

- The L1 Capital Long Short Fund returned 3.9%<sup>1</sup> in January (MSCI World 7.1%).
- Over the past 3 years, the portfolio has returned 30.4%<sup>1</sup> p.a. (MSCI World 7.6% p.a.).
- Global equity markets recovered in January with signs of a moderation in inflation leading to a fall in bond yields and improved investor sentiment.

Global equity markets rallied in January as inflation showed signs of moderation, with the Fed's preferred measure of inflation, the Core PCE Price Index, slowing to under 5% in November and December. This resulted in a decrease in bond yields in both the U.S. and Australia (U.S. 10-year yield -35bps and Australian 10-year yield -50bps) as market expectations of further interest rate hikes decreased.

Investor sentiment improved in response to the inflation data as well as better-than-expected U.S. economic data. Market volatility fell, with the VIX (the market's 'fear gauge') closing below 20 for the first time since December 2021. The price of gold rose 5.7% to US\$1,924 per ounce, marking the third straight month of increases, driven by a weaker U.S. dollar, lower expected U.S. interest rates and strong demand from central banks.

Portfolio performance was positive in January, driven by several supportive stock-specific updates along with tailwinds from the broader recovery in global markets.

**Despite the recent rebound in equity markets, we remain relatively cautious on the 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 reduced our net market exposure and believe ongoing market volatility remains likely as investors continually reassess their outlook 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 to our investors.**

Fund Returns (Net) <sup>1</sup> (%)	L1 Long Short Fund	MSCI World	Out-performance
1 month	3.9	7.1	(3.2)
3 months	17.2	9.7	+7.6
6 months	20.3	2.1	+18.1
1 year	13.4	(7.5)	+20.8
2 years p.a.	24.4	3.8	+20.5
3 years p.a.	30.4	7.6	+22.8
5 years p.a.	13.7	6.5	+7.2
7 years p.a.	17.0	10.6	+6.4
Since inception p.a.	22.0	7.6	+14.5

Returns Since Inception (Net) <sup>1</sup> (%)	Cumulative Return	Annualised Return p.a.
L1 Capital Long Short Fund	435.1	22.0
MSCI World Net Total Return Index (USD)	84.9	7.6
S&P ASX 200 Accumulation Index	87.3	7.7
HFRX Global Hedge Fund Index	11.3	1.3

Key contributors to portfolio performance in January included:

**Capstone Copper (Long +32%)** 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 will enable it to more than double copper production from ~185kt currently, to close to 400kt over the next few years. Additionally, the integration of its Mantoverde (MVDP) and Santo Domingo assets, which has the potential to establish Capstone as one of the largest and most cost-effective producers of battery-grade cobalt in the world, remains on track. The company is fully funded to complete the currently approved project pipeline and has a highly capable, focussed and aligned management team.

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: Offshore Fund returns are shown in US\$ 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

Offshore Feeder

# L1 Capital Long Short Fund

Monthly Report | JANUARY 2023

**Alibaba Group (Long +25%)** shares rallied based on favourable sentiment surrounding China's reopening and indications from Chinese authorities that the prolonged restructuring process of Alibaba/Ant Financial is finally drawing to a close. The company remains a high-quality business with leading positions in both eCommerce and Public Cloud. Alibaba shares have now rallied more than 90% since their early November lows. Given that enormous rally and our China re-opening catalyst playing out, we elected to exit our position in Alibaba at around \$116 per share.

**James Hardie (Long +19%)** shares rose with housing sentiment improving as U.S. homebuilders noted a sharp increase in new housing demand in January and U.S. 30-year fixed mortgage rates eased to around 6% after peaking above 7% in November 2022. James Hardie is the market leader in fibre cement siding and has been growing its market share in the U.S. for over 20 years. The business mix has evolved considerably since the Global Financial Crisis, with ~65% of group revenues currently driven by repair and remodel exposure and ~35% from new housing. We believe James Hardie is well placed to manage through a period of softer new housing demand and thereafter to continue to grow at an above-market rate for many years to come.

**BlueScope Steel (Long +16%)** shares strengthened in January as U.S. steel spreads recovered, providing a tailwind for the company's second half earnings expectations. BlueScope continues to focus on growing its U.S. operations with a 850ktpa capacity expansion at the North Star facility in Ohio, the acquisition of the U.S.'s second largest metal coating/painting company in Coil Coatings, and the establishment of BlueScope Recycling from its acquisition of the MetalX recycling business. Despite the recent share price rally, we continue to believe the market significantly undervalues BlueScope's unique and strategic asset base.

**Imdex (Long +16%)** shares rose after delivering first half results that exceeded market expectations and announcing the acquisition of Devico, a leading global mining technology company based in Norway. We believe the acquisition is strategic and value accretive and will accelerate the company's global growth strategy. Imdex raised \$224 million to fund the acquisition, which was well supported by the market. We believe Imdex is well-positioned for long-term growth as it is in the early stages of launching the industry's best suite of new and improved products

