

- The L1 Capital Long Short Fund returned 5.4%<sup>1</sup> in July (ASX200AI 2.9%).
- The portfolio has returned 24.4%<sup>1</sup> over the past year (ASX200AI 11.7%).
- Over the past 3 years the portfolio has returned 31.9%<sup>1</sup> p.a. (ASX200AI 12.0% p.a.).
- Portfolio performance was strong in July on the back of potential China stimulus measures, along with several positive company specific updates.

Global markets extended their gains in July, with constructive economic data reinforcing investor expectations for a potential soft-landing in the U.S.

Incremental U.S. economic data was reassuring, with U.S. GDP coming in at 2.4% (versus consensus expectations of 2.0%). Inflation continued to moderate with the PCE price index slowing further to 3.0% YoY in June from 3.8% in May.

Resources started the month negatively on weaker Chinese economic data (Q2 GDP of 6.3% versus expectations of 7.3%), however, recovered strongly in the back half on Chinese Politburo stimulus talks (brent crude +14%, nickel +9%, copper +6%).

Bond yields in Australia remained relatively flat after the RBA paused in both the July and August monetary policy meetings. The Fed lifted rates by 25bps in line with market expectations and maintained their 'hawkish' tone, leading to a 10bps increase in U.S. 10-year bond yields.

The S&P/ASX 200 Accumulation Index returned 2.9%. Energy (+8.8%), Financials (+4.9%) and Information Technology (+4.5%) were the strongest sectors, while Health Care (-1.5%), Consumer Staples (-1.0%) and Materials (+1.4%) lagged.

Portfolio performance was strong over the month, driven by several supportive stock-specific updates along with tailwinds from a recovery in commodity prices.

**We believe equity markets are facing opposing forces of positivity from moderating inflation and potential policy stimulus in China, offset by headwinds from weak leading economic indicators, increasing pressure on corporate earnings and lingering tail risk from geopolitical tensions.**

**We anticipate rising market volatility as investors continue to 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) <sup>1</sup> (%)	L1 Long Short Fund	S&P ASX 200 AI	Out-performance
1 month	5.4	2.9	+2.5
3 months	3.6	2.0	+1.6
1 year	24.4	11.7	+12.7
2 years p.a.	13.4	4.5	+8.9
3 years p.a.	31.9	12.0	+20.0
5 years p.a.	15.1	7.5	+7.7
7 years p.a.	14.6	8.4	+6.1
Since inception p.a.	20.5	7.4	+13.1

*Figures may not sum exactly due to rounding.*

Returns since inception (Net) <sup>1</sup> (%)	Cumulative return	Annualised return p.a.
L1 Capital Long Short Fund	428.8	20.5
S&P ASX 200 Accumulation Index	89.6	7.4
MSCI World Net Total Return Index (USD)	105.4	8.4
HFRX Global Hedge Fund Index	10.7	1.1

Key contributors to portfolio performance in July included:

**Downer (Long +7%)** shares strengthened over the month as the company continues to progress its transition towards a higher-quality urban services portfolio. With a renewed leadership team at both the Board and senior management level, Downer continues to pursue additional self-help measures and simplification initiatives within the core business. These include a cost reduction target of \$100m p.a. by FY25 and further asset sales. We anticipate these changes will help transform Downer into a more resilient, less capital-intensive and lower risk services business exposed to growing, annuity-style contracts.

**Alibaba (Long +23%)** shares performed strongly on better-than-expected pro-market policy guidance from the Chinese leadership. We believe that Alibaba remains a high-quality business with leading positions in both eCommerce and Public Cloud, and management is taking proactive steps to unlock shareholder value. It has announced plans to split into six major business groups – Cloud Intelligence, Taobao Tmall, Local Services, Global Digital, Cainiao Smart Logistics and Digital Media, and Entertainment Group. We believe this restructure will be a strong positive catalyst to unlock the sum-of-the-parts valuation upside in the company.

*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.*



L1 CAPITAL

Monthly Class

# L1 Capital Long Short Fund

Monthly Report | JULY 2023

**Capstone (Long +15%)** shares rose on the back of strengthening copper prices and the continued strong execution of its growth projects. Capstone has an exceptional growth profile with a pipeline of fully-permitted projects that are poised to more than double its current copper production of ~185kt to nearly 400kt over the next few years. Additionally, the company is quickly approaching completion and commissioning of its Mantoverde (MVDP) project which we expect to result in a major inflection in operating metrics across the business. Together with the integration of its Santo Domingo asset, Capstone is also set to become one of the largest and most cost-effective battery-grade cobalt producers in the world.

The company is fully funded to complete its currently approved project pipeline and is led by a highly capable, focussed and aligned management team.

**Worley (Long +10%)** shares rallied over the quarter with continued positive sentiment towards energy capital expenditure, along with major project wins. Worley remains one of the few global engineering consultancy firms that is ideally positioned to benefit from the energy transition shift and significant spend that is likely to be invested in hydrogen, carbon capture and renewable energy. We believe Worley is in the early innings of the pivot to 'green' energy opportunities, with the market continuing to view the stock as a legacy oil and gas engineering contractor, despite its critical role in enabling the energy transition.

