

L1 Capital Long Short Fund

Monthly Report | AUGUST 2023

- The L1 Capital Long Short Fund returned -4.7%¹ in August (ASX200AI -0.7%).
- Over the past 3 years, the portfolio has returned 25.8%¹ p.a. (ASX200AI 10.7% p.a.).
- Global markets declined in August, primarily driven by mixed corporate earnings updates, softer than expected Chinese economic data and a downgrade to the U.S. government credit rating.

Global markets were weak in August, with a mixed corporate reporting period, bond market volatility and concerns over Chinese economic growth weighing on investor sentiment.

The U.S. Government's credit rating was downgraded one notch from AAA to AA+ by Fitch based on 'fiscal deterioration' and rising debt levels. The downgrade, together with a high level of Treasury issuance, led to a 37bps increase in U.S. 10-year bond yields to a 16-year high of 4.35%, before stabilising to end the month at 4.11%.

Chinese economic data across credit growth, retail sales, industrial output and investment was all weaker than expected, prompting a cut to key policy rates to shore up activity. This led to a decline in copper (-4.5%) and nickel (-9%) prices over the month. Oil prices initially declined but recovered towards the end of the month on concerns that Hurricane Idalia may disrupt production in the Gulf of Mexico.

After a strong July, the portfolio gave back most of those gains in August. The portfolio was impacted by the general market downturn as well as the decline in commodity prices on softening China sentiment. Reporting season-specific updates had a roughly neutral impact overall, with some positive and some negative stock updates.

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) ¹ (%)	L1 Long Short Fund	S&P ASX 200 AI	Out-performance
1 month	(4.7)	(0.7)	(3.9)
3 months	2.3	3.9	(1.6)
1 year	12.2	9.6	+2.6
2 years p.a.	7.9	2.9	+5.1
3 years p.a.	25.8	10.7	+15.1
5 years p.a.	15.4	7.0	+8.4
7 years p.a.	13.2	8.6	+4.6
Since inception p.a.	19.7	7.3	+12.4

Figures may not sum exactly due to rounding.

Returns since inception (Net) ¹ (%)	Cumulative return	Annualised return p.a.
L1 Capital Long Short Fund	404.0	19.7
S&P ASX 200 Accumulation Index	88.2	7.3
MSCI World Net Total Return Index (USD)	100.5	8.0
HFRX Global Hedge Fund Index	11.1	1.2

A key contributor to portfolio performance in August was:

Seven Group Holdings (Long +7%) shares gained after reporting strong FY23 results and providing a positive outlook for the FY24 period with high-single-digit EBIT growth expected. WesTrac and Coates continue to perform strongly, with earnings well positioned to grow over the medium term as investment in mining, construction and infrastructure continues to increase. Seven also holds a 71.6% shareholding in Boral, one of the largest building and construction materials companies in Australia. Boral earnings have been impacted by surging input costs and significant wet weather delays. Under new leadership, and in a normalised trading environment, we believe Boral has the potential to double earnings over the medium term from current levels.

Key detractors from portfolio performance in August included:

Imdex (Long -17%) shares fell as the company delivered a full year 2023 result modestly below consensus expectations and guided that it expects conditions to remain subdued in the near term. We believe Imdex will continue to outperform the broader exploration drilling industry because of its strong execution and its roll-out of market-leading new products.

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

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The company recently acquired Devico, a leading global mining technology company, an acquisition that will accelerate the company's global growth strategy and augment its industry-leading suite of new and improved drilling technology products. We used the most recent sell-off in the share price to add to our position given our very positive view of the long-term outlook for Imdex and its strong industry position.

Alibaba (Long -9%) shares declined in August mainly due to macroeconomic concerns on China. This was despite delivering solid operating results in its latest quarterly update, including a return to user growth and revenue growth in its core China Commerce segment. We expect headwinds to lessen in the second half of the calendar year through policy easing and less extreme year-on-year comparisons. Overall, we believe that Alibaba remains a high-quality business with leading positions in both eCommerce and Public Cloud, and that management is taking proactive steps to unlock shareholder value. We believe the restructure announced earlier in the year will be a strong positive catalyst to unlock the sum-of-the-parts valuation upside in the company.

