

L1 Capital Long Short Fund

Monthly Report | MARCH 2023

- The L1 Capital Long Short Fund returned 0.7%¹ in March (ASX200AI -0.2%).
- Over the past 3 years, the portfolio has returned 41.7%¹ p.a. (ASX200AI 16.5% p.a.).
- Global equity markets were volatile in March driven by the collapse of several U.S. and European banks and concern this may lead to a broader banking crisis.

Global markets were volatile in March, with a sharp fall in the middle of the month driven by fears of a banking crisis as two regional U.S. Banks, Silicon Valley Bank and Signature Bank, collapsed on liquidity concerns. This led to further contagion in Europe, with Credit Suisse subject to a hasty takeover by UBS. As Credit Suisse is one of 30 banks considered to be of systemic importance to the global economy, the Swiss Government and regulator facilitated the takeover to quickly stem further banking turmoil.

Markets recovered in the back half of the month as the flight of deposits from U.S. regional banks slowed, the Credit Suisse takeover terms were finalised and inflation showed further signs of moderation.

Bond yields collapsed in both Australia and the U.S. during the month (U.S. 10-year yield -42bps and Australian 10-year yield -56bps) with stress in the banking system leading the market to price in three rate cuts in the U.S. in the back half of the year.

The S&P/ASX 200 Accumulation Index returned -0.2% in March with mixed performance across sectors. Materials (+5.9%), Communication Services (+3.4%) and Consumer Discretionary (+1.7%) were the strongest sectors, while Property (-6.8%), Financials (-4.9%) and Energy (-1.5%) lagged.

We maintain a relatively cautious market outlook due to the lagged impact of significant interest rate hikes, weakness in leading economic indicators, gradually increasing pressure on corporate earnings and tail risk from geopolitical tensions.

Given that assessment, we have intentionally set a lower than usual net market exposure. We anticipate ongoing market volatility as investors continually reassess their expectations for the economy, interest rates and corporate profits. From our extensive company research, we are continuing to identify numerous mis-priced stocks that we believe will deliver attractive long-term returns for our investors.

Fund returns (Net) ¹ (%)	L1 Long Short Fund	S&P ASX 200 AI	Out-performance
1 month	0.7	(0.2)	+0.8
3 months	2.3	3.5	(1.2)
1 year	0.7	0.1	+0.6
2 years p.a.	16.1	7.3	+8.8
3 years p.a.	41.7	16.5	+25.2
5 years p.a.	12.1	8.7	+3.4
7 years p.a.	14.9	9.4	+5.5
Since inception p.a.	20.6	7.3	+13.4

Returns since inception (Net) ¹ (%)	Cumulative return	Annualised return p.a.
L1 Capital Long Short Fund	401.0	20.6
S&P ASX 200 Accumulation Index	82.4	7.3
MSCI World Net Total Return Index (USD)	86.0	7.5
HFRX Global Hedge Fund Index	9.2	1.0

Portfolio performance was marginally positive over the month, driven by strong performance of a number of key portfolio positions along with tailwinds from our exposure to the gold sector. This was partially offset by the movement in bond yields which supported the outperformance of high-multiple growth stocks where we have some short positions.

Key contributors to portfolio performance in March included:

Newcrest Mining (Long +19%) shares rallied with gold prices up close to 10% over the month. Newcrest is the largest gold producer on the ASX with annual gold production in excess of 2,000koz. The company is also a significant copper producer, with FY23 guidance for 135kt-155kt of copper from its Cadia, Telfer and Red Chris operations. In early February, the company received a takeover proposal from Newmont at an implied premium of ~22% to the pre-offer share price. Newcrest rejected the offer on valuation grounds. On 11 April, a revised proposal was received at a 46% premium to the pre-offer share price, with Newmont currently conducting confirmatory due diligence to put forward a binding proposal.

1. All performance numbers are quoted net of fees. Figures may not sum exactly due to rounding. Past performance should not be taken as an indicator of future performance. Strategy performance and exposure history is for the L1 Capital Long Short Fund – Monthly Class. NOTE: Fund returns and Australian indices are shown in A\$. Returns of U.S. indices are shown in US\$. Index returns are on a total return (accumulation) basis unless otherwise specified.

We believe gold equities generally continue to remain attractive as gold demand from central banks increases, U.S. interest rates look to be nearing a peak and the U.S. dollar potentially weakens. Furthermore, we expect M&A activity in the sector to be a continued theme going forward. The largest gold miners have robust balance sheets and continue to search for opportunities to increase production, replenish depleting gold reserves and improve synergies across operations through greater scale. Consolidation provides a lower risk and shorter timeframe to achieving these objectives at a time when large scale discoveries have become scarce and development timelines have extended.

