell. Until the Manager returns a borrowed Security, it will be required to maintain assets with the Prime Brokers as Collateral. As such, the Company may be exposed to certain risks in respect of that Collateral.

Liquidity risk: The Company is exposed to liquidity risk in relation to the investments within its Portfolio. If a Security cannot be bought or sold quickly enough (or at all) to minimise potential losses, the Company may have difficulty satisfying commitments associated with financial instruments. If the Company is unable to buy or sell Securities, it may suffer significant losses. The Company's Shares are also exposed to liquidity risk. The ability of an investor in the Company to sell their Shares on the ASX will depend on the turnover or liquidity of the Securities at the time of sale. Therefore, investors may not be able to sell their Shares at the time, in the volumes or at the price they desire.

Compensation fee structure risk: The Manager receives compensation based on the Portfolio's performance. The performance fee may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case in the absence of a fee based on the performance of the Portfolio.

Leverage risk: The Manager is permitted to borrow on behalf of the Company. The Manager may use debt to increase the scale of the Portfolio of the Company or to purchase Securities outside of Australia in the relevant currency (for example in USD to purchase US Securities). There are risks in using leverage in this manner. The use of Derivatives and Short Selling may have an effect similar to debt leverage in that it can magnify the gains and losses achieved in the Portfolio in a manner similar to a debt leveraged portfolio. These risks give rise to the possibility that positions may have to be liquidated at a loss and not a time of the Manager's choosing. There are limits on leverage that the Company may undertake. These are set out in Section 3.5(a).

Default risk: Investment in Securities and financial instruments generally involves third parties as custodial and counter parties to contracts. Use of third parties carries risk of default and failure to secure custody which could adversely affect the value of the Company. The Company will use the services of the Prime Brokers and outsource key operational functions including investment management, custody, execution, administration and valuation to a number of third party service providers. There is a risk that third party service providers may intentionally or unintentionally breach their obligations to the Company or provide services below standards which are expected by the Company, causing loss to the Company.

Investors should read these risks together with the other risks described in Section 5

B. KEY INFORMATION ABOUT THE PORTFOLIO AND INVESTMENT STRATEGY

What is the Company's investment strategy?	<p>The Company has been established to provide investors with access to an actively managed equity portfolio of Securities that the Manager considers represent attractive value and quality. The Company's Portfolio will be constructed in accordance with the Manager's investment approach which aims to deliver positive absolute returns to investors while seeking to preserve capital over the long term. The Manager will seek to identify mispriced Securities with the potential to provide attractive risk-adjusted returns. The Company may also take Short Positions in Securities issued by companies that the Company considers to be overvalued or of low quality and/or over-gearred. In addition, the Company may use Derivatives to hedge the portfolio's market exposure and to enhance returns (while limiting potential capital losses). The Company may hold Long or Short Positions or use Derivatives to profit from this mispricing.</p>	Sections 3.2, 3.3, 3.5, 4.3 and 4.4
How will the Portfolio be constructed?	<p>The Manager is responsible for the Portfolio construction. The Portfolio will be constructed in accordance with the Investment Guidelines agreed with the Company from time to time (initially being the guidelines set out in Section 3.5 of this Prospectus) and the Investment Process sets out in Section 4.4 of this Prospectus. The Company will invest in a portfolio designed to deliver strong risk adjusted returns while seeking to preserve capital over the long term.</p> <p>The Company may invest in Securities, Pre-IPO Securities, Derivatives, currency positions, cash and other permitted investments (See Sections 3.4, 3.5 and 3.6 for full details). Notwithstanding this broad mandate, the Portfolio is expected to be predominantly comprised of Long and Short Positions in Australian & NZ Securities (with up to 30% of the Portfolio's gross exposure at the time of trade initiation in Global Securities).</p> <p>The Company will typically invest in a number of Long and Short Positions (typically between 50 and 100), that the Manager considers attractively valued. The Company's Investment Strategy does not require there to be a minimum or a maximum number of Securities within the Portfolio as the opportunities at any given time will depend on market conditions.</p> <p>There are no geographic or industry limitations within the Company's Investment Strategy. There is a limit to the percentage of the Portfolio which can be invested in Securities from outside of Australia and New Zealand.</p> <p>As part of the Investment Strategy, Derivatives may also be used to hedge physical positions, gain market exposure to underlying Securities or for other portfolio management purposes.</p> <p>It is expected that the Portfolio will typically have net exposure (that is Long Positions minus Short Positions within the Portfolio) of 30% to 90% of the Portfolio's NAV.</p>	Sections 3.4 and 3.5
What is the Company's leverage policy?	<p>The Manager is permitted to borrow on behalf of the Company. The Manager may use borrowings to increase the scale of the Portfolio of the Company or to purchase Securities outside of Australia in the relevant currency (for example in USD to purchase US Securities).</p> <p>In addition, the use of Derivatives and Short Selling may have an effect similar to debt leverage in that it can magnify the gains and losses achieved in the Portfolio in a manner similar to a debt leveraged portfolio. These risks give rise to the possibility that positions may have to be liquidated at a loss and not at a time of the Manager's choosing.</p> <p>Leverage is also created as the proceeds from Short Selling borrowed Securities are reinvested in the long portfolio. The Company may also borrow by Short Selling securities. In simple terms, because the Company's gross exposure (equalling the sum of Long and Short Positions) is greater than the amount of investors' capital, leverage is created. Unlike debt leverage however, the leverage is to the Security selection success of the Manager only. The only debt leverage providers are the Prime Brokers.</p> <p>There will be a maximum net exposure of 1.5 times the Portfolio's NAV (or 150%) and a maximum gross exposure of 3 times the Portfolio's NAV (or 300%). It is expected that the gross exposure of the Company will typically be between 150-300% of the Portfolio's NAV.</p> <p>It should be noted that while the Portfolio may have gross exposure of up to 300% of its NAV, investors in the Company would not have an exposure in excess of 100% of their investment in the Company's Shares.</p>	Section 3.5(a)

B. KEY INFORMATION ABOUT THE PORTFOLIO AND INVESTMENT STRATEGY (CONTINUED)

What is the Company's valuation policy?	<p>The Company's valuation policy is set out in Section 3.10.</p> <p>The assets of the Company will be valued using market accepted practices to accurately and independently price all Securities and other assets within the Portfolio.</p>	Section 3.10
What is the Company's Derivatives policy?	<p>The Company's mandate allows for the Manager to invest in Exchange Traded Derivatives and Over-the-counter Derivatives, including options, future, swaps and equivalent cash settled instruments, which are traded on an exchange and/or non-exchange traded Derivative instruments dealt in on an over-the-counter basis. The underlying instruments include, but are not limited to financial indices, single stock options, interest rates, foreign exchange rates or currencies.</p> <p>The Manager chooses counterparties that are institutions subject to prudential supervision. All of the Company's Derivatives counterparties must have, in the Manager's reasonable opinion, sufficient expertise and experience in trading such financial instruments.</p>	Section 3.5(b)
Will the Company participate in Short Selling?	<p>The Company will engage in Short Selling as a component of the Investment Strategy to seek to benefit from falling Security prices and manage risk.</p> <p>The Company is expected to engage in Short Selling by borrowing securities from the Prime Brokers and providing Collateral on the terms and conditions set out in the International Prime Brokerage Agreements (see Section 9.3 for details).</p> <p>Short Selling can magnify gains in the Portfolio, but can also magnify losses. To manage this risk, the Company has adopted the policy in Section 3.5(c). For key risks to the Company associated with Short Selling, please see Section 5.3.</p>	Section 3.5(c)
What is the time frame for Portfolio construction?	<p>The Manager intends to deploy capital as quickly as practicable without impacting equity prices and existing portfolios of the Manager. However, the pace of the Company's capital deployment will be dependent on market conditions. Accordingly, the Manager estimates that it may take up to 3 months from the Company's listing on the ASX to construct the initial Portfolio.</p>	Section 3.4
Will the Company hold currency positions?	<p>International investments create an exposure to foreign currency fluctuations, which can change the value of the investments measured in the Portfolio's base currency (Australian Dollars). The Manager may manage the currency exposures of the Portfolio using Derivatives (e.g. foreign exchange forwards, swaps, non-deliverable forwards and currency options) as well as cash foreign exchange trades.</p> <p>In general, the Manager intends to hedge the Portfolio into Australian Dollars. However, the Manager may leave Global Securities unhedged if the Manager believes this to be in the best interests of the Company. This decision may result in gains or losses in local currency terms.</p>	Section 3.5(b)
What is the investment term?	<p>The Company's investment objective is to achieve a targeted positive return over the long term (being a period of more than 5 years) while seeking to preserve capital.</p> <p>For this reason investors are strongly advised to regard any investment in the Company as a long term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur over that period and beyond.</p>	Sections 3.3 and 5.7

C. KEY INFORMATION ABOUT THE COMPANY AND MANAGER

Who are the Company's Directors?	<p>The Directors of the Company are:</p> <ul style="list-style-type: none"> (a) Andrew Larke (Independent Chair); (b) John Macfarlane (Independent Director); (c) Harry Kingsley (Independent Director); (d) Raphael Lamm (Non Independent Director); and (e) Mark Landau (Non Independent Director). <p>See Section 8.2 for further details regarding the background of the Directors.</p>	Section 8
What is the financial position of the Company?	<p>The Company has no performance history as it is yet to commence trading.</p> <p>Pro-forma statements of financial position are set out in Section 6.</p>	Section 6
Who will manage the Portfolio?	<p>L1 Capital Pty Limited (ACN 125 378 145) is the Manager.</p> <p>The Manager will provide management services in accordance with the Investment Management Agreement (summarised in Section 9.1).</p> <p>Raphael Lamm and Mark Landau, as Chief Investment Officers (CIOs) of the Manager, will have primary responsibility for the investment decisions of the Manager. However, the Manager will ensure that each member of the Investment Team will be available to devote the amount of time required for the Manager to properly perform its functions as investment manager of the Company.</p> <p>See Section 4.7 for detailed information regarding the experience and expertise of each of the members of the Investment Team.</p> <p>The Board believes that its Directors and the Manager together bring together the required experience and expertise in funds management, listed securities and corporate governance to successfully achieve the investment obligations of the Company.</p>	Section 4
Does the Board approve investments?	<p>Board approval is not required for investments undertaken by the Manager that are in accordance with the Company's investment objectives, strategies, guidelines and permitted investments agreed from time to time (initially being those summarised in this Prospectus). Any investments that the Manager proposes outside of these parameters must be approved by the Board.</p>	See Sections 3.6 and 9.1
What experience does the Manager have?	<p>The Manager is a global investment manager. The Manager has not previously managed a listed investment company. However, the Manager is the investment manager of the L1 Capital Australian Equities Fund, the L1 Capital Long Short Fund and the L1 Capital Long Short (Master) Fund (a Cayman entity with associated feeder funds).</p> <p>As at 31 December 2017 the Manager manages approximately \$3 billion.</p> <p>The Manager is authorised under its AFSL to provide general financial product advice to, and deal in financial products on behalf of, wholesale investors for amongst other things, Securities and Derivatives. The respective portfolio managers of the Manager have experience in financial markets and trading Securities. See Section 4.7 for details of the Investment Team's experience.</p> <p>The Board believes that its Directors and the Manager bring together the required experience and expertise in funds management, Global Securities and corporate governance. The Company's investment objectives, Investment Strategy and policies are the same as those of the L1 Capital Long Short Fund. Please see Sections 4.4 and 4.5 for more information on the Manager's investment process and experience.</p>	Section 4

C. KEY INFORMATION ABOUT THE COMPANY AND MANAGER (CONTINUED)

<p>What experience does the Manager have? (continued)</p>	<p>The Company considers that the performance of the L1 Capital Long Short Fund to be representative of the historical performance of the Investment Strategy, policies and guidelines adopted by the Company and therefore relevant for investors assessing an investment in the Company. Section 4.6 sets out certain information about the historic performance of the L1 Capital Long Short Fund (from inception to 31 December 2017). There can be no certainty that the performance of the Company will be similar to the historic performance of the L1 Capital Long Short Fund. Past performance is not a reliable indicator of future performance. The past performance of the L1 Capital Long Short Fund is not intended to be an indication of the future performance of the Company.</p>	<p>Section 4</p>
<p>Will any related party have a significant interest in the Company or in connection with the Offer?</p>	<p>Each director is a related party of the Company. The Independent Directors will be remunerated for their services.</p> <p>Raphael Lamm and Mark Landau are each a director and indirect owners of the Manager; neither will receive Directors' fees from the Company.</p> <p>In addition to their annual salary (if applicable), each of the Directors will be entitled to be reimbursed for certain costs and expenses. Full details of Director remuneration are set out in Section 8.8.</p> <p>The Directors, and entities associated with them, are permitted to participate in the Offer. At completion of the Offer, the Directors are expected to have a Relevant Interest in the following numbers of Shares:</p> <ul style="list-style-type: none"> (a) Andrew Larke – 525,000 Shares; (b) John Macfarlane – 500,000 Shares; (c) Harry Kingsley – 25,000 Shares; (d) Raphael Lamm – 2,500,000 Shares; and (e) Mark Landau – 2,500,000 Shares. <p>As directors and indirect stakeholders of the Manager, Raphael Lamm and Mark Landau will indirectly benefit from the Management Fees and Performance Fees paid to the Manager in accordance with the Investment Management Agreement.</p> <p>Other than as set out above and in this Prospectus there are no other existing agreements or arrangements nor any currently proposed transactions in which the Company was, or is to be, a participant and in which any related party of the Company had or will have a direct or indirect interest in the Company or the Offer.</p>	<p>Section 8</p>
<p>What are the key terms of the Investment Management Agreement?</p>	<p>Under the Investment Management Agreement, the Manager will be responsible for managing the Portfolio in accordance with the strategy set out in Section 3.2 and the guidelines in Section 3.5 (as amended from time to time by the Company).</p> <p>The Investment Management Agreement has an initial term of 5 years (and unless terminated, automatically extends for periods of 5 years at the end of the initial term and each subsequent term thereafter). The Company will apply to the ASX for a waiver to allow an initial term period of 10 years. If the ASX refuses the waiver application, the initial term of the Investment Management Agreement will be 5 years.</p> <p>Under the Investment Management Agreement, the Manager has agreed to absorb certain costs the Company would normally be liable for.</p> <p>These costs include:</p> <ul style="list-style-type: none"> (a) all of the Company's Offer Costs. These costs will be paid upfront by the Company, however, under the Investment Management Agreement the Company will not pay any Management Fees to the Manager until such time as it has recouped all of the Offer Costs; and (b) the vast majority of the Company's ongoing operating costs, including ASX and ASIC fees, legal and tax advice costs and any fees charged by the Company's fund administrator. These costs will be paid directly by the Manager for the term of the Investment Management Agreement. For corporate governance reasons, the Company remains liable for, and must pay, the accounting and audit costs of the Company and costs and expenses of the Directors (including director fees and D&O insurance costs). 	<p>Section 9.1</p>

C. KEY INFORMATION ABOUT THE COMPANY AND MANAGER (CONTINUED)

What are the key terms of the Investment Management Agreement? (continued)	The Manager is entitled to be paid certain fees under the Investment Management Agreement. These fees include Management Fees (subject to the Investment Management Agreement which stipulates that the Company will not pay such fees until the Company's Offer Costs have been recouped), Performance Fees (noting that, to the extent permitted by law, the after-tax proceeds from these fees will be reinvested in the Company by the L1 Owners) and in certain circumstances, termination fees. For details of these fees, how they are calculated and when they are payable, see Section 9.1.	Section 9.1
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What fees will the Manager receive?	Management Fee	Section 9.1
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In return for the performance of its duties as Manager of the Portfolio, the Manager is entitled to be paid monthly a Management Fee equal to 1.4% (plus GST) per annum (1.4350% inclusive of the net impact of GST and RITC) of the Value of the Portfolio (calculated on the last business day of each month and paid following the end of each month in arrears).

The Management Fee accrues regardless of the performance of the Company, noting that the Management Fee varies month-to-month in proportion to the Value of the Portfolio.

Under the Investment Management Agreement, the Company will not pay any Management Fees that would otherwise have been payable to the Manager, until such time as the Company has recouped the Offer Costs in full.

As a worked example, assuming an initial Value of the Portfolio of \$500,000,000 at 18 April 2018, and nil performance on the Portfolio each month, the Management Fee payable on the portfolio for the 12-month period from 18 April 2018 would be approximately \$6,954,341 (plus GST).

If we assume an initial Value of the Portfolio of \$500,000,000, the estimated Offer Costs to be recouped by the Company are \$15,965,310. In this example, none of the Management Fees that accrue over this 12 month period would be paid to the Manager and the amount of Offer Costs to be recouped will have been reduced to \$9,010,969.

The Management Fee is to be paid to the Manager regardless of the performance of the Company. Management Fees will increase if the value of the Company's investments increases, and decrease if the value of the Company's investments decreases, over the period.

Performance Fee

In addition to the Management Fee, the Manager is entitled to a fee (**Performance Fee**) equal to 20% (plus GST) of the Portfolio's performance over each 6 month period subject to a high water mark mechanism. The calculation of both the Management Fees and Performance Fees are explained in full in Section 9.1.

Example 1: Performance above the high water mark

Assuming a Performance Calculation Period ending 30 June 2018, an initial Value of the Portfolio of \$500,000,000 (which also represents the high water mark for the first period) and a Value of the Portfolio at the end of the Performance Calculation Period of \$550,000,000 (representing a 10% higher value than at the beginning):

- As the high water mark is \$500,000,000 and the closing Portfolio value is \$550,000,000, there would be an aggregate positive performance of \$50,000,000.
- In this instance, there would be a Performance Fee payable at 20% of this amount equating to \$10,000,000 (plus GST) for the Performance Calculation Period as the Value of the Portfolio is above the high water mark.
- The high water mark would become \$540,000,000 (being the Value of the Portfolio net of the Performance Fee paid at the last Performance Calculation Date).

Example 2: Performance below the high water mark

Assuming a Performance Calculation Period ending 30 June 2018, an initial Value of the Portfolio of \$500,000,000 (which also represents the High Water Mark for the first period), and a Value of the Portfolio at the end of the Performance Calculation Period, that is 5% less than at the beginning of \$475,000,000:

C. KEY INFORMATION ABOUT THE COMPANY AND MANAGER (CONTINUED)

What fees will the Manager receive?

- (a) As the high water mark is \$500,000,000 and the closing Portfolio value is \$475,000,000, there would be an aggregate negative performance of \$25,000,000. Section 9.1
- (b) In this instance:
- (i) there would be no Performance Fee payable for the Performance Calculation Period as the Value of the Portfolio is less than the high water mark;
- (ii) the high water mark remains \$500,000,000.
- (c) The aggregate underperformance of \$25,000,000 is to be carried forward to the following Performance Calculation Period(s) until it has been recouped in full against future Portfolio Performance.

Example 3: Recouping past underperformance against the high water mark

Following on from Example 2 above, assuming a Performance Calculation Period ending 31 December 2018, the high water mark of \$500,000,000, an initial Value of the Portfolio of \$475,000,000, and a Value of the Portfolio at the end of the Performance Calculation Period that is 15% higher than at the beginning of \$546,250,000:

- (a) The aggregate positive performance above the high water mark is only \$46,250,000 (as the High Water Mark is \$500,000,000 and the closing Value of the Portfolio is \$546,250,000).
- (b) The aggregate underperformance of \$25,000,000 from prior Performance Calculation Period(s) as per Example 2 above, is recouped in full against the current Portfolio Performance.
- (c) In this instance:
- (i) there would be a Performance Fee payable at 20% of \$46,250,000 equating to \$9,250,000 (plus GST) for the Performance Calculation Period, as the Portfolio is above the high water mark and prior underperformance has been recouped in full against current Portfolio Performance.
- (ii) the high water mark would become \$537,000,000 (being the Value of the Portfolio net of the Performance Fee paid at the last Performance Calculation Date).

Performance Fee Reinvestment

The Manager and the Company have agreed that, to the maximum extent permitted by law, the L1 Owners will reinvest in the Company their after-tax proceeds from any Performance Fees (**Performance Fee Reinvestment Amount**) via a Share purchase mechanism, the terms of which are dictated by in the Investment Management Agreement. It is expected the Performance Fee Reinvestment Amount will equate to approximately 50% of the pre-tax value of any Performance Fees.

This mechanism is designed to take account of the relationship between the market price of the Shares and the Company's net tangible asset value per Share (**NTA Price**) as follows:

- (a) if the Share Price at the Calculation Time is greater than or equal to the NTA Price, the Company will issue new Shares; or
- (b) if the Share Price at the Calculation Time is less than the NTA Price, the Company will instruct a broker to acquire new Shares on-market.

See Section 10.5 for details of the 'in principle' waiver sought by the Company in relation to the new Shares issued under the reinvestment terms of the Investment Management Agreement.

To the maximum extent permitted by law, the Shares acquired by each of the L1 Owners as a result of the Performance Fee reinvestment terms of the Investment Management Agreement will be subject to voluntary escrow for a period which is the earlier of:

- (a) the period of 10 years from the date that the Company is listed on the ASX; or
- (b) the duration of the Investment Management Agreement.

The terms of these L1 Owner Escrow Agreements are summarised in Section 9.5.

The reinvestment of the Performance Fee Reinvestment Amount seeks to further align the ongoing investment performance of the Company with the Manager and its owners.

D. ABOUT THE OFFER

Who is the issuer of the Shares, and this Prospectus?	The issuer is L1 Long Short Fund Limited (ACN 623 418 539).	Section 2
What is the Offer?	The Company is offering for subscription up to 250,000,000 fully paid Shares at an Application Price of \$2.00, to raise up to \$500,000,000 (with the ability to accept \$100,000,000 in oversubscriptions). The Offer also includes the Broker Firm Offer.	Section 2
How do I apply for Shares?	The procedures for making an investment in the Company are described in Section 2. The Joint Lead Managers may be required to obtain identification information from Applicants. The Company reserves the right to reject an Application if that information is not provided upon request.	Section 2
How to participate in the Broker Firm Offer?	Applicants under the Broker Firm Offer should contact their Broker for instructions on how to complete the Broker Firm Application Form accompanying this Prospectus. Shares will be allotted under the Broker Firm Offer provided the Broker Firm Application Forms are received or commitments are given to the Joint Lead Managers to lodge the Broker Firm Application Form by 29 March 2018.	Section 2.2
What is the purpose of the Offer?	The money raised under the Offer will be used by the Company for investments consistent with the Company's Investment Strategy and investment objectives (refer Section 3 for details).	Section 3
What are the fees and costs of the Offer?	<p>The Company will pay the Sole Arranger an arranger fee equal to 0.25% (inclusive of GST) of the total proceeds raised under the Offer.</p> <p>The Company will pay the Joint Lead Managers a management fee equal to 1.25% (inclusive of GST) of the total proceeds raised under the Offer (JLM Fee). The JLM Fee in respect to Offer proceeds up to \$500 million will be split evenly between all the Joint Lead Managers. If more than \$500 million is raised, the JLM Fee in respect to Offer proceeds over \$500 million will be paid in full to the relevant Joint Lead Managers. The Joint Lead Managers will be responsible for paying the fees of the Co-Managers should the Co-Managers raise up to \$100 million collectively. The Company will pay a fee to the Co-Managers if they collectively raise more than \$100 million. This co-manager fee will be between 0.2% to 0.25% (inclusive of GST) of the amount raised by the Co-Managers in excess of \$100 million. The fee paid will depend on how much the relevant Co-Manager raises. The Company may also pay a similar fee to any un-named co-managers.</p> <p>In addition, the Company will pay to each Broker a broker firm selling fee of 1.50% (inclusive of GST) of the total raised by that Broker.</p> <p>The costs of the Offer, net of GST, include legal, accounting, marketing and other costs associated with the preparation of the Prospectus and the issue of Shares.</p> <p>These costs are estimated to be:</p> <ul style="list-style-type: none"> (a) \$3,497,085, assuming the Minimum Subscription; (b) \$14,524,117, assuming the Maximum Subscription; and (c) \$17,380,507, assuming the Offer is fully subscribed and the Company accepts a further \$100,000,000. <p>Shareholders are reminded that under the Investment Management Agreement, the Company will retain certain fees that would otherwise be payable to the Manager until such time as the Company has recouped the Offer Costs in full. The Company will pay the Offer Costs initially, and will then recoup these outlays from fees that would otherwise have been payable to the Manager under the Investment Management Agreement. Please refer Section 9.1 for more detail.</p>	Sections 6.7, 9.1 and 9.2

D. ABOUT THE OFFER (CONTINUED)		
Is the Offer underwritten?	No.	
Who is the Sole Arranger?	National Australia Bank Limited is the Sole Arranger to the Offer.	Sections 2.14 and 9.2
Who are the Joint Lead Managers?	National Australia Bank Limited (the Sole Arranger), Morgan Stanley Australia Securities Limited, Ord Minnett Limited, Taylor Collison Limited, Wilsons Corporate Finance Limited, Morgans Financial Limited and Crestone Wealth Management Limited are Joint Lead Managers to the Offer.	Sections 2.14 and 9.2
Who is the Authorised Intermediary?	National Australia Bank Limited is the Authorised Intermediary to the Offer.	Section 9.2
Who are the Co-Managers?	The Joint Lead Managers have appointed Shaw and Partners Limited, Hunter Capital Advisors Pty Ltd, Bell Potter Securities Limited, Patersons Securities Limited, First NZ Capital Securities Limited and Macquarie Equities Limited as Co-Managers to the Offer.	Section 2.14
Who can participate in the Offer?	Members of the general public who have a registered address in Australia and New Zealand.	Section 2
Can superannuation funds invest?	Yes, subject to the investment mandate of the particular fund and the trustee's general powers and duties.	Section 2
Is there a minimum subscription amount for the Offer to proceed?	Yes, the Company must receive valid Applications for 50,000,000 Shares in order for the Offer to proceed.	Section 2.4
Is there a minimum subscription amount for each Application?	Yes, each Applicant must subscribe for a minimum of 2,500 Shares at the Application Price \$2.00 per share i.e. \$5,000.	Section 2.4
Is there a cooling off period?	No.	Section 2
How can I obtain further information?	Contact L1 Long Short Fund Limited, on 1800 129 431 or +61 1800 129 431 (outside Australia) or email enquiries to info@L1LongShort.com if you have questions relating to the Offer. If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.	

The above table is a summary only. This Prospectus should be read in full before making any decisions to apply for Shares.

This is a summary only. This Prospectus should be read in full before making any decision to apply for Shares.

2.1. The Offer

Shares

The Company is offering for subscription a minimum of 50,000,000 and up to 250,000,000 fully paid ordinary Shares. Shares will be issued at an Application Price of \$2.00 per Share. The Offer will raise between \$100,000,000 and \$500,000,000 (with the ability to accept applications for up to a further 50,000,000 Shares in oversubscriptions). The rights attaching to the Shares are set out in Section 10.3.

The Offer

The Offer is made up of the General Offer and the Broker Firm Offer (detailed in Section 2.2).

The Offer will only be made to investors who have a registered address in Australia and New Zealand.

Early lodgement of your Application is recommended as the Directors may close the Offer at any time after the expiry of the Exposure Period without prior notice. The Directors may extend the Offer in accordance with the Corporations Act. The Directors reserve the right to terminate the Offer at any time.

2.2. Broker Firm Offer

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia or New Zealand

Applicants who have been offered a firm allocation by a Broker will be treated as Applicants under the Broker Firm Offer in respect of that allocation.

To participate in the Broker Firm Offer, your Application Form must be received by your Broker by 5:00pm Sydney time on the Broker Firm Offer Closing Date.

Applicants should contact their Broker to determine whether they may be allocated Shares under the Broker Firm Offer.

2.3. General Offer

The General Offer is open to all Applicants with a registered address in Australia or New Zealand. Staff of the Manager and Directors of the Company are able to participate in the General Offer. See Section 8.6 for details of the Directors' participation.

