

- The L1 Long Short Fund (LSF) portfolio returned 0.1%¹ in May (ASX200AI -2.6%).
- The portfolio has returned 26.3%¹ over the past year (ASX200AI 4.8%) and 30.4% p.a.¹ over the past 3 years (ASX200AI 7.8% p.a.).
- Portfolio performance in May was pleasing, considering the fall in the Australian market. The portfolio benefitted from long exposure to energy, along with shorts in some 'COVID winners' that fell sharply.

Global markets were volatile in May with investors increasingly concerned that rising inflation and the U.S. Federal Reserve's plan to address this by sharply hiking interest rates could trigger a recession. Technology stocks continued to be the hardest hit with the Nasdaq falling a further 1.9% over the month (after a 13.2% fall in April), extending its worst ever start to a calendar year (-22.5% CYTD).

The S&P ASX 200 Accumulation Index fell 2.6% over the month, with almost all sectors declining. The RBA announced its first interest rate increase since November 2010, which weighed on investor sentiment. The strongest sectors were Materials (+0.1%), Utilities (-0.2%) and Industrials (-0.5%), while Property (-8.7%), Information Technology (-8.7%) and Consumer Staples (-6.6%) lagged.

Portfolio performance was pleasing over the month considering the weak market backdrop, with stock specific catalysts, long exposure to energy and short positions in COVID 'winners' and profitless technology stocks offsetting broader market weakness.

We have used the recent market correction to invest in a handful of high quality businesses (such as James Hardie and Carsales) that we believe have reached oversold levels. We have also taken profits in some long positions that have rallied significantly over the past six months.

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 two years of stronger than normal equity returns, our expectations for market performance over the coming year remains 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	0.1	-2.6	+2.7
3 months	4.9	3.2	+1.7
6 months	19.4	1.4	+18.0
1 year	26.3	4.8	+21.5
2 years p.a.	46.6	15.9	+30.6
3 years p.a.	30.4	7.8	+22.5
LSF Since Inception p.a.	15.2	9.0	+6.2
Strategy Since Inception ² p.a.	23.5	7.6	+16.0

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

Flutter (Long +20%) shares rallied with the U.K. gambling review expected to be released in the coming weeks and with a continued moderation in competitive intensity in the U.S. We continue to believe clarity on the U.K. regulatory outcome will remove a key overhang on the stock. On the U.S. sports betting and gaming side, several competitors announced a sharp reduction in marketing activity, which should support the path to profitability for the industry. Flutter continues to be best placed to reach this milestone ahead of peers, with the cheapest customer acquisition costs and fastest payback period across the industry. Trading on only 18.5x (consensus) FY23 P/E, we think Flutter remains significantly undervalued given the decade of strong growth the company has ahead of it.

Bath and Body Works (Short -22%) shares collapsed as the company downgraded their earnings outlook by ~12%. Bath and Body Works is a speciality retailer of home fragrance, body care, soap and sanitiser products. The business was a significant COVID-19 beneficiary with high exposure to 'stay at home' categories and increased consumer demand supported by stimulus payments. We shorted the stock based on our view that forecast earnings did not fully incorporate weaker consumer spending relative to the stimulus supported levels of 2021, as well as the impact of higher inflation across raw

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\$.



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materials, wages and transport. The Bath and Body Works Q1 update reflected some of these risks, with gross margins in the second quarter expected to compress by 560bps versus the prior period. Given the large share price fall, we closed the position at the end of the month at around the \$40/share level.

Cenovus Energy (Long +23%) shares rallied driven by continued strong oil prices and free cash flow generation, as well as being positioned to benefit from strong refining margins and downstream operations. The company recently announced a significant increase in dividends, which gives us greater confidence on the potential for a 100% return of free cashflow generation via dividends and buybacks from early CY23. Given the long-life nature of its oil sand assets and its low cost of production, we estimate the company is free cashflow break-even at an oil price of ~\$40/bbl. At present, oil prices are almost triple this break-even point, implying considerable upside to consensus cashflow estimates (if prices remain near current levels). There are also additional value realisation catalysts with the company continuing to progress the de-gearing of its balance sheet via organic cash generation and asset sales.

