

- The L1 Long Short Fund (LSF) portfolio returned -4.9%¹ in August (ASX200AI -0.7%).
- Over the past 3 years, the portfolio has returned 25.9%¹ p.a. (ASX200AI 10.7% p.a.).
- Global markets declined in August, primarily driven by mixed corporate earnings updates, softer than expected Chinese economic data and a downgrade to the U.S. government credit rating.

Global markets were weak in August, with a mixed corporate reporting period, bond market volatility and concerns over Chinese economic growth weighing on investor sentiment.

The U.S. Government's credit rating was downgraded one notch from AAA to AA+ by Fitch based on 'fiscal deterioration' and rising debt levels. The downgrade, together with a high level of Treasury issuance, led to a 37bps increase in U.S. 10-year bond yields to a 16-year high of 4.35%, before stabilising to end the month at 4.11%.

Chinese economic data across credit growth, retail sales, industrial output and investment was all weaker than expected, prompting a cut to key policy rates to shore up activity. This led to a decline in copper (-4.5%) and nickel (-9%) prices over the month. Oil prices initially declined but recovered towards the end of the month on concerns that Hurricane Idalia may disrupt production in the Gulf of Mexico.

After a strong July, the portfolio gave back most of those gains in August. The portfolio was impacted by the general market downturn as well as the decline in commodity prices on softening China sentiment. Reporting season-specific updates had a roughly neutral impact overall, with some positive and some negative stock updates.

We believe equity markets are facing opposing forces of positivity from moderating inflation and potential policy stimulus in China, offset by headwinds from weak leading economic indicators, increasing pressure on corporate earnings and lingering tail risk from geopolitical tensions.

We anticipate rising market volatility as investors continue to reassess their expectations for the economy, interest rates and corporate profits. From our extensive company research, we are continuing to identify numerous mispriced stocks that we believe will deliver attractive long-term returns for our investors.

| Returns (Net) ¹ (%) | L1 Long Short Portfolio | S&P ASX 200 AI | Out-performance |
|--|-------------------------|----------------|-----------------|
| 1 month | (4.9) | (0.7) | (4.2) |
| 3 months | 1.8 | 3.9 | (2.1) |
| 6 months | 0.7 | 3.0 | (2.3) |
| 1 year | 11.6 | 9.6 | +2.0 |
| 2 years p.a. | 8.0 | 2.9 | +5.1 |
| 3 years p.a. | 25.9 | 10.7 | +15.2 |
| 4 years p.a. | 20.0 | 6.5 | +13.5 |
| 5 years p.a. | 15.6 | 7.0 | +8.6 |
| LSF Since Inception p.a. | 11.1 | 8.2 | +2.9 |
| Strategy Since Inception ² p.a. | 19.7 | 7.3 | +12.4 |

Figures may not sum exactly due to rounding.

A key contributor to portfolio performance in August was:

Seven Group Holdings (Long +7%) shares gained after reporting strong FY23 results and providing a positive outlook for the FY24 period with high-single-digit EBIT growth expected. WesTrac and Coates continue to perform strongly, with earnings well positioned to grow over the medium term as investment in mining, construction and infrastructure continues to increase. Seven also holds a 71.6% shareholding in Boral, one of the largest building and construction materials companies in Australia. Boral earnings have been impacted by surging input costs and significant wet weather delays. Under new leadership, and in a normalised trading environment, we believe Boral has the potential to double earnings over the medium term from current levels.

Key detractors from portfolio performance in August included:

Imdex (Long -17%) shares fell as the company delivered a full year 2023 result modestly below consensus expectations and guided that it expects conditions to remain subdued in the near term. We believe Imdex will continue to outperform the broader exploration drilling industry because of its strong execution and its roll-out of market-leading new products.

1. All performance numbers are quoted net of fees. Net returns are calculated based on the movement of the underlying investment portfolio. Figures may not sum exactly due to rounding. Past performance should not be taken as an indicator of future performance. 2. Strategy performance and exposure history is for the L1 Long Short Fund Limited (ASX:LSF) since inception on 24 Apr 2018. Prior to this date, data is that of the L1 Capital Long Short Fund – Monthly Class since inception (1 Sep 2014). NOTE: Fund returns and Australian indices are shown in A\$. Returns of U.S. indices are shown in US\$. Index returns are on a total return (accumulation) basis unless otherwise specified.



L1 CAPITAL

L1 Long Short Fund Limited

Monthly Report | AUGUST 2023

The company recently acquired Devico, a leading global mining technology company, an acquisition that will accelerate the company's global growth strategy and augment its industry-leading suite of new and improved drilling technology products. We used the most recent sell-off in the share price to add to our position given our very positive view of the long-term outlook for Imdex and its strong industry position.