To participate in the Offer, your Application Form and Application Monies must be submitted to the Registry by 5:00pm (Sydney time) on the Closing Date.

2.4. Minimum Subscription

The minimum subscription amount payable by an individual Applicant under the Offer is \$5,000 (i.e. 2,500 Shares). In addition, there is an aggregate minimum subscription required of \$100,000,000 for the Offer to proceed.

2.5. Offer Not Underwritten

The Offer is not underwritten.

2.6. Applications under the General Offer

Application Forms

Applications under the Offer must be made and will only be accepted on the applicable Application Form that accompanies this Prospectus.

Application Forms will be accepted at any time after the Opening Date and prior to 5:00pm (Sydney Time) on the Closing Date.

An Application Form must be completed in accordance with the instructions on the form (if using a paper Application Form, the instructions are on the reverse side of the Application Form, if using an electronic Application Form, follow the prompts).

Applications under the Offer must be for a minimum of 2,500 Shares (i.e. \$5,000).

Applications and Application Monies for Shares under the Offer received after 5:00 p.m. (Sydney time)

on the Closing Date will not be accepted and will be returned to potential investors.

The Directors may extend the Closing Date. Applications must be accompanied by payment in Australian currency.

Payment by cheque or bank draft

Cheque(s) or bank draft(s) must be drawn on an Australian branch of a financial institution and made payable to "L1 Long Short Fund Limited" and crossed "Not Negotiable".

Payments by cheque will be deemed to have been made when the cheque is honoured by the bank on which it is drawn. Accordingly, Applicants should ensure that sufficient funds are held in the relevant account(s) to cover your cheque(s).

If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheques clear in time for the allocation) is insufficient to pay for the number of Shares you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

Completed Application Forms and accompanying cheques may be lodged with:

By Mail

L1 Long Short Fund Limited
c/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Hand Delivered

L1 Long Short Fund Limited
c/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

Payment by BPAY

You may apply for Shares online and pay your Application Monies by BPAY.

Applicants wishing to pay by BPAY should complete the online Application Form accompanying the electronic version of this Prospectus which is available at www.L1LongShort.com and follow the instructions on the online Application Form (which includes the Biller Code and your unique Customer Reference Number **(CRN)**).

You do not need to complete and return a paper Application Form if you pay by BPAY.

You should be aware that you will only be able to make a payment via BPAY if you are the holder of an account with an Australian financial institution which supports BPAY transactions.

When completing your BPAY payment, please make sure you use the specific Biller Code and your unique CRN provided on the online Application Form. If you do not use the correct CRN your Application will not be recognised as valid.

It is your responsibility to ensure that payments are received by 5.00pm (Sydney time) on the Closing Date. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY, and policies with respect to processing BPAY transactions may vary between banks, credit unions or building societies.

The Company accepts no responsibility for any failure to receive Application Monies or payments by BPAY before the Closing Date arising as a result of, among other things, processing of payments by financial institutions.

2.7. Applications under the Broker Firm Offer

If you are applying for Shares under the Broker Firm Offer, you should arrange for your Broker Firm Application Form to be lodged with the Broker from whom you received your firm allocation.

Broker Firm Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Broker Firm Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with a Broker Firm Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a copy of this Prospectus.

Applicants under the Broker Firm Offer must complete their Broker Firm Application Form and pay their Application Monies to their Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Broker Firm Application Forms to the Company or Registry.

The Broker Firm Offer is expected to close at 5.00pm (Sydney time) on 29 March 2018. Please contact your Broker for instructions.

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions from their Broker. The allocation of Shares to Brokers will be determined by the Company. Shares that are allocated to Brokers for allocation to their Australian and New Zealand resident clients will be issued to the successful Applicants who have received a valid allocation of Shares from those Brokers.

It will be a matter for the Brokers how they allocate Shares among their clients, and they (and not the Company) will be responsible for ensuring that clients who have received an allocation from them, receive the relevant Shares.

The Company and Share Registrar take no responsibility for any acts or omissions by your Broker in connection with your Application, Broker Firm Application Form and Application Monies (including, without limitation, failure to submit Broker Firm Application Forms by the close of the Broker Firm Offer).

Delivery versus payment (**DvP**) settlement is available for Applicants under the Broker Firm Offer. Please contact your broker or the Joint Lead Managers for further details.

Please contact your Broker if you have any questions.

2.8. Exposure Period

The Corporations Act prohibits the Company from processing Applications in the 7 day period after the date of lodgement of this Prospectus with ASIC. This period may be extended by ASIC by up to a further 7 days. Applications received during the Exposure Period will not be processed until after the expiry of that period.

No preference will be conferred on Applications received during the Exposure Period.

2.9. Allocation policy

The basis of allocation of Shares within the General Offer and the Broker Firm Offer will be determined by the Company and the Joint Lead Managers.

Certain Applicants nominated by the Company may be given preference in the allocation of Shares. The Directors currently expect that certain shareholders, directors and employees of the Manager and the Company will participate in the Offer.

The Company reserves the right in its absolute discretion not to issue any Shares to Applicants under the Offer and may reject any Application or allocate a lesser number of Shares than those applied for at its absolute discretion.

2.10. Application Monies

All Application Monies received by the Company will be held by the Company on trust in a separate account until the Shares are issued to successful Applicants. The Company will retain any interest earned on the Application Monies held on trust pending the issue of Shares to successful Applicants.

2.11. Allotment

The Company will not allot Shares until the Minimum Subscription has been received and ASX has granted permission for quotation of the Shares unconditionally or on terms acceptable to the Company. The Company is not currently seeking quotation of its Shares on any financial market other than ASX. The fact that ASX may admit the Company to the Official List and grant official quotation of the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares offered for issue under the Offer.

ASX takes no responsibility for the contents of this Prospectus. Normal settlement trading in the Shares, if quotation is granted, will commence as soon as practicable after the issue of holding statements to successful Applicants. It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive confirmation of their allotment will do so at their own risk.

If ASX does not grant permission for the Shares to be quoted within three months after the date of this Prospectus, the Shares will not be issued and all Application Monies will be refunded (without interest) as soon as practicable.

It is expected that the issue of Shares under the Offer will take place by 18 April 2018.

An Application constitutes an Offer by the Applicant to subscribe for Shares on the terms and subject to the conditions set out in this Prospectus. A binding contract to issue Shares will only be formed at the time Shares are allotted to Applicants.

Where the number of Shares allotted is less than the number applied for or where no allotment is made, the surplus Application Monies will be returned to Applicants (without interest) within the time prescribed by the Corporations Act.

2.12. ASX and CHESS

The Company will apply within 7 days of the date of this Prospectus for admission to the official list of the ASX and for the Shares to be quoted.

The Company will apply to participate in the ASX's CHESS and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in Shares quoted on the ASX under which transfers are affected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in 1 of 2 sub-registers, an electronic CHESS sub-register or an issuer sponsored sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Security Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise

required under ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

2.13. Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.

2.14. Sole Arranger, Joint Lead Managers and Co-Managers

Offers under this Prospectus will be made under an arrangement between the Company and Authorised Intermediary, under Section 911A(2)(b) of the Corporations Act. The Company will only authorise the Authorised Intermediary to make offers to people to arrange for the issue of Shares by the Company under the Prospectus and the Company will only issue Shares in accordance with Applications made under such offers if they are accepted. No fees are payable by the Company with respect to the arrangement with the Authorised Intermediary.

The Company will pay the Sole Arranger an arranger fee equal to 0.25% (inclusive of GST) of the total proceeds raised under the Offer.

The Company will pay the Joint Lead Managers a management fee equal to 1.25% (inclusive of GST) of the total proceeds raised under the Offer (**JLM Fee**). The JLM Fee in respect to Offer proceeds up to \$500 million will be split evenly between all the Joint Lead Managers. If more than \$500 million is raised, the JLM Fee in respect to Offer proceeds over \$500 million will be paid in full to the relevant Joint Lead Managers.

The Joint Lead Managers will be responsible for paying the fees of the Co-Managers should the Co-Managers raise up to \$100 million collectively. The Company will pay a fee to the Co-Managers if they collectively raise more

than \$100 million. This co-manager fee will be between 0.2% to 0.25% (inclusive of GST) of the amount raised by the Co-Managers in excess of \$100 million. The fee paid will depend on how much the relevant Co-Manager raises. The Company may also pay a similar fee to any un-named co-managers.

In addition, the Company will pay to each Broker a broker firm selling fee of 1.50% (inclusive of GST) of the total raised by that Broker.

The Joint Lead Managers have appointed Shaw and Partners Limited, Hunter Capital Advisors Pty Ltd, Bell Potter Securities Limited, Patersons Securities Limited, First NZ Capital Securities Limited and Macquarie Equities Limited as Co-Managers to the Offer.

The Sole Arranger's, the Authorised Intermediary's, the Joint Lead Managers' and the Co-Managers' functions should not be considered as an endorsement of the Offer or a recommendation of the suitability of the Offer for any investor. Neither the Joint Lead Managers nor the Co-Managers guarantees the success or performance of the Company or the returns (if any) to be received by the Shareholders.

Neither the Joint Lead Managers nor the Co-Managers are responsible for or caused the issue of this Prospectus.

2.15. Overseas Investors

The Offer is an offer to Australian and New Zealand Investors. The Offer does not constitute an offer in any place in which, or to any person to whom, it would be unlawful to make such an offer.

United States residents

The Offer is not open to persons in the United States or U.S. Persons.

The Shares being offered pursuant to this Prospectus have not been registered under the US Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor

shall there be any sale of these securities in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. In addition, any hedging transactions involving these securities may not be conducted unless in compliance with the US Securities Act.

Overseas ownership and resale representation

It is your responsibility to ensure compliance with all laws of any country relevant to your Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty made by you to the Company that there has been no breach of such laws and that all necessary consents and approvals have been obtained.

2.16. Privacy

When you apply to invest in the Company, you acknowledge and agree that:

- (a) you are required to provide the Company with certain personal information to:**
- (i) facilitate the assessment of an Application;
 - (ii) enable the Company to assess the needs of Applicants and provide appropriate facilities and services for Applicants; and
 - (iii) carry out appropriate administration;
- (b) the Company may be required to disclose this information to:**
- (i) third parties who carry out functions on behalf of the Company, including marketing and administration functions, on a confidential basis; and
 - (ii) third parties if that disclosure is required by law; and
 - (iii) related bodies corporate (as that term is defined in the Corporations Act) which carry out functions on behalf of the Company.

Under the Privacy Act 1988 (Cth), Applicants may request access to their personal information held by (or on behalf of) the Company. Applicants may request access to personal information by telephoning or writing to the Manager.

2.17. Tax implications of investing in the Company

The taxation consequences of any investment in the Shares will depend on your particular circumstances. It is your responsibility to make your own enquiries concerning the taxation consequences of an investment in the Company. Applicants are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

A general overview of the Australian taxation implications of investing in the Company are set out in Section 10.7 and are based on current tax law and Australian Taxation Office (**ATO**) tax rulings. The information in Section 10.7 is not intended as a substitute for investors obtaining independent tax advice in relation to their personal circumstances. We recommend you seek independent tax advice.

2.18. Anti-Money Laundering / Counter-Terrorism Financing Act 2006

The Company, Manager or Joint Lead Managers may be required under the *Anti-Money Laundering/Counter-Terrorism Financing Act 2006* (Cth) or any other law to obtain identification information from Applicants. The Company reserves the right to reject any Application from an Applicant who fails to provide identification information upon request.

3.1. Overview of L1 Long Short Fund Limited

The Company has been recently incorporated and has not undertaken any business to date. It has been established specifically for the purposes of the Offer and it is proposed that the Company be listed on the ASX as a listed investment company.

The Company has been established to provide investors with access to:

- (a) an actively managed Long and Short Portfolio of Securities; and
- (b) the investment expertise of the Manager.

The Company's Portfolio will be constructed in accordance with the Manager's investment approach which aims to deliver positive absolute returns to investors while seeking to preserve capital over the long term. The Company's Investment Process combines valuation (primarily discounted cash flow) with qualitative considerations (management quality, long-term industry and company structure and business trends) to identify attractive investment opportunities.

3.2. Investment Strategy

The Investment Strategy will use a fundamental, bottom-up research process to seek to identify mispriced Securities with the potential to provide attractive risk-adjusted returns. The Company's Investment Strategy will be implemented by the Manager which will aim to identify and invest in Securities issued by high quality companies with attractive valuations. The Company's assessment of high quality Securities is based on identifying companies with the following characteristics:

- passionate, honest & capable management;
- attractive industry structure;
- favourable operating outlook; and
- strong balance sheet.

The Company may take Short Positions in Securities issued by companies that the Company considers to be overvalued, or of low quality and/or over-gearred. In addition, the Company may use Derivatives to hedge the portfolio's market exposure or to enhance returns (while attempting to limit potential capital losses). The Company may hold Long or Short Positions or use Derivatives to profit from this mispricing.

Other than Securities and Derivatives, the Company will typically be invested in cash or cash equivalent instruments. The Manager does not have allocation ranges or limits for the types of assets that it may invest in.

The Manager will seek to diversify the Company's Portfolio as it deems appropriate and consistent with the Company's investment objectives. The Manager will also seek to diversify the Company's Portfolio to manage the risks associated with Short Selling.

The Portfolio will be constructed in accordance with the Manager's investment philosophy which is based on the following 3 core beliefs:

- valuation and qualitative factors are the key drivers of long term share price performance;
- the market continually present opportunities to investors who are unemotional and long term in their assessment of business potential; and
- successful bottom-up investing requires detailed research and an independent thought process.

The Manager seeks to select Securities that are attractive based on its assessment of:

- value;
- qualitative factors; and
- a company's balance sheet.

This is explained further below.

Value

The Manager will determine what it considers will be the expected future cash flows to establish value using a Discounted Cashflow Model (**DCF**) analysis. Such valuations may be cross checked by reference to both historical and peer valuation multiples. See Section 4.4(d) for more details.

Qualitative factors

The qualitative factors that will be considered include assessing:

- management (including board, senior management and operational staffs) quality assessed by a wide range of factors including management's track record, operational capacity, focus on shareholders, transparency and honesty;
- industry and company structure and outlook including barriers to entry, growth outlook, prevalence of rivals or substitutes and competition; and

- business trends including the supply and demand outlook, relevant regulations, consolidation and asset utilisation.

A company's balance sheet

This will be evaluated to ensure:

- gearing levels are appropriate and manageable; and
- debt rollovers are unlikely to pose a significant risk to equity investors.

From time to time, the Manager may also use Derivatives to hedge existing Positions or profit from any opportunities identified through its research process.

3.3. Investment objectives

The Company's investment objectives are:

- to deliver strong, positive, risk-adjusted returns over the long term (being a period of more than 5 years); and
- seeking to preserve capital.

The investment objectives of the Company are not forecasts. The Company may not be successful in meeting its objectives.

3.4. Portfolio construction

The Company may invest in Securities, Pre-IPO Securities, Derivatives, currency positions and cash (see Section 3.6 for full details). Notwithstanding this broad mandate, the Portfolio is expected to be predominantly comprised of Long and Short Positions in Australian and New Zealand Securities, however it is permitted to hold up to 30% of the Portfolio's gross exposure (at the time of trade initiation) in Global Securities.

The Company will typically invest in a select number of Long and Short Positions (typically between 50 and 100), that the Manager considers mispriced and offering an attractive risk/reward opportunity.

The Portfolio will be constructed in accordance with Investment Guidelines agreed between the Company and the Manager from time to time (initially as set out in Section 3.5) and the Investment Process set out in Section 4.4.

No sector limitations apply to the Company's Investment Strategy because the Manager is primarily a bottom-up fundamental investor. However, the Manager regularly reviews Portfolio sector weights and thematic concentrations and will adjust the Portfolio as it deems necessary.

There are no geographic or industry limitations which will apply to the Company's Investment Strategy. There is a limit to the percentage of the Portfolio invested in Securities from outside Australia and New Zealand.

As part of the Investment Strategy, Derivatives may also be used to manage Portfolio risks and where the Manager sees attractive opportunities.

The Company's Portfolio is expected to be similar to the portfolio of the L1 Capital Long Short Fund. The Manager expects to be fully invested within a relatively short period of time (expected to be within 3 months after listing on the ASX). However, the pace of the Company's capital deployment will be dependent on market conditions.

3.5. Investment Guidelines

The key investment guidelines for the construction of the Portfolio are as follows:

EXPOSURE	GUIDELINES
Number of Securities	Typically, between 50 to 100 Securities. The Company's Investment Strategy does not require there to be a minimum or a maximum number of Securities within the Portfolio as the opportunities at any given time will depend on market conditions.
Average Size of Long Positions	Individual position sizes are typically less than 6% of the Portfolio's NAV.
Single Security Long Position limit	10% of the Portfolio's NAV at time of purchase; maximum of 15% of the Portfolio's NAV. This does not apply to Long Positions taken on index or ETF positions. In practice, it is expected that any individual Long Position will be reduced before the hard limit is exceeded. If the hard limit is exceeded, the Manager has to use all reasonable endeavours to reduce the individual Long Position to under 15% within 20 business days.
Average Size of Short Positions	Individual position sizes are typically less than 5% of the Portfolio's NAV.
Single Security Short Position limit	Maximum of 10% of the Portfolio's NAV at time of purchase. This does not apply to Short Positions taken on index or ETF positions. In practice, it is expected that any individual Short Position will be reduced before the hard limit is exceeded. If the hard limit is exceeded, the Manager has to use all reasonable endeavours to reduce the individual Short Position to under 10% within 20 business days.
Industry/Sectors limits	<p>Industry/sector limitations will not be applied to the Company's Investment Strategy. This is because the Manager believes that there is a wide variability in risk levels between sectors over time and also some correlation between sector based risks such that limits at a portfolio level are more appropriate to manage portfolio risk.</p> <p>The Portfolio is expected to be diversified across a broad range of sectors and industry groups, thereby reducing the risk that Portfolio returns will be dependent on the performance of an individual Security, sector or industry.</p>
Geographic exposure limits	Maximum of 30% of the Portfolio's gross exposure (at the time of trade initiation) in Global Securities (being Securities that are not listed on either the ASX or New Zealand Stock Exchange).
Net exposure limits	Maximum of 150% of the Portfolio's NAV; typically between 30-90%. See Section 3.5(a).
Gross exposure limits	Maximum of 300% of the Portfolio's NAV; typically between 150-300%. See Section 3.5(a)
Borrowings	Permitted. See Section 3.5(a).
Short Selling	Permitted. See Section 3.5(c).
Derivatives	Maximum gross exposure of 150% of the Portfolio's NAV with a maximum gross exposure of 25% in non-index Derivatives. See Section 3.5(b).
Foreign currency hedging	Permitted. See Section 3.5(b).
Limits of cash and cash equivalents	Limitation of cash and cash equivalent instruments will not be applied to the Company's Investment Strategy.
Fixed income and debt securities	The Portfolio will typically not hold fixed income or debt securities.
Limits on unlisted securities	Pre-IPO Securities are the only permitted unlisted Security investments. Pre-IPO Security investments are expected to comprise a very small component of the overall Portfolio and in aggregate will not exceed 10% of the Portfolio's NAV at time of purchase.

The concepts of net exposure and gross exposure are explained in the paragraphs below:

(a) Leverage policy

The Manager is permitted to borrow on behalf of the Company. The Manager may use borrowings to increase the scale of the Portfolio of the Company or to purchase Securities outside of Australia in the relevant currency (for example in USD to purchase US Securities). In addition, the use of Derivatives and Short Selling may have an effect similar to leverage in that it can magnify the gains and losses achieved in the Portfolio in a manner similar to a debt leveraged portfolio. These risks give rise to the possibility that positions may have to be liquidated at a loss and not a time of the Manager's choosing.

Leverage is also created as the proceeds from Short Selling borrowed Securities are reinvested in the long portfolio. In simple terms, because the Company's gross exposure (equalling the sum of Long and Short Positions) is greater than the amount of investors' capital, leverage is created. Unlike debt leverage however, the leverage is to the Security selection success of the Manager only. Short Selling is discussed further in Section 3.5(c) below. The only debt leverage providers are the Prime Brokers.

Both debt leverage and leverage from Short Selling increases the level of net exposure and gross exposure of the Portfolio. There will be a maximum net exposure of 1.5 times the Portfolio's NAV (or 150%) and a maximum gross exposure of 3 times the Portfolio's NAV (or 300%). The level of net exposure is equal to the value of the Long Positions less the value of the Short Positions.

The level of gross exposure is a product of the number of positions held and the size of those positions. It is expected that the gross exposure of the Company will typically be between 150-300% of the Portfolio's NAV.

The maximum gross exposure (with the greatest possible impact on the Company's returns) would be where the Company had a gross exposure of 300% of the Portfolio's NAV. In such a case, if the value of the Securities within

the Portfolio (or the value of the assets underlying Derivatives within the Portfolio) increased by 10%¹ (or, in the case of Short Position, decreased in value by 10%), the increase in the Portfolio's value would be 30%. Conversely, a fall of 10% (rise of 10% in the case of Short Positions) in the value of the Securities within the Portfolio (or the value of the assets underlying Derivatives within the Portfolio) would result in the Portfolio's NAV falling by 30%.

It should be noted that while the Portfolio may have gross exposure of up to 300% of its NAV, investors in the Company would not have an exposure in excess of 100% of their investment in the Company's Shares.

(b) Derivative Policy

The Company may use Exchange Traded Derivatives and Over-the-counter Derivatives which may be volatile and speculative. Derivatives may be used to hedge physical positions, gain market exposure to underlying Securities or for other portfolio management purposes.

The Company can invest in financial Derivatives, including options, futures, swaps and equivalent cash settled instruments, which are traded on an exchange and/or non-exchange traded Derivative instruments dealt in on an over-the-counter basis. The underlying instruments include, but are not limited to single security options, financial indices, interest rates, foreign exchange rates or currencies.

The Manager chooses counterparties that are institutions subject to prudential supervision. All of the Company's Derivatives counterparties must have, in the Manager's reasonable opinion, sufficient expertise and experience in trading such financial instruments.

In general, the Manager intends to hedge the Portfolio into Australian Dollars. However, the Manager may leave Global Securities unhedged if the Manager believes this to be in the best interests of the Company. This decision may result in gains or losses in local currency terms.

¹ The increase of net exposure of 150% or gross exposure over 300% of the Portfolio's NAV as a result of the increase in value of the Securities within the Portfolio (or the value of the assets underlying Derivatives within the Portfolio) will not be considered as a breach of the Investment Guidelines.

(c) Short Selling

A Short sale occurs when the Manager borrows a Security from the Company's Prime Brokers and sells the Security to a third party, generating cash proceeds. The Manager will reacquire the same Security on-market and return it to the lender to close the transaction. The Company makes a profit if the price of the borrowed Security declines in value in the period between when the Manager Short Sells the Security and when the borrowed Security is reacquired. Conversely, the Company will suffer a loss if the borrowed Security increases in value during this period. While the time period for borrowing Securities to Short Sell may not be fixed, the Prime Brokers may on rare occasions recall the Securities and the Manager must acquire them on-market to close the transaction. See Section 5.3 for more detail on Short Selling risk.

An amount of the Company's capital is retained as Collateral with regards to the borrowed Security. Investors benefit to the extent the long portfolio of Securities outperforms the Securities that have been short sold. The Manager is able to employ its fundamental research process to access an attractive source of funds in short proceeds, while taking advantage of the natural hedge in the structure.

Short Selling can involve greater risk than buying a Security, as losses can continue to grow to the extent that the price of a Security rises. The risk of losses associated with the purchase of a Security is generally restricted at most to the amount invested, whereas losses on a Short Position can be greater than the purchased value of the Security. Whilst Short Selling can often reduce risk since it may offset losses on Long Positions, it is also possible for Long Positions and Short Positions to both lose money at the same time.

The Investment Manager seeks to manage the risks associated with Short Selling in a number of ways:

- by using its fundamental research process to identify stocks to sell short, which are weaker businesses, or with poor management or which are over-priced relative to the Manager's assessment of their intrinsic value;
- by constructing a diversified portfolio of Short Positions across a broad range of sectors and industries, thereby reducing the risk that portfolio returns will be dependent on the performance of an individual Security, sector or industry; and

- by managing the size of the Company's Short Positions, also ensuring that individual positions do not account for an unacceptable amount of risk in the Portfolio.

The Company's maximum gross short exposure is controlled by the guidelines outlined above in this Section 3.5.

3.6. Permitted investments

While the Company will invest predominantly in Securities, it is permitted to invest in a broad range of financial products and instruments. The types of Securities and other financial products and instruments included in the Company's investable universe include, but are not limited to:

- (a) listed Securities (including options);
- (b) unlisted Securities (limited to Pre-IPO Securities);
- (c) Derivatives (including options, futures and swaps for equity, currency and credit default exposures); and
- (d) cash and cash equivalent investments.

This is not an exhaustive list of all the types of investments authorised under the Investment Management Agreement, and restrictions will apply to certain types of permitted investments as outlined in Section 3.5.

Under the Investment Management Agreement, the Manager may undertake investments in the Portfolio without the prior approval of the Board provided they are in accordance with the investment objectives, strategies, policies and guidelines set by the Company from time to time. In the event that a proposed investment is not in accordance with the Company's investment objective, strategies, policies and guidelines or permitted investments, the Manager must obtain Board approval prior to making the investment.

3.7. Dividend objective

Delivering a high dividend is not a primary objective of the Investment Strategy or the Manager. The Investment Strategy's primary objectives are focused on delivering positive, risk-adjusted returns to investors while seeking to preserve capital over the long term. As a result, there may be extended periods where the Company does not pay regular franked dividends to Shareholders.

Whilst achieving a high dividend yield from the underlying equity portfolio is not a focus of the Manager, the Board of the Company intends to pay fully franked dividends, to the extent permitted by law and the payment being within prudent business practices. This is not intended to be a forecast; it is merely an objective of the Company. The Company may not be successful in meeting this objective.

Investors are reminded that the Investment Strategy is not aimed at achieving a high dividend yield from the Portfolio. The Investment Strategy's primary objective is long term capital growth.

The amount of any dividend will be at the discretion of the Board and will depend on a number of factors, including the availability of profit reserves and franking credits, future earnings, capital requirements, financial conditions and other factors that the Board deems relevant.

3.8. Capital management

The Board will regularly review the capital structure of the Company and, where the board considers appropriate, undertake capital management initiatives which may involve:

- the issue of other Shares (through bonus options issues, placement, pro rata issues, etc.); and / or
- the buy-back of its Shares.

3.9. Allocation policy

The Manager is also the investment manager of the L1 Capital Australian Equities Fund, L1 Capital Long Short Fund, L1 Capital Long Short (Master) Fund (a Cayman entity with associated feeder funds) and a number of individually managed accounts for a limited number of clients (**Existing Funds**). The Manager applies the same investment research process to each of the Existing Funds as it intends to apply to the Portfolio. The method used by the Manager in constructing the portfolio for each of the Existing Funds differs depending on their investment mandate and risk focus for that Existing Fund.

The investment strategy applied by the Manager to the L1 Capital Long Short Fund and the L1 Capital Long Short (Master) Fund will be the same as the investment strategy which will be applied to the Company. The Manager

will use its portfolio management system to manage the allocation of trades and investments across its different portfolios.

The Manager has an allocation policy that has been designed to pre-allocate trades on a fair and equitable basis between the L1 Capital Long Short Fund, the L1 Capital Long Short (Master) Fund and the Company. Under this policy, trades will be allocated across these portfolios on a pro rata basis (based on each portfolio's NAV), having regard to their respective composition and targets from time to time. Transactions may be specific to a particular portfolio (in the case of a reweight/rebalance due to subscriptions or redemptions for example), in which case they will not be allocated pro rata.