Flutter (Long +10%) shares continued to rise with FY22 results highlighting continued strong performance from its U.S. business. Flutter's U.S. sports betting market share accelerated to 50% from ~40% in the prior period, driven by its superior product, efficient customer acquisition strategies and strong operational execution. The U.S. division is now the largest by revenue for the company, with a clear path to profitability in 2023. This shift to profitability, together with the exponential growth of the U.S. sports betting market, underpins Flutter's ability to significantly accelerate its earnings growth over the next few years. The company is also exploring a secondary listing in the U.S. which could be implemented by the end of this calendar year. This will enhance the company's profile, increase liquidity in Flutter shares and unlock deeper access to capital markets through new U.S. domestic investors. We continue to believe Flutter remains significantly undervalued given its exceptional growth outlook and dominant industry position.

Apple (Short +12%) was a detractor from portfolio performance in March. Apple shares rose over the month with mega-cap technology stocks rallying as volatility in the banking sector led to investors crowding into stocks perceived as more defensive and liquid. We continue to see risks to Apple's earnings as demand weakens for its key products and in particular its flagship iPhone 14 device. Despite having a fantastic brand and loyal customer base, we believe the company has benefitted significantly from a one-off pull forward of demand through the COVID-19 lockdown period, which we expect will start to normalise over the next 2-3 quarters.

The lockdown period delivered a huge windfall to Apple as a combination of work/study from home conditions and government stimulus fuelled a surge in purchases of its key products. During this period, Apple also benefitted from the launch of two of its most important products (5G iPhone 12 and Apple Silicon MacBook), along with significant market share gains in China as a result of Huawei's exit from the market. This drove a spike in net profit from a broadly flat range of US\$50-60b p.a. between FY15 to FY20 to ~US\$100b in FY22. We believe tougher economic conditions, a less exciting new product line-up and input cost pressures will weigh on Apple's ability to meet/exceed consensus earnings expectations in 2023. Apple shares are currently trading around \$165/share, compared to around \$80/share pre-COVID.

Fund returns (Net)² (%)

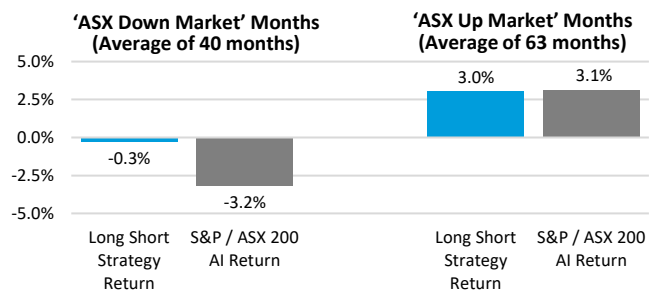
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2014	-	-	-	-	-	-	-	-	(2.42)	3.03	2.85	1.61	5.07
2015	0.59	9.14	2.42	1.71	3.73	(0.86)	3.30	2.06	5.51	8.49	8.11	4.61	60.52
2016	5.81	0.59	5.47	2.46	2.78	(0.89)	3.22	3.92	0.46	(0.13)	0.55	2.22	29.61
2017	2.51	1.87	3.15	1.03	4.18	1.70	2.62	1.69	1.93	2.54	0.89	3.56	31.40
2018	0.56	(0.47)	(1.64)	1.62	(3.76)	(6.29)	0.82	(5.92)	(2.12)	(3.98)	(2.60)	(6.06)	(26.40)
2019	4.35	5.15	0.22	2.84	(2.78)	3.85	1.18	0.44	2.61	3.37	0.32	2.22	26.20
2020	(7.81)	(7.10)	(23.02)	22.96	10.97	(2.21)	(1.93)	9.98	0.52	(2.63)	32.28	4.16	27.99
2021	(0.10)	9.06	(0.13)	4.99	4.11	(0.55)	1.83	5.24	4.81	2.30	(7.21)	3.59	30.62
2022	2.74	7.00	1.47	3.29	0.12	(13.39)	(4.63)	5.70	(7.80)	5.10	7.91	4.27	9.82
2023	3.67	(1.99)	0.66										2.27

Portfolio positions	Current	Avg. since inception
Number of total positions	80	81
Number of long positions	56	56
Number of short positions	24	25
Number of international positions	25	25