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

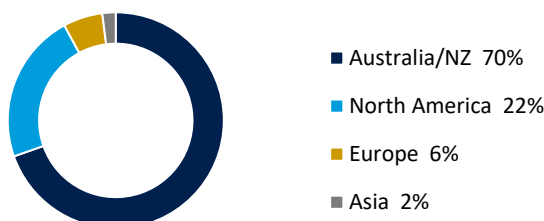
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2014</b>	-	-	-	-	-	-	-	-	(2.42)	3.03	2.85	1.61	<b>5.07</b>
<b>2015</b>	0.59	9.14	2.42	1.71	3.73	(0.86)	3.30	2.06	5.51	8.49	8.11	4.61	<b>60.52</b>
<b>2016</b>	5.81	0.59	5.47	2.46	2.78	(0.89)	3.22	3.92	0.46	(0.13)	0.55	2.22	<b>29.61</b>
<b>2017</b>	1.55 <sup>2</sup>	1.06	3.27	0.74	4.07	1.72	2.82	1.53	1.84	2.46	0.55	3.63	<b>28.28</b>
<b>2018</b>	0.56	(0.48)	(1.59)	1.47	(3.78)	(6.09)	0.81	(5.95)	(2.16)	(3.99)	(2.63)	(5.86)	<b>(26.28)</b>
<b>2019</b>	4.28	4.94	0.24	2.91	(2.81)	3.87	1.09	0.53	2.72	3.39	0.38	2.29	<b>26.29</b>
<b>2020</b>	(7.57)	(6.83)	(21.42)	23.62	11.04	(1.47)	(1.94)	9.96	0.49	(2.53)	31.56	4.25	<b>32.57</b>
<b>2021</b>	(0.06)	9.31	(0.06)	5.14	4.32	(0.05)	1.39	5.35	4.88	2.46	(7.01)	3.61	<b>32.37</b>
<b>2022</b>	3.03	7.10	1.42	3.26	0.26	(13.27)	(3.35)	5.39	(7.46)	5.21	7.96	4.53	<b>12.45</b>
<b>2023</b>	3.87												<b>3.87</b>

Portfolio positions	Current	Avg. since inception
Number of total positions	77	81
Number of long positions	54	56
Number of short positions	23	25
Number of international positions	28	25

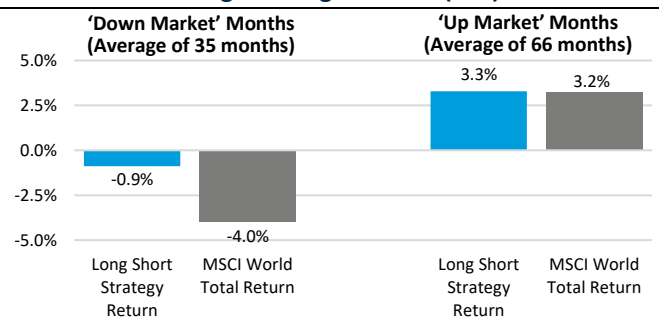
## Net & gross exposure by region<sup>2</sup> (%)

Geography	Gross long	Gross short	Net exposure
Australia / NZ	79	74	5
North America	36	14	22
Europe	13	-	13
Asia	4	-	4
<b>Total</b>	<b>133</b>	<b>88</b>	<b>45</b>

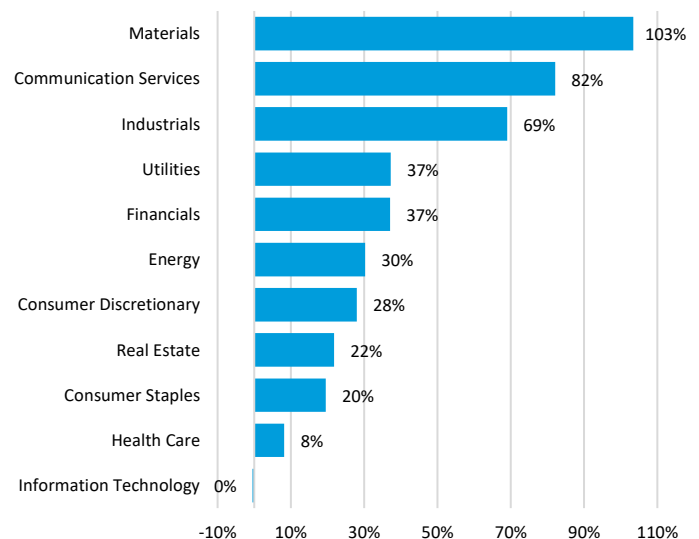
## Gross Exposure as a % of Total Exposure<sup>2</sup>



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



## 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 (Offshore Feeder) Fund since inception on 4 Jan 2017 (being the date that the first Offshore Feeder Fund shares were issued). Prior to this date, data is that of the L1 Capital Long Short Fund – Monthly Class since inception (1 Sep 2014) which is subject to a different fee structure. This is representative of the investment strategy employed by the L1 Capital Long Short (Offshore Feeder) Fund.

## Fund Information – Offshore Feeder

<b>Class Name</b>	L1 Capital Long Short – (Offshore Feeder) Fund
<b>Structure</b>	Master – Feeder
<b>Domicile/ Currency</b>	Cayman Islands / USD
<b>Inception</b>	4 January 2017
<b>Management Fee</b>	1.25% p.a.
<b>Performance Fee</b>	20.0% <sup>3</sup>
<b>High Watermark</b>	Yes
<b>APIR / ISIN</b>	KYG555391039 / G55539103
<b>Minimum Investment</b>	USD\$250,000
<b>Subscription / Redemption Frequency</b>	Monthly

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## 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.



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**Key service providers** for the Fund are: 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 – Norton Rose Fulbright. There have been no changes to key service providers since the last report.

3. The performance fee is equal to the stated percentage of the increase in the Net Asset Value per Participating Share for the Performance Fee Calculation Period above the Base Net Asset Value of that Participating Share.

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