3.10. Valuation, location and custody of assets

The Portfolio's NAV will be calculated and released to the ASX at least monthly using a framework for the valuation of financial instruments that is consistent with current industry practice and regulatory requirements.

The assets of the Company will be valued using market accepted practices to accurately and independently price all securities and other assets within the Portfolio from time to time. The value of the Portfolio shall be determined by aggregating the value of each investment forming part of or comprised in the Portfolio and each investment shall be valued in accordance with the following methodology:

- cash (including income) – the amount of such cash (in Australian dollars);
- Securities – the market value of such Securities determined in accordance with Australian Accounting Standards (unless otherwise agreed by the Company and the Manager);
- Pre-IPO Securities – valued lower of cost or based on the most recent transaction (where appropriate). The value of Pre-IPO Securities may be further discounted if the Manager believes this is appropriate; and
- other investments – if any investment is not included in (a) or (b) above, the value of that investment determined in accordance with Australian Accounting Standards. See Section 6.8 for further details.

The Company may request that the value of an investment be determined by a duly qualified valuer independent of both the Company and the Manager (**Approved Valuer**), which is recommended by the Manager having regard to the particular type or types of investment which are the subject of the valuation.

The Company has delegated custody of its Portfolio to its Prime Brokers in accordance with the terms of the International Prime Brokerage Agreements (see Section 9.3 for a summary of these agreements).

3.11. Risk management philosophy and approach

The Company will manage risk by monitoring the Manager to ensure that the Investment Guidelines are implemented.

The Manager will be primarily responsible for managing the risk of the Portfolio. The Manager considers investment risk to be the risk of permanent loss of capital. The Manager's risk policies and controls are designed to be robust and relevant to the Company's investment objectives and strategy.

The CIOs of the Manager will maintain appropriate portfolio risk controls, including the use of the Bloomberg Risk tools (or other appropriate products) to monitor a variety of risk factors. At each portfolio construction meeting and prior to any material portfolio change, the Portfolio Managers of the Manager assess the current risk metrics and model the impact from proposed changes.

The Manager is committed to robust corporate governance practices to create value and provide accountability and a control system commensurate with the risk involved. Under the Investment Management Agreement the Manager must report to the Board on a regular basis. These reports will allow the Board to monitor the Manager and the Portfolio to ensure ongoing compliance with the Investment Strategy and Investment Guidelines. They ensure amongst other things the fair allocation of trades between all relevant entities and monitoring net and gross equity exposure within the Portfolio.

3.12. Changes to Investment Strategy

The Investment Strategy and Investment Guidelines outlined in Section 3 are expected to be implemented by the Manager upon listing of the Company on ASX.

While no material changes to the Investment Strategy are presently contemplated, if there are changes, these changes would be made with the approval of the Board, after consultation with the Manager. The Company will notify Shareholders via its website and ASX of any material changes to the Company's Investment Strategy.

3.13. Status as a Listed Investment Company

It is intended that the Company will qualify as a listed investment company (**LIC**) under Australian taxation laws.

The major requirements the Company must meet to be a LIC are:

- (a) the Company must be listed; and
- (b) 90.0% of the Portfolio value must comprise certain permitted investments as defined in section 115-290(4) of the Income Tax Assessment Act 1997.

Permitted investments include shares, options, units (provided the Company does not own more than 10.0% of the entity in which it holds the permitted investment), financial instruments, Derivatives and assets that generate passive income such as interest, rent and royalties.

It is expected that the Company will generally be considered to hold its investments on revenue account. Consequently, it is likely that the Company will generally not make capital gains and therefore, Shareholders may not be able to obtain a deduction in relation to dividends attributable to LIC capital gains under the LIC regime.

3.14. Reports to Shareholders

Within 14 days after the end of each month, the Company will release to the ASX a statement of the net tangible asset backing of its Shares as at the end of that month. The calculation of the net tangible asset backing of Shares will be made in accordance with the Listing Rules.

The Company will provide to Shareholders on request, free of charge, a copy of statements released to ASX of the net tangible asset backing of Shares from time to time.

The Company may also release to the ASX (and place on its website) reports, prepared by the Manager from time to time, to keep Shareholders informed about the current activities of the Company, the performance of the Company's Portfolio and the investment outlook.

4.1. Overview of the Manager

The Company's Investment Strategy is proposed to be implemented by the Manager, L1 Capital Pty Limited, which holds Australian Financial Services Licence 314302.

The Manager is a global investment manager with funds under management of approximately AUD 3 billion as at 31 December 2017. The Manager currently manages capital for a range of investors including large superannuation funds, insurance companies, endowment funds, private banks, financial planning groups, asset consultants, family offices, high net worth individuals and retail investors.

The Manager was established in 2007 by Raphael Lamm and Mark Landau, and now employs a team of 5 investment personnel and 4 operations staff in its Melbourne office.

The Manager is owned by a holding company, First Maven Pty Ltd, which is 100% privately owned by entities associated with Raphael Lamm and Mark Landau (Founders and CIOs), Lev Margolin and Joel Arber.

Alignment of interests is a critical aspect of the Manager's business model and culture. This is achieved through the following:

- all senior Investment Team staff at the Manager have made significant personal investments in the Existing Funds managed by the Manager and will invest a significant amount of money in the Company; and
- half of the bonuses given to the Manager's investment analysts and operational staffs are automatically invested into one of the funds managed by the Manager with a rolling 3-year escrow for all units purchased.

4.2. Role of the Manager

The Manager will be responsible for making investment and divestment decisions for the Company and to implement the Investment Strategy in accordance with the Investment Management Agreement (a summary of the agreement is set out in Section 9.1).

The Manager will:

- implement the Investment Strategy, including actively managing and supervising the Portfolio's investments;

- manage the Portfolio's exposure to markets, Derivatives and cash;
- regularly update the Company regarding the Portfolio and provide all information necessary for the maintenance of the Company's financial accounts to be completed; and
- provide administrative support to assist and ensure the maintenance of the Company's corporate and statutory records, compliance with the ASX Listing Rules and the Corporations Act.

4.3. Investment philosophy

The Manager's investment philosophy is based on the 3 core beliefs that:

- both valuation and qualitative factors are the ultimate determinant of long term share price performance and that both factors are critical and of equal importance;
- the market tends to be emotional, short term and backward looking. The Manager believes the market continually presents opportunities to investors who are unemotional and long term in their assessment of business potential. By remaining disciplined and adhering to their investment process, the Manager seeks to avoid many of the typical behavioural biases that are common among investors; and
- an intensive visitation schedule with a wide variety of stakeholders can provide a more complete cross-check of a company's prospects. The Manager considers successful bottom-up investing requires detailed research and an independent thought process.

4.4. Investment process

The Manager uses a fundamental, bottom-up research process to identify Securities with the potential to provide attractive risk-adjusted returns. While this involves many stages of analysis which can occur concurrently, below is an outline of the process from Securities specific research to the formation and maintenance of a portfolio.



Further detail about each step in the Investment Process is set out below:

(a) Comprehensive company visitation schedule

The Manager seeks to conduct numerous visits with company management, listed and unlisted competitors, customers, suppliers, operational personnel, consultants and other stakeholders. The Manager believes in identifying Securities and industry opportunities primarily from direct contact with companies, detailed company analysis and observing broader industry trends.

(b) Extensive Travel Program

To develop and maintain relationships with relevant parties, the Investment Team regularly travels around Australia and overseas. These trips provide an opportunity to observe operations first hand and to meet with people that may have some additional insights into a business' or industry's prospects or risks.

(c) Detailed Bottom-Up Analysis

The Manager dedicates substantial amount of time in reading and analysing annual reports, company announcements, industry publications, broker reports and other relevant publications and communications. This work highlights investment opportunities with companies, as well as assisting the Investment Team in preparing for meetings with companies.

(d) Valuation

To assess the intrinsic value of a given Security, the Investment Team will create a DCF using estimates for each metric in the model. The valuation generated by the DCF is sensitive to the Company's long term margin and return on capital measures and therefore the team intends to spend a considerable amount of time discussing the appropriateness of these long term forecasts. As a cross check

of reasonableness, the final DCF valuation may then be compared with peer and historical multiples such as price-earnings ratio (**P/E**), enterprise value (**EV**), EBITDA, price-to-book ratio (**P/Book**), price-sales ratio (**P/Sales**) and the team may conduct scenario analysis to assess the spread of risk and reward. Some companies' valuations may be better suited to a dividend discount model, comparable company analyses or traditional valuation metrics (e.g. P/E, P/E Rel, EV/EBITDA etc).

(e) Qualitative Assessment

The following 3 qualitative factors (explained further in Section 3.2) of each company are then assessed and scored from 1 to 5 (with 1 being excellent and 5 being poor):

- (i) management quality;
- (ii) industry and company structure; and
- (iii) business trends.

(f) Portfolio Construction

For a Long Position, Securities with the best combination of qualitative factors and valuation upside will be used as the basis for Portfolio construction. The process is iterative and as business trends, industry structure, management quality or valuation changes, stock weights are adjusted accordingly. The inverse applies for Short Positions. The final Portfolio will be heavily reliant on the fundamental bottom-up evaluation of the companies researched by the Manager, but it is also cognisant of the broader economic conditions that are prevalent at any given time.

The Portfolio construction process is aimed at ensuring the Company remains appropriately exposed to the Investment Team's highest conviction ideas, while maintaining appropriate risk controls.

(g) Risk management

The Manager seeks to manage the risk of the Portfolio by employing the above investment philosophy and investment process to ensure appropriate due diligence and valuation is undertaken with regards to potential investments. In addition, the Manager has imposed various limits and various other policies and controls with regards to managing the investments of the Company. See Section 5.3 for a summary of how the Manager manages the risks associated with Short Selling.

4.5. The Investment Strategy: Relevant Experience

The Manager has not previously managed a listed investment company.

However, the Manager is the manager of the Existing Funds. Since 1 September 2014 the Manager has managed the L1 Capital Long Short Fund using the same Investment Strategy and processes that it will employ as the Company's Manager.

The Company considers that the performance of L1 Capital Long Short Fund is most relevant as it employs the same Investment Strategy. The past performance of L1 Capital Long Short Fund is not indicative of the Portfolio's future performance.

The Company considers that the performances of the L1 Capital Australian Equities Fund (inception August 2007) is not directly relevant to the Company. The L1 Capital Australian Equities Fund is a long only portfolio that invests in Australian Securities with no more than 30% of the fund invested in stocks outside the ASX 100.

Given the Company's Investment Strategy and processes are the same as those currently employed for L1 Capital Long Short Fund, the Company considers the performance of the L1 Capital Long Short Fund to be relevant for investors assessing an investment in the Company. The past performance of L1 Capital Long Short Fund is not indicative of the Portfolio's future performance.

However, there are structural differences between L1 Capital Long Short Fund, a registered managed investment scheme, and the Company. These differences impact, among other things, cash flows within the different portfolios. As a result, at times, the composition of the Company's Portfolio and the weighting of individual positions will be similar, but not identical to that of L1 Capital Long Short Fund.

Structural and cash flow differences between L1 Capital Long Short Fund and the Company

- (a) The L1 Capital Long Short Fund is an open-ended structured entity. As such, its cash flows, and hence investment decisions, are affected by applications and redemptions by investors and unitholders. The entity, being open-ended, may receive cash inflows via investments from Investors or purchases

of units by investors and is accordingly able to redeploy capital without necessarily selling down any Securities it already holds. The entity can also be subject to cash outflows due to investors redeeming investments and units that may need to be funded by the entity having to sell down Security positions. The Company will be a closed-end investment vehicle and there will be no redemptions by investors. The Company's investment decisions will not be affected by considerations of cash reserves for the purpose of meeting redemption requests and the Company will not be required to sell down positions in the Portfolio under disadvantageous market conditions for that purpose.

- (b) L1 Capital Long Short Fund and the Company have different dividend/distribution policies. The L1 Capital Long Short Fund usually distributes income semi-annually on 30 June and 31 December and distributes all of the Fund's taxable income and realised net capital gains to unitholders. This could lead to fluctuations in the amount of distributions made from year to year. In contrast, while the current intention of the Company is to pay dividends to Shareholders, whether a dividend will be paid in respect of any period and the amount of any dividend to be paid will be at the discretion of the Board and will depend on factors such as cash flows, Company profits and the availability of franking credits (see Section 3.7 for details on the Company's dividend objective). The Company's dividend objective has a higher degree of flexibility and allows the Board to determine dividends from year to year, subject to available profits and franking credits.

Differences in tax treatments between the L1 Capital Long Short Fund and the Company

L1 Long Short Fund Limited, as a company, and the L1 Capital Long Short Fund, as a trust structure, are subject to different taxation rules and treatments which are not reflected in the performance figures set out in Section 4.6.

For example:

- (a) As a company, L1 Long Short Fund Limited's income (including any realised gains on the disposal of assets) is generally subject to income tax at the prevailing company tax rate, which is currently 30%. The L1 Capital Long Short Fund, on the other hand, is a trust structure that is generally considered as a flow

through vehicle for taxation purposes. Its income is therefore generally not subject to income tax. However, unitholders are generally subject to income tax in respect of the taxable distributions they receive from the entities at the income tax rate applicable to them. See Section 10.7 for details of the Australian taxation implications of investing under the Offer.

- (b) Distributions from L1 Capital Long Short Fund may include concessionally taxed capital gains, whereas distributions from the Company will typically be taxable as dividends.
- (c) Distributions from L1 Capital Long Short Fund may include foreign tax offsets whereas distributions from the Company will not. Rather, foreign tax offsets arising on the Company's Portfolio are applied by the Company to reduce its Australian tax payable.
- (d) Distributions made by L1 Capital Long Short Fund generally do not carry franking credits while dividends made by the Company are likely to carry franking credits, as the Company's income and realised gains are generally subject to income tax.

This discussion is not intended to provide a comprehensive analysis of the taxation differences between a company and a trust. Investors are recommended to seek advice from a tax advisor prior to making an investment decision.

Differences in cost structures between the L1 Capital Long Short Fund and the Company

Although the management and performance fees paid by the L1 Capital Long Short Fund and the Company are similar, their costs will vary. This is largely because the Company will incur certain costs, given its status as an ASX listed entity, that are not applicable to the L1 Capital Long Short Fund and that cannot be covered by the Manager (for example, Non-Executive Directors' fees).

4.6. Historical Performance of the L1 Capital Long Short Fund

This Section 4.6 contains details in relation to the historic performance of the L1 Capital Long Short Fund. The Company considers the performance of the L1 Capital Long Short Fund to be representative of the historical performance of the Investment Strategy and processes and therefore relevant for investors assessing an investment in the Company.

The graphs and charts detailed in this Section are not forecasts and do not represent the future behaviour of the Company or its Investment Strategy and processes. Past performance is not indicative of future performance and the performance of the Company could be significantly different to the historic performance of the L1 Capital Long Short Fund portfolio.

There can be no certainty that the performance of the Company will be similar to the historic performance of the L1 Capital Long Short Fund. Investors should note that, given the Company and L1 Capital Long Short Fund have different legal structures, variations in cash flows and other possible factors, the composition of the Company's Portfolio and the weighting of individual positions within it will not be identical to the portfolio of the L1 Capital Long Short Fund (see Section 4.5 for details key differences between the L1 Capital Long Short Fund's and the Company's corporate structures). Further, the portfolio's composition is constantly changing as new Securities are purchased and old Securities sold.

References in this Section 4.6 to the portfolio composition of the L1 Capital Long Short Fund are for illustrative purposes only and should not be relied on as an indication of the Company's future Portfolio.

(a) Historical performance of the L1 Capital Long Short Fund and the Investment Strategy

The Manager launched the L1 Capital Long Short Fund in September 2014. The L1 Capital Long Short Fund is an Australian dollar denominated unit trust that invests with the same investment strategy and investment philosophy as proposed for the Company.

The below table shows the historical returns of the L1 Capital Long Short Fund since inception to 31 December 2017. All data is presented after all fees and expenses and assuming all distributions are reinvested.

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	4.62	60.52
2016	5.81	0.59	5.47	2.46	2.78	(0.89)	3.22	3.92	0.46	(0.18)	0.55	2.13	29.43
2017	2.48	1.79	2.83	1.01	4.14	1.68	2.61	1.67	1.91	2.50	0.86	3.50	30.50

Notes:

- The performance of the L1 Capital Long Short Fund is calculated in Australian dollars, after all fees and expenses and assuming all distributions are reinvested and based on:
 - in respect of the period from inception to the financial year ended 30 June 2017, the audited accounts of the L1 Capital Long Short Fund; and
 - in respect of the period to 31 December 2017, the monthly performance as calculated by the external administrator of the L1 Capital Long Short Fund.
- The performance of the L1 Capital Long Short Fund is calculated in Australian dollars, based on the net monthly returns in respect of:
 - the period from inception to 30 September 2016, relate to the L1 Capital Long Short Fund monthly class units, which are subject to a different management fee structure (1.25% (exclusive of GST)); and
 - the period from 03 October 2016 to 31 December 2017, the L1 Capital Long Short Fund daily class units, which are subject to similar management fee structure (1.5% (exclusive of GST) noting the differences set out in section 4.5).
- The inception date of the L1 Capital Long Short Fund is 1 September 2014.
- Past performance is not a reliable indicator of future performance. The returns identified above are not intended to be an indication of future performance of the Company, the Portfolio or the market.

Although the Manager does not internally benchmark the L1 Capital Long Short Fund's performance to any index, the Manager and the Company consider that the performance of an index provides a useful reference point. The below table includes the returns of the S&P / ASX200 Accumulation Index. The Company and the Manager believe that the S&P / ASX200 Accumulation Index offers a reasonable representation for the purpose of relative comparison.

The below table shows that, since inception in September 2014, the L1 Capital Long Short Fund's total return is +184.7%. This compares to the return of the S&P / ASX200 Accumulation Index over the same period, being +25.1%. This represents an outperformance versus the S&P / ASX200 Accumulation Index of +159.7% since inception. It is the Manager's view that it is important to note that these returns have been generated with a relatively low level of market risk (i.e. an average beta² of 0.36 since inception).

Portfolio Returns

PERIOD	L1 CAPITAL LONG SHORT FUND	S&P/ASX200 ACCUMULATION INDEX	NET OUTPERFORMANCE
Six month	13.75%	8.36%	5.39%
One year	30.50%	11.80%	18.70%
Two years (p.a.)	29.93%	11.80%	18.13%
Three years (p.a.)	39.42%	8.63%	30.79%
Since inception (p.a.)	36.87%	6.94%	29.93%
Since inceptions (cumulative)	184.72%	25.07%	159.65%

Notes:

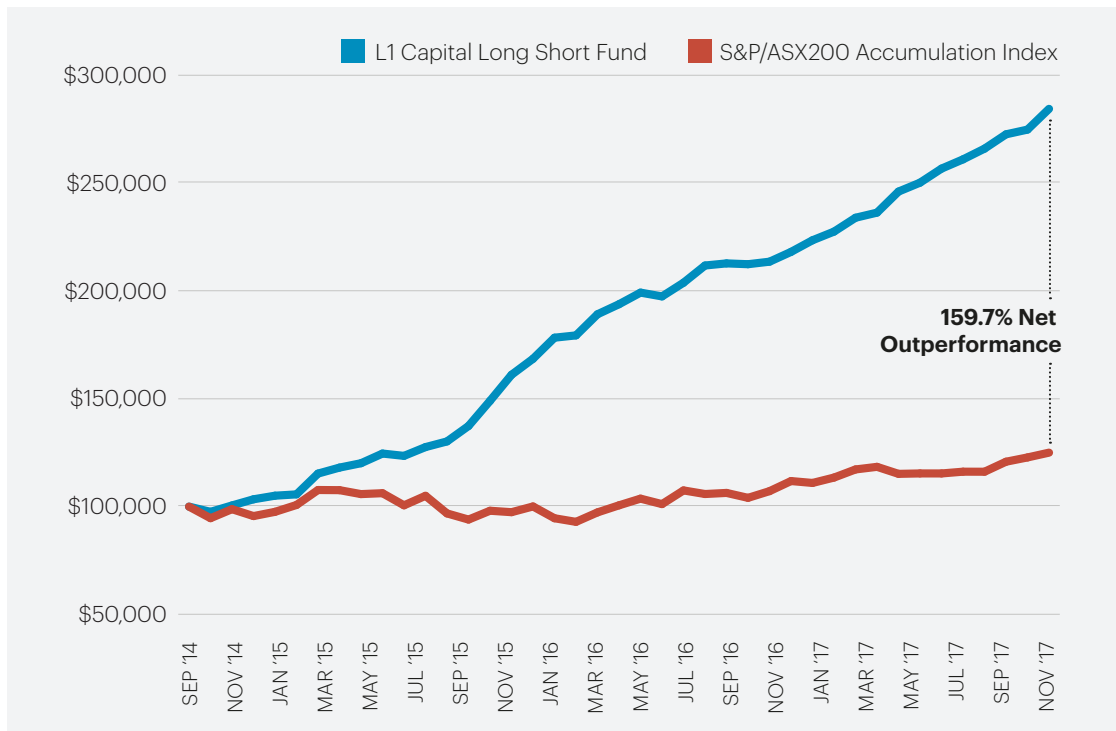
- The performance of the L1 Capital Long Short Fund is calculated in Australian dollars, after all fees and expenses and assuming all distributions are reinvested and based on:
 - in respect of the period from inception to the financial year ended 30 June 2017, the audited accounts of the L1 Capital Long Short Fund; and
 - in respect of the period to 31 December 2017, the monthly performance as calculated by the external administrator of the L1 Capital Long Short Fund.
- The performance of the L1 Capital Long Short Fund is calculated in Australian dollars, based on the net monthly returns in respect of:
 - the period from inception to 30 September 2016, relate to the L1 Capital Long Short Fund monthly class units, which are subject to a different management fee structure (1.25% (exclusive of GST)); and
 - the period from 03 October 2016 to 31 December 2017, the L1 Capital Long Short Fund daily class units, which are subject to similar management fee structure (1.5% (exclusive of GST) noting the differences set out in section 4.5).
- The performance of S&P / ASX200 Accumulation Index is based on trading data prepared by Bloomberg Finance L.P. Bloomberg Finance L.P. has not consented to the use of this data in this Prospectus.
- The inception date of the L1 Capital Long Short Fund is 1 September 2014.
- Past performance is not a reliable indicator of future performance. The returns identified above are not intended to be an indication of future performance of the Company, the Portfolio or the market.
- The relative returns identified above are provided for information purposes only. The Company will not seek to replicate or have regard to the S&P / ASX200 Accumulation Index or any other common index in the construction of the Portfolio. The Portfolio and the S&P / ASX200 Accumulation Index will have different risk profiles.

2 Beta is a statistical measure of the market risk of the L1 Capital Long Short Fund. A Beta of less than 1 indicates that the portfolio carries less market risk than the S&P / ASX200 Accumulation Index, while a Beta above 1 indicates a higher level of market risk and the S&P / ASX200 Accumulation Index. The L1 Capital Long Short Fund has averaged a Beta of 0.36 which means the L1 Capital Long Short Fund has averaged 64% less market risk than the Index. The L1 Capital Long Short Fund has maintained a Beta of between 0.2 and 0.6 at all times since inception (i.e. 40-80% less market risk than the S&P / ASX200 Accumulation Index).

(b) Comparative investment return – cumulative performance since inception

The chart below illustrates the investment return of the L1 Capital Long Short Fund as compared to the S&P / ASX200 Accumulation Index. The chart shows that \$100,000 invested in the L1 Capital Long Short Fund at inception in September 2014 grew to approximately \$284,720 at 31 December 2017 after all fees and expenses and assuming that annual L1 Capital Long Short Fund distributions are reinvested.

Historical Portfolio Exposures



Notes:

- The above chart reflects the period commenced 1 September 2014 and ending 31 December 2017.
- The S&P / ASX200 Accumulation Index is not a benchmark for the Company and has been chosen for comparison purposes only. The Company and the Manager believe that the S&P / ASX200 Accumulation Index offers a reasonable reference point for the L1 Capital Long Short Fund to gauge the value add of the Manager. The above chart is not intended to be an indication of future performance of any asset class, index or the Portfolio.
- The performance of the L1 Capital Long Short Fund is calculated in Australian dollars, after all fees and expenses and assuming all distributions are reinvested and based on:
 - in respect of the period from inception to the financial year ended 30 June 2017, the audited accounts of the L1 Capital Long Short Fund; and
 - in respect of the period to 31 December 2017, the monthly performance as calculated by the external administrator of the L1 Capital Long Short Fund.
- The performance of the L1 Capital Long Short Fund is calculated in Australian dollars, based on the net monthly returns in respect of:
 - the period from inception to 30 September 2016, relate to the L1 Capital Long Short Fund monthly class units, which are subject to a different management fee structure (1.25% (exclusive of GST)); and
 - the period from 03 October 2016 to 31 December 2017, the L1 Capital Long Short Fund daily class units, which are subject to similar management fee structure (1.5% (exclusive of GST) noting the differences set out in section 4.5).
- The performance of S&P / ASX200 Accumulation Index is based on trading data prepared by Bloomberg Finance L.P. Bloomberg Finance L.P has not consented to the use of this data in this Prospectus.
- Past performance is not a reliable indicator of future performance. The relative returns identified above are not intended to be an indication of the future performance of the Company, the Portfolio or the market. The performance of the Portfolio may differ significantly from the historical performance of the L1 Capital Long Short Fund.

(c) L1 Capital Long Short Fund top ten portfolio holdings as at 31 December 2017

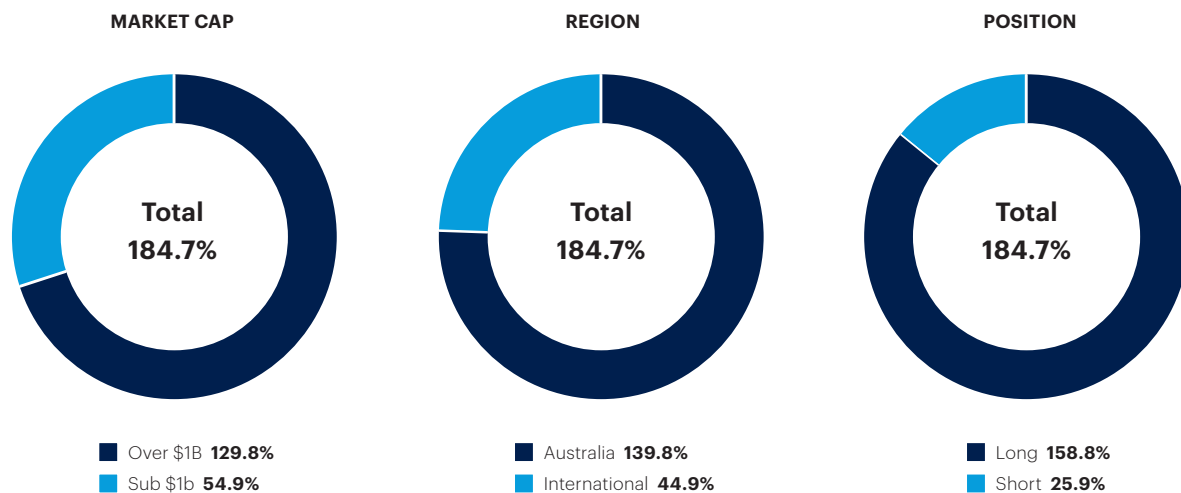
STOCK	PORTFOLIO WEIGHT
Boral Ltd	5.67%
Chorus Limited	5.64%
News Corporation Inc	4.80%
Macquarie Atlas Roads Group	4.33%
Commonwealth Bank	4.32%
Alcoa Inc	4.30%
ANZ Banking Group	4.27%
CK Hutchinson Holdings	4.25%
HeidelbergCement Group	4.23%
Qantas Airways Limited	4.16%
Total	45.96%

The above table is provided for illustration purposes only. The above does not reflect the current weightings within the L1 Capital Long Short Fund portfolio, as investments have been actively managed since that date. The above does not represent the future behaviour of the Company or the Investment Strategy nor is it to be taken as an example of the optimal portfolio allocation, now or in the future.

