



L1 CAPITAL

L1 Long Short Fund Limited

Monthly Report | MARCH 2022

- The L1 Long Short Fund (LSF) portfolio returned 1.3% (net)¹ in March (ASX200AI 6.9%).
- The portfolio has returned 33.5% (net)¹ over the past year (ASX200AI 15.0%) and 29.0% p.a. (net)¹ over the past 3 years (ASX200AI 10.6% p.a.).
- The L1 Capital Long Short Strategy has been the best performing Australian long short strategy over 1, 3, 5 and 7 years and since inception in 2014.²

After a sharp sell-off in the first two months of 2022, global markets recovered some of the losses in March, however, still ended the quarter with the worst quarterly drop in two years.

Pleasingly, the portfolio returned 11.3% over the quarter, compared to 2.2% for the ASX200 Accumulation Index and sharply negative returns for U.S. and global markets (NASDAQ -9.0%, MSCI World -5.2%, S&P500 -4.6%).

The U.S. Federal Reserve implemented a 25bps rate rise during the month, with an increasingly hawkish tilt leading to a surge in both U.S. 10-year yields (up 49bps to 2.32%) and Australian 10-year yields (up 69bps to 2.83%). Commodity prices continued to rise due to the Russia/Ukraine conflict and the potential disruption of key commodity exports.

The S&P/ASX 200 Accumulation Index recovered in March. The strongest sectors were Information Technology (+13.2%), Energy (+9.8%) and Materials (+8.9%), while Property (+1.2%), Healthcare (+2.5%) and Consumer Discretionary (+4.2%) lagged.

We expect equity markets to remain volatile due to geopolitical tensions, the ongoing fragility of global supply chains, reduction in central bank liquidity and increasing interest rates. After a period of stronger than normal equity returns in 2021, our expectations for market performance over the coming year remain more subdued. While these periods of heightened market volatility can be unnerving, we believe they present us with outstanding opportunities to generate alpha for our shareholders.

Returns (Net) ¹ (%)	L1 Long Short Portfolio	S&P ASX 200 AI	Out-performance
1 month	1.3	6.9	-5.5
3 months	11.3	2.2	+9.1
6 months	9.4	4.4	+5.0
1 year	33.5	15.0	+18.5
2 years p.a.	68.4	25.7	+42.7
3 years p.a.	29.0	10.6	+18.4
LSF Since Inception p.a.	14.9	10.4	+4.5
Strategy Since Inception ³ p.a.	23.6	8.2	+15.3

Key contributors to portfolio performance during the month of March were:

Turquoise Hill Resources (Long +44%) is a mining company focused principally on the development of the Oyu Tolgoi copper-gold mine in southern Mongolia, which is expected to become a top tier copper producer by 2024/2025. During March, Rio Tinto, the majority shareholder in Turquoise Hill, made a C\$2.7b cash offer (C\$34.00 per share, a 32% premium on the pre-offer share price) to buy out minority shareholders, seeking full control of the operation. We have followed the Oyu Tolgoi project closely for many years as it is one of the most exciting copper developments globally, however, it has been impacted by several cost blow-outs, construction delays and disputes with the Mongolian Government. In late January, the Government of Mongolia reached an agreement with Rio Tinto and Turquoise Hill to move the project forward, resetting the relationship between the partners. We saw the agreement as a significant milestone to clear the path forward for project completion. The offer from Rio Tinto reaffirms our constructive view on Oyu Tolgoi, as well as our positive view on long-term copper demand.

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. Zenith/FE Investment performance database since strategy inception in Sep 2014. 3. 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).



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SES (Long +11%) shares rallied over the month after the company announced the receipt of a US\$170m payment from Verizon to accelerate U.S. C-band clearing (which facilitates the rollout of 5G in the U.S.). This was one of the monetisation opportunities we highlighted in our previous reports. SES also announced an agreement to acquire DRS Global Enterprise Solutions, a retailer of satellite services to the U.S. government. We think the deal has sound strategic logic and will be highly EPS accretive over time. We believe SES remains extremely undervalued due to the limited value that the market currently ascribes to the scheduled C-band spectrum payments. SES is set to receive ~US\$2.4b in cash payments (after tax) over the next two years, amounting to ~60% of the company's current market cap.

ALS Limited (Long +13%) shares rallied with the company upgrading FY22 NPAT guidance by ~6%. ALS's geochemistry business is the global leader for copper and gold sample testing across greenfield and brownfield mining operations. We have previously written about our positive views on both ALS and Imdex (the global leader in mining drilling technology), with growth underpinned by the significant uptick we have seen in junior miner capital raisings and exploration spending. The positive commodities backdrop coupled with this additional capital inflow has started to translate into increased drilling activity and significant sample flow growth for ALS's geochemistry business. We believe we are at the start of a multi-year bull cycle for exploration spending which will support a sustained double-digit EPS growth outlook for ALS, driven by the strong operating leverage evident in its geochemistry business.