Alibaba (Long -9%) shares declined in August mainly due to macroeconomic concerns on China. This was despite delivering solid operating results in its latest quarterly update, including a return to user growth and revenue growth in its core China Commerce segment. We expect headwinds to lessen in the second half of the calendar year through policy easing and less extreme year-on-year comparisons. Overall, we believe that Alibaba remains a high-quality business with leading positions in both eCommerce and Public Cloud, and that management is taking proactive steps to unlock shareholder value. We believe the restructure announced earlier in the year will be a strong positive catalyst to unlock the sum-of-the-parts valuation upside in the company.

Capstone (Long -9%) fell along with the sector as copper prices declined due to global concerns around the weak China post-Covid recovery. The company also reported soft second quarter production and modestly reduced guidance for the full year. Capstone has an exceptional growth profile with a pipeline of fully-permitted projects that are poised to more than double its current copper production of ~185kt to nearly 400kt over the next few years. Additionally, the company is quickly approaching completion and commissioning of its Mantoverde project which we expect to result in a major inflection in operating metrics across the business. Together with the integration of its Santo Domingo asset, Capstone is also set to become one of the largest and most cost-effective battery-grade cobalt producers in the world.

The company is fully funded to complete its currently approved project pipeline and is led by a highly capable, focussed and aligned management team.

Strategy returns (Net)³ (%)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year |
|-------------|--------|--------|---------|---------------------|--------|---------|--------|--------|--------|--------|--------|--------|----------------|
| 2014 | - | - | - | - | - | - | - | - | (2.42) | 3.03 | 2.85 | 1.61 | 5.17 |
| 2015 | 0.59 | 9.14 | 2.42 | 1.71 | 3.73 | (0.86) | 3.30 | 2.06 | 5.51 | 8.49 | 8.11 | 4.62 | 60.52 |
| 2016 | 5.81 | 0.59 | 5.47 | 2.46 | 2.78 | (0.89) | 3.22 | 3.92 | 0.46 | (0.13) | 0.55 | 2.22 | 29.61 |
| 2017 | 2.51 | 1.87 | 3.15 | 1.03 | 4.18 | 1.70 | 2.62 | 1.69 | 1.93 | 2.54 | 0.89 | 3.56 | 31.40 |
| 2018 | 0.56 | (0.47) | (1.64) | (1.32) ³ | (4.05) | (5.96) | 1.01 | (5.34) | (2.06) | (3.90) | (2.60) | (5.95) | (27.74) |
| 2019 | 4.26 | 5.11 | 0.16 | 3.05 | (2.73) | 3.87 | 0.63 | 0.40 | 2.54 | 3.46 | 0.36 | 2.06 | 25.46 |
| 2020 | (7.75) | (6.85) | (22.93) | 23.16 | 10.94 | (2.12) | (1.69) | 9.99 | 0.63 | (2.37) | 31.94 | 4.29 | 29.50 |
| 2021 | (0.17) | 9.00 | (0.14) | 5.11 | 4.07 | (0.52) | 1.75 | 5.10 | 4.86 | 2.32 | (7.36) | 3.66 | 30.29 |
| 2022 | 2.79 | 6.87 | 1.34 | 3.44 | 0.06 | (13.39) | (3.34) | 5.37 | (7.60) | 5.24 | 7.52 | 4.36 | 10.72 |
| 2023 | 3.65 | (2.04) | 0.54 | 1.64 | (3.19) | 1.70 | 5.25 | (4.89) | | | | | 2.25 |

Portfolio positions

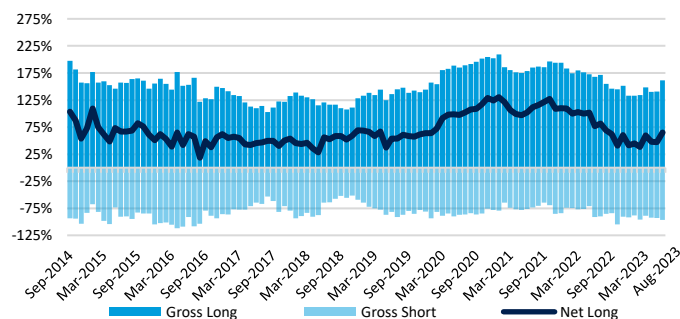
| | |
|-----------------------------------|----|
| Number of total positions | 77 |
| Number of long positions | 57 |
| Number of short positions | 20 |
| Number of international positions | 21 |

Net & gross exposure by region³ (%)

| Geography | Gross long | Gross short | Net exposure |
|---------------|------------|-------------|--------------|
| Australia/NZ | 101 | 73 | 28 |
| North America | 50 | 6 | 44 |
| Europe | 14 | - | 14 |
| Asia | 2 | - | 2 |
| Total | 167 | 78 | 89 |

Figures may not sum exactly due to rounding.

