



L1 CAPITAL

# L1 Long Short Fund Limited

Quarterly Report | MARCH 2022

- The L1 Long Short Fund portfolio returned 11.3% (net)<sup>1</sup> for the March quarter (ASX200AI 2.2%).
- The portfolio performed very strongly due to a number of positive company updates during reporting season, together with long exposures to resources and short positions in overvalued high P/E stocks.
- The L1 Capital Long Short Strategy has been the best performing Australian long short strategy over 1, 3, 5 and 7 year periods and since inception in 2014.<sup>2</sup>
- We invite you to join Mark Landau for a LSF investor webinar where he will discuss portfolio positioning and the outlook for equity markets at 11am AEST on Thursday 19 May. Please register [here](#).

Global equity markets suffered their worst quarterly drop in two years since the start of the COVID-19 pandemic in early 2020 (NASDAQ -9.0%, MSCI World -5.2%, S&P500 -4.6%). Markets were impacted by Russia’s attack on Ukraine, as well as ongoing concerns over an imminent tightening of monetary policy from central banks.

The ASX200 had a small gain over the quarter (+2.2%) with the strongest sectors comprising Energy (+28.6%), