



L1 Long Short Fund Limited

(ASX Code: LSF)

Key Details

ASX code	LSF
Share price	\$1.59
Market capitalisation	\$1,057m
Shares on issue	664,839,144
Listing date	24 April 2018

Net Tangible Assets Per Share (as at 29 November 2019)

NTA pre-tax	\$1.8047
NTA post-tax	\$1.8719

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 returned 0.4% in November.

For the calendar year to date, the Fund has returned 22.9%.

The Fund returned 0.4% in November taking the net return for the calendar year to 22.9%. The Fund has delivered positive returns in 10 of the past 11 months.

The ASX200 had a strong month, with low volatility sectors, such as Technology, Healthcare and Consumer Staples leading the market higher. Financials were the main laggard, with Westpac (-13.1%) and Bank of Queensland (-13.5%) the weakest of the banks. The RBA began discussing the potential for QE in Australia, which triggered a flight to bond-like equities and long duration assets.

Chorus (long) rallied 15% after the Commerce Commission released its Draft Fibre Inputs Methodologies Decision. We believe the Draft Decision still does not reflect the risks undertaken by Chorus, but does begin to resolve some of the uncertainty over other regulatory issues that were greatly concerning investors. Chorus shares had lagged the infrastructure sector significantly during 2019 due to concerns over regulatory risk. Chorus has invested for almost a decade to create an exceptionally high-quality fibre asset and we look forward to the company finally generating a fair return on this investment in the years ahead.

Qantas (long) rallied 14% due to a very upbeat presentation at their annual Investor Day. Management outlined a path to increasing domestic profit margins by more than 50% over the next 5 years and reiterated confidence in growing their Loyalty division's earnings by 7-10% p.a. going forward. Another positive has been Virgin Australia appointing a capable and experienced CFO (Keith Neate), who has stated a focus on rational competition and profitability, not market share. We believe this will be conducive to an improving earnings outlook for both airline groups.

The two biggest detractors in November were:

SES (long) fell 29% as the Federal Communications Commission (FCC) moved to a public auction for 5G spectrum that SES was hoping to sell to US telecoms, delaying the auction process by a year or more. SES owns a 45% economic interest in the 5G spectrum that is crucial to the future development of 5G services in the US. While the delay was not expected, we do not believe it materially changes the investment case for SES and the risk-reward looks exceptional at the current price.

Domestic shorts were the other key detractor, given the broad rally in the stock market. There was no stock specific news of note that contributed to these price moves.

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	53
Number of short positions	30
Gross long exposure (%)	140%
Gross short exposure (%)	78%
Gross exposure (%)	218%
Net exposure (%)	62%

Investment Guidelines

Typical number of positions	50-100 securities
Geographic exposures	Max 30% gross 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	0.37%
Three months	6.48%
Calendar year to date	22.94%
One Year	15.63%
Total return since inception	(9.77%)

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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