



April 2019

# L1 Long Short Fund Limited

(ASX Code: LSF)

## Key Details

ASX code	LSF
Share price	\$1.55
Market capitalisation	\$1,030.5m
Shares on issue	664,839,144
Listing date	24 April 2018

## Net Tangible Assets Per Share (as at 30 April 2019)

NTA pre-tax	\$1.6605
NTA post-tax	\$1.7636

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 3.0% in April, the fourth consecutive month of positive returns for 2019. For the calendar year to date, the Fund has returned 13.1%.**

The S&P/ASX200AI rose 2.4% in April. Consumer Staples (+7.3%) and Technology stocks (+7.3%) were the strongest performers, while REITs (-2.6%) and Resource stocks (-2.3%) lagged. International stocks again led the way in the portfolio, with a number of the portfolio's key detractors from 2018 recovering strongly.

Key contributors in April were:

**HeidelbergCement (long)** performed strongly after signs of improvement in leading indicators for global construction activity, along with good progress on their €1.5b asset disposal process. HEI was one of the poor performers for the Fund in 2018, due to concerns over global construction spending and a broader sell-off in European cyclicals. The shares have recovered 35% this calendar year, yet still only trade on a P/E of 10x FY20, with continued EPS growth of around 10% p.a. likely over the coming years.

**Ferguson PLC (long)** is the largest plumbing supplies business in America. The shares rallied 11% in April given continued market share gains and improving sentiment towards U.S. housing-related stocks. Given the strong recent share price performance, the Fund exited this position after month end.

**Tesla (short)** shares fell another 14% in April. The company recorded a huge loss for the March quarter (>US\$700m), despite management's recent assertions that they would now be sustainably profitable and cashflow positive. Tesla subsequently conducted a large capital raise to recapitalise their weak balance sheet. Sales for their Model 3, S and X models all continue to disappoint versus company guidance and consensus expectations. We believe Tesla's sales guidance of 360,000-400,000 cars for 2019 is optimistic, despite the company aggressively cutting prices to stimulate demand.

Pleasingly, no stock in the portfolio detracted more than 0.3% of performance in April.

In the near-term, market sentiment and share price moves will be dominated by incremental newsflow regarding U.S./China trade relations. We remain excited by the portfolio and are looking to take advantage of any rise in market volatility.

## 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	88
Number of long positions	57
Number of short positions	31
Gross long exposure (%)	145%
Gross short exposure (%)	77%
Gross exposure (%)	222%
Net exposure (%)	68%

## 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	3.0%
Three months	8.5%
Total return since inception	(17.0%)

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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