(d) Comparative investment return – Fund attribution analysis

The chart below conveys that positive returns since inception have been generated across both large and small market capitalisation companies, both domestically and internationally, and across both Long and Short Positions by the L1 Capital Long Short Fund.

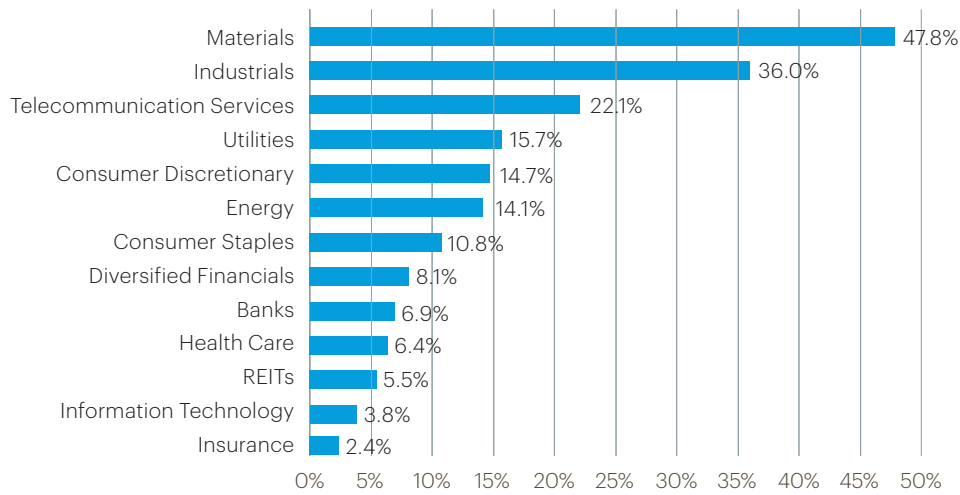
Return Analysis (since inception)



Notes:

- The performance of the L1 Capital Long Short Fund is calculated in Australian dollars, after all fees and expenses and assuming all distributions are reinvested and based on:
 - in respect of the period from inception to the financial year ended 30 June 2017, the audited accounts of the L1 Capital Long Short Fund; and
 - in respect of the period to 31 December 2017, the monthly performance as calculated by the external administrator of the L1 Capital Long Short Fund.
- The performance of the L1 Capital Long Short Fund is calculated in Australian dollars, based on the net monthly returns in respect of:
 - the period from inception to 30 September 2016, relate to the L1 Capital Long Short Fund monthly class units, which are subject to a different management fee structure (1.25% (exclusive of GST)); and
 - the period from 03 October 2016 to 31 December 2017, the L1 Capital Long Short Fund daily class units, which are subject to similar management fee structure (1.5% (exclusive of GST) noting the differences set out in section 4.5).
- The inception date of the L1 Capital Long Short Fund is 1 September 2014.
- The attribution by market capitalisation is calculated by assigning a stock position to either "Over \$1b" or "Sub \$1b" categories based on the market capitalisation in AUD at the time of initial investment.
- The attribution by region is calculated by assigning a stock position to either "Australia" or "International" categories based on whether the underlying Securities purchased are tradable and fungible on the Australian Stock Exchange or listed on some other international stock exchange.
- The attribution by position is calculated by assigning a stock position to either "Long" or "Short" categories based on whether the Security is purchased or short sold by the Fund.
- Data presented above refers to Security positions in the portfolio. The impact of cash and index positions, (which are used for hedging purposes), are allocated on a pro rata basis between each category. The analysis is intended to assess the underlying Security selection of the Investment Manager, and in the Company's view, the impact of cash and index positions are not relevant to this analysis.
- Past performance is not a reliable indicator of future performance. The relative returns identified above are not intended to be an indication of the future performance of the Company, the Portfolio or the market. The performance of the Portfolio may differ significantly from the historical performance of the L1 Capital Long Short Fund.

The chart below demonstrates that the L1 Capital Long Short Fund has delivered a positive net return in each of the GICS sectors since inception. All figures are net returns as at 31 December 2017. The impact of cash and index positions (which are used for hedging purposes) are allocated on a pro rata basis between each category.



Notes:

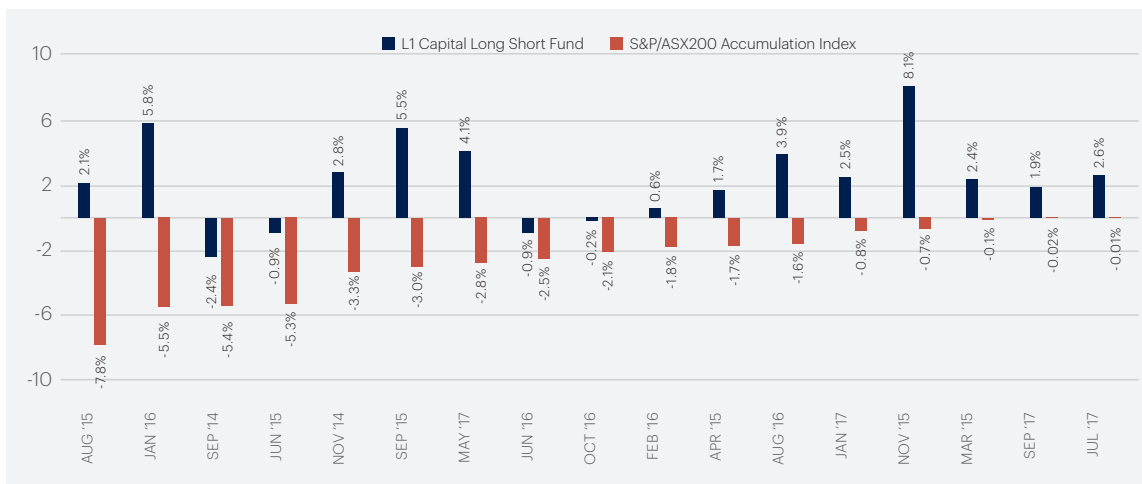
- The performance of the L1 Capital Long Short Fund is calculated in Australian dollars, after all fees and expenses and assuming all distributions are reinvested and based on:
 - in respect of the period from inception to the financial year ended 30 June 2017, the audited accounts of the L1 Capital Long Short Fund; and
 - in respect of the period to 31 December 2017, the monthly performance as calculated by the external administrator of the L1 Capital Long Short Fund.
- The performance of the L1 Capital Long Short Fund is calculated in Australian dollars, based on the net monthly returns in respect of:
 - the period from inception to 30 September 2016, relate to the L1 Capital Long Short Fund monthly class units, which are subject to a different management fee structure (1.25% (exclusive of GST)); and
 - the period from 03 October 2016 to 31 December 2017, the L1 Capital Long Short Fund daily class units, which are subject to similar management fee structure (1.5% (exclusive of GST) noting the differences set out in section 4.5).
- The inception date of the L1 Capital Long Short Fund is 1 September 2014.
- The attribution by GICS sector is calculated by assigning a stock position to the GICS sector that the company has been assigned by the ASX or relevant international exchange.
- Data presented above refers to Security positions in the portfolio. The impact of cash and index positions, (which are used for hedging purposes), are allocated on a pro rata basis between each category. The analysis is intended to assess the underlying Security selection of the Investment Manager, and in the Company's view, the impact of cash and index positions are not relevant to this analysis.

(e) Comparative investment return – Fund performance versus the index in negative months

The chart below illustrates the investment return of the L1 Capital Long Short Fund which correspond to periods in which the S&P / ASX200 Accumulation Index posted a negative return. All data is presented on an after fees basis. In the period from inception to 31 December 2017 (a total of 40 months), there has been 23 positive months and 17 negative months for the S&P / ASX200 Accumulation Index.

During the 17 months the S&P / ASX200 Accumulation Index recorded negative performance, the cumulative return was -44.1%. During those same periods, the L1 Capital Long Short Fund recorded net returns of +39.8%. The Manager believes that this demonstrates the historical downside protection of the investment strategy and capital preservation benefits.

Monthly Performance vs Benchmark (since inception)*



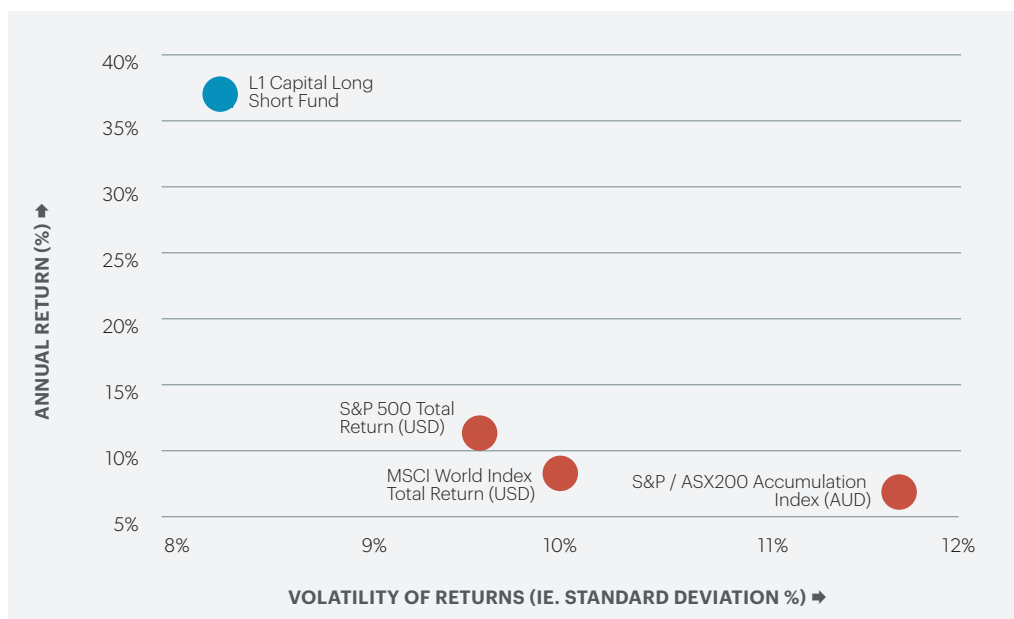
Notes:

- The performance of the L1 Capital Long Short Fund is calculated in Australian dollars, after all fees and expenses and assuming all distributions are reinvested and based on:
 - in respect of the period from inception to the financial year ended 30 June 2017, the audited accounts of the L1 Capital Long Short Fund; and
 - in respect of the period to 31 December 2017, the monthly performance as calculated by the external administrator of the L1 Capital Long Short Fund.
- The performance of the L1 Capital Long Short Fund is calculated in Australian dollars, based on the net monthly returns in respect of:
 - the period from inception to 30 September 2016, relate to the L1 Capital Long Short Fund monthly class units, which are subject to a different management fee structure (1.25% (exclusive of GST)); and
 - the period from 03 October 2016 to 31 December 2017, the L1 Capital Long Short Fund daily class units, which are subject to similar management fee structure (1.5% (exclusive of GST) noting the differences set out in section 4.5).
- The inception date of the L1 Capital Long Short Fund is 1 September 2014.
- The above data is calculated by ranking the monthly returns of the S&P / ASX200 Accumulation Index and comparing those periods with a negative return to the corresponding monthly net returns of the L1 Capital Long Short Fund.
- The performance of S&P / ASX200 Accumulation Index is based on trading data prepared by Bloomberg Finance L.P. Bloomberg Finance L.P has not consented to the use of this data in this Prospectus.
- Past performance is not a reliable indicator of future performance. The relative returns identified above are not intended to be an indication of the future performance of the Company, the Portfolio or the market. The performance of the Portfolio may differ significantly from the historical performance of the L1 Capital Long Short Fund.

(f) Comparative investment returns – Fund net returns versus the volatility of returns

The chart below shows the L1 Capital Long Short Fund has delivered stronger net returns than the major equity indices in Australia, US and MSCI World with significantly lower standard deviation (used as a measure of the volatility of returns). This means that on average, the L1 Capital Long Short Fund has exhibited lower volatility than would be achieved by investing directly into each of these global equity indices. All data is presented on an after fees basis since inception to 31 December 2017.

Return Analysis (since inception)



Notes:

- The performance of the L1 Capital Long Short Fund is calculated in Australian dollars, after all fees and expenses and assuming all distributions are reinvested and based on:
 - in respect of the period from inception to the financial year ended 30 June 2017, the audited accounts of the L1 Capital Long Short Fund; and
 - in respect of the period to 31 December 2017, the monthly performance as calculated by the external administrator of the L1 Capital Long Short Fund.
- The performance of the L1 Capital Long Short Fund is calculated in Australian dollars, based on the net monthly returns in respect of:
 - the period from inception to 30 September 2016, relate to the L1 Capital Long Short Fund monthly class units, which are subject to a different management fee structure (1.25% (exclusive of GST)); and
 - the period from 03 October 2016 to 31 December 2017, the L1 Capital Long Short Fund daily class units, which are subject to the similar fee structure (1.5% (exclusive of GST) noting the differences set out in section 4.5).
- The inception date of the L1 Capital Long Short Fund is 1 September 2014.
- The standard deviation is often used by investors to measure the risk of an asset. The standard deviation is a measure of volatility: the more an asset's returns vary from the average return, the more volatile the asset. A higher standard deviation means a greater potential for deviation of return from the average return of the asset.
- The index returns and standard deviation for the S&P / ASX200 Accumulation Index (AUD), S&P 500 Total Return Index (USD) and MSCI World Index (USD) in respect of inception to the period ended 31 December 2017 is calculated by Link Fund Solutions Pty Limited as external administrator of the L1 Capital Long Short Fund.
- The index returns and standard deviation for the S&P / ASX200 Accumulation Index (AUD), S&P 500 Total Return Index (USD) and MSCI World Index (USD) are based on trading data prepared by Bloomberg Finance L.P. Bloomberg Finance L.P. has not consented to the use of this data in this Prospectus.
- Past performance is not a reliable indicator of future performance. The relative returns identified above are not intended to be an indication of the future performance of the Company, the Portfolio or the market. The performance of the Portfolio may differ significantly from the historical performance of the L1 Capital Long Short Fund.

(g) Net exposure since inception – L1 Capital Long Short Fund Historical Portfolio Exposures

The below table is provided for illustration purposes only. The above does not reflect the current weightings within the L1 Capital Long Short Fund portfolio, as investments have been actively managed since that date. The above does not represent the future behaviour of the Company or the Investment Strategy nor is it to be taken as an example of the optimal portfolio allocation, now or in the future.

	DECEMBER 2017 PORTFOLIO	AVERAGE SINCE INCEPTION
Number of positions	85	73
Net Exposure	53%	59%
Long Exposure	133%	146%
Short Exposure	79%	87%
Gross Exposure	212%	233%
Beta	0.23	0.36

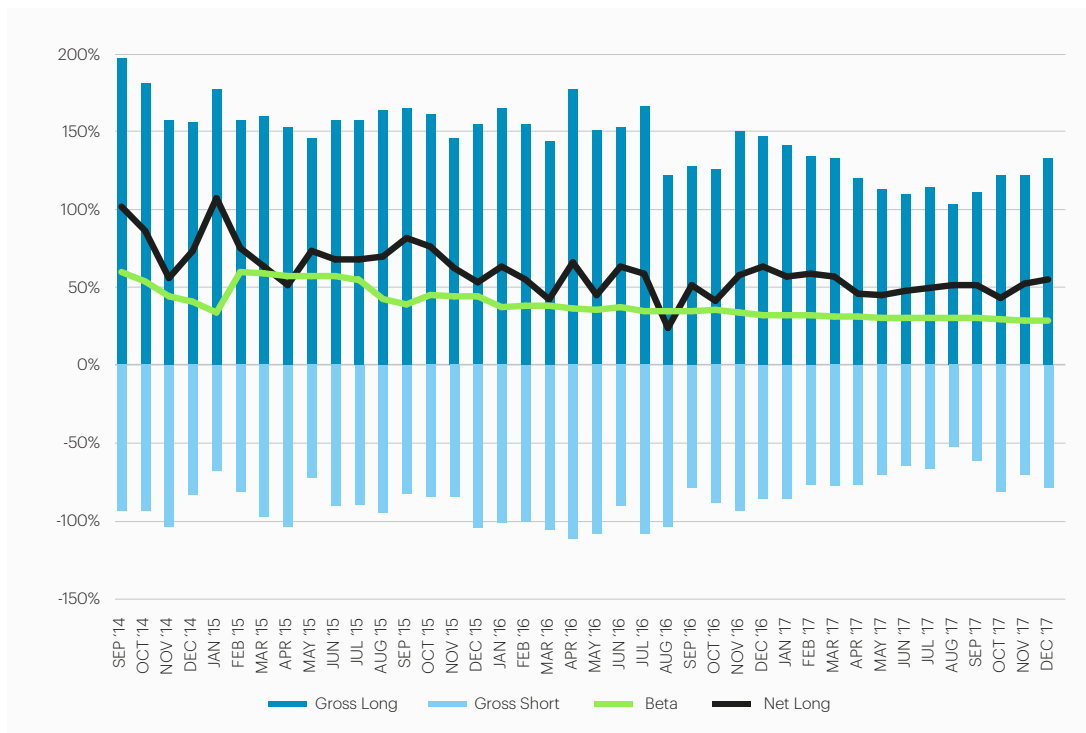
Notes:

1. "Long Exposure" is the sum of the respective weightings of the Long Positions within the L1 Capital Long Short Fund portfolio, expressed as a percentage of NAV.
2. "Short Exposure" is the sum of the respective weightings of the Short Positions within the L1 Capital Long Short Fund portfolio, expressed as a percentage of NAV.
3. "Net Exposure" is the total weightings of the Long Positions less the total weightings of the Short Positions within the L1 Capital Long Short Fund portfolio, expressed as a percentage of NAV.
4. "Gross Exposure" is the total weightings of the Long Positions plus the total weightings of the Short Positions within the L1 Capital Long Short Fund portfolio, expressed as a percentage of NAV.
5. "Beta" is a statistical measure of the market risk of the L1 Capital Long Short Fund. A Beta of less than 1 indicates that the portfolio carries less market risk than the S&P / ASX200 Accumulation Index, while a Beta above 1 indicates a higher level of market risk and the S&P / ASX200 Accumulation Index. The L1 Capital Long Short Fund has averaged a Beta of 0.36 which means the L1 Capital Long Short Fund has averaged 64% less market risk than the Index. The L1 Capital Long Short Fund has maintained a Beta of between 0.2 and 0.6 at all times since inception (i.e. 40-80% less market risk than the S&P / ASX200 Accumulation Index).
6. The above chart does not reflect the likely "Long Exposure", "Short Exposure", "Net Exposure" or "Gross Exposure" within the Portfolio. It is provided as an example only. It is not to be taken as an example of the optimal portfolio allocation, now or in the future.

Historical Portfolio Exposures

The chart below illustrates month-end exposures of the L1 Capital Long Short Fund since its inception. All data is presented on an after fees basis. The chart shows that the L1 Capital Long Short Fund has typically run with a net exposure well below 100%, and therefore the Manager historically had cash available to allow it to capitalise on investment opportunities should they arise. The Manager

believes that having cash at call has added significantly to the firm's ability to be opportunistic. The Portfolio will be exposed to broad market risks (see Section 6 for details). The Manager will seek to manage net exposure levels within the Portfolio to reduce exposure to these broad market risks. The Portfolio will typically have net exposure of 30% to 90% of the Portfolio's NAV.



Notes:

1. "Long Exposure", indicated by the dark blue bars in the above chart, is the sum of the respective weightings of the Long Positions within the L1 Capital Long Short Fund portfolio at the end of each calendar month from inception to 31 December 2017, expressed as a percentage of NAV.
2. "Short Exposure", indicated by the pale blue lines in the above chart, is the sum of the respective weightings of the Short Positions within the L1 Capital Long Short Fund portfolio at the end of each calendar month from inception to 31 December 2017, expressed as a percentage of NAV.
3. "Net Exposure", indicated by the black line in the above chart, is the total weightings of the Long Positions less the total weightings of the Short Positions within the L1 Capital Long Short Fund portfolio at the end of each calendar month from inception to 31 December 2017, expressed as a percentage of NAV.
4. "Beta", indicated by the green line in the above chart, is a statistical measure of the market risk of the L1 Capital Long Short Fund. A Beta of less than 1 indicates that the portfolio carries less market risk than the S&P / ASX200 Accumulation Index, while a Beta above 1 indicates a higher level of market risk and the S&P / ASX200 Accumulation Index.
5. The above chart does not reflect the likely "Long Exposure", "Short Exposure" or "Net Exposure" within the Portfolio. It is provided as an example only. It is not to be taken as an example of the optimal portfolio allocation, now or in the future.

4.7. L1 Capital Investment Team

(a) Overview

Raphael Lamm and Mark Landau, as joint Chief Investment Officers, will hold ultimate responsibility for the implementation of the Company's Investment Strategy.

(b) Joint Managing Directors and Chief Investment Officers



Raphael Lamm

B.Law (Hons), B. Com (Hons) (Fin Hons – 1st class)

Raphael is a co-founder of the Manager and has been the Joint Managing Director & Chief Investment Officer since the firm was founded in 2007. Since establishing the Manager, Raphael has jointly headed up the L1 Capital Australian Equities Fund and L1 Capital Long Short Fund.

Prior to L1 Capital, Raphael spent more than five years at Cooper Investors. During that period, Raphael was a portfolio manager of the flagship Cooper Investors Australian Equities Fund.

Raphael holds a double degree in Law and Commerce from Monash University, with Honours in Law and First Class Honours in Finance.



Mark Landau

B.Com, B.Ec, CFA, SA Fin

Mark is a co-founder of the Manager and has been the Joint Managing Director & Chief Investment Officer since the firm was founded in 2007. Since establishing the Manager, Mark has jointly headed up the L1 Capital Australian Equities Fund and L1 Capital Long Short Fund.

Prior to establishing the Manager, Mark spent five years at Invesco as an Investment Analyst in the Large Cap Australian Equities team and later as an Investment Manager in the Smaller Companies Fund. Prior to Invesco, Mark was a Senior Strategy Consultant at Accenture, where he provided financial analysis and corporate strategy advice to a range of large Australian companies across many sectors, including banking, insurance, telecommunications and retail.

Mark holds a double degree in Commerce and Economics from Monash University, is an active CFA Charterholder and is a Senior Associate of FINSIA.

(c) Other members of the Investment Team**Lev Margolin (Portfolio Manager)**

B. Com (Actuarial Hons – 1st class), CFA

Lev joined the Manager in 2008 and is a portfolio manager of the L1 Capital Australian Equities Fund and L1 Capital Long Short Fund.

Prior to joining L1 Capital in 2008, Lev worked in private equity and M&A with Babcock & Brown and AEP and within the Corporate Strategy & Investment team at National Australia Bank.

Lev specialises in diversified financials, gaming, media, utilities, telecommunications, infrastructure and property sector research and was awarded 'Best Buy-Side Analyst' at Australian Fund Manager Awards in 2014.

Lev is an active CFA Charterholder and holds an undergraduate degree in Commerce from the University of Melbourne with First Class Honours in Actuarial Studies.

**Martin Tavella (Investment Analyst)**

B. Bus (Finance & Econometrics)

Martin is an investment analyst at the Manager and is responsible for agriculture, aged care, information technology and small cap industrials research.

Prior to joining L1, Martin was an assistant analyst at Diogenes Research where he conducted detailed financial analysis on various listed Australian and International companies. Martin holds a Bachelor of Business (Finance & Econometrics) from Monash University and is a CFA Level III candidate.



Wayne Murray (Investment Specialist)

B.Bus (Hons Finance)

Wayne is an Investment Specialist with the Manager and is responsible for client service and corporate communications. Wayne has 13 years experience in investment markets, having worked in investment banking, private equity and stockbroking.

Prior to joining the Manager, Wayne founded a bespoke investment research firm, Edgware, which provided detailed industry research for fund managers. Prior to Edgware, Wayne was a senior member of the Institutional Research Sales team at Commonwealth Bank, where he provided market insights and investment ideas to institutional fund managers. Prior to CBA, Wayne gained considerable global equities experience at Goldman Sachs, where he was part of the top-rated European insurance sales research team in London.



Lubos Polakovic (Head of Dealing)

Lubos is the Head of Dealing at the Manager. Prior to joining the Manager, Lubos was an Equity Partner at

Baillieu Holst, where he worked for 18 years. In his role as an Institutional Sales Trader, he developed broad equities expertise, including dealing in equities and derivatives, providing trading advice and market analysis to clients, along with managing key institutional and high net worth client relationships.

(d) Operations Team



Joel Arber (Chief Operating Officer)

B.Info Sys, M. App Fin, SA Fin

Joel is the Manager's Chief Operating Officer and is responsible for overseeing all aspects of the firm's operations. Joel has 10 years' experience in the financial services sector, including 7 years at the Manager.

Prior to joining the Manager, Joel worked as a management consultant at SPP, providing high level strategy advice to large listed companies, Government departments and universities. Prior to SPP, Joel co-founded and ran an I.T. consulting business for 7 years. Joel holds an undergraduate degree in Information Systems from the University of Melbourne and, a Masters of Applied Finance from Kaplan Education and is a Senior Associate of FINSIA.



David Goss (Head of Fund Operations & Compliance)

B.Eng Electrical/Electronic Engineering

David is responsible for fund operations and compliance at the Manager. David joined the Manager in 2016 after gaining more than 15 years' experience in global fund operations.

Prior to joining the Manager, David worked in a variety of fund administration roles for State Street (Ireland), BNY Mellon (Bermuda) and Apex Fund Services (Australia & Ireland). David is responsible for unit pricing, investor registries, managing third party relationships with custodians, prime brokers and administrators, as well as fund reconciliation and compliance.



Jeffrey Lau (Operations Manager)

B.Bus (Banking and Finance), B.A

Jeffrey is an Operations Manager at the Manager, with responsibility for day-to-day operational matters of the firm including settlements, client reporting and fund compliance.

Prior to joining the Manager, Jeffrey spent four years working as an institutional stockbroking assistant at Ord Minnett and before that at StoneBridge Securities.

(e) Sufficient capacity

The Manager considers that each member of the investment team will be available to devote the amount of time required for the Manager to properly perform its functions in managing the Company's Portfolio in accordance with the Investment Management Agreement. The Investment Team does not have any material or significant business involvement outside the management of the investment portfolio

(f) No adverse regulatory findings

There have been no adverse regulatory findings against the Manager or any member of the L1 Capital Investment Team.

5.1. Introduction

Intending investors should be aware that subscribing for Shares involves various risks. There are general risks associated with owning securities in publicly listed companies. The price of securities can go down as well as up due to factors outside the control of the Company. These factors include Australian and worldwide economic and political stability, natural disasters, performance of the global stock markets, interest rates, foreign exchange, taxation and labour relations environments internationally.

Some of the events and circumstances described below may negatively impact the Company's investment performance and NTA backing per Share, which may in turn cause the market price of the Company's Shares to fall and may result in the loss of income and the principal you invested. The market price of the Shares may also be directly affected by some of the events and circumstances described below.

While the Company and the Manager have put in place various corporate governance, compliance and risk management systems (see Section 3.11 for details) to mitigate risks, neither the Company nor the Manager can guarantee that these safeguards and systems will be effective. Some risks are outside the control of the Company, the Directors, the Manager and its directors and employees, and cannot be mitigated.

Before making a decision on whether to apply for any Securities under the Offer, you are urged to carefully consider the risks described in this Section 5, which is not an exhaustive list of all the possible risks associated with investing in the Company, as well as any other risk factors that you may consider relevant to such investments. Your financial adviser can assist you in determining the risks of investing in the Company and whether it is suited to your needs and circumstances.