Key detractors from portfolio performance during the month of May were:

News Corp (Long -14%) shares declined over the month despite reporting March quarter results in line with consensus expectations. The decline was primarily driven by a softening in investor sentiment towards News Corp's Digital Real Estate assets against a backdrop of rising interest rates in both Australia and the U.S., with REA Group shares down 13% during the month. While concerns over property market drivers are likely to continue in the near-term, we see both REA Group and Move as being well positioned to structurally improve their businesses through this period. We continue to believe the News Corp assets are materially under-valued and remain supportive of ongoing initiatives to unlock value across the Group.

Bluescope Steel (Long -11%) is Australia's largest steel production company focused on providing steel materials, products, systems and technologies across Australia, New Zealand, Asia and North America. The company's shares fell during the month as the market projected a weaker (but still solid) FY23 outlook, despite the company slightly upgrading its guidance for FY22 net profits. Global steel peers experienced similar price declines due to Asian steel spreads remaining low and U.S. steel spreads recently weakening from very high levels. Overall, however, end market demand for steel remains strong in Bluescope's key Australian and U.S. regions. The board and management of Bluescope have continued to allocate capital sensibly, via a mix of high returning growth capex, increased dividends and on-market buybacks. We remain very confident in the medium term outlook for Bluescope with the supportive pricing environment as well as tailwinds from capacity expansions and a normalisation of working capital levels underpinning strong cash flow generation for the company over the medium term.



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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								15.22

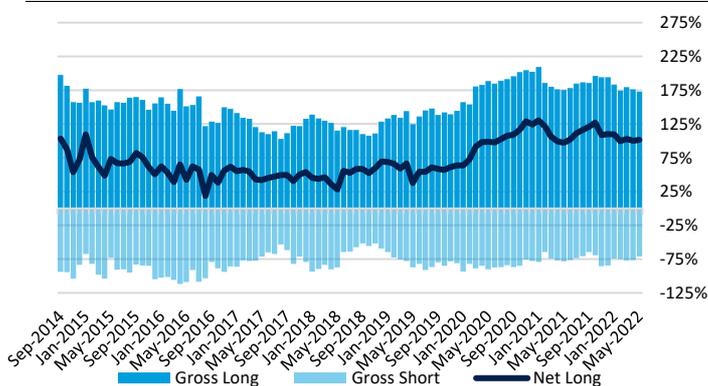
Portfolio Positions

Number of total positions	88
Number of long positions	70
Number of short positions	18
Number of international positions	32

Net & Gross Exposure by Region³ (%)

Geography	Gross Long	Gross Short	Net Exposure
Australia/NZ	104	68	37
North America	36	3	32
Europe	27	0	27
Asia	6	0	6
Total	173	71	102

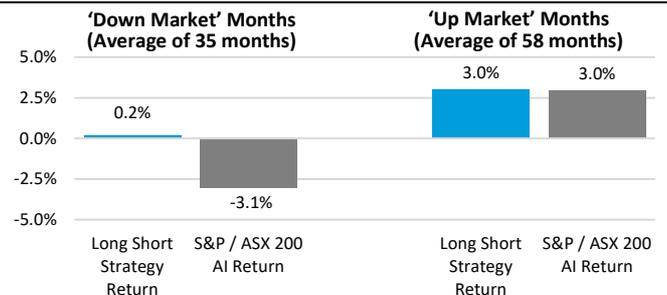
Historical Strategy Exposures³



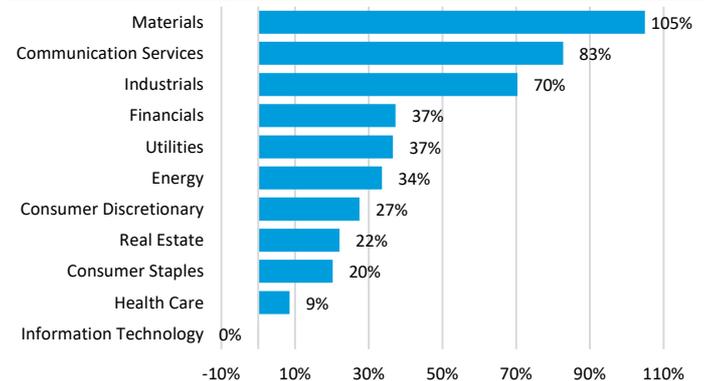
Company information as at 31 May 2022⁴

Share Price	\$2.88
NTA before tax	\$3.2318
NTA after tax	\$3.0701
Shares on issue	611,162,437
Company market cap	\$1.76b

Strategy Performance Since Inception³ (Net)



Sector Contribution Since Strategy Inception³ (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
Registry	Link Market Services Limited
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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. 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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