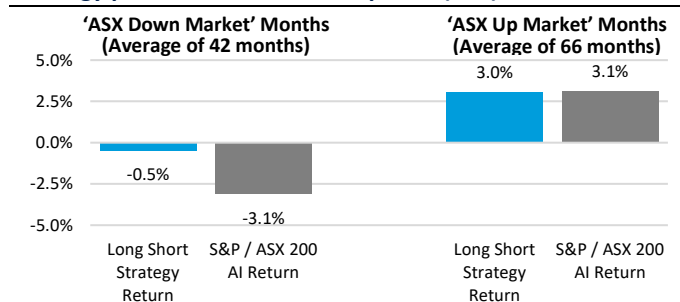
Historical Strategy exposures³



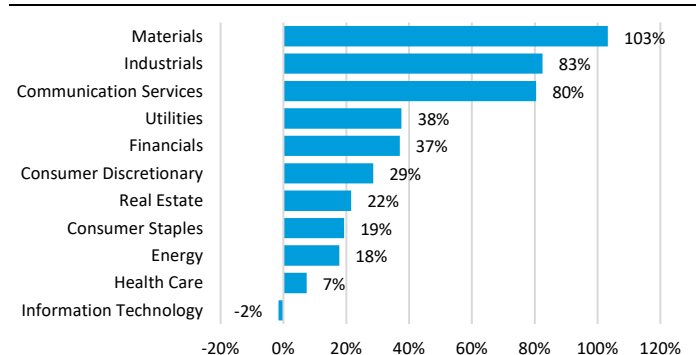
Company information as at 31 Aug 2023⁴

| | |
|--------------------|-------------|
| Share Price | \$2.86 |
| NTA before tax | \$2.98 |
| NTA after tax | \$2.93 |
| Shares on issue | 616,618,288 |
| Company market cap | \$1.76b |

Strategy performance since inception³ (Net)



Sector contribution since Strategy inception³ (Net)



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L1 CAPITAL

L1 Long Short Fund Limited

Monthly Report | AUGUST 2023

Key personnel

| | |
|------------------------|--|
| Andrew Larke | Independent Chair |
| John Macfarlane | Independent Director |
| Harry Kingsley | Independent Director |
| Raphael Lamm | Non-Independent Director |
| Mark Landau | Non-Independent Director |
| Mark Licciardo | Company Secretary |
| Registry | Link Market Services Limited |
| Company website | www.L1LongShort.com |
| Manager website | www.L1.com.au |
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Company information – LSF

| | |
|------------------------------|--|
| Name | L1 Long Short Fund Limited |
| Structure | Australian Listed Investment Company (ASX:LSF) |
| Inception | 24 April 2018 |
| Management fee | 1.44% p.a. inclusive of GST and net of RITC |
| Performance fee | 20.5% p.a. inclusive of GST and net of RITC |
| High watermark | Yes |
| Platform availability | BT Panorama, CFS Firstwrap, HUB24, IOOF, Macquarie Wrap, Mason Stevens, Netwealth, Powerwrap, uXchange |

Scan the QR code for more information



L1 Capital (Investment Manager) overview

L1 Capital is a global investment manager with offices in Melbourne, Sydney, Miami and London. The business was established in 2007 and is owned by its senior staff, led by founders Raphael Lamm and Mark Landau. The team is committed to offering clients best of breed investment products through strategies that include long short Australian equities, international equities, activist equities, a global multi-strategy hedge fund and U.K. residential property. The firm has built a reputation for investment excellence, with all L1 Capital's strategies delivering strong returns since inception. The team remains dedicated to delivering on that strong reputation through providing market-leading performance via differentiated investment approaches with outstanding client service, transparency and integrity. L1 Capital's clients include large superannuation funds, pension funds, asset consultants, private wealth firms, financial planning groups, family offices, high net worth investors and retail investors.



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Information contained in this publication

L1 Long Short Fund Limited, managed by L1 Capital Pty Ltd, 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.

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 Licence 314302). L1 Capital Pty Ltd has prepared this publication in good faith in relation to the facts known to it at the time of preparation. This publication contains general financial product advice only. In preparing this information, we did not consider 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.

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