



# L1 Long Short Fund Limited

(ASX Code: LSF)

## Key Details

ASX code	LSF
Share price	\$1.40
Market capitalisation	\$927.4m
Shares on issue	664,839,144
Listing date	24 April 2018

## Net Tangible Assets Per Share (as at 30 November 2018)

NTA pre-tax	\$1.5608
NTA post-tax	\$1.6904

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 -2.6% in November. The ASX200AI was the worst performing major market (-2.2%), while the AUD rose 3.3%. Brent oil prices continued their rapid decline, moving from US\$85/barrel to US\$60/barrel, due to strong U.S. shale production, Russia's reluctance to cut supply and Trump granting waivers to a number of countries to continue buying oil from Iran. Fed Chair Powell gave a dovish speech, suggesting that interest rates are now close to neutral. European equities continued to sell off due to Brexit negotiations and Italian budget concerns.

**Mineral Resources (Long +7%)** rallied after announcing the sale of a 50% stake in its main lithium asset (Wodgina). The price achieved far exceeded analyst expectations (look through value of \$3.2b which is more than the entire market capitalisation of \$2.7b). We believe the shares are incredibly undervalued with a conservative sum of parts valuation providing more than 50% upside to today's share price.

**Qantas (Long +9%)** shares recovered after a sudden drop in the oil price over the past two months. Qantas continues to deliver strong operational performance and has continued to aggressively buy back shares, reflecting a shareholder friendly board and management team.

**CYBG (Long -26%)** shocked the market with a weak update on the performance of its newly acquired Virgin Money business. The company stated that they expect net interest margins to be significantly lower than the company's recent guidance and the historical range that they have achieved.

**Alcoa (Long -12%)** shares traded lower due to concerns over weakening global growth and ongoing trade tensions between China and the U.S. The move in the share price has occurred in spite of a relatively stable aluminium price and the prospect of large and growing buybacks into 2019. Even at currently depressed aluminium prices, Alcoa generates a 15% free cash flow yield.

Given the recent sell-off in markets, we have been selectively adding to some of our long positions and closing some successful shorts. While the Fund's recent performance has been disappointing, we believe the portfolio's positions remain compelling and we expect fundamentals to reassert themselves as we head into 2019.

## 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	71
Number of long positions	43
Number of short positions	28
Gross long exposure (%)	113%
Gross short exposure (%)	52%
Gross exposure (%)	164%
Net exposure (%)	61%

## 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

One month	(2.6%)
Three months	(8.3%)
Total return since inception	(22.0%)

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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