5.2. Key investment strategy risk

The Company's investment activities will expose it to a variety of risks. The Company has identified some of them as being particularly relevant to its Investment Strategy, namely:

Investment Strategy risk

The success and profitability of the Company will largely depend upon the ability of the Manager to invest in a Portfolio which generates a return for the Company.

The past performance of the funds managed by the Manager is not a guide to future performance of the Investment Strategy or the Company. There are risks inherent in the Investment Strategy that the Manager will employ for the Company. An inherent part of the strategy is to identify Securities which are undervalued (or, in the case of Short Positions, overvalued) by the marketplace. Success of such a strategy necessarily depends upon the market eventually recognising such value in the price of the Security, which may not necessarily occur. Equity positions, including initial public offerings, may involve highly speculative Securities. The ability of the Manager to construct a long portfolio of Securities that outperforms and a short portfolio of Securities that outperforms are both crucial to the success and profitability of the Company. While certain Short Positions act as a hedge for the Company's long investments, there is a risk that losses are incurred on the long and short portfolios at the same time.

Manager risk

The Company's performance depends on the expertise and investment decisions of the Manager. Its opinion about the intrinsic worth of a company or Security may be incorrect, the Company's investment objective may not be achieved and the market may continue to undervalue the Securities within the Portfolio from time to time. The past performance of the Investment Strategy (represented by the performance of the L1 Capital Long Short Fund from 1 September 2014) is not necessarily a guide to future performance of the Company.

Further, the success and profitability of the Company will largely depend on the Manager's continued ability to manage the Portfolio in a manner that complies with the Company's objectives, strategies, policies, guidelines and permitted investments. Should the Manager become unable to perform investment management services for the Company or should there be significant key personnel changes at the Manager, the Company's investment activities may be disrupted and its performance negatively impacted. Even if the Company does not perform well, it may be difficult to remove the Manager.

5.3. Risks arising from leverage, Derivatives and Short Selling

Leverage risk

The Manager is permitted to borrow on behalf of the Company. The Manager may use debt to increase the scale of the Portfolio of the Company or to purchase

Securities outside of Australia in the relevant currency (for example in USD to purchase US Securities). There are risks associated with using leverage in this manner.

The use of Derivatives and Short Selling may have an effect similar to debt leverage in that it can magnify the gains and losses achieved in the Portfolio in a manner similar to a debt leveraged portfolio. These risks give rise to the possibility that positions may have to be liquidated at a loss and not a time of the Manager's choosing.

Derivative risk

The Company may invest in Exchange Traded Derivatives and Over-the-counter Derivatives including options, futures and swaps, currency, and credit default exposures, currency forwards/contracts and related instruments. The Company may use derivative instruments for risk management purposes and to take opportunities to increase returns. Investments in Derivatives may cause losses associated with the value of the Derivative failing to move in line with the underlying Security or as expected. Derivative transactions may be highly volatile and can create investment leverage, which could cause the Company to lose more than the amount of assets initially contributed to the transaction.

It is the intention of the Manager to only employ relatively simple Derivatives (typically index futures and single security equity options). The notional exposures of any index Derivative positions would be included in overall exposure limits, while the premium will be included for any other Derivative positions.

Short Selling risk

There are inherent risks associated with Short Selling. Short Selling involves borrowing Securities which are then sold. If the price of the Securities falls then the Company can buy those Securities at a lower price to transfer back to the lender of the Securities. However, if the price of Securities rises the Company may be required to sell the Securities to the lender at a significant loss. Short Selling can be seen as a form of leverage and may magnify the gains and losses achieved in the Portfolio. While Short Selling may be used to manage certain risk exposures in the Portfolio and increase returns, it may also have a significantly increased adverse impact on its returns. Short Selling exposes the Portfolio to the risk that investment flexibility could be restrained by the need to provide collateral to the Securities lender and that positions may have to be liquidated at a loss and not at a time of the Manager's choosing. Section 3.5(c) contains examples of how losses from Short Selling can have a materially adverse effect.

5.4. Significant risks of investing in the Company

The following risks should be carefully evaluated before making an investment in the Company. Consideration must also be given to the speculative nature of the Company's investments. The following is not an exhaustive list of the risks of investing in the Company.

Foreign issuer and market risk

The Company's investment objective and strategies are focused on Australian and New Zealand Securities, however it can invest in up to 30% of the Portfolio's gross exposure in Global Securities. Investments in foreign companies may be exposed to a higher degree of sovereign, political, economic, market and corporate governance risks than Australian and New Zealand investments.

Currency risk

Investing in assets denominated in a foreign currency creates an exposure to foreign currency fluctuations, which can change the value of the Portfolio's investments measured in Australian dollars. For example, if an equity investment is denominated in a foreign currency and that currency depreciates in value against the Australian dollar, the value of that investment may depreciate when translated into Australian dollars and the Portfolio may suffer a loss as a result (notwithstanding that the underlying equity has appreciated in value in its currency of denomination). The Manager will seek to regularly monitor price movements for Global Securities and may perform currency trades to maintain an Australian dollars hedged portfolio. While it is the general intention of the Manager to hedge the portfolio into Australian Dollars, the Manager is allowed to leave Global Securities unhedged if the Manager believes this would be in the best interests of the Company. This decision may result in gains or losses in local currency terms.

Counterparty and Collateral risk

The Company uses the services of Prime Brokers to facilitate the lending of Securities to short sell. Until the Manager returns a borrowed Security, it will be required to maintain assets with the Prime Brokers as Collateral. As such, the Company may be exposed to certain risks in respect of that Collateral.

Market risk

The Portfolio will be exposed to market risk. The market risk of assets in the Company's Portfolio can fluctuate as a result of market conditions. The value of the Portfolio

may be impacted by factors such as economic conditions, interest rates, regulations, sentiment and geopolitical events as well as environmental, social and technological factors. The Manager will seek to reduce market and economic risks to the extent possible. In addition, as the Company will be listed on the ASX, the Shares will be exposed to market risks. As a result, the Share price may trade at a discount or a premium to its NTA.

Equity risk

There is a risk that Securities will fall in value over short or extended periods of time. Security markets tend to move in cycles, and individual share prices may fluctuate and underperform other asset classes over extended periods of time. Shareholders in the Company are exposed to this risk both through their holdings in Shares in the Company as well as through the Company's Portfolio.

Interest rate risk

Interest rate movements may adversely affect the value of the Company through their effect on the price of a Security and the cost of borrowing.

Default risk

Investment in Securities and financial instruments generally involves third parties as custodial and counter parties to contracts. Use of third parties carries risk of default and failure to secure custody which could adversely affect the value of the Company.

The Company will use the services of the Prime Brokers and outsource key operational functions including investment management, custody, execution, administration and valuation to a number of third party service providers. There is a risk that third party service providers may intentionally or unintentionally breach their obligations to the Company or provide services below standards which are expected by the Company, causing loss to the Company.

Liquidity risk

The Company is exposed to liquidity risk in relation to the investments within its Portfolio. If a Security cannot be bought or sold quickly enough (or at all) to minimise potential losses, the Company may have difficulty satisfying commitments associated with financial instruments. If the Company is unable to buy or sell Securities, it may suffer significant losses.

The Company's Shares are also exposed to liquidity risk. The ability of an investor in the Company to sell their Shares on the ASX will depend on the turnover or liquidity

of the Shares at the time of sale. Therefore, investors may not be able to sell their Securities at the time, in the volumes or at the price they desire.

Small cap investment risk

Securities of smaller companies involve greater risk than those of larger, more established companies. This is because smaller companies may be in earlier stages of development, may be dependent on a small number of products or services, may lack substantial capital reserves and/or do not have proven track records. Small cap companies may be more adversely affected by poor economic or market conditions or as a result of poor corporate governance, and may be traded in low volumes, which may increase volatility and liquidity risks.

Portfolio turnover risk

The Manager may adjust the Portfolio in view of prevailing or anticipated market conditions and the Company's investment objective, and there is no limitation on the length of time Securities must be held, directly or indirectly, by the Company prior to being sold. Portfolio turnover rate will not be a limiting factor and will vary from year to year. Higher portfolio turnover rates involve correspondingly higher transaction costs, which are borne directly or indirectly by the Company. In addition, the Company may realise significant short term and long-term capital gains.

Compensation fee structure risk

The Manager may receive compensation based on the Portfolio's performance. Performance Fee arrangements may create an incentive for the Manager to make more speculative or higher risk investments than would be the case in the absence of a fee based on the performance of the Portfolio.

Counterparty risk

The risk of loss resulting from the insolvency or bankruptcy of a counterparty used by the Manager to execute trades.

Regulatory risk

All investments carry the risk that their value may be affected by changes in laws and regulations especially taxation laws. Regulatory risk includes risk associated with variations in the taxation laws of Australia or other jurisdictions in which the Company holds investments.

In accordance with the terms of the Investment Management Agreement, the Manager will operate the Portfolio relying on its AFSL. Any adverse action taken by a regulator (including but not limited to ASIC, ASX or a similar foreign regulatory body) against the Manager or any member of the Investment Team, whether in relation

to the Company or otherwise, could have an adverse effect on the Company. Such adverse effect may include reputational damage to the Company and expose the Company's Shares to liquidity risk.

Company risk

The Company is a new entity with no operating history and no proven track record.

5.5. Risks associated with investment in Shares

The prices at which Shares will trade on the relevant securities exchange are subject to a number of risks, including:

Market risk

Share markets tend to move in cycles, and individual Shares prices may fluctuate and under perform other asset classes over extended periods of time. The value of Shares listed on the ASX may rise or fall depending on a range of factors beyond the control of the Company. Shareholders in the Company are exposed to this risk both through their holding in Shares as well as through the Company's Portfolio.

Economic risk

Investment returns are influenced by numerous economic factors. These factors include changes in the economic conditions (e.g. changes in interest rates or economic growth), changes to legislative and political environment, as well as changes in investor sentiment.

In addition, exogenous shocks, natural disasters and acts of terrorism and financial market turmoil (such as the global financial crisis) can (and sometimes do) add to equity market volatility as well as impact directly on individual entities. As a result, no guarantee can be given in respect of the future earnings of the Company or the earnings and capital appreciation of the Company's Portfolio or appreciation of the Company's Share price.

Liquidity risk

The Company will be a listed entity; therefore the ability to sell Shares will be a function of the turnover of the Shares at the time of sale. Turnover itself is a function of the size of the Company and also the cumulative investment intentions of all current and possible investors in the Company at any one point in time.

Discount to NTA

The Company will be listed on the ASX and may not trade in line with the underlying value of the Portfolio. The Shares may trade at a discount or a premium to its NTA.

5.6. Other risk factors

Before deciding to subscribe for Shares, Applicants should consider whether Shares are a suitable investment.

There may be tax implications arising from the application for Shares, the receipt of dividends (both franked and unfranked) from the Company, participation in any dividend reinvestment plan of the Company, participation in any on market share buy-back and on the disposal of Shares. Applicants should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of tax legislation.

Investors are strongly advised to regard any investment in the Company as a long term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur.

If you are in doubt as to whether you should subscribe for Shares, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser immediately.

5.7. Time frame for investment

Investors are strongly advised to regard any investment in the Company as a long term proposition of over 5 years and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur over that period.

In addition, the above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities. Therefore, there is no guarantee with respect to the payment of dividends, returns of capital or the market value of the Shares.

You should consider that an investment in the Company is speculative and consult your professional adviser before deciding whether to apply for the Shares.

6.1. Proceeds of the Issue

The Board intends to use the funds raised from the Offer for investment consistent with the investment objectives and Investment Strategy set out in Section 3.

6.2. Unaudited pro forma statement of financial position

The unaudited pro forma statements of financial position set out below represent the pro forma statements of financial position of the Company adjusted for completion of the Offer. It is intended to be illustrative only and it neither reflects the actual position of the Company as at the date of this Prospectus

nor at the conclusion of the Offer.

The pro forma statements of financial position have been prepared in accordance with the accounting policies set out in Section 6.8 below.

L1 Long Short Fund Limited Unaudited Pro Forma Statement of Financial Position Assumes completion of the Offer

The unaudited pro forma statements of financial position are presented in summary form only and do not comply with the presentation and disclosure requirements of Australian Accounting Standards.

The information in this Section should also be read in conjunction with the Risk Factors set out in Section 5 and other information contained in this Prospectus.

	MINIMUM SUBSCRIPTION \$100 MILLION (\$)	SUBSCRIPTION \$250 MILLION (\$)	MAXIMUM SUBSCRIPTION \$500 MILLION (\$)	OVER SUBSCRIPTION \$600 MILLION (\$)
ASSETS				
Cash	96,315	242,042	484,569	581,525
Receivables	3,685	7,958	15,431	18,476
Total Assets	100,000	250,000	500,000	600,001
Total Liabilities	-	-	-	-
Net Assets	100,000	250,000	500,000	600,001
Equity				
Contributed Equity	100,000	250,000	500,000	600,000
Less: Capitalised costs of the Offer	(2,445)	(5,254)	(10,164)	(12,164)
	97,555	244,746	489,836	587,836
Costs to be recouped	2,445	5,255	10,164	12,164
Total Equity	100,000	250,000	500,000	600,000
NAV Backing Per Share (\$)	2	2	2	2

6.3. Capital structure

The anticipated capital structure of the Company on completion of the issue is set out below:

	MINIMUM SUBSCRIPTION \$100 MILLION	SUBSCRIPTION \$250 MILLION	MAXIMUM SUBSCRIPTION \$500 MILLION	OVER SUBSCRIPTION \$600 MILLION
Shares on Issue	50,000,001	125,000,001	250,000,001	300,000,001

6.4. Cash

A reconciliation of the pro forma statements of financial position for cash is as below:

	MINIMUM SUBSCRIPTION \$100 MILLION (\$)	SUBSCRIPTION \$250 MILLION (\$)	MAXIMUM SUBSCRIPTION \$500 MILLION (\$)	OVER SUBSCRIPTION \$600 MILLION (\$)
Initial Subscriber Share	1	1	1	1
Proceeds of Offer	100,000,000	250,000,000	500,000,000	600,000,000
Expenses of Offer	(3,497,085)	(7,509,653)	(14,524,117)	(17,380,507)
GST Receivable	(187,500)	(448,295)	(906,818)	(1,094,318)
Estimated net cash position	96,315,416	242,042,052	484,569,066	581,525,176

6.5. Receivable

The Company has entered into an agreement with the Manager to recoup from the Manager the Offer Costs by means of the Manager agreeing to forgo Management Fees until such time as the Offer Costs has been recouped in full. This right to recoup will be recognised as a receivable along with GST to be recovered on the Offer Costs.

The receivable balances are based on the estimated Offer Costs in Section 6.7 below.

	MINIMUM SUBSCRIPTION \$100 MILLION (\$)	SUBSCRIPTION \$250 MILLION (\$)	MAXIMUM SUBSCRIPTION \$500 MILLION (\$)	OVER SUBSCRIPTION \$600 MILLION (\$)
Receivable for recoupment of Offer Costs	3,497,085	7,509,653	14,524,117	17,380,507
GST Receivable	187,500	448,295	906,818	1,094,318
Total Estimated Receivable	3,684,585	7,957,949	15,430,935	18,474,825

6.6. Assumptions

These unaudited pro forma statements of financial position and the information in Sections 6.2 to 6.5 have been prepared on the basis of the following assumptions:

- (a) Application of the proposed accounting policies and notes to the accounts set out in Section 6.8.
- (b) In the unaudited pro forma statement of financial position entitled "Minimum Subscription \$100,000,000", the reference is to issuing 50,000,000 Shares to Applicants under this Prospectus.
- (c) In the unaudited pro forma statement of financial position entitled "Subscription \$250,000,000", the reference is to issuing 125,000,000 Shares to Applicants under this Prospectus.
- (d) In the unaudited pro forma statement of financial position entitled "Maximum Subscription \$500,000,000", the reference is to issuing 250,000,000 Shares to Applicants under this Prospectus.
- (e) In the unaudited pro forma statement of financial position entitled "Over Subscription \$600,000,000", the reference is to issuing 300,000,000 Shares to Applicants under this Prospectus.
- (f) Offer Cost will be paid by the Company and recouped from the Manager (refer to Section 6.7).
- (g) The Company will pay to each Broker a selling fee equal to 1.50% (inclusive of GST) of the total raised by that Broker.
- (h) Applications by the Cornerstone Investors will be 50,000,000 Units at \$2.00 per Unit raising \$100,000,000 (the **Cornerstone Proceeds**);
- (i) For the purpose of the unaudited pro forma statement of financial position, it has been assumed that the Broker Firm selling fee of 1.50% (including GST) will be paid on:
 - (i) 100% of Applications in respect of the Minimum Subscription of \$100,000,000;
 - (ii) 92% of Applications in respect of the Subscription of \$250,000,000
 - (iii) 94% of Applications in respect of the Maximum Subscription of \$500,000,000; and
 - (iv) 95% of Applications in respect of the Over Subscription of \$600,000,000.
- (j) The Company will pay the Sole Arranger an arranger fee equal to 0.25% (including GST) of the total proceeds raised under the Offer. The Company will pay the Joint Lead Managers a management fee equal to 1.25% (including GST) of the total proceeds raised under the Offer. The JLM Fee in respect to Offer proceeds up to \$500 million will be split evenly between all the Joint Lead Managers. If more than \$500 million is raised, the JLM Fee in respect to Offer proceeds over \$500 million will be paid in full to the relevant Joint Lead Managers.

6.7. Offer Costs

The Company will initially pay the Offer Costs including all establishment costs, legal and investigating accountant fees, printing and initial ASX listing fees. The Company will recoup these costs from the Manager via the Investment Management Agreement between the Manager and the Company whereby the Manager has agreed to forego Management Fees until the Offer Costs are recouped in their entirety (refer to Section 9.1).

The Offer Costs have been estimated at \$3,497,085 assuming the Minimum Subscription is achieved and \$17,380,507 assuming Oversubscriptions are fully subscribed. The capitalised offer cost amounts in each instance would be after taking into consideration the upfront tax benefit received.

A breakdown of these expenses (including GST), assuming the Minimum Subscription of Applications for \$100,000,000, Subscription of Applications for \$250,000,000, Maximum Subscription of Applications for \$500,000,000 and Over Subscription of Applications for \$600,000,000 is provided below:

	Minimum Subscription \$100 million (\$)	Subscription \$250 million (\$)	Maximum Subscription \$500 million (\$)	Over Subscription \$600 million (\$)
Joint Lead Manager fees (both the management fee and the Arranger fee)	3,000,000	7,200,000	14,550,000	17,550,000
Legal fees	200,000	200,000	200,000	200,000
Investigating accountant fees	56,100	56,100	56,100	56,100
ASX fees	167,475	240,839	363,825	407,715
ASIC lodgement fees	2,400	2,400	2,400	2,400
Other expenses	258,610	258,610	258,610	258,610
Total estimated Gross Offer Cost	3,684,585	7,957,949	15,430,935	18,474,825
Less: GST receivable	(187,500)	(448,295)	(906,818)	(1,094,318)
Total estimated Offer Cost	3,497,085	7,509,653	14,524,117	17,380,507

6.8. Proposed significant accounting policies and notes to accounts

A summary of significant accounting policies that have been adopted in the preparation of unaudited pro forma statements of financial position set out in Section 6.2 or that will be adopted and applied in preparation of the financial statements of the Company for the period ended 30 June 2018 and subsequent periods is set out as follows:

(a) Basis of preparation

The pro forma statements of financial position have been prepared in accordance with Australian Accounting Standards and Interpretations, issued by the AASB and the Corporations Act, as appropriate for for-profit oriented entities (as modified for inclusion in the Prospectus). Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International

Accounting Standards Board. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated. The financial information presented in the Prospectus is presented in an abbreviated form and does not contain all of the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. The pro forma statements of financial position have been prepared on the basis of assumptions outlined in Section 6.6. The pro forma statements of financial position have been prepared on an accrual basis and are based on historical costs.

(b) Investments

(i) Classification

The category of financial assets and financial liabilities comprises:

Financial instruments designated at fair value through profit or loss

These include financial assets that may be sold and their fair value changes are recorded in profit or loss.

Financial instruments designated at fair value through other comprehensive income (long-term equity investments)

Long term equity investments comprise holdings in marketable equity securities which are intended to be held for the long term and their fair value changes are recorded in other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period, which are classified as non-current assets. Loans and receivables are included in trade and other receivables within the Statement of Financial Position.

(ii) **Recognition/Derecognition**

Financial assets and liabilities at fair value through profit or loss and financial instruments designated at fair value through other comprehensive income are recognised initially on the trade date at which the Company becomes party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they originated. The Company derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire or it transfers the financial asset and the transfer qualifies for derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(iii) **Valuation**

All investments are classified and measured as being at fair value. Shares that are listed or traded on an exchange are fair valued using last sale prices, as at the close of business on the day the shares are being valued. If a quoted market price is not available on a recognised security exchange, the fair value of the instruments is estimated using valuation techniques, which include the use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

(c) **Reimbursement right**

The Company's right to be reimbursed for the Offer Costs are included as a receivable asset within the statement of financial position at cost less provision for impairment.

(d) **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable. The Company may incur withholding tax imposed by certain countries on investment income. Such income will be recorded net of withholding tax in profit or loss.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted for each jurisdiction.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amounts of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset. Deferred tax assets and deferred tax liabilities can be presented as a net balance in the statement of financial position when:

- the Company has a legally enforceable right to offset its current tax assets and current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), unless GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of Financial Position.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Share capital

Ordinary shares will be classified as equity. Costs directly attributable to the issue of ordinary shares will be recognised as a deduction from equity, net of any tax effects.



PITCHER PARTNERS
SYDNEY CORPORATE FINANCE PTY LTD

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Pitcher Partners is an association of independent firms
Melbourne | Sydney | Perth | Adelaide | Brisbane | Newcastle

16 February 2018

The Directors
L1 Long Short Fund Limited
Level 28, 101 Collins Street
Melbourne
Victoria 3000 Australia

Dear Directors,

PART 1: INDEPENDENT LIMITED ASSURANCE REPORT ON L1 LONG SHORT FUND LIMITED PRO FORMA HISTORICAL FINANCIAL INFORMATION

7.1 INTRODUCTION

The Directors of L1 Long Short Fund Limited (the "*Company*") have engaged Pitcher Partners Sydney Corporate Finance Pty Ltd ("*Pitcher Partners*") to report on the pro forma historical financial information of the Company as at 16 February 2018.

We have prepared this Independent Limited Assurance Report ("*Report*") to be included in a Prospectus dated on or about 16 February 2018 and relating to the offer of up to 250,000,000 fully paid ordinary Shares at an offer price of \$2.00 per share to raise up to \$500,000,000 should the Maximum Subscription be raised.

The Minimum Subscription is 50,00,000 fully paid ordinary Shares. The Offer is not underwritten.

Unless stated otherwise, expressions defined in the Prospectus have the same meaning in this Report and section references are to sections of the Prospectus.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence ("*AFSL*") under the Corporations Act. Pitcher Partners holds the appropriate AFSL authority under the Corporations Act. Refer to our Financial Services Guide included as Part 2 of this Report.

7.2 BACKGROUND

The Company was incorporated on 14 December 2017 and has not traded. As at the date of this Report, the Company has 1 Share on issue and has net assets of \$1.



7.3 SCOPE

This Report deals with the pro forma financial information included in Section 6 of the Prospectus ("*Financial Information*"). The Financial Information consists of the pro forma statements of financial positions as at 16 February 2018 and related notes as set out on Section 6 of the Prospectus.

The unaudited pro forma statements of financial position in Section 6.2 have been prepared to illustrate the financial position of the Company on completion of the Offer and have been prepared on the basis of the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events to which the pro forma assumptions relate, as described in Section 6.6 of the Prospectus, as if those events had occurred as at 16 February 2018. Due to its nature, the pro forma historical financial information does not represent the Company's actual or prospective financial position.

The pro forma statements of financial position are presented in an abbreviated form insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports.

Pitcher Partners disclaims any responsibility for any reliance on this Report or the financial information to which it relates for any purpose other than that for which it was prepared. This Report should be read in conjunction with the full Prospectus and has been prepared for inclusion in the Prospectus.

7.4 DIRECTORS' RESPONSIBILITIES

The Directors of the Company are responsible for the preparation and presentation of the pro forma statements of financial position including the selection and determination of pro forma assumptions, accounting policies and the notes included in the pro forma historical financial information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of the pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

7.5 OUR RESPONSIBILITIES

Our responsibility is to express a limited assurance conclusion on the pro forma historical financial information included in Section 4 of the Prospectus based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion on the pro forma historical financial information of the Company.

Our engagement did not involve updating or re issuing any previously issued audit or review report on any financial information used as a source of the financial information.



7.6 CONCLUSION

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the pro forma historical financial information (being the pro forma statements of financial position of the Company) are not presented fairly, in all material respects, in accordance with the assumptions described in Section 6.6 of the Prospectus and the stated basis of preparation as described in Section 6.2 of the Prospectus and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and the Company's accounting policies.

7.7 RESTRICTION ON USE

Without modifying our conclusions, we draw attention to Section 6 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Investors should consider the statement of investment risks set out in Section 5 of the Prospectus.

7.8 LEGAL PROCEEDINGS

To the best of our knowledge and belief, there are no material legal proceedings outstanding or currently being undertaken, not otherwise disclosed in this Report, which would cause the information included in the Report to be misleading.

7.9 NO OTHER EVENTS

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no other material transactions or events outside of the ordinary business of the Company have come to our attention, that would require comment on, or adjustment to the information referred to in our Report, or that would cause such information to be misleading or deceptive.

7.10 SOURCES OF INFORMATION

Pitcher Partners has made enquiries of the Directors, the Manager and other parties as considered necessary during the course of our analysis of the pro forma historical financial information of the Company. We have also referred to the Prospectus and material documents which relate to the proposed operations of the Company.

We have no reason to believe the information supplied is not reliable.

7.11 INDEPENDENCE OR DISCLOSURE OF INTEREST

Pitcher Partners has no financial or other interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion on the matters that are subject of this Report for which normal professional fees will be received.

Neither Pitcher Partners Sydney Corporate Finance Pty Ltd, Pitcher Partners Sydney Wealth Management Pty Ltd, any director thereof, nor any individual involved in the preparation of the Report have any financial interest in the outcome of this Offer, other than a fee payable to Pitcher Partners in connection with the preparation of our Report for which normal professional fees will be received.

7.12 LIABILITY

Pitcher Partners has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report, this consent has not been withdrawn.



The liability of Pitcher Partners is limited to the inclusion of this Report in the Prospectus. Pitcher Partners has not authorised the issue of the Prospectus. Accordingly, Pitcher Partners makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from, the Prospectus.

7.13 FINANCIAL SERVICES GUIDE

We have included our Financial Services Guide as Part 2 of this Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

Pitcher Partners Sydney Corporate Finance Pty Ltd

A handwritten signature in black ink, appearing to read "S Whiddett".

Scott Whiddett

Director



PART 2 - FINANCIAL SERVICES GUIDE

1. Pitcher Partners Sydney Corporate Finance Pty Ltd

Pitcher Partners Sydney Corporate Finance Pty Ltd ("**Pitcher Partners**") is an authorised representative of Pitcher Partners Sydney Wealth Management Pty Ltd ("**Licence Holder**") in relation to Australian Financial Services Licence No. 336950.

Pitcher Partners may provide the following financial services to wholesale and retail clients as an authorised representative of the Licence Holder:

- Financial product advice in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, deposit and payment products, life products, retirement savings accounts and superannuation (collectively "**Authorised Financial Products**"); and
- Applying for, varying or disposing of a financial product on behalf of another person in respect of Authorised Financial Products.

2. Financial Services Guide

The Corporations Act 2001 requires Pitcher Partners to provide this Financial Services Guide ("**FSG**") in connection with its provision of an Investigating Accountant's Report ("**Report**") which is included in the Prospectus provided by L1 Long Short Fund Limited (the "**Entity**").

