



# L1 Long Short Fund Limited

(ASX Code: LSF)

## Key Details

ASX code	LSF
Share price	\$1.47
Market capitalisation	\$977.3m
Shares on issue	664,839,144
Listing date	24 April 2018

## Net Tangible Assets Per Share (as at 31 March 2019)

NTA pre-tax	\$1.6115
NTA post-tax	\$1.7303

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 0.2% in March.**

**The Fund has had a pleasing start to 2019, returning 9.8% for the year to date.**

The S&P / ASX200AI rose 0.7% in March. Listed Property Trusts were the strongest sector, rising 6.2% on the back of lower bond yields, while Energy stocks retreated after a strong recent run (-4.1%).

Key contributors in March were:

**Chorus (long)** had another strong month (+14%) given the strong operating trends in the business, much improved regulatory outlook and exciting dividend growth profile. Despite the recent rally, we continue to believe Chorus is extremely undervalued and owns one of the highest quality fibre internet assets in the world.

**Lynas (long)** received a takeover proposal from Wesfarmers at \$2.25 a share. Given that Lynas was trading at around \$2.70 in May 2018, immediately before the Malaysian environmental investigation occurred, we believe this bid is opportunistic and dramatically undervalues Lynas. Lynas' current share price does not reflect the structural growth in rare earths demand and the unique strategic value of Lynas' asset base (it is the only significant rare earths producer outside of China).

**Tesla (short)** shares have fallen 25% since mid-December as the company struggles to deal with declining demand for its Model S & Model X and a step down in EV subsidies in the U.S. To deal with weaker than expected demand (and our expectation of a return to losses this quarter), the company was forced to announce large scale layoffs, large price reductions and a potential closure of all physical sales centres (this decision was later reversed). We believe Tesla represents a compelling short, given the soft demand outlook for their cars, continual loss of senior executives, rising competitive pressures, widespread director selling, stressed balance sheet and erratic CEO.

No stock in the portfolio detracted more than 0.3% of performance in March.

We expect equities will be supported in the short term by dovish central bank actions and a likely increase in merger & acquisition activity.

## 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	83
Number of long positions	52
Number of short positions	31
Gross long exposure (%)	134%
Gross short exposure (%)	74%
Gross exposure (%)	208%
Net exposure (%)	60%

## 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	0.2%
Three months	9.8%
Total return since inception	(19.4%)

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 secretaries	Mark Licciardo Adam Sutherland
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