



May 2019

L1 Long Short Fund Limited

(ASX Code: LSF)

Key Details

ASX code	LSF
Share price	\$1.43
Market capitalisation	\$950.7m
Shares on issue	664,839,144
Listing date	24 April 2018

Net Tangible Assets Per Share (as at 31 May 2019)

NTA pre-tax	\$1.6152
NTA post-tax	\$1.7335

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 strategy returned -2.7% in May. For the calendar year to date, the Fund has returned 10.0%.

Global stockmarkets collapsed in May due to concerns over an escalating U.S./China trade war (S&P500 -6.6%, NASDAQ -7.9%, Nikkei -7.4%, EuroStoxx -6.7%, MSCI China -13.6%). The ASX200 (+1.1%) defied the global sell-off, due to the surprise election win for the Coalition Government and a collapse in domestic bond yields supporting yield sectors. Telcos (+7.3%) and Banks (+5.3%) were the best performing sectors.

Lynas (long) shares surged 54% on the back of Chinese leadership using China's dominance in rare earths production as a key bargaining chip in the U.S./China trade war. Lynas remains the only significant source of rare earths production outside of China, making it a highly strategic asset for Western technology firms and battery producers.

Boral (long) shares rallied 12% for the month on the back of improved sentiment towards Australian housing, along with a better than expected operational update. While this year's earnings have faced numerous headwinds, we believe Boral will benefit from a combination of growing infrastructure spending in Australia, rising prices and volumes for its key fly ash product in America, along with ongoing synergy realisation from its Headwaters acquisition. We believe Boral is simply too cheap versus the market - it trades on a forward P/E of only 12x with above market earnings growth, compared to 21x for the ASX200 Industrials Index.

Chorus (long) shares fell 4.9% after the NZCC provided an early draft of the proposed regulatory settings for Chorus' fiber pricing which was lower than consensus expectations.

Autohome (long) is the dominant online car portal in China. The shares fell sharply in May as a result of the flare up in the U.S./China trade war and signs of a slowing China macro environment. While Autohome faces significant short term headwinds, the business is still delivering 15-20% revenue growth and very strong earnings growth across all divisions. Autohome trades on a P/E of only 14x (FY20), after stripping out the 10b RMB of cash on its balance sheet.

In early May, we reduced the fund's net exposure by around 30% as a result of our concerns that the escalating trade tensions could negatively impact global markets.

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.

DISCLAIMER: This communication has been prepared for L1 Long Short Fund Limited (ACN 623 418 539) by its investment manager, L1 Capital Pty Ltd (ABN 21 125 378 145 and AFS License 314302). L1 Capital Pty Ltd has prepared this publication without consideration of the investment objectives, financial situation or particular needs of any individual investor, and you should not rely on the opinions, advice, recommendations and other information contained in this publication alone. This publication has been prepared to provide you with general information only. 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. We do not express any view about the accuracy or completeness of information that is not prepared by us and no liability is accepted for any errors it may contain. Past performance is not a reliable indicator of future performance.

Portfolio Exposures (month end)

Number of positions	88
Number of long positions	52
Number of short positions	36
Gross long exposure (%)	128%
Gross short exposure (%)	88%
Gross exposure (%)	216%
Net exposure (%)	39%

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	(2.7%)
Three months	0.4%
Calendar year to date	10.0%
Total return since inception	(19.2%)

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

Company secretary	Mark Licciardo
Investor relations	Wayne Murray WMurray@L1.com.au
Manager	L1 Capital Pty Ltd +61 3 9286 7000 info@L1LongShort.com
Registry	Link Market Services Limited 1300 554 474 registrars@linkmarketservices.com.au