3. General Financial Product Advice

The financial product advice provided in our Report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our Report is appropriate for you, having regard to your own personal objectives, financial situation or needs. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence ("**AFSL**") to assist you in this assessment.

4. Remuneration

Pitcher Partners' client is the Entity to which it provides the Report. Pitcher Partners receives its remuneration from the Entity. Our fee for the Report is based on a time cost or fixed fee basis. This fee has been agreed in writing with the party who engaged us. Neither Pitcher Partners nor its Directors and employees, nor any related bodies corporate (including the Licence Holder) receive any commissions or other benefits in connection with the preparation of this Report, except for the fees referred to above.

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of Pitcher Partners or

related entities but any bonuses are not directly connected with any assignment and in particular not directly related to the engagement for which our Report was provided.

We do not pay commissions or provide any other benefits to any parties or person for referring customers to us in connections with the reports that we are licensed to provide.

5. Independence

Pitcher Partners is required to be independent of the Entity.

Neither Pitcher Partners, Pitcher Partners Sydney Wealth Management Pty Ltd, any Director thereof, nor any individual involved in the preparation of the Report have any financial interest in the outcome of this Offer, other than a fee in connection with the preparation of our Report for which professional fees in the order of **\$51,000** (excluding GST) will be received. No pecuniary or other benefit, direct or indirect, has been received by Pitcher Partners, their Directors or employees, or related bodies corporate for or in connection with the preparation of this Report.

6. Complaints Resolution

Pitcher Partners is only responsible for its Report and this FSG. Complaints or questions about the Prospectus should not be directed to Pitcher Partners which is not responsible for that document.

Both Pitcher Partners and the Licence Holder may be contacted as follows:

- By phone: (02) 9221 2099
- By fax: (02) 9223 1762
- By mail: GPO Box 1615
SYDNEY NSW 2001

If you have a complaint about Pitcher Partners' Report or this FSG you should take the following steps:

1. Contact the Enquiries and Complaints Officer of the Licence Holder on (02) 9221 2099 or send a written complaint to the Licence Holder at Level 22, MLC Centre 19 Martin Place, Sydney NSW 2000. We will try and resolve your complaint quickly and fairly.
2. If you still do not get a satisfactory outcome, you have the right to complain to the Financial Industry Complaints Service at PO Box 579 Collins St West, Melbourne, Victoria 8007 or call on 1300 78 08 08. We are a member of this scheme.
3. The Australian Securities & Investments Commission (ASIC) also has a freecall Infoline on 1300 300 630 which you may use to make a complaint and obtain information about your rights.

The Licence Holder, as holder of the AFSL, gives authority to Pitcher Partners to distribute this FSG.

8.1. Introduction

The Company believes that the Manager has the skill, depth of knowledge and history of achieving results through the Investment Strategy to manage this Portfolio.

The Manager will be overseen by the Board of Directors who have a broad range of experience in investment management combined with financial and commercial expertise.

The following table provides information regarding the Directors, including their positions:

Director	Position	Independence
Andrew Larke	Chairman	Independent
John Macfarlane	Director	Independent
Harry Kingsley	Director	Independent
Raphael Lamm	Director	Non Independent
Mark Landau	Director	Non Independent

8.2. Background of the Directors



Andrew Larke

Chairman

LLB, BCom, Graduate Diploma in Corporations & Securities Law

Andrew has over 20 years' experience in mergers, acquisitions, capital markets and senior executive leadership positions.

He is a Non-Executive Director of DuluxGroup Ltd, Diversified United Investment Limited and IXOM (a leading Australasian chemicals business where he was previously managing Director and CEO) and Chairman of Sand Hill Road hospitality.

Andrew was formerly Global Head of Strategy, Planning and Mergers & Acquisitions at Orica Limited, where he was a member of the Group Executive for 9 years. Prior to this he held senior corporate strategy, business and legal roles at North Ltd and he began his career as a corporate lawyer at Blake Dawson Waldron (now Ashurst).



John Macfarlane

Independent Director

B Comm, M Comm (1st Class Hons)

John Macfarlane is an experienced international banker. He served as CEO of Bankers Trust New Zealand (1998-1999), Chief Country Officer (Japan) and President of Deutsche Securities Japan (1999-2006), Executive Chairman of Deutsche Bank Australia and New Zealand (2007-2014) and Chairman and CEO of Deutsche Bank Australia (2011-2014).

During his 15 years at Deutsche Bank he was a member of the Global Markets, Global Banking and Global Regional Management Executive Committees and he also served as a Co-Chair of the Asia Pacific Executive Committee (2004-2006).

John previously worked for the New Zealand Government Treasury, the Dept of Finance (PNG) and for Bankers Trust Company for 11 years in Australia, New Zealand and the USA.

His current directorships include ANZ Banking Group Limited, Balmoral Pastoral Investments Pty Ltd, Colmac Group Pty Ltd, Craigs Investment Partners Limited, the Aikenhead Centre for Medical Discovery and St. Vincent's Institute of Medical Research.



Harry Kingsley

Independent Director

LLM, LLB, BCom

Harry Kingsley is a partner at Holding Redlich. He is a senior corporate and commercial lawyer specialising in strategic advice and negotiated transactions. He has extensive legal industry experience working in private practice and organisations in the transport and financial services industries as well as working as an investment banking professional. He is a trusted advisor to private and ASX listed corporations, their directors and management throughout Australasia.

Harry Kingsley is highly regarded for his general commercial expertise as well as specialist knowledge around private equity, private and public M&A, IPOs and equity and debt capital markets.

Harry was formerly the Senior Legal Counsel, Asciano Limited and Chief Legal Counsel, Pacific National (2011 – 2015), Executive Director, Austock Group (2005 – 2011) and a senior associate at Minter Ellison (2001 – 2005).

Raphael Lamm

See Section 4.7(b).

Mark Landau

See Section 4.7(b).

8.3. Independent Directors

Andrew Larke, John Macfarlane and Harry Kingsley being Independent Directors, are free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of the persons judgement.

8.4. Director disclosures

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director.

No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

8.5. The role of the Directors

The Directors will ensure the Company has Corporate Governance procedures and that those procedures are followed. In addition, the Board will be responsible for reviewing the Manager's performance and ensuring that compliance with the Investment Management Agreement terms. The members of the Board may implement capital management strategies (in line with the policy set out in Section 3.8) from time to time.

It is expected that Board meetings will be held at least quarterly and more frequently as required. The Directors commitment of time to these activities will depend on a number of factors including the size of the Portfolio, the spread of investments in the Portfolio and the state of investment of the Portfolio.

The Company has outsourced its investment management function to L1 Capital Pty Limited and it has outsourced its Corporate Registry function to Link Market Services Limited.

The Company will outsource its valuation and administration functions to Link Fund Solutions Pty Limited. These services will be provided on commercial terms. The Board will supervise compliance with this agreement.

Each Director has confirmed that, notwithstanding his other commitments, he will be available to spend the required amount of time on the Company's affairs including attending Board meetings of the Company.

8.6. Participation by Directors

Raphael Lamm currently holds one Share in the Company, which was issued on incorporation.

The Directors, and entities associated with them, are permitted to participate in the Offer. At completion of the Offer the Directors are expected to have a relevant interest in the following Shares:

- (a) Andrew Larke – 525,000 Shares;
- (b) John Macfarlane – 500,000 Shares;
- (c) Harry Kingsley – 25,000 Shares;
- (d) Raphael Lamm – 2,500,000 Shares; and
- (e) Mark Landau – 2,500,000 Shares.

8.7. No other interests

Except as set out in this Prospectus, there are no interests that exist at the date of this Prospectus and there were no interests that existed within two years before the date of this Prospectus that are, or were respectively, interests of a Director, a proposed Director of the Company or a promoter of the Company or in any property proposed to be acquired by the Company in connection with its formation or promotion or the Offer.

Further, there have been no amounts paid or agreed to be paid to a Director in cash or securities or otherwise by any persons either to induce him to become or to qualify him as a Director or otherwise, for services rendered by him in connection with the promotion or formation of the Company.

8.8. Directors' remuneration

The independent (non-executive) Directors are entitled to receive Directors' fees of up to \$400,000 per annum to be shared among the Directors.

Additional remuneration may be paid in accordance with the Company's Constitution. The following are the Directors' remuneration paid and payable for the year ending 30 June 2018:

Director	Director's Fees
Andrew Larke	\$150,000
John Macfarlane	\$75,000
Harry Kingsley	\$75,000

For the year ending 30 June 2018 Non-executive Directors will be paid a pro rata amount calculated by reference to the date that each Director is appointed.

The remuneration for Directors will be reviewed by the Board on a periodic basis as the Company develops its business and, subject to the Listing Rules, may be increased.

Raphael Lamm and Mark Landau, being non-Independent Directors, are remunerated by the Manager and will not receive Directors' fees from the Company.

8.9. Indemnity for Directors

The Company has agreed to provide an indemnity to the Directors in limited circumstances. See Section 9.4 for details.

8.10. Corporate governance policies

The Board has the responsibility of ensuring the Company is properly managed so as to protect and enhance Shareholders' interests in a manner that is consistent with the Company's responsibility to meet its obligations to all parties with which it interacts. To this end, the Board has adopted what it believes to be appropriate corporate governance policies and practices having regard to its size and the nature of activities.

The Board endorses the Corporate Governance Principles and Recommendations (ASX Recommendations) published by the ASX Corporate Governance Council and has adopted corporate governance charters and policies reflecting those ASX Recommendations (to the extent that such principles and recommendations are applicable to an entity of the size and structure of the Company). These will be available on the Company's website, at www.L1LongShort.com.

The Board will review the corporate governance policies and structures that the Company has in place on an ongoing basis to ensure that these are appropriate for the size of the Company and nature of its activities, and that these policies and structures continue to meet the corporate governance standards to which the Board is committed.

8.11. Related party disclosures

Each Director has entered into a director protection deed with the Company pursuant to which the Company has agreed to, amongst other things, indemnify (to the extent permitted by law) each Director in respect of certain liabilities incurred in their capacity as Directors. These deeds contain standard commercial terms and are consistent with market practice (see Section 9.4).

As indirect owners of the Manager, the non-Independent Directors, Raphael Lamm and Mark Landau will benefit from the entry by the Manager into the Investment Management Agreement through the payment of fees under the Investment Management Agreement. Details of the financial benefit payable under the Investment Management Agreement are included in Section 9.1. In light of this benefit, the Company has agreed that the non-Independent Directors will not receive Directors' fees from the Company.

Other than as set out above or elsewhere in this Prospectus, there are no existing agreements or arrangements and there are no currently proposed transactions in which the Company was, or is to be, a participant, and in which any related party had or will have a direct or indirect material interest.

The Directors consider that the material contracts described below and elsewhere in this Prospectus are those which an investor would reasonably regard as material and which investors and their professional advisors would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of the Offer. This Section contains a summary of the material contracts and their substantive terms.

9.1. Investment Management Agreement

The Company has entered into the Investment Management Agreement with the Manager on 16 February 2018 with respect to the investment management services to be provided to the Company's Portfolio. Set out below is a summary of the material terms of the Investment Management Agreement.

Services

The Manager must manage and supervise the Portfolio and all investments within the Portfolio. The Manager must also provide or procure the provision of reasonable administrative support services reasonably required by the Company to conduct its business. These services may include:

- (a) maintenance of the corporate and statutory records of the Company;
- (b) liaison with the ASX with respect to compliance with the ASX Listing Rules;
- (c) liaison with ASIC with respect to compliance with the Corporations Act;
- (d) liaison with the share registrar of the Company; and
- (e) the provision of information necessary for the maintenance of financial accounts of the Company to be completed.

Permitted investments

The Manager is permitted to undertake investments on behalf of the Company without Board approval. However, if the proposed investment is not in accordance with the approved Investment Strategy, the Board approval for the investment is required. The Board may approve changes to the approved investment strategies from time to time.

To the extent the Manager does have the requisite authorisations required to provide advice or deal in certain investments, the Manager may engage external advisors with the appropriate AFSL authorisations.

Powers of the Manager

Subject to the Corporations Act, the Listing Rules and Investment Strategy agreed with the Company from time-to-time, the Manager has the powers necessary to, on behalf of the Company, invest money constituted in or available to the Portfolio, and make, hold, realise and dispose of investments within the Portfolio. Any investment outside the Investment Strategy of the Board requires Board approval.

Subject to an obligation to liquidate the Portfolio to meet the Company's operating costs, dividend payments, capital returns, buybacks or other distributions the Manager has absolute and unfettered discretion to manage the Portfolio and to do all things considered necessary or desirable in relation to the Portfolio, including:

- (a) investigation, negotiation, acquisition, or disposal of every investment;
- (b) to sell, realise or deal with all or any of the investments or to vary, convert, exchange or add other investments;
- (c) if any investments are redeemed or the capital paid on it is wholly or partly repaid by the entity by which that investment was created or issued:
 - (i) to convert that investment into some other investment;
 - (ii) to accept repayment of the capital paid or advance on the investment and any other monies payable in connection with that redemption or repayment;
 - (iii) to re-invest any of those monies;
- (d) retain or sell any shares, debentures or other property received by the Company by way of bonus, or in satisfaction of a dividend in respect of any investments or from the amalgamation or reconstruction of any entity; and
- (e) to sell all or some of the rights to subscribe for new securities in an investment, to use all or part of the proceeds of the sale of such rights for the subscription for securities or to subscribe for securities pursuant to those rights.

Valuations

The Company must arrange for calculation of the value of the Portfolio at least monthly or at such more frequent times as may be agreed between the Manager and the Company. All costs incurred in arranging this calculation are to be paid by the Manager.

Delegation

The Manager may, with the prior approval of the Company (not to be unreasonably withheld), appoint or employ any person, including any related body corporate of the Manager, to be a sub-contractor for the Manager to perform any or all of the duties and obligations imposed on the Manager by the Investment Management Agreement.

Non-exclusivity and conflict management

The Manager may from time to time perform similar investment and management services for itself and other persons similar to the services performed for the Company under the Investment Management Agreement, provided the Manager does not prejudice or otherwise derogate its responsibilities specified in the Investment Management Agreement.

To manage potential conflicts of interest, the Manager will ensure that trades are allocated between portfolios on a fair and equitable basis. The Manager has confirmed to the Company that it will exercise its discretion as investment manager of the Portfolio to make investments consistent with the Investment Strategy of the Company outlined in this Prospectus.

Confidentiality

To protect the confidentiality of information related to the Company and its assets under management, the Manager has provided various confidentiality undertakings in the Investment Management Agreement. These undertakings are consistent with market practice. Importantly these undertakings:

- (a) effectively prohibit the Manager from using the Company's information for any purpose other than in its role as the Company's Manager; and
- (b) require the Manager to take all reasonable, proper and effective precautions to maintain the confidential nature of the Company's information.

Related party protocols

The Manager is not prohibited under the Investment Management Agreement from acquiring assets from, or disposing assets to, a related party. However, if the Manager does ever propose that the Company acquire assets from or dispose of assets to a related party of the Manager, the Company must approve that acquisition or disposal to the extent required by the Corporations Act or the Listing Rules.

Amendment

The Investment Management Agreement may only be altered in writing by the agreement of the Company and the Manager. The Company and the Manager have agreed that they will only make material changes to the Investment Management Agreement if the Company has obtained shareholder approval for these material changes.

Change of control provisions

The Manager has no right to terminate the Investment Management Agreement in the event of a change of control of the Company.

Similarly, the Company has no right to terminate the Investment Management Agreement in the event of a change of control of the Manager.

The Investment Management Agreement does not contain any pre-emptive rights over the Portfolio which are exercisable by either the Company, the Manager or a related entity of the Manager in the event of a change of control of either the Company or the Manager.

Company indemnity

The Company must indemnify the Manager against any losses or liabilities reasonably incurred by the Manager arising out of, or in connection with, and any costs, charges and expenses (including legal expenses) incurred in connection with the Manager or any of its officers, employees or agents acting under the Investment Management Agreement or on account of any bona fide investment decision made by the Manager or its officers or agents except insofar as any loss, liability, cost, charge or expense is caused by the negligence, default, fraud or dishonesty of the Manager or its officers or employees.

This obligation continues after the termination of the Investment Management Agreement.

Manager's liability

Subject to the Corporations Act, the Listing Rules and the Investment Management Agreement, the Manager will, in relation to all the powers, authorities and discretions vested in it, have absolute and uncontrolled discretion as to:

- (a) whether or not to exercise them; and
- (b) the manner or mode of, and time for, their exercise.

In the absence of negligence, default, fraud or dishonesty, the Manager will not be in any way

whatsoever responsible for any loss, costs, damages or inconvenience that may result from the exercise or failure to exercise those powers, authorities and discretions.

Manager indemnity

The Manager must indemnify the Company against any losses or liabilities reasonably incurred by the Company arising out of, or in connection with, and any costs, charges and expenses incurred in connection with any negligence, default, fraud or dishonesty of the Manager or its officers. This obligation continues after the termination of the Investment Management Agreement.

Management Fee

In return for the performance of its duties as Manager of the Portfolio, the Manager is entitled to be paid a Management Fee equal to 1.40% (plus GST) per annum (1.4350% inclusive of the net impact of GST and RITC) of the Value of the Portfolio (calculated on the last business day of each month and paid at the end of each month in arrears).

The Manager is entitled to the Management Fee regardless of the performance of the Company. Management Fees would increase if the Value of the Portfolio increases, and decrease if the Value of the Portfolio decreases, over the period.

Under the Investment Management Agreement the Company will not pay any Management Fees that would otherwise have been payable to the Manager, until such time as all of the Company's Offer Costs have been recouped.

As a worked example, assuming an initial Value of the Portfolio of \$500,000,000 at 18 April 2018, and nil performance on the Portfolio each month, the Management Fee payable on the portfolio for the 12-month period from 18 April 2018 would be approximately \$6,954,341 (plus GST).

If we assume an initial Value of the Portfolio of \$500,000,000, the estimated Offer Costs to be recouped by the Company are \$15,965,310. In this example, none of the Management Fees that accrue over this 12 month period would be paid to the Manager and the amount of Offer Costs to be recouped will have been reduced to \$9,010,969.

Performance Fee

The Manager is entitled to be paid by the Company a fee equal to 20% (plus GST) of the Portfolio's outperformance

(if any) over each Performance Calculation Period, subject to a high watermark mechanism (**Performance Fee**). The Performance Fee for each Performance Calculation Period is calculated in accordance with the following formula:

$$A = (B - C)$$

Where:

A is the base amount to be used in calculating the Performance Fee outlined above.

B is the Value of the Portfolio, after accrual of Management Fees, calculated on the last Business Day of the relevant Performance Calculation Period.

C is the Value of the Portfolio, after accrual of Management Fees and Performance Fees, calculated on the last Business Day of the last preceding Performance Calculation Period in which a Performance Fee was paid or if no prior Performance Fee has been paid to the Manager, the Value of the Portfolio on the Commencement Date (being the date Shares are issued under this Offer).

If the Value of the Portfolio (after accrual of Management Fees) calculated on the last Business Day of a Performance Calculation Period is less than:

- (a) for the first Performance Calculation Period, the Value of the Portfolio on the Commencement Date; and
- (b) thereafter, the highest Value of the Portfolio, after accrual of Management Fees and Performance Fees, calculated on the last Business Day of any preceding Performance Calculation Period,

no Performance Fee is payable in respect of that Performance Calculation Period and the underperformance amount is to be carried forward to the following Performance Calculation Period(s) until it has been recouped in full against future positive performance. No Performance Fees will be payable until the full recoupment of prior underperformance.

In calculating the Performance Fee for the Performance Calculation Period, changes in the Value of the Portfolio as a result of the issue of Securities by the Company, capital reductions undertaken by the Company, share buy-backs undertaken by the Company, dividend distributions undertaken by the Company and tax payments or refunds made by the Company will be adjusted in a manner confirmed by the auditor of the Company at the conclusion of that Performance Calculation Period.

Example 1: Outperformance against the high water mark

Assuming a Performance Calculation Period ending 30 June 2018, an initial Value of the Portfolio of \$500,000,000 which also represent the high water mark for the first period, a Value of the Portfolio at the end of the Performance Calculation Period of \$550,000,000 after accrual of Management Fees (representing a 10% higher value than at the beginning):

- As the high water mark is \$500,000,000 and the closing Portfolio value is \$550,000,000, there would be an aggregate outperformance of \$50,000,000.
- In this instance, there would be a Performance Fee payable at 20% of this amount equating to \$10,000,000 (plus GST) for the Performance Calculation Period as the Portfolio has outperformed the high water mark.

The high water mark for the next Performance Calculation Period would become \$540,000,000 (being the Value of the Portfolio net of the Performance Fee paid at the last Performance Calculation Date).

Example 2: Underperformance against the high water mark

Assuming a Performance Calculation Period ending 30 June 2018, an initial Value of the Portfolio of \$500,000,000, and a Value of the Portfolio at the end of the Performance Calculation Period, that is 5% less than at the beginning of \$475,000,000 after accrual of Management Fees:

- As the high water mark is \$500,000,000 and the closing Portfolio value is \$475,000,000, there would be an aggregate underperformance of \$25,000,000.
- In this instance, there would be no Performance Fee payable for the Performance Calculation Period as the Portfolio has underperformed against the high water mark and the high water mark remains \$500,000,000.

The aggregate underperformance of \$25,000,000 is to be carried forward to the following Performance Calculation Period(s) until it has been recouped in full against future Portfolio Performance.

Example 3: Recouping past underperformance

Following on from Example 2 above, assuming a Performance Calculation Period ending 31 December 2018, the high water mark of \$500,000,000, an initial Value of the Portfolio of \$475,000,000, and a Value of the Portfolio at the end of the Performance Calculation Period that is 15% higher than at the beginning of \$546,250,000 after accrual of Management Fees:

- There has been an aggregate performance in the period of \$71,250,000, however as the high water mark is \$500,000,000 and the closing Portfolio value is \$546,250,000, the aggregate outperformance is only \$46,250,000.
- The aggregate underperformance of \$25,000,000 from prior Performance Calculation Period(s) as per Example 2 above, is recouped in full against the current Portfolio Performance.

In this instance, there would be a Performance Fee payable at 20% of \$46,250,000 equating to \$9,250,000 (plus GST) for the Performance Calculation Period, as the Portfolio has outperformed the high water mark and prior underperformance has been recouped in full against current Portfolio Performance.

The high water mark would become \$537,000,000 (being the Value of the Portfolio net of the Performance Fee paid at the last Performance Calculation Date).

Reinvestment of Performance Fee

The Manager has no right to be issued Securities in the Company in satisfaction of any Management Fees payable to the Manager in accordance with the Investment Management Agreement.

The Manager and the Company have agreed that, to the maximum extent permitted by law, the L1 Owners will reinvest all the after-tax proceeds from any Performance Fees (**Performance Fee Reinvestment Amount**) in the Company via a Share purchase mechanism contained in the Investment Management Agreement. It is expected the Performance Fee Reinvestment Amount will equate to approximately 50% of the pre-tax value of any Performance Fees.

Pursuant to this mechanism, the Company will either issue new Shares to the L1 Owners (or their respective nominees) or procure a broker to acquire Shares on market, in each case with an aggregate purchase price (inclusive of any broker and other transfer fees) equal to the Performance Fee Reinvestment Amount (rounded down to the nearest whole number of Shares).

The reinvestment of the Performance Fee for each Performance Calculation Period will take place after the relevant Performance Calculation Period.

The Company will determine whether to issue new Shares or acquire Shares on-market based on the following criteria:

- (a) if the Share Price at the Calculation Time is greater than or equal to the NTA Price, the Company will issue new Shares; or
- (b) if the Share Price at the Calculation Time is less than the NTA Price, the Company will instruct a broker to acquire new Shares on-market.

Where:

Calculation Time means immediately after close of trading on the 14th business day after the last business day of the relevant Performance Calculation Period.

NTA Price means the amount per Share calculated by dividing the Value of the Portfolio by the total number of Shares on issue as at the Calculation Time.

Share Price means the volume weighted average price of the Shares over the 20 trading days ending at the Calculation Time.

New Share issue terms

If the Company is to issue new Shares, the following provisions apply:

- (a) the Company will determine the maximum whole number of new Shares that can be issued to each L1 Owner (or their nominee) by dividing the total amount of the L1 Owners' entitlement to the Performance Fee Reinvestment Amount by:
 - (A) the NTA Price; or
 - (B) if the Company considers that an issue at the NTA Price would breach applicable laws, the Share Price;
- (b) on behalf of and in the name of the L1 Owners (or its nominee), the Company will subscribe for and allot that number of new Shares in consideration for the L1 Owners entitlement to the Performance Fee Reinvestment Amount.

Each L1 Owner entitlement to the Performance Fee Reinvestment Amount will not be satisfied through the issue of new Shares or acquisition of Shares on-market if the L1 Owners collectively hold 15% of the total issued Share capital in the Company (including all Shares and not just those issued for the purpose of Performance Fee Reinvestment Amount). The Manager may, at any time during the term of the Investment Management Agreement, notify the Company that the L1 Owners can collectively hold more than 15%, but in any event no more than 19.9%, for the purpose of reinvesting the Performance Fee.

The Company will not issue new Shares if at any time it considers that the issue would constitute a breach of any applicable laws, including but not limited to, Chapter 2E of the Corporations Act and Listing Rule 10.11. See Section 10.5 in relation to the 'in principle' waiver sought in relation to Listing Rule 10.11.

On-market Share purchase terms

If Shares are to be purchased on market, the following provisions apply:

- (a) the Company will:
 - (i) instruct a broker to acquire the Shares on-market at a price that is less than the NTA Price and with an aggregate purchase price of up to the Performance Fee Reinvestment Amount, less brokerage, stamp duty and any other transfer

fees over the 60 trading days commencing on the trading day after the Calculation Time;

- (ii) determine the maximum whole number of Performance Shares to be transferred to each L1 Owner (or their nominee) by deducting from each L1 Owner's entitlement to the Performance Fee Reinvestment Amount a proportionate amount of the brokerage, stamp duty and any other transfer fees incurred by the broker and dividing that amount by the average purchase price of the Performance Shares;
- (b) on behalf of and in the name of the L1 Owners (or their nominee) the Company will procure that the maximum whole number of Shares determined above (rounding down to the nearest whole number) is transferred to the L1 Owners (or their nominee);

If an insufficient number of Shares are acquired on market, the Company must satisfy the balance of each L1 Owner's entitlement to the Performance Fee Reinvestment Amount through the issue of new Shares at the NTA Price.

To the maximum extent permitted by law, the Shares acquired as a result of the Performance Fee reinvestment terms of the Investment Management Agreement will be subject to voluntary escrow. The terms of these L1 Owner Escrow Agreements are summarised in Section 9.5.

Expenses

The Manager must bear the cost of, and is not entitled to be reimbursed by the Company in respect of:

- (a) its internal labour costs and legal costs in connection with the performance of its obligations under the Investment Management Agreement;
- (b) all travel costs incurred by the Manager, its officers or employees; and
- (c) all costs, fees and expenses included in connection with the operations of the Company and that are not expressly provided as costs of the Company (set out below), including but not limited to:
 - (i) fees payable in respect of the Company to ASX, ASIC or other regulatory body, the Company's share registrar and administrator;
 - (ii) the cost of the Company obtaining any tax advice;
 - (iii) all insurance costs of the Company (other than director & officer and entity security insurance);
 - (iv) all legal costs, marketing expenses, printing costs, research and subscription fees incurred by the Company; and
 - (v) all fees and costs association with any employees of the Company (other than director and company secretarial fees).

However, the Manager is not liable for any costs and expenses incurred by the Company other than in the ordinary course of business.