## Fund returns (Net)<sup>2</sup> (%)

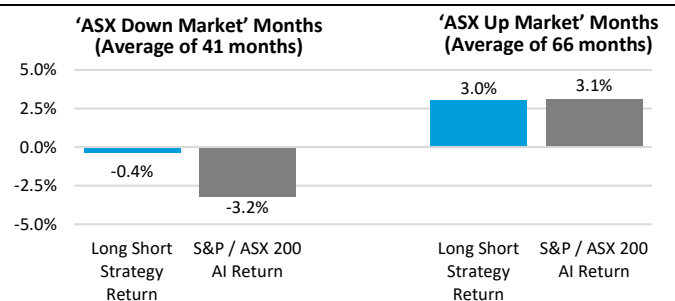
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2014</b>	-	-	-	-	-	-	-	-	(2.42)	3.03	2.85	1.61	<b>5.07</b>
<b>2015</b>	0.59	9.14	2.42	1.71	3.73	(0.86)	3.30	2.06	5.51	8.49	8.11	4.61	<b>60.52</b>
<b>2016</b>	5.81	0.59	5.47	2.46	2.78	(0.89)	3.22	3.92	0.46	(0.13)	0.55	2.22	<b>29.61</b>
<b>2017</b>	2.51	1.87	3.15	1.03	4.18	1.70	2.62	1.69	1.93	2.54	0.89	3.56	<b>31.40</b>
<b>2018</b>	0.56	(0.47)	(1.64)	1.62	(3.76)	(6.29)	0.82	(5.92)	(2.12)	(3.98)	(2.60)	(6.06)	<b>(26.40)</b>
<b>2019</b>	4.35	5.15	0.22	2.84	(2.78)	3.85	1.18	0.44	2.61	3.37	0.32	2.22	<b>26.20</b>
<b>2020</b>	(7.81)	(7.10)	(23.02)	22.96	10.97	(2.21)	(1.93)	9.98	0.52	(2.63)	32.28	4.16	<b>27.99</b>
<b>2021</b>	(0.10)	9.06	(0.13)	4.99	4.11	(0.55)	1.83	5.24	4.81	2.30	(7.21)	3.59	<b>30.62</b>
<b>2022</b>	2.74	7.00	1.47	3.29	0.12	(13.39)	(4.63)	5.70	(7.80)	5.10	7.91	4.27	<b>9.82</b>
<b>2023</b>	3.67	(1.99)	0.66	1.86	(3.44)	1.79	5.43						<b>7.95</b>

Portfolio positions	Current	Avg. since inception
Number of total positions	82	81
Number of long positions	62	56
Number of short positions	20	25
Number of international positions	24	25

## Fund information as at 31 July 2023<sup>3</sup>

Unit Price	\$2.07
Fund NAV	\$1.16b

## Performance in rising & falling markets<sup>2</sup> (Net)

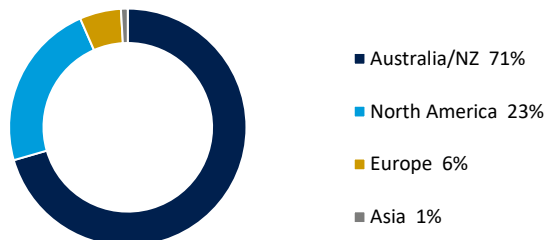


## Net & gross exposure by region<sup>2</sup> (%)

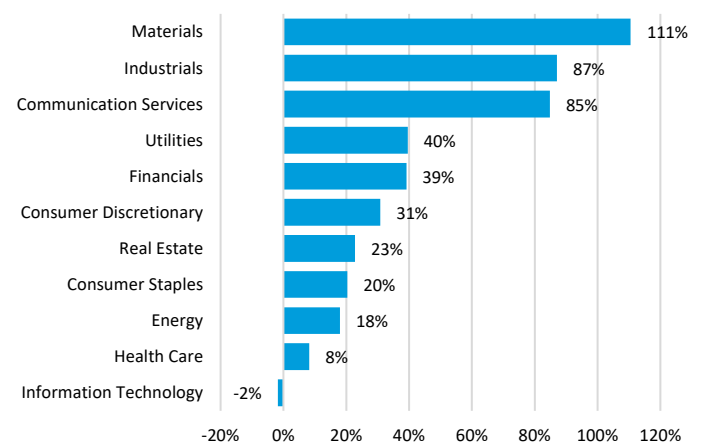
Geography	Gross long	Gross short	Net exposure
Australia / NZ	99	72	27
North America	45	10	35
Europe	14	-	14
Asia	2	-	2
<b>Total</b>	<b>160</b>	<b>82</b>	<b>78</b>

Figures may not sum exactly due to rounding.

## Gross geographic exposure as a % of total exposure<sup>2</sup>



## Sector contribution since Strategy inception<sup>2</sup> (Net)



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.

## Fund information – Monthly Class

<b>Class Name</b>	L1 Capital Long Short Fund – Monthly Class
<b>Structure / Currency</b>	Australian Unit Trust / AUD
<b>Inception</b>	1 September 2014
<b>Management Fee</b>	1.28% p.a. inclusive of GST and net of RITC
<b>Performance Fee</b>	20.5% inclusive of GST and net of RITC <sup>4</sup>
<b>High Watermark</b>	Yes
<b>Buy / Sell Spread</b>	15bps / 15bps
<b>APIR / ISIN</b>	ETL4912AU / AU60ETL49128
<b>Minimum Investment</b>	A\$500,000
<b>Subscription / Redemption Frequency</b>	Monthly
<b>Platform Availability</b>	Australian Money Market, HUB24*, Mason Stevens*, MLC, Netwealth, PowerWrap, Praemium

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Scan the QR code for more information



## 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, private wealth firms, financial planning groups, family offices, high net worth investors and retail investors.



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**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.  
\* Administration only.

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

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the L1 Capital Long Short Fund. Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT).

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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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