

L1 Capital Long Short Fund

Monthly Report | APRIL 2023

- The L1 Capital Long Short Fund returned 1.9%¹ in April (ASX200AI 1.8%).
- Over the past 3 years, the portfolio has returned 33.1%¹ p.a. (ASX200AI 14.0% p.a.).
- Global markets rose as interest rate expectations stabilised and fears of a widespread banking crisis diminished.

Global equity markets rose modestly in April as interest rate hike expectations moderated after significant volatility in March from the onset of the U.S. banking crisis. A slowdown in the flight of deposits from U.S. regional banks further supported markets, providing investors with greater confidence that an extensive banking crisis may be avoided.

Bond yields were generally flat over the month in both Australia and the U.S. (U.S. 10-year yield -5bps and Australian 10-year yield +4bps). Commodity markets were generally weaker with copper, iron ore and oil prices falling, while gold remained at record highs close to US\$2,000/oz.

The S&P/ASX 200 Accumulation Index returned 1.8% in April. Property (+5.3%), Information Technology (+4.8%) and Industrials (+4.4%) were the strongest sectors, while Materials (-2.6%) and Utilities (+1.4%) lagged.

Portfolio performance was positive over the month, driven by some supportive stock-specific updates, along with tailwinds from M&A activity in some of our key positions.

We have 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 the 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	1.9	1.8	0.0
3 months	0.5	(0.8)	+1.3
1 year	(0.7)	2.8	(3.5)
2 years p.a.	14.4	6.4	+8.0
3 years p.a.	33.1	14.0	+19.1
5 years p.a.	12.2	8.3	+3.9
7 years p.a.	14.8	9.2	+5.7
Since inception p.a.	20.7	7.4	+13.3

Figures may not sum exactly due to rounding.

Returns since inception (Net) ¹ (%)	Cumulative return	Annualised return p.a.
L1 Capital Long Short Fund	410.3	20.7
S&P ASX 200 Accumulation Index	85.8	7.4
MSCI World Net Total Return Index (USD)	89.3	7.6
HFRX Global Hedge Fund Index	9.8	1.1

Key contributors to portfolio performance in April included:

Teck (Long +28%) performed well following a takeover offer from Glencore at an implied premium of 22% to the pre-offer share price. The Teck Board rejected the offer and labelled it as “unsolicited and opportunistic”. Teck has been concurrently evaluating a separation of its coal and metals businesses via a more simplified approach (compared to their earlier proposal). In March, Teck also started its long-awaited copper production at QB2, one of the world’s largest new copper mines. QB2 is on track to reach full production capacity by the end of 2023. This increased copper production capacity comes at an opportune time as the global energy transition starts to accelerate. We believe Teck remains very attractive with operational momentum building as QB2 ramps up and clear corporate interest given its unique, high quality asset base.

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.

Newcrest Mining (Long +8%) 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 which was rejected on valuation grounds. In April, Newcrest shares rallied, as Newmont subsequently put forward a revised proposal at an implied premium of 46% to the pre-offer share price. Newmont is currently conducting confirmatory due diligence in order to make its proposal binding.

We expect M&A activity in the gold 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 deliver 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 +9%) shares continued to rise with ongoing strong performance from its U.S. business and with the U.K. white paper on online gambling reform finally released in April after two years of delays. Flutter has already implemented many of the white paper's recommendations, with incremental impacts expected to be around 1% of group revenue. Flutter's U.S. sports betting and iGaming market share continues to accelerate, 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.

The company is also exploring a secondary listing in the U.S. which is set to be implemented in late 2023. 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 undervalued given its dominant industry position and exceptional growth outlook.

Imdex (Long -8%) was a detractor from portfolio performance in April. The shares fell during the month as financings for junior miners pointed to more subdued exploration activity going forward. While raising capital has been challenging for many miners in the current environment, we believe this will normalise with time as commodity end markets continue to remain robust. Imdex recently announced the acquisition of Devico, a leading global mining technology company. The acquisition will accelerate the company's global growth strategy and augment its industry leading suite of new and improved drilling technology products.