The Company is only liable for and, if required by the Manager, must pay out of the Portfolio (or if paid by the Manager reimburse the Manager out of the Portfolio) the fees, costs and expenses when properly incurred in connection with the investment and management of the Portfolio, the acquisition, disposal or maintenance or any Investment or performance of the Manager's obligations under the Investment Management Agreement, limited to:

- (a) all costs, custody fees, stamp duties, financial institutions duty, bank account debits tax and legal fees and other duties, taxes, fees, disbursements and expenses, commissions and brokerage (including prime brokerage) incurred by the Company or the Manager (or both) in connection with:
 - (i) any acquisition, management and negotiation of any Investment or Proposed Investment;
 - (ii) any sale or proposed sale, transfer, exchange, replacement or other dealing or proposed dealing with or disposal or proposed disposal of any Investment;
 - (iii) the receipt of income or other entitlements from the Investments of the Portfolio; and
 - (iv) the engagement of a custodian to hold any Investment on behalf of the Company; and
- (b) outgoings in relation to the Portfolio such as rates, levies, duties and taxes; and
- (c) all accounting and audit costs of the Company; and
- (d) director fees, expenses incurred by the directors in that capacity and all premiums payable for directors and officer's insurance.

Assignment

The Manager may assign the Investment Management Agreement to a third party with the prior consent in writing of the Company, which must not be unreasonably withheld or delayed.

Term of Agreement

The initial term of the Investment Management Agreement is currently 5 years, which will be automatically extended for successive five year periods, unless terminated earlier in accordance with the Investment Management Agreement.

However, the Company will apply to the ASX for a waiver to extend the initial 5 year term to 10 years (with automatic extensions of five year periods unless terminated earlier in accordance with the Investment Management Agreement). If the waiver application is refused, the initial term of the Investment Management Agreement will remain 5 years.

The Investment Management Agreement gives the Company certain termination rights.

The Company may terminate the Investment Management Agreement following the initial term on three months' written notice if Shareholders pass an ordinary resolution directing the Company to terminate the Manager's appointment. If the Company terminates the Investment Management Agreement in this way, it must pay to the Manager:

- (a) a termination fee equal to all Management Fees that accrued in the 12 month period up to the date of termination; and
- (b) any other accrued but unpaid fees owing to the Manager.

The Investment Management Agreement also gives the Company the right to immediately terminate if the Manager becomes insolvent or breaches its obligations under the Investment Management Agreement in a material respect and such breach cannot be rectified or is not remedied within 30 days after receiving notice of that breach. No termination fee is payable to the Manager if the Investment Management Agreement is terminated in accordance with these rights.

These fees must be paid by the Company to the Manager within 30 days of the termination date.

The Manager may terminate the Investment Management Agreement at any time after the initial term by giving the Company at least six months written notice.

After termination

If the Investment Management Agreement is terminated by the Company, the Company must call a general meeting to change the Company's name by removing

"L1". If the Company's name has not been changed within 3 months of the date of termination, the Manager will grant the Company a personal, non-transferable licence to use the "L1" or "L1 Capital" names for so long as the Company's name includes the word "L1" or "L1 Capital". In consideration for this licence, the Company must pay the Manager an annual licence fee (in advance) equal to 1.5% of the Value of the Portfolio calculated on the date of termination and each subsequent anniversary of that date.

The Company does not have an AFSL and so requires an investment manager to manage the Portfolio and implement its Investment Strategy and objectives.

If the Investment Management Agreement is terminated while the Company remains a LIC, the Portfolio would need to be assigned to a replacement manager and a new management agreement would need to be put in place. Under the Investment Management Agreement the Manager must assign all its rights, title and interest in the Portfolio to the replacement manager within 30 business days of termination. The Company would seek all necessary Shareholder approvals if this were to occur.

9.2. Offer Management Agreement

The Company and the Manager have entered into an offer management agreement dated 16 February 2018 (**Offer Management Agreement**) with the Sole Arranger, Joint Lead Managers and Authorised Intermediary pursuant to which the Company has appointed:

- National Australia Bank Limited as the Sole Arranger for the Offer;
- the Joint Lead Managers to jointly lead manage and act as the exclusive bookrunners for the Offer; and
- National Australia Bank Limited as Authorised Intermediary to make offers to potential investors to arrange for the issue of the Shares by the Company under the Offer.

In return for the services being provided under the Offer Management Agreement, the Company will pay:

- the Sole Arranger a sole arranger fee equal to 0.25% (inclusive of GST) of the total proceeds raised under the Offer (the **Offer Proceeds**);
- the Joint Lead Managers a management fee of 1.25% (inclusive of GST) of the Offer Proceeds
 - in their respective proportions (being in relation to each Joint Lead Manager, one-seventh),

in respect of Third Party Proceeds up to or equalling \$500,000,000; and

- in respect of Third Party Proceeds in excess of \$500,000,000, in the proportion that the amount raised by each Joint Lead Manager bears to the total Offer Proceeds, and
- to each Broker a selling fee equal to 1.50% (inclusive of GST) of the total raised by that Broker.

The Company has agreed to pay or reimburse the Joint Lead Managers for all reasonable expenses (including any applicable GST) incurred by them in connection with the Offer Management Agreement, the Prospectus and the Offer. The Company will only be responsible for the legal costs (inclusive of GST) of the Sole Arranger up to a cap of \$30,000 (exclusive of GST).

As described in this Section 9.2, the obligations of the Joint Lead Managers under the Offer Management Agreement are conditional on a number of customary conditions having been satisfied, including, among other conditions, the execution of material contracts (being those described in this Section 9), the Company receiving all regulatory approvals (including any ASIC modifications and ASX waivers) and the Company receiving valid Applications for at least the Minimum Subscription.

Pursuant to the Offer Management Agreement, and as is customary:

- (a) the Company and the Manager have (subject to certain usual limitations) agreed to jointly and severally indemnify the Joint Lead Managers and the Authorised Intermediary, and, each of their affiliates and related bodies corporate and each of their directors, officers, advisers and employees against any losses arising directly or indirectly in connection with the Offer, the Prospectus and the Offer Management Agreement;
- (b) each of the Company and the Manager have given certain standard representations, warranties and undertakings in connection with, among other things, itself, the conduct of the Offer and content of the Prospectus (including, that it is not misleading or deceptive and is not likely to mislead or deceive); and
- (c) a Joint Lead Manager may (in certain circumstances, including having regard to the materiality of the relevant event), without cost or liability, terminate the Offer Management Agreement and be released from its obligations under it on the occurrence of certain

events on or prior to the final settlement date of the Offer, including (but not limited to) where:

- (A) there occurs a new circumstance that arises after the Prospectus is lodged, that would have been required to be included in the Prospectus if it had arisen before lodgement;
- (B) a statement contained in the Offer materials is or becomes misleading or deceptive or likely to mislead or deceive or the Offer materials omit any information they are required to contain;
- (C) the ASX does not approve the listing of the Company;
- (D) there are changes in certain specified key executives of the Company;
- (E) any adverse change or disruption occurs in the existing financial markets, political or economic conditions currency exchange rates or controls or financial markets in Australia, New Zealand, the United States, the United Kingdom, Hong Kong or any Member State of the European Union or in foreign exchange rates or any development involving a prospective adverse change in political, financial or economic conditions in any of those countries;
- (F) there is, or is likely to be, a material adverse change, or event involving a prospective material adverse effect, on (among other things) the general affairs, business, operations, assets, liabilities, financial position or performance, profits, losses, prospects, earnings position, shareholder's equity, or results of operations of the Company, the Manager or any of the Existing Funds; or
- (G) subject to a materiality threshold, a breach of the representations or warranties contained in the Offer Management Agreement is breached or becomes false, misleading or incorrect.

Please note that the above is not an exhaustive list of the termination events in the Offer Management Agreement.

Pursuant to the Offer Management Agreement, where a Joint Lead Manager chooses to terminate its obligations under the Offer Management Agreement as a result of a termination event occurring, any remaining Joint Lead Manager may elect to take up the rights and obligations of that terminating Joint Lead Manager.

9.3. International Prime Broker Agreements

It is proposed that, prior to listing of the Company on ASX, the Company will enter into international prime broker agreements as summarised below.

Credit Suisse Securities (Europe) Limited

Credit Suisse Securities (Europe) Limited (**Credit Suisse**), a subsidiary of Credit Suisse AG and based in London, will provide prime brokerage services to the Company pursuant to the Master Prime Brokerage Terms supplemented by Credit Suisse's standard terms and conditions (**PB Terms**).

The services provided by Credit Suisse to the Company may include clearance and settlement, custody of assets, securities lending, financing and foreign exchange. The Company may also utilise the Credit Suisse, other members of the Credit Suisse group (**Affiliates**) and other brokers and dealers for the purposes of executing transactions for the Company.

Credit Suisse:

- (a) is authorised by the Prudential Regulation Authority (**PRA**) and regulated by the Financial Conduct Authority (**FCA**) and PRA in the conduct of its investment business; and
- (b) has financial resources in excess of US\$200 million (or its equivalent in another currency).

As security for the payment and performance by the Company of all of its obligations to Credit Suisse all investments of the Company held by the Credit Suisse (**Collateral**) will be subject to a security interest in favour of the Credit Suisse on trust for itself and each Affiliate. Credit Suisse may, at its option and instead of holding Collateral in custody, also take full legal and beneficial ownership of investments transferred to it by the Company (**Specified Assets**) in which case any such Specified Assets will be held by Credit Suisse absolutely as its property, in order to collateralise the Company's obligations to Credit Suisse. Any such Specified Assets transferred to Credit Suisse in this manner will not be segregated from other investments belonging to Credit Suisse and may be available to the creditors of Credit Suisse in the event of its insolvency.

Any Collateral may be sold, borrowed, lent or otherwise transferred or used by Credit Suisse for its own purposes in which event the Company will have a right against Credit Suisse for the return of assets equivalent to the Collateral so used. To the extent so used, any such

Collateral will not be segregated from other assets belonging to Credit Suisse and may be available to creditors of Credit Suisse in the event of its insolvency.

To the extent that Credit Suisse holds any investments in custody, Credit Suisse may appoint sub-custodians (which may include Affiliates) (**Sub-Custodians**) of such investments and Credit Suisse will, in accordance with the FCA rules, identify, record and hold the Company's investments held by it in its capacity as custodian in such a manner that the identity and location of the investments can be identified at any time and that such investments are readily identifiable as belonging to a customer of Credit Suisse and are separately identifiable from Credit Suisse's own investments, and should therefore be unavailable to the creditors of Credit Suisse in the event of its default. However, where, due to the nature of the law or market practice of jurisdictions outside the United Kingdom or Australia, it is in the Company's best interests so to do or it is not feasible to do otherwise, any such investments may be registered in the name of the Credit Suisse or an eligible custodian and may not be segregated from Credit Suisse's own investments and in the event of Credit Suisse's default may not be as well protected from claims made on behalf of the general creditors of Credit Suisse.

Credit Suisse will not be responsible or liable for the solvency, acts or omissions of any Sub-Custodian who is not an affiliate of or nominee company controlled by Credit Suisse save to the extent that any loss arises from the negligence of Credit Suisse or an Affiliate in the selection, appointment and periodic review of any such Sub-Custodian. The Company has agreed to indemnify Credit Suisse, its Affiliates, directors, officers, employees and agents against any loss, claim, damage or expense (including taxation) incurred or suffered by, or asserted against them or any third person.

Money received or held by Credit Suisse pursuant to the PB Terms will not be subject to the protections conferred by the rules of the FCA relating to the holding and treatment of client money (**Client Money Rules**), will not be segregated from Credit Suisse's own money and will be used by the Credit Suisse in the course of its own business. Consequently, the Company will rank as a general creditor of Credit Suisse with respect to such money; provided that any credit cash balances held by Credit Suisse in excess of the absolute value of all obligations owed by the Company to Credit Suisse on any business day shall be held subject to the protections conferred by the Client Money Rules.

The appointment of Credit Suisse will continue unless and until terminated by either party on not less than 7 business days prior written notice to the other party. Upon such notice becoming effective, Credit Suisse may refuse to settle any transactions for the Company and the Company shall, subject to the discharge of its obligations to Credit Suisse, instruct Credit Suisse to transfer its assets elsewhere.

Credit Suisse is a service provider to the Company and is not responsible for the preparation of this document or the activities of the Company and therefore accepts no responsibility for any information contained in this document. Credit Suisse is not an investment or other adviser to the Company and will not participate in the investment decision-making process.

The Company reserves the right to change the arrangements described above by agreement with Credit Suisse and/or, in its discretion, to appoint additional or alternative prime broker(s) and custodian(s).

[Morgan Stanley & Co. International plc](#)

Morgan Stanley & Co. International plc. (**Morgan Stanley**), a member of the Morgan Stanley Group of companies, based in London, will provide prime brokerage services to the Company under the terms of the International Prime Brokerage Agreement (**PB Agreement**) to be entered into between the Company and Morgan Stanley for itself and as agent for certain other members of the Morgan Stanley Group of companies (**Morgan Stanley Companies**). These services may include the provision to the Company of margin financing, clearing, settlement, stock borrowing and foreign exchange facilities. The Company may also utilise Morgan Stanley, other Morgan Stanley Companies and other brokers and dealers for the purposes of executing transactions for the Company. Morgan Stanley is authorised by the Prudential Regulatory Authority (**PRA**) and regulated by the Financial Conduct Authority (**FCA**) and the PRA.

Morgan Stanley will also provide a custody service for all the Company's investments, including documents of title or certificates evidencing title to investments, held on the books of Morgan Stanley as part of its prime brokerage function in accordance with the terms of the PB Agreement and the rules of the FCA. Morgan Stanley may appoint sub-custodians, including the Morgan Stanley Companies, of such investments.

In accordance with FCA rules, Morgan Stanley will record and hold investments held by it as custodian in such a manner that the identity and location of the investments can be determined at any time and that such investments are readily identifiable as belonging to a customer of Morgan Stanley and are separately identifiable from Morgan Stanley's own investments. Furthermore, in the event that any of the Company's investments are registered in the name of Morgan Stanley where, due to the nature of the law or market practice of jurisdictions outside the United Kingdom, it is in the Company's best interests to do or it is not feasible to do otherwise, such investments may not be segregated from the Morgan Stanley's own investments and in the event of Morgan Stanley's default may not be as well protected.

Any cash which Morgan Stanley holds or receives on the Company's behalf will not be treated by Morgan Stanley as client money and will not be subject to the client money protections conferred by the FCA's Client Money Rules (unless Morgan Stanley has specifically agreed with or notified the Company that certain cash will be given client money protection). As a consequence, the Company's cash will not be segregated from Morgan Stanley's own cash and will be used by Morgan Stanley in the course of its investment business, and the Company will therefore rank as one of Morgan Stanley's general creditors in relation thereto.

As security for the payment and discharge of all liabilities of the Company to Morgan Stanley and the Morgan Stanley Companies, the investments and cash held by Morgan Stanley and each such Morgan Stanley Company will be charged by the Company in their favour and will therefore constitute collateral for the purposes of the FCA rules. Investments and cash may also be deposited by the Company with Morgan Stanley and other members of the Morgan Stanley Group of companies as margin and will also constitute collateral for the purposes of the FCA rules.

The Company's investments may be borrowed, lent or otherwise used by Morgan Stanley and the Morgan Stanley Companies for its or their own purposes, whereupon such investments will become the property of Morgan Stanley or the relevant Morgan Stanley Company and the Company will have a right against Morgan Stanley or the relevant Morgan Stanley Company for the return of equivalent assets. The Company will rank as an unsecured creditor in relation thereto and, in the

event of the insolvency of Morgan Stanley or the relevant Morgan Stanley Company, the Company may not be able to recover such equivalent assets in full.

Neither Morgan Stanley nor any Morgan Stanley Company will be liable for any loss to the Company resulting from any act or omission in relation to the services provided under the terms of the PB Agreement unless such loss results directly from the negligence, wilful default or fraud of Morgan Stanley or any Morgan Stanley Company. Morgan Stanley will not be liable for the solvency, acts or omissions of any sub-custodians or other third party by whom or in whose control any of the Company's investments or cash may be held. Morgan Stanley and the Morgan Stanley Companies accept the same level of responsibility for nominee companies controlled by them as for their own acts. The Company has agreed to indemnify Morgan Stanley and the Morgan Stanley Companies against any loss suffered by, and any claims made against, them arising out of the PB Agreement, save where such loss or claims result primarily from the negligence, wilful default or fraud of the indemnified person.

Morgan Stanley is a service provider to the Company and is not responsible for the preparation of this document or the activities of the Company and therefore accepts no responsibility for any information contained in this document. Morgan Stanley will not participate in the investment decision-making process.

9.4. Director protection deeds

The Company has entered into director protection deeds with each Director. Under these deeds, the Company has agreed to indemnify, to the extent permitted by the Corporations Act, each officer in respect of certain liabilities which the officer may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company. The Company has also agreed to maintain in favour of each officer a directors' and officers' policy of insurance for the period that they are officers and for 7 years after they cease to act as officers.

9.5. L1 Owner Escrow Agreements

To the maximum extent permitted by law, each L1 Owner, including the Company's 2 non-Independent Directors (Raphael Lamm and Mark Landau) has agreed to enter into voluntary escrow arrangements in respect of all Shares purchased in accordance with the Performance Fee re-investment terms contained in the Investment Management Agreement (**Escrow Shares**).

Shares will not be subject to voluntary escrow to the extent that applying the voluntary escrow arrangements to such Shares would cause or result in a breach of any applicable law. Relevantly, the Corporations Act effectively prohibits the Company from holding more than 19.9% of its issued share capital in voluntary escrow at any given time.

Each L1 Owner (**Escrowed Shareholders**) has agreed to enter into an escrow deed in respect of these escrow arrangements, which will prevent them from dealing with their respective Escrowed Shares for a period which is the earlier of:

- (a) the period of 10 years from the date that the Company is listed on the ASX; or
- (b) the duration of the Investment Management Agreement.

The restriction on dealing is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the Escrowed Shares, encumbering or granting a security interest over the Escrowed Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Escrowed Shares or agreeing to do any of those things.

Consistent with market practice, all of the Escrowed Shareholders may be released early from these escrow obligations to enable:

- (a) the Escrowed Shareholder to accept an offer under a takeover bid in relation to its Escrowed Shares if holders of at least half of the Shares the subject of the bid that are not held by the Escrowed Shareholders have accepted the takeover bid;

- (b) the Escrowed Shares to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act;
- (c) the Escrowed Shareholders to participate in an equal access share buyback, capital return or capital reduction made in accordance with the Corporations Act;
- (d) the Escrowed Shareholders to encumber any or all of its Escrowed Shares to a bona fide third party financial institution as security for a loan, hedge or other financial accommodation, provided that the encumbrance does not in any way constitute a direct or indirect disposal of the economic interests, or decrease an economic interest, that the relevant Escrowed Shareholder has in any of its Escrowed Shares and no Escrowed Shares may be transferred to the financial institution in connection with the encumbrance (with the documentation for such an encumbrance making clear that the Escrowed Shares remain in escrow and subject to the voluntary escrow arrangements for the term of those arrangements); and
- (e) in order to transfer (in one or more transactions) any or all escrowed Shares to an affiliate of the relevant L1 Owner provided such affiliate agrees to be bound by the voluntary escrow arrangements for the term of those arrangements.

During the escrow period, the Escrowed Shareholders may deal in any of their Escrowed Shares to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction).

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Additional Information

10.1. Incorporation

The Company was incorporated on 14 December 2017.

10.2. Balance date and company tax status

The accounts for the Company will be made up to 30 June annually.

The Company will be taxed as a public company.

10.3. Rights attaching to the Shares

The following information is a summary of the Company Constitution. Shareholders have the right to acquire a copy of the Company Constitution, free of charge, from the Company until the expiry of this Prospectus.

Each Share confers on its holder:

- (a) the right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per shareholder) and on a poll (one vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);
- (b) the right to receive dividends, according to the amount paid up on the Share;
- (c) the right to receive, in kind, the whole or any part of the Company's property in a winding up, subject to priority given to holders of Shares that have not been classified by ASX as "restricted securities" and the rights of a liquidator to distribute surplus assets of the Company with the consent of members by special resolution; and
- (d) subject to the Corporations Act and the Listing Rules, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution.

10.4. ASIC relief

The Company's first financial year will end on 30 June 2018, which is less than eight months since the Company was incorporated on 14 December 2017. The Corporations Act normally requires that the half-year be the first 6 months of each financial year and imposes certain reporting requirements with respect to that period. Without ASIC relief the Company's first half year will end around 14 June 2018.

ASIC Corporations (Disclosing Entities) Instrument 2016/190 (**ASIC Instrument**) provides a relief where a disclosing entity's first financial year is for a period of eight months or less, no half-year financial report and director's report need to be lodged with ASIC. The Company intends to rely on the ASIC Instrument.

To rely on the relief in the ASIC Instrument, the Company will:

- prior to the deadline to lodge the half-year reports, being on or around 28 August 2018 (75 days after the end of the Company's half-year), notify ASX that the relief is available in the ASIC Instrument and that the Company intends to rely on it; and
- explain, in its first director's report for the first financial year ending 30 June 2018, the relief available in the ASIC Instrument and state that the Company has relied on this relief.

10.5. ASX waiver

ASX Listing Rule 15.16 sets a maximum initial term of 5 years for an investment management agreement. The Company has applied to the ASX for a waiver to allow an initial term of the Investment Management Agreement to run for 10 years.

The Company has also applied for an 'in principle' waiver of Listing Rules 7.1 and 10.11 to allow the Company to issue new Shares to the L1 Owners (or their nominees) in accordance with the Performance Fee re-investment terms under the Investment Management Agreement without seeking Shareholder approval prior to each Share issue.

The waivers are expected to be granted prior to the inclusion of the Company in the ASX's Official List.

10.6. Investor considerations

Before deciding to participate in this Offer, you should consider whether the Shares to be issued are a suitable investment for you. There are general risks associated with any investment in an entity listed on the ASX. The value of securities listed on the ASX may rise or fall depending on a range of factors beyond the control of the Company.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser immediately.

The potential tax effects relating to the Offer will vary between Investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

10.7. Australian taxation implications of investing under the Offer

Introduction

The tax implications provided below only relate to Australian Shareholders who hold their Shares on capital account. Different tax implications apply to non-resident Shareholders or Shareholders whose Shares are held on revenue account.

The comments in this Section 10.7 are general in nature on the basis that the tax implications for each Shareholder may vary depending on their particular circumstances.

Accordingly, it is recommended that each Shareholder seek their own professional advice regarding the taxation implications associated with the Offer.

The comments in this Section 10.7 are based on the Income Tax Assessment Act 1936, and the Income Tax Assessment Act 1997, A New Tax System (Goods and Services Tax) Act 1999 and the relevant stamp duties legislation as at the date of this Prospectus.

This Section 10.7 provides a general overview of the Australian income tax implications of investing in the Company, based on current tax law. As such, it is not intended as a substitute for investors obtaining independent tax advice in relation to their personal circumstances.

If you are in doubt as to the course you should follow, you should seek independent tax advice.

Income tax position of the Company

The Company will be taxed as a company at the prevailing company tax rate (currently 30.0% for businesses with an aggregate turnover of more than \$25,000,000).

The Company will be required to maintain a franking account and may declare franked dividends to Shareholders. The Directors intend to frank dividends at 100.0%, or to the maximum extent possible.

Income tax position of Australian resident Shareholders

A general outline of the tax implications associated with the Offer for Australian resident Shareholders who hold their Shares on capital account are set out below.

Treatment of Shares

The Offer comprises the issue of Shares in the Company. To determine the Capital Gains Tax (CGT) cost base of each asset, an investor's subscription price may need to be apportioned between the Shares based on their respective value.

On disposal of Shares, an investor will realise a capital gain if the capital proceeds it receives or is deemed to have received for the disposal of the Shares or Rights exceeds their respective cost base.

A CGT discount may be available where the Shares have been held for twelve months or more. Where this concession applies, any such capital gain will be reduced (after applying capital losses) by the following percentages:

- (a) 50.0% for an individual or trust; or
- (b) 33.33% for a complying superannuation fund.

Dividends

Dividends received by Shareholders should be included in the assessable income of Shareholders. Generally, Shareholders will be taxed on the dividends at their relevant marginal rate. If the Shareholder is a company, the Shareholder will be taxed at the prevailing company tax rate (currently 30.0% for companies with an annual turnover of \$25,000,000 or more and 27.5% for companies with an annual turnover of less than \$25,000,000).

Generally, to the extent that the dividends are franked, an amount equal to the franking credits attaching to the dividends will be included in the assessable income of the Shareholder. Further, Shareholders will generally be entitled to a tax offset equal to the amount of the franking credits on the dividend (i.e. Shareholders will effectively get a tax credit for the corporate tax paid in respect of the dividends).

Certain Shareholders (including individuals and complying superannuation funds) may be entitled to a refund of 'excess franking credits' where their tax offset in respect of the franked dividends exceeds their tax liability. The income tax rate for complying superannuation funds is 15.0%. Complying superannuation funds generally obtain a tax offset from franked dividends against the fund's income tax liability, and any excess franking credits may be fully refunded.

A complying superannuation fund 100.0% in pension phase would be entitled to a full refund of franking credits, as all income of the fund would be attributable to the fund's liability to pay current pensions, and are therefore exempt from income tax.

Goods and Services Tax (GST)

Shareholders should not be liable to GST in Australia in respect of the acquisition of Shares under the Offer. Shareholders may not be entitled to input tax credits (GST credits) for GST incurred on costs associated with the acquisition of Shares under the Offer.

Stamp duty

Shareholders should not be liable to stamp duty in Australia in respect of the acquisition of Shares under the Offer.

10.8. Legal proceedings

The Company is a newly incorporated company which has not conducted any business to date. The Company is not and has not been, since its incorporation to the date of this Prospectus, involved in any legal or arbitration proceedings that have had a significant effect on the financial position of the Company.

As far as the Directors are aware, no such proceedings are threatened against the Company.

10.9. Consents and Responsibility Statements

Each of the following parties has given and, before lodgement of the paper Prospectus with ASIC and the issue of the Electronic Prospectus, has not withdrawn its written consent to be named as performing the below role in the form and context in which it is so named.

NAME	ROLE / RESPONSIBLE
L1 Capital Pty Limited	The Manager All information about it, including its investment process and performance history in Section 4 and elsewhere in this Prospectus
KardosScanlan Pty Limited (Kardos Scanlan)	Australian Solicitor to the Offer
Webb Henderson	New Zealand Solicitor to the Company
Pitcher Partners Sydney Corporate Finance Pty Limited	Investigating accountant for the Company The Investigating Accountant's Report on Pro Forma Financial Information in Section 7
Link Market Services Limited	Share registrar for the Company
National Australia Bank Limited	Sole Arranger, a Joint Lead Manager and Authorised Intermediary to the Offer
Each of Morgan Stanley Australia Securities Limited, Ord Minnett Limited, Taylor Collison Limited, Wilsons Corporate Finance Limited, Morgans Financial Limited and Crestone Wealth Management Limited	Joint Lead Managers to the Offer
Shaw and Partners Limited, Hunter Capital Advisors Pty Ltd, Bell Potter Securities Limited, Patersons Securities Limited, First NZ Capital Securities Limited and Macquarie Equities Limited	Co-Managers to the Offer
Link Fund Solutions Pty Ltd	Administration services
Equity Trustees Limited	Responsible entity of the L1 Capital Long Short Fund All information about the L1 Capital Long Short Fund, including the historical performance in Section 4 and elsewhere in this Prospectus
Mark Licciardo and Adam Sutherland of Mertons Corporate Services Pty Ltd	Joint company secretaries

Each of the above parties has only been involved in the preparation of that part of the Prospectus where they are named. Except to the extent indicated above, none of the above parties have authorised or caused the issue of the Prospectus and takes no responsibility for its contents.