A key detractor from portfolio performance during the month of March was:

Flutter (Long -18%) shares fell after reporting U.K. and Ireland earnings below consensus expectations as well as flagging a potential £60m revenue impact from its Russia and Ukraine operations due to the current conflict. The softer performance in the U.K. and Ireland was primarily driven by adverse sports results during the final quarter and from the pro-active implementation of safer gambling measures ahead of the U.K. gambling regulatory review (due to be released in May 2022). As the leading player in the market, we believe Flutter is taking early action to mitigate the potential impact from the review. We continue to believe clarity on the regulatory outcome will remove a key overhang on the stock. On the U.S. sports betting and gaming side, FanDuel continues to extend its leadership position in the market, with Flutter reaffirming its target to be EBITDA positive in 2023. Trading on only 18x consensus FY23 P/E, we think Flutter remains significantly undervalued given the decade of strong growth the company has ahead of it. We have used the recent share price fall to add to our position.

Strategy Returns (Net)⁴ (%)

	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) ⁴	(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										11.32

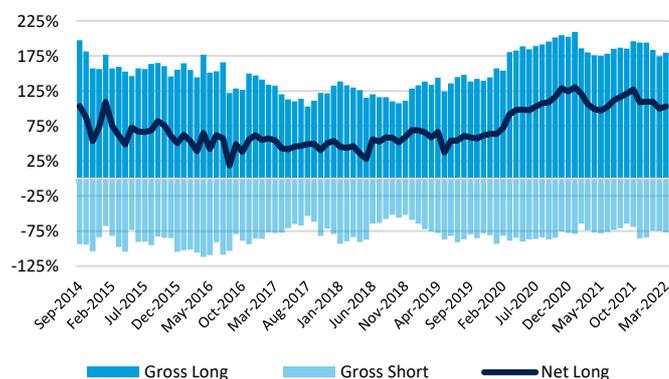
Portfolio Positions

Number of total positions	87
Number of long positions	69
Number of short positions	18
Number of international positions	32

Net & Gross Exposure by Region⁴ (%)

Geography	Gross Long	Gross Short	Net Exposure
Australia/NZ	115	68	47
North America	36	8	28
Europe	23	1	22
Asia	7	0	7
Total	181	77	104

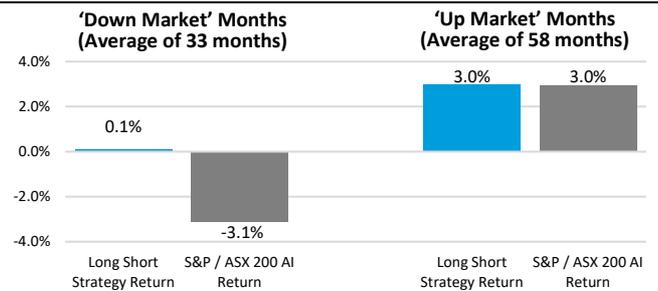
Historical Strategy Exposures⁴



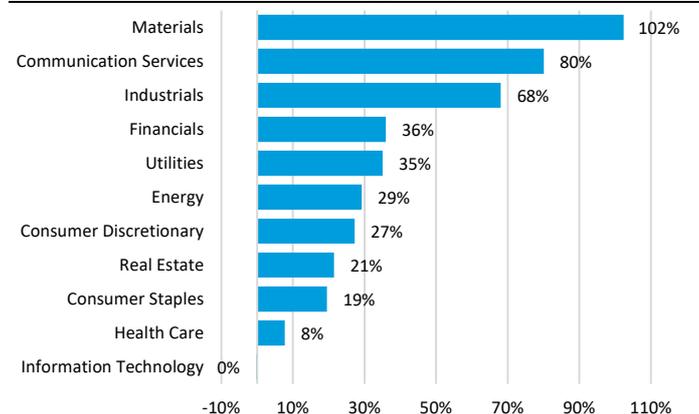
Company information as at 31 March 2022⁵

Share Price	\$2.95
NTA before tax	\$3.1653
NTA after tax	\$2.9835
Shares on issue	611,162,437
Company market cap	\$1,802,929,189

Strategy Performance Since Inception⁴ (Net)



Sector Contribution Since Strategy Inception⁴ (Net)



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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
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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 RITC
Performance Fee	20.0%
High Watermark	Yes

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 100% 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 versus both benchmarks and peers. 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, financial planning groups, family offices, high net worth individuals 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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