



L1 Long Short Fund Limited

(ASX Code: LSF)

Key Details

ASX code	LSF
Share price	\$1.47
Market capitalisation	\$973.9m
Shares on issue	664,839,144
Listing date	24 April 2018

Net Tangible Assets Per Share (as at 28 February 2019)

NTA pre-tax	\$1.6087
NTA post-tax	\$1.7244

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 5.1% in February. The Fund has had a strong start to 2019, returning 9.6% for the year to date.

Reporting season provided a major positive catalyst, with many of the Fund's positions enjoying strong performance from better than expected profit results. Performance was very broad based, with a wide range of stocks in Australia and overseas contributing to returns.

Key contributors in February were:

Chorus (long) performed strongly again in February as the market began to appreciate the implications of the recently passed telecommunications legislation in New Zealand. We believe Chorus is set to enjoy an accelerating dividend growth profile over the coming years as the capital expenditure from their fibre build winds down and their free cash flow generation surges.

CYBG (long) recovered on the back of a positive first quarter trading update and an improving backdrop for Brexit. On consensus forecasts, CYBG trades at a F19 P/E of 8x with a strong earnings growth outlook due to the £150m net cost synergies from its recent Virgin Money acquisition and cross-sell of products across their expanded customer base.

Vivendi (long) is a French music and media conglomerate whose main asset is the world's number 1 music label, UMG. UMG has a 30% market share of global recorded music, which provides it enormous market power. The business has reached a major positive inflection point, where profits are accelerating rapidly on the back of huge demand globally for streaming services, such as Spotify, Apple Music and Amazon Music. The business also enjoys very high incremental profit margins and many years of strong growth ahead, given the low penetration rates for music streaming in many parts of the world. The board of Vivendi has started a process to sell up to 50% of UMG and has indicated an intention to conduct a massive stock buyback with at least half of the UMG sale proceeds. We are attracted to the valuation upside, business quality and major positive catalysts embedded in Vivendi.

Given the strength of the recent market rally, we have begun reducing the portfolios net market exposure. The investment team has been significantly increasing its personal investment in the Long Short strategy and we are very optimistic about the outlook for the portfolio over the years ahead.

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	84
Number of long positions	54
Number of short positions	30
Gross long exposure (%)	138%
Gross short exposure (%)	71%
Gross exposure (%)	209%
Net exposure (%)	67%

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	5.1%
Three months	(3.1%)
Total return since inception	(19.6%)

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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