Capstone (Long -9%) fell along with the sector as copper prices declined due to global concerns around the weak China post-Covid recovery. The company also reported soft second quarter production and modestly reduced guidance for the full year. 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 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.

Fund returns (Net)² (%)

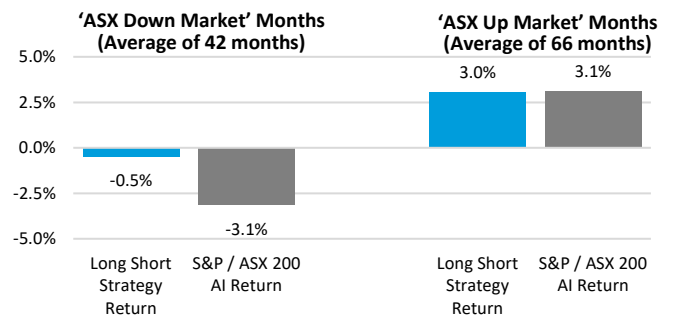
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2014	-	-	-	-	-	-	-	-	(2.42)	3.03	2.85	1.61	5.07
2015	0.59	9.14	2.42	1.71	3.73	(0.86)	3.30	2.06	5.51	8.49	8.11	4.61	60.52
2016	5.81	0.59	5.47	2.46	2.78	(0.89)	3.22	3.92	0.46	(0.13)	0.55	2.22	29.61
2017	2.51	1.87	3.15	1.03	4.18	1.70	2.62	1.69	1.93	2.54	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	(3.44)	1.79	5.43	(4.68)					2.90

Portfolio positions	Current	Avg. since inception
Number of total positions	77	81
Number of long positions	57	56
Number of short positions	20	25
Number of international positions	21	25

Fund information as at 31 August 2023³

Unit Price	\$1.97
Fund NAV	\$1.13b

Performance in rising & falling markets² (Net)

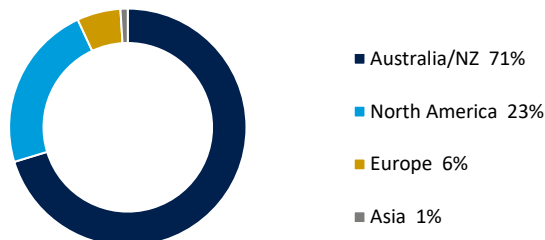


Net & gross exposure by region² (%)

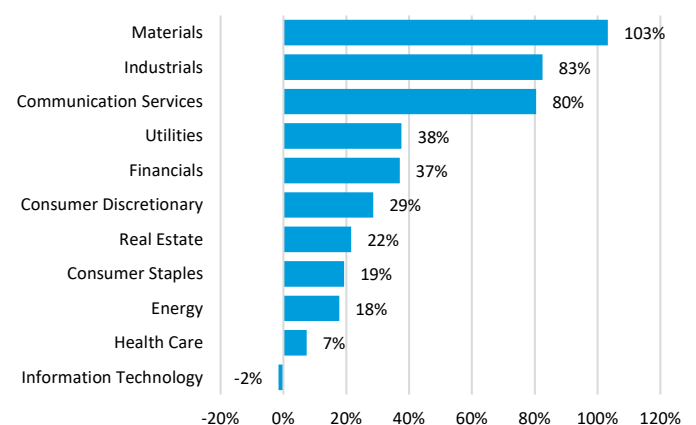
Geography	Gross long	Gross short	Net exposure
Australia / NZ	102	74	28
North America	51	6	45
Europe	15	-	15
Asia	2	-	2
Total	169	80	90

Figures may not sum exactly due to rounding.

Gross geographic 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.

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	20.5% 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*, Mason Stevens*, MLC, Netwealth, PowerWrap, Praemium

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 | +61 413 615 224

Alejandro Espina | aespina@L1.com.au | +61 423 111 531

Lisa Salamon | lsalamon@L1.com.au | +61 406 585 322

Private Clients

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

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.



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.
* 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

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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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