Fund returns (Net)² (%)

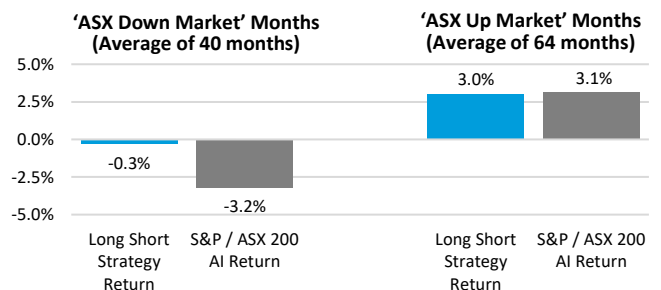
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2014	-	-	-	-	-	-	-	-	(2.42)	3.03	2.85	1.61	5.07
2015	0.59	9.14	2.42	1.71	3.73	(0.86)	3.30	2.06	5.51	8.49	8.11	4.61	60.52
2016	5.81	0.59	5.47	2.46	2.78	(0.89)	3.22	3.92	0.46	(0.13)	0.55	2.22	29.61
2017	2.51	1.87	3.15	1.03	4.18	1.70	2.62	1.69	1.93	2.54	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	1.86									4.18

Portfolio positions	Current	Avg. since inception
Number of total positions	77	81
Number of long positions	55	56
Number of short positions	22	25
Number of international positions	25	25

Fund information as at 30 April 2023³

Unit Price	\$1.99
Fund NAV	\$1,072m

Performance in rising & falling markets² (Net)

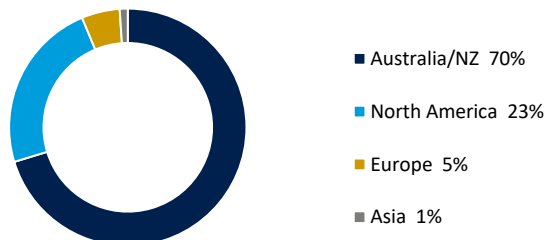


Net & gross exposure by region² (%)

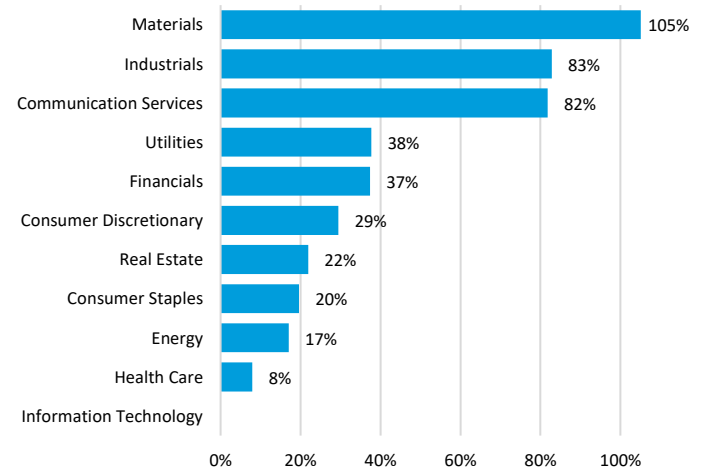
Geography	Gross long	Gross short	Net exposure
Australia / NZ	87	74	13
North America	38	18	20
Europe	12	-	12
Asia	3	-	3
Total	140	92	48

Figures may not sum exactly due to rounding.

Gross Exposure as a % of total exposure²



Sector contribution since Strategy inception² (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.



L1 Capital Long Short Fund

Monthly Report | APRIL 2023

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

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).

This publication has been prepared by L1 Capital Pty Ltd (ACN 125 378 145, AFSL 314 302), to provide you with general information only. In preparing it, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither L1 Capital Pty Ltd, Equity Trustees nor any of its related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product.

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.

Copyright

Copyright in this publication is owned by L1 Capital. You may use this information in this publication for your own personal use, but you must not (without L1 Capital's consent) alter, reproduce or distribute any part of this publication, transmit it to any other person or incorporate the information into any other document.