



L1 Long Short Fund Limited

(ASX Code: LSF)

Key Details

ASX code	LSF
Share price	\$1.65
Market capitalisation	\$1.10b
Shares on issue	664,839,144
Listing date	24 April 2018

Net Tangible Assets Per Share (as at 28 September 2018)

NTA pre-tax	\$1.6679
NTA post-tax	\$1.7648

Source: Link Fund Solutions. The NTA pre-tax is calculated before the provision for deferred tax on unrealised gains and losses on the investment portfolio. The NTA post-tax is calculated after all taxes.

Commentary

The L1 Long Short Fund Limited returned -2.0% in September. The ASX200 had its weakest month since March with investors focusing on the escalation in the China/U.S. trade war and rising US bond yields. Energy and Materials were the strongest sectors in Australia, while Healthcare fell heavily.

Chorus (Long) – Shares rallied after a strong operational update in August. We believe the outlook for the company is exceptional, with Chorus set to finally enjoy the benefits of their 10 year, \$6b investment in its monopoly fibre network. We expect the company can deliver a high and fast-growing dividend profile in the years ahead.

Mineral Resources (Long) – Shares recovered from oversold levels in August. We believe the potential sale of a 49% stake in its Wodgina asset (world's largest hard rock lithium mine) could be a major positive catalyst. The CEO recently bought more than \$5m of stock on market.

Alcoa (Long) – Aluminium prices fell on the announcement that Norsk Hydro withdrew its plans to shut down the remaining 50% capacity of its Alunorte alumina refinery in Brazil (Alunorte is the world's largest refinery).

Several positions remained weak in September following unexpected events:

Venator Materials (Long) – Shares continued to be weak after revealing they would no longer rebuild the Pori plant but rather shut down the site and transfer some of the speciality products to other facilities.

Lynas (Long) – The newly-elected Malaysian government announced that the review into the environmental impact of Lynas' operations would be led by a long-term opponent of the plant. The company asserts that this review is unnecessary as it has already passed numerous independent reviews and has never suffered an adverse breach.

Nufarm (Long) – The combination of a temporary glyphosate ban in Brazil, severe drought in Australia and a product registration delay in Europe led to the company deciding to raise \$300m of equity to shore up the balance sheet. We believe the shares are very compelling at these prices, with no value being ascribed to their Omega 3 asset. We have added to our position in recent weeks.

We believe the relative valuation of growth/momentum versus value stocks is at a multi-decade extreme and we are positioned to benefit as this normalises. Investors should expect higher volatility across all asset classes as central bank stimulus is gradually removed over the coming year.

Overview and Investment philosophy

L1 Long Short Fund Limited has been established to invest in a portfolio of predominantly Australian and New Zealand securities, with up to 30% invested in global securities. The Company has the ability to both buy and short-sell securities, which provides a flexible strategy to deal with changing stock market conditions. The objective is to deliver strong, positive, risk-adjusted returns to investors over the long term. The portfolio is managed by L1 Capital Pty Ltd, which has established a reputation for offering clients best of breed investment products. L1 Capital manages money for a range of clients including large superannuation funds, endowment funds, financial planning groups, asset consultants, family offices, high net worth individuals and retail investors.

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Portfolio Exposures (month end)

Number of positions	66
Number of long positions	39
Number of short positions	27
Gross long exposure (%)	110%
Gross short exposure (%)	52%
Gross exposure (%)	162%
Net exposure (%)	58%

Investment Guidelines

Typical number of positions	50-100 securities
Geographic exposures	Max 30% outside of Aust/NZ
Net exposure limits	Max 150% of NAV; typically 30-90%
Gross exposure limits	Max 300% of NAV; typically 150%-300%

Net Performance

1 month	(2.0%)
Total return since inception	(16.6%)

Source: Link Fund Solutions. Net performance is defined as the movement in NTA pre-tax. Performance is shown after all applicable fees and charges.

Board of Directors

Andrew Larke	Independent Chair
John Macfarlane	Independent Director
Harry Kingsley	Independent Director
Raphael Lamm	Non-Independent Director
Mark Landau	Non-Independent Director

Key Contacts

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