Each of the Joint Lead Managers and the Co-Managers has consented to being named as specified above, but does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by that Joint Lead Manager or Co-Manager.

10.10. Offer expenses

The Company will initially pay all of the costs associated with the Offer. These costs are fully described in Section 6.7.

The Manager has agreed to reimburse the company for all set up costs incurred. The Company will recover the initial set up costs from the Manager from Management Fees that would otherwise have been payable to the Manager. Please refer to Section 9.1 for more details.

10.11. Interest of Experts

Other than as set out below, no expert nor any firm in which such expert is a partner or employee has any interest in the promotion of or any property proposed to be acquired by the Company.

Kardos Scanlan has acted as Australian solicitors to the Offer and have performed work in relation to preparing the due diligence program and performing due diligence enquiries on legal matters. In respect of this Prospectus, the Company estimates that it will pay amounts totaling approximately \$120,000 (plus GST and disbursements) to Kardos Scanlan.

Webb Henderson has provided New Zealand legal advice to the Company in relation to the Offer and has provided the Company with an address for service in New Zealand. In respect of this Prospectus, the Company estimates that it will pay amounts totaling approximately NZ\$10,000 (plus GST and disbursements) to Webb Henderson.

Pitcher Partners Sydney Corporate Finance Pty Limited has prepared the investigating accountant's report included in this Prospectus and have also performed work in relation to the due diligence enquiries on financial matters. In respect of this work, the Company estimates that it will pay amounts totaling approximately \$51,000 (plus GST and disbursements) to Pitcher Partners Sydney Corporate Finance Pty Limited.

National Australia Bank Limited is the Sole Arranger to the Offer. In accordance with the Offer Management Agreement, the Company will pay the Sole Arranger an arranging fee of 0.25% (inclusive of GST) of the total proceeds raised under the Offer.

The Sole Arranger, Morgan Stanley Australia Securities Limited, Ord Minnett Limited, Taylor Collison Limited, Wilsons Corporate Finance Limited, Morgans Financial Limited and Crestone Wealth Management Limited will act as Joint Lead Managers to the Offer. In accordance with the Offer Management Agreement, the Company will pay the Joint Lead Managers a management fee of 1.25% (inclusive of GST) of the total proceeds raised under the Offer. The JLM Fee in respect to Offer proceeds up to \$500 million will be split evenly between all the Joint Lead Managers. If more than \$500 million is raised, the JLM Fee in respect to Offer proceeds over \$500 million will be paid in full to the relevant Joint Lead Managers.

The Joint Lead Managers will be responsible for paying the fees of the Co-Managers should the Co-Managers raise up to \$100 million collectively. The Company will pay a fee to the Co-Managers if they collectively raise more than \$100 million. This co-manager fee will be between 0.2% to 0.25% (inclusive of GST) on the amount raised by the Co-Managers in excess of \$100 million. The fee paid will depend on how much the relevant Co-Manager raises. The Company may also pay a similar fee to any un-named co-managers.

In addition, the Company will pay to each Broker a broker firm selling fee of 1.50% (inclusive of GST) of the total raised by that Broker.

National Australia Bank Limited is the Authorised Intermediary to the Offer. National Australia Bank will not be paid a fee for its services as Authorised Intermediary.

Shaw and Partners Limited, Hunter Capital Advisors Pty Ltd, Bell Potter Securities Limited, Patersons Securities Limited, First NZ Capital Securities Limited and Macquarie Equities Limited will act as Co-Managers to the Offer and the Company will not pay or give a benefit to those companies for those services. The Joint Lead Managers are liable for the payment of any fees, commissions or rebates due to the Co-Managers appointed to the Offer.

Certain partners and employees of the above firms may subscribe for Shares in the context of the Offer.

11.1. Defined Terms

In this Prospectus:

Administrator means Link Fund Solutions Pty Ltd (ACN 114 914 215), the entity engaged to provide back office services to the Company in relation to the Portfolio.

AFSL means Australian Financial Services License.

Applicant means an applicant for Shares under this Prospectus.

Application means an application for Shares under this Prospectus.

Application Form means the application form attached to this Prospectus.

Application Monies means the Application Price of \$2.00 multiplied by the number of Shares applied for.

Application Price means \$2.00 per Share.

ASIC means the Australian Securities & Investments Commission.

ASX or **Australian Securities Exchange** means the ASX Limited or the Securities exchange operated by ASX Limited.

ASX Recommendations means the ASX Corporate Governance Council's Corporate Governance Principles and Recommendation (third edition, March 2014).

Authorised Intermediary means National Australia Bank Limited, in its capacity as the authorised intermediary of the Offer.

Board means the board of Directors of the Company.

Broker means any ASX participating organisation is a broker to the Offer.

Broker Firm Application Form means the Application Form to be used by Applicants who are participating in the Broker Firm Offer.

Broker Firm Offer means the broker firm offer referred to in Section 2.2.

Broker Firm Offer Closing Date means the closing date of the Broker Firm Offer, expected to be 5.00pm, (Sydney time), 29 March 2018 or such other date as the Company may determine in its discretion.

Calculation Time means immediately after close of trading on the 14th business day after the last business day of the relevant Performance Calculation Period.

Closing Date means the date by which valid Application Forms must be received being 6 April 2018 or such other dates as the Company may determine in its discretion.

Co-Manager means a co-manager to the Offer, being each of Shaw and Partners Limited, Hunter Capital Advisors Pty Ltd, Bell Potter Securities Limited, Patersons Securities Limited, First NZ Capital Securities Limited and Macquarie Equities Limited.

Collateral means such Securities or financial instruments or cash which the Company delivers or is required to deliver to a Prime Brokers for the purpose of meeting any margin requirement in accordance with the International Prime Brokerage Agreements, and includes any certificate or other documents of title and transfer in respect of such Securities, financial instruments or cash.

Company means L1 Long Short Fund Limited ACN 623 418 539.

Constitution means the constitution of the Company.

Cornerstone Investors means investors that are identified by the Company as cornerstone investors.

Corporations Act means *Corporations Act 2001 (Cth)*.

Derivatives means a security, such as an option or futures contract whose value depends on the performance of an underlying asset and includes Exchange Traded Derivatives and Over-the-counter Derivatives.

Directors or **Board** means the directors of the Company.

Electronic Prospectus means the electronic copy of the Prospectus, a copy of which can be downloaded at www.L1LongShort.com/.

Exchange Traded Derivative means a derivative that is quoted and may be traded on a regulated exchange.

Existing Funds means the L1 Capital Australian Equities Fund, L1 Capital Long Short Fund, L1 Capital Long Short (Master) Fund (a Cayman entity with associated feeder funds) and a number of individually managed accounts managed by the Manager.

Exposure Period means the period of 7 days after the date of lodgement of the Prospectus with ASIC, which may be extended by ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

General Offer means the offer referred to in Section 2.3.

General Offer Application Form means the Application Form to be used by Applicants who are not participating in the Broker Firm Offer.

Global Securities means Securities listed on a global stock exchange (excluding the Australian securities exchange and the New Zealand stock exchange).

GST means Goods and Services Tax and has the same meaning as contact in *A New Tax Systems (Goods and Services Tax) Act 1999* (Commonwealth).

HIN or **Holding Identification Number** means the unique identifier of holders of shares on the CHESS subregister issued by ASX Settlement.

Independent Directors means Andrew Larke, John Macfarlane and Harry Kingsley, being directors of the Company not associated with the Manager.

Investment Guidelines means the guidelines for the construction of the Portfolio agreed between the Company and the Manager from time to time (initially being the guidelines in Section 3.5.).

Investment Management Agreement means the investment management agreement between the Manager and the Company, the terms of which are summarised in Section 9.1.

Investment Process means the investment process to be used by the Manager in relation to the Portfolio, set out in Section 4.4.

Investment Strategy means the strategy to be used by the Manager in relation to the Portfolio, summarised in Section 3.2.

Investment Team means the key investment personnel responsible for implementation of the Investment Strategy, being the personnel detailed in Section 4.7.

Joint Lead Managers means the joint lead managers to the Offer, being each of National Australia Bank Limited, Morgan Stanley Australia Securities Limited, Ord Minnett Limited, Taylor Collison Limited, Wilsons Corporate Finance Limited, Morgans Financial Limited and Crestone Wealth Management Limited.

Long and Short Positions means Long Positions and Short Positions.

Long Position means holding either physically or via a derivative a positive amount of an asset in the expectation that the value of that asset will appreciate.

Listing Rules means the listing rules of the ASX.

LIC means a listed investment company.

L1 Owner means each of the beneficial owners of the Manager, namely Raphael Lamm, Mark Landau, Lev Margolin and Joel Arber.

L1 Owner Escrow Agreements means the escrow agreements to be entered by each L1 Owner summarised in Section 9.5.

Manager means the manager of the Portfolio appointed under the terms of the Investment Management Agreement, being L1 Capital Pty Limited (ACN 125 378 145) (AFSL No. 314302).

Management Fee means the management fees payable to the Manager in accordance with the Investment Management Agreement.

Maximum Subscription means the maximum subscription being sought by the Company under the Offer, being 250 million Shares, before Oversubscriptions.

Minimum Subscription means the minimum subscription being sought by the Company under the Offer, being 50 million Shares.

NAV or **Net Asset Value** means the value of the Company's total assets less the value of any liabilities.

NTA or **Net Tangible Assets** means the value of the Company's total assets less the value of its intangible assets and the value of its liabilities.

Oversubscriptions means Applications for up to 50 million Shares over and above the maximum subscription amount of \$500 million.

Over-the-counter Derivative means a derivative that is not quoted on a regulated exchange and so may only be traded in an unregulated or over-the-counter fashion.

Offer means the offer of up to 250 million fully paid ordinary Shares (at an Application Price of \$2.00 per Share) to raise up to \$500 million (with the ability to accept oversubscriptions to raise up to a further \$100 million).

Offer Costs means all costs and expenses associated with the establishment of the Company, including the costs and expenses of the Offer.

Offer Management Agreement means the offer management agreement between the Joint Lead Managers and the Company, the terms of which are summarised in Section 9.2.

Official List means the official list of the ASX.

Opening Date means the date the Offer opens, expected to be 5 March 2018

Performance Calculation Period means:

- (a) for the first Performance Calculation Period, the period from the Commencement Date to the earlier of the date of termination and 30 June 2018;
- (b) thereafter and subject to paragraph (c) below, each full 6 month period commencing on either 1 July or 1 January (and ending on 30 June or 31 December respectively);
- (c) the last Performance Calculation Period is the period from the first day after the preceding Performance Calculation Period to the date the Investment Management Agreement is terminated or expires.

Portfolio means the portfolio of investments of the Company constructed by the Manager.

Portfolio's NAV means the net asset value of the Company's Portfolio less the value of its liabilities from time to time.

Pre-IPO Securities means a Security issued by an entity under a private placement immediately prior to the issuing entity undertaking an initial public offering and the issued security becoming listed on a licensed market.

Prime Brokers means Credit Suisse Securities (Europe) Limited and Morgan Stanley & Co. International plc.

Prospectus means this prospectus, dated 16 February 2018, as modified or varied by any supplementary document issued by the Company and lodged with the ASIC from time to time.

RITC means Reduced Input Tax Credit.

Related Body Corporate has the meaning given to that term under Section 50 of the Corporations Act.

Relevant interest has the meaning set out in the Corporations Act.

Securities have the meaning given in Section 92 of the Corporations Act.

Share means a fully paid ordinary share in the Company.

Shareholder means a registered holder of a Share.

Shareholder Reference Number or **SRN** is the unique identifier of holders of shares on the issuer sponsored sub-register.

Share Registrar or **Registry** means Link Market Services Limited (ACN 083 214 537).

Short Position means holding, either physically or via a derivative, a negative amount of an asset in the expectation that the value of that asset will decrease.

Short Selling or **Shorting** means selling an investment (which has been borrowed from another party) with the intention of buying it back at a later date. Short selling also includes achieving this outcome through the use of derivatives.

Sole Arranger means National Australia Bank Limited, in its capacity as the sole arranger to the Offer.

Value of the Portfolio means, at any date that such value is required to be ascertained, the aggregate sum of each Investment calculated on the relevant date of valuation for each category of Investment comprising the Portfolio in the following manner:

- (a) **Securities and rights to them listed on a Licensed Market** – the last sale price of the Securities of that class, or if the Securities of that class were not traded on that date, the last sale price of that class of Securities on the last day on which trading of those Securities occurred;
- (b) **Securities which are not listed on a Licensed Market** –
 - (i) if the Security is an interest in a managed investment scheme, the latest available redemption price of the interests as published by the issuer on the last day on which redemptions of those interests occurred; or
 - (ii) if the Security is not an interest in a managed investment scheme, the lower of cost or the value at the most recent transaction (where appropriate). The value of the Security may be further discounted if the Manager believes this is appropriate.
- (c) **Deposits** – the amounts of such deposits unless, in respect of a particular deposit, the Manager or the Company requests the other in writing that the value be determined by an Approved Valuer in which case the value will be as so determined having regard to all the circumstances including the necessity for a provision to be made for possible losses;
- (d) **Other Cash (including income)** – if an Investment in Cash is not included within paragraphs (c) or (g), the amount of such Cash;

- (e) **Commercial bills of exchange or negotiable certificates of deposit** – cost of acquisition plus interest accrued since acquisition but not received unless the Manager or the Company requests the other in writing that the value be the amount as fixed by an Approved Valuer in which case the value will be as so determined by the Approved Valuer;
 - (f) **Option to purchase** – market value as determined by the Manager, unless the Company requests the Manager in writing that the value be determined by an Approved Valuer, in which case the value will be as so determined by the Approved Valuer; and
 - (g) **Other** – if an Investment is not included within paragraphs (a) to (i) of this definition, the value of that Investment will be as determined by the Company and the Manager, unless the Manager or the Company requests the other in writing that the value be determined by an Approved Valuer, in which case the value will be as so determined by the Approved Valuer,
- less:
- (h) any liability directly or indirectly attributable to the acquisition, maintenance or disposal of any Investment or the management and administration of the Portfolio incurred or accrued on or before the date of the calculation (including but not limited to any unpaid purchase consideration, accrued legal or other expenses, brokerage, stamp duty, borrowings or other liabilities but excluding all liabilities, costs or expenses that the Manager must pay in accordance with this Agreement); and
 - (i) all costs and expenses incurred and payable by the Company.

11.2. Interpretation

In this Prospectus the following rules of interpretation apply unless the context otherwise requires:

- (a) Words and phrases not specifically defined in this Prospectus have the same meaning that is given to them in the Corporations Act and a reference to a statutory provision is to the Corporations Act unless otherwise specified;
- (b) The singular includes the plural and vice versa;
- (c) A reference to an individual or person includes a corporation, partnership, joint venture, association, authority, company, state or government and vice versa;
- (d) A reference to any gender includes both genders;
- (e) A reference to clause, section, annexure or paragraph is to a clause, section, annexure or paragraph of or to this Prospectus, unless the context otherwise requires;
- (f) A reference to "dollars", "AUD" or "\$" is to Australian currency;
- (g) In this document, headings are for ease of reference only and do not affect its interpretation; and
- (h) Except where specifically defined in the Prospectus, terms defined in the Corporations Act have the same meaning in this Prospectus.

11.3. Governing Law

This Prospectus is governed by the laws of New South Wales.

11.4. Approval

This Prospectus has been approved by unanimous resolution of the Directors of the Company.

Dated: 16 February 2018



Andrew Larke
Chairman

DIRECTORS		COMPANY SECRETARIES	REGISTERED OFFICE
Andrew Larke John Macfarlane Harry Kingsley Raphael Lamm Mark Landau		Mark Licciardo Adam Sutherland	Level 28, 101 Collins Street, Melbourne VIC 3000 Ph: +61 (3) 9286 7000
SHARE REGISTRY		INVESTIGATING ACCOUNTANT	SOLICITORS TO THE OFFER
Link Market Services Limited Tower 4, 727 Collins Street, Melbourne VIC 3008 Ph: 1800 129 431 www.linkmarketservices.com.au		Pitcher Partners Sydney Corporate Finance Pty Ltd Level 22, MLC Centre, 19 Martin Place, Sydney NSW 2000 Ph: +61 (2) 9221 2099 Fax: +61 (2) 9233 1762	KardosScanlan Pty Limited Level 5, 151 Castlereagh Street Sydney NSW 2000 Ph: +61 (2) 9176 5290 Fax: +61 (2) 9146 5299
MANAGER		MANAGER'S CORPORATE ADVISOR	
L1 Capital Pty Limited Level 28, 101 Collins Street, Melbourne VIC 3000 Ph: +61 (3) 9286 7000 Email: info@L1LongShort.com		Seed Partnerships Pty Limited Level 10, 135 Macquarie Street, Sydney NSW 2000 Ph: +61 (2) 9251 8845 Email: info@seedpartnerships.com	
JOINT LEAD MANAGERS		CO-MANAGERS	
National Australia Bank Limited Level 25, 255 George Street, Sydney NSW 2000, Australia		Shaw and Partners Limited Level 15, 60 Castlereagh Street, Sydney NSW 2000, Australia	
Morgan Stanley Australia Securities Limited Level 39, Chifley Tower, 2 Chifley Square, Sydney NSW 2000, Australia		Hunter Capital Advisors Pty Limited Suite 3, Level 10, 23-25 Hunter Street, Sydney NSW 2000, Australia	
Ord Minnett Limited Level 8, NAB House, 255 George Street, Sydney NSW 2000, Australia		Bell Potter Securities Limited Level 38, Aurora Place, 88 Phillip Street, Sydney NSW 2000, Australia	
Taylor Collison Limited Level 16, 211 Victoria Square, Adelaide SA 5000		Patersons Securities Limited 'Exchange Tower' Level 23, 2 The Esplanade, Perth WA 6000, Australia	
Wilson's Corporate Finance Limited Level 30, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000		First NZ Capital Securities Limited Level 14, 171 Featherston Street, Wellington, 6011 New Zealand	
Morgans Financial Limited Level 29, 123 Eagle Street, Brisbane QLD 4000		Macquarie Equities Limited 1 Shelley Street, Sydney NSW 2000	
Crestone Wealth Management Limited Level 32, Chifley Tower, 2 Chifley Square, Sydney NSW 2000, Australia			

L1 Long Short Fund Limited
(ACN 623 418 539)

Supplementary Prospectus

This is a supplementary prospectus issued by L1 Long Short Fund Limited (ACN 623 418 539) (**Company**). It supplements, and is intended to be read with the Prospectus dated 16 February 2018 relating to the offer of Shares to raise up to \$500,000,000 (before Oversubscriptions) (**Prospectus**).

This supplementary prospectus is dated 29 March 2018 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. None of ASIC, the ASX and their respective officers take responsibility for the contents of this supplementary prospectus.

The information set out below is taken to be included in the Prospectus. Except where defined in this supplementary prospectus, capitalised terms have the meaning set out in the Prospectus.

Purpose of this Document

The purpose of this supplementary prospectus is to increase the amount that the Company may raise to \$1.35 billion.

Oversubscriptions

As at the date of this supplementary prospectus, the Company has received a great deal of interest in the Offer.

The Board has assessed this very strong demand for Shares and determined that it is in investors' best interests to allow for a larger Offer. In making this assessment the Board has considered the additional liquidity a larger shareholder base will likely provide as well as the investment strength afforded to a larger listed investment company.

The Manager has confirmed that the increased offer size is consistent with implementing the investment strategy on the terms set out in the Prospectus.

The Board and the Manager believe the increased scale of the Company, resulting from such strong demand for Shares, to be both a positive endorsement of the Company's investment strategy and the experience and skills of the Manager's investment team. Accordingly, the Board is pleased to issue this supplementary prospectus to allow for an increase in the maximum Offer size to \$1.35 billion. As a result the Board has determined that it will have the ability to accept Applications for up to 675 million Shares in total to raise up to \$1.35 billion.

As a result, the maximum number of Shares that will be issued increases from 300 million Shares to 675 million Shares.

The additional 375 million Shares represent approximately 55% of the capital of the Company.

Updated Financial Position of the Company

Sections 6.2 to 6.7 of the Prospectus are amended as set out in this document to reflect the increased number of Applications for Shares that the Company may accept under the Offer.

6.2. Unaudited pro forma statement of Financial Position

The unaudited pro forma statements of financial position set out below represent the pro forma statements of financial position of the Company adjusted for completion of the Offer. It is intended to be illustrative only and it neither reflects the actual position of the Company as at the date of this supplementary prospectus nor at the conclusion of the Offer.

The pro forma statements of financial position have been prepared in accordance with the accounting policies set out in Section 6.8 in the Prospectus.

L1 Long Short Fund Limited
Unaudited Pro Forma Statement of Financial Position
Assumes completion of the Offer

The unaudited pro forma statements of financial position are presented in summary form only and do not comply with the presentation and disclosure requirements of Australian Accounting Standards.

The information in this Section should also be read in conjunction with the Risk Factors set out in Section 5 and other information contained in the Prospectus.

	Minimum Subscription \$100 million (\$'000)	Subscription \$250 million (\$'000)	Maximum Subscription \$500 million (\$'000)	Total Subscription \$1.35 billion (\$'000)
<u>Assets</u>				
Cash	96,315	242,042	484,569	1,309,284
Receivables	3,685	7,958	15,431	40,716
Total Assets	100,000	250,000	500,000	1,350,000
Total Liabilities	-	-	-	-
Net Assets	100,000	250,000	500,000	1,350,000
Equity				
Contributed Equity	100,000	250,000	500,000	1,350,000
Less: Capitalised costs of the Offer	(2,445)	(5,254)	(10,164)	(26,775)
	97,555	244,746	489,836	1,323,225
Costs to be recouped	2,445	5,254	10,164	26,775
Total Equity	100,000	250,000	500,000	1,350,000
NAV Backing Per Share (\$)	2.00	2.00	2.00	2.00

6.3. Capital structure

The anticipated capital structure of the Company on completion of the issue is set out below:

	Minimum Subscription \$100 million	Subscription \$250 million	Maximum Subscription \$500 million	Total Subscription \$1.35 billion
Shares on Issue	50,000,001	125,000,001	250,000,001	675,000,001

6.4. Cash

A reconciliation of the pro forma statements of financial position for cash is as below:

	Minimum Subscription \$100 million (\$)	Subscription \$250 million (\$)	Maximum Subscription \$500 million (\$)	Total Subscription \$1.35 billion (\$)
Initial Subscriber Share	1	1	1	1
Proceeds of Offer	100,000,000	250,000,000	500,000,000	1,350,000,000
Expenses of Offer	(3,497,085)	(7,509,653)	(14,524,117)	(38,254,221)
GST Receivable	(187,500)	(448,295)	(906,818)	(2,462,216)
Estimated net cash position	96,315,416	242,042,053	484,569,066	1,309,283,564

6.5. Receivable

The Company has entered into an agreement with the Manager to recoup from the Manager the Offer Costs by means of the Manager agreeing to forgo Management Fees until such time as the Offer Costs has been recouped in full. This right to recoup will be recognised as a receivable along with GST to be recovered on the Offer Costs.

The receivable balances are based on the estimated Offer Costs in Section 6.7 below.

	Minimum Subscription \$100 million (\$)	Subscription \$250 million (\$)	Maximum Subscription \$500 million (\$)	Total Subscription \$1.35 billion (\$)
Receivable for recoupment of Offer Costs	3,497,085	7,509,653	14,524,117	38,254,221
GST Receivable	187,500	448,295	906,818	2,462,216
Total Estimated Receivable	3,684,585	7,957,948	15,430,935	40,716,437

6.6. Assumptions

These unaudited pro forma statements of financial position and the information in Sections 6.2 to 6.5 of this document have been prepared on the basis of the following assumptions:

- Application of the proposed accounting policies and notes to the accounts set out in Section 6.8.
- In the unaudited pro forma statement of financial position entitled "Minimum Subscription \$100,000,000", the reference is to issuing 50,000,000 Shares to Applicants under this Prospectus.
- In the unaudited pro forma statement of financial position entitled "Subscription \$250,000,000", the reference is to issuing 125,000,000 Shares to Applicants under this Prospectus.
- In the unaudited pro forma statement of financial position entitled "Maximum Subscription \$500,000,000", the reference is to issuing 250,000,000 Shares to Applicants under this Prospectus.
- In the unaudited pro forma statement of financial position entitled "Total Subscription \$1,350,000,000", the reference is to issuing 675,000,000 Shares to Applicants under this Prospectus.

- (f) Offer Cost will be paid by the Company and recouped from the Manager (refer to Section 6.7).
- (g) The Company will pay to each Broker a selling fee equal to 1.50% (inclusive of GST) of the total raised by that Broker.
- (h) Applications by the Cornerstone Investors will be 50,000,000 Units at \$2.00 per Unit raising \$100,000,000 (the **Cornerstone Proceeds**);
- (i) For the purpose of the unaudited pro forma statement of financial position, it has been assumed that the Broker Firm selling fee of 1.50% (including GST) will be paid on:
- (i) 100% of Applications in respect of the Minimum Subscription of \$100,000,000;
- (ii) 92% of Applications in respect of the Subscription of \$250,000,000
- (iii) 94% of Applications in respect of the Maximum Subscription of \$500,000,000; and
- (iv) 95% of Applications in respect of the Total Subscription of \$1,350,000,000.
- (j) The Company will pay the Sole Arranger an arranger fee equal to 0.25% (including GST) of the total proceeds raised under the Offer. The Company will pay the Joint Lead Managers a management fee equal to 1.25% (including GST) of the total proceeds raised under the Offer. The JLM Fee in respect to Offer proceeds up to \$500 million will be split evenly between all the Joint Lead Managers. If more than \$500 million is raised, the JLM Fee in respect to Offer proceeds over \$500 million will be paid in full to the relevant Joint Lead Managers.

6.7. Offer Costs

The Company will initially pay the Offer Costs including all establishment costs, legal and investigating accountant fees, printing and initial ASX listing fees. The Company will recoup these costs from the Manager via the Investment Management Agreement between the Manager and the Company whereby the Manager has agreed to forego Management Fees until the Offer Costs are recouped in their entirety (refer to Section 9.1). The Offer Costs have been estimated at \$3,497,085 assuming the Minimum Subscription is achieved and \$38,254,221 assuming Total Subscriptions are fully subscribed. The capitalised offer cost amounts in each instance would be after taking into consideration the upfront tax benefit received.

A breakdown of these expenses (including GST), assuming the Minimum Subscription of Applications for \$100,000,000, Subscription of Applications for \$250,000,000, Maximum Subscription of Applications for \$500,000,000 and Total Subscription of Applications for \$1,350,000,000 is provided below:

	Minimum Subscription \$100 million (\$)	Subscription \$250 million (\$)	Maximum Subscription \$500 million (\$)	Total Subscription \$1.35 billion (\$)
Joint Lead Manager fees (both the management fee and the Arranger fee) and Broker firm selling fee	3,000,000	7,200,000	14,550,000	39,487,500
Legal fees	200,000	200,000	200,000	200,000
Investigating accountant fees	56,100	56,100	56,100	56,100
ASX fees	167,475	240,838	363,825	711,827
ASIC lodgement fees	2,400	2,400	2,400	2,400
Other expenses	258,610	258,610	258,610	258,610
Total estimated Gross Offer Cost	3,684,585	7,957,948	15,430,935	40,716,437
Less: GST receivable	(187,500)	(448,295)	(906,818)	(2,462,216)

	Minimum Subscription \$100 million (\$)	Subscription \$250 million (\$)	Maximum Subscription \$500 million (\$)	Total Subscription \$1.35 billion (\$)
Total estimated Offer Cost	3,497,085	7,509,653	14,524,117	38,254,221

Directors' Authorisation

Each Director has given and has not withdrawn their consent to the lodgement of this supplementary prospectus with ASIC. This supplementary prospectus has been signed by Andrew Larke, for and on behalf of the Company.



Andrew Larke
Chairman