Fund information as at 31 March 2023³

Unit Price	\$1.9541
Fund NAV	\$1,026m

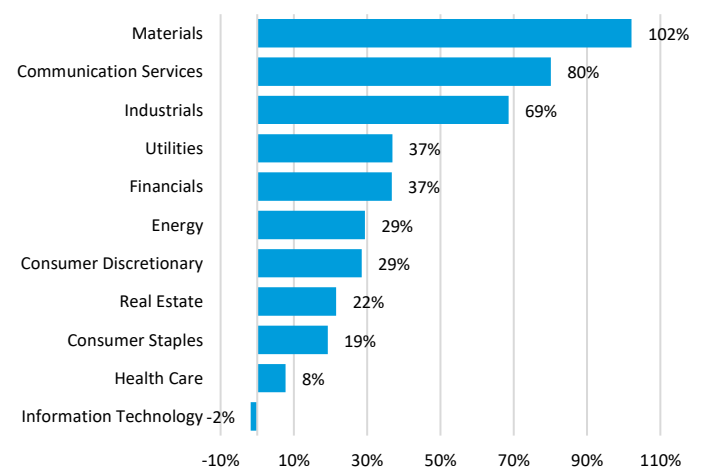
Performance in rising & falling markets² (Net)



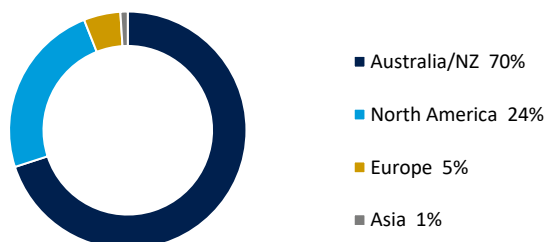
Net & gross exposure by region² (%)

Geography	Gross long	Gross short	Net exposure
Australia / NZ	92	73	19
North America	42	15	26
Europe	12	-	12
Asia	2	-	2
Total	148	89	59

Sector contribution since Strategy inception² (Net)



Gross Exposure as a % of total exposure²



2. All performance numbers are quoted net of fees. Figures may not sum exactly due to rounding. Past performance should not be taken as an indicator of future performance. Strategy performance and exposure history is for the L1 Capital Long Short Fund – Monthly Class. 3. The value of the Fund's assets less the liabilities of the Fund net of fees, costs and taxes. The unit price is calculated by decreasing the NAV price by the sell spread (currently 0.25%). The NAV price is the NAV divided by the units on issue.



L1 Capital Long Short Fund

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Fund information – Monthly Class

Class Name	L1 Capital Long Short Fund – Monthly Class
Structure / Currency	Australian Unit Trust / AUD
Inception	1 September 2014
Management Fee	1.28% p.a. inclusive of GST and net of RITC
Performance Fee	20.50% inclusive of GST and net of RITC ⁴
High Watermark	Yes
Buy / Sell Spread	15bps / 15bps
APIR / ISIN	ETL4912AU / AU60ETL49128
Minimum Investment	A\$500,000
Subscription / Redemption Frequency	Monthly
Platform Availability	Australian Money Market, HUB24, Netwealth, PowerWrap

Contact us

Head of Distribution

Chris Clayton | cclayton@L1.com.au | +61 3 9286 7021

Researchers

Aman Kashyap | akashyap@L1.com.au | +61 477 341 403

Advisors

Alexander Ordon | aordon@L1.com.au | +61 413 615 224Alejandro Espina | aespina@L1.com.au | +61 423 111 531

Private Clients

Edward Vine | evine@L1.com.au | +61 412 525 390

L1 Capital (Investment Manager) overview

L1 Capital is a global investment manager with offices in Melbourne, Sydney, Miami and London. The business was established in 2007 and is owned by its senior staff, led by founders Raphael Lamm and Mark Landau. The team is committed to offering clients best of breed investment products through strategies that include long short Australian equities, international equities, activist equities, a global multi-strategy hedge fund and U.K. residential property. The firm has built a reputation for investment excellence, with all L1 Capital's strategies delivering strong returns since inception. The team remains dedicated to delivering on that strong reputation through providing market-leading performance via differentiated investment approaches with outstanding client service, transparency and integrity. L1 Capital's clients include large superannuation funds, pension funds, asset consultants, financial planning groups, family offices, high net worth individuals and retail investors.



Level 45, 101 Collins Street
Melbourne VIC 3000
Australia
www.L1.com.au

Key service providers for the Fund are: Responsible Entity – Equity Trustees Limited, Prime Brokers – Morgan Stanley, Merrill Lynch and Goldman Sachs, Fund Administrator – Apex Fund Services Ltd (formerly known as Mainstream Fund Services), Fund Auditor – EY, Legal Advisor – Hall & Wilcox. There have been no changes to key service providers since the last report.

4. The performance fee is equal to the stated percentage (inclusive of GST and net of RITC) of any increase in the NAV over any Performance Period (adjusted for applications and redemptions and before the payment of any distribution after the payment of the management fee and expenses) above the high-water mark.

All performance numbers are quoted net of fees. Past performance should not be taken as an indicator of future performance. Sources of information in this report are Apex Fund Services, Bloomberg and L1 Capital.

Information contained in this publication

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The L1 Capital Long Short Fund's Target Market Determination is available at <https://bit.ly/3a0Kj68>. A Target Market Determination is a document which was required to be made available from 5 December 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

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