



January 31, 2019

L1 Long Short Fund Limited

(ASX Code: LSF)

Key Details

ASX code	LSF
Share price	\$1.48
Market capitalisation	\$960.6m
Shares on issue	664,839,144
Listing date	24 April 2018

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

NTA pre-tax	\$1.5305
NTA post-tax	\$1.6691

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 4.3% in January. Global equities recovered some of their December losses after dovish comments from Fed Governor Powell soothed investor nerves. The S&P/ASX200 rose 3.9%, with Energy (+11.5%), Technology (+9.3%) and Resources (+9.2%) the standouts, while Banks (-1.3%), Consumer Staples (+2.8%) and Industrials (+3.1%) lagged.

Oil prices rebounded strongly (Brent +13%) in January after three consecutive months of declines. Iron ore prices continued to surge (+16.3%), with Fortescue the best performer in the ASX200, up 35% in January alone.

10 year bond yields in both Australia and the U.S. continued to drift lower, despite the more optimistic backdrop for equities.

Some of the best performers in the portfolio were:

WorleyParsons (WOR) – WOR is one of the world's leading engineering consulting businesses. The shares had fallen from around \$19 to \$11 between October and December last year due to concerns about falling demand for new energy and chemicals projects, along with indigestion from the Jacobs deal capital raising. We used the extreme sell-off to build a position and the shares have since rallied back above \$14. On our forecasts, Worley is trading on a P/E of only 11x FY21 (once the synergies from the Jacobs assets flow through). We believe the shares deserve to trade at a much higher multiple, given the structural growth in demand for their services (due to rising long term demand for resources from Asia).

HeidelbergCement (HEI) – HEI is a high quality global construction materials businesses. The shares performed strongly in January (+13%) on the back of improved sentiment towards global growth and the prospect of rising infrastructure spending in some of their key markets. Despite the prevailing economic weakness, we believe HEI can deliver 5-10% EPS growth p.a. and the current P/E multiple of 9.6x FY20 factors in an overly bearish outlook for the business.

News Corporation recovered some of its recent losses after falling on no significant company news. We believe a spin out of News Corp's global digital real estate assets is a possibility in 2019/20, which would act as a catalyst to highlight the hidden value in the group.

We expect markets will remain volatile and heavily influenced by sentiment towards a range of geopolitical risks (such as Brexit, US/China trade relations, Chinese government policy). We continue to look for opportunities that arise from extreme price moves, where share prices deviate dramatically from fundamentals.

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	75
Number of long positions	48
Number of short positions	27
Gross long exposure (%)	133%
Gross short exposure (%)	64%
Gross exposure (%)	197%
Net exposure (%)	69%

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	4.3%
Three months	(4.5%)
Total return since inception	(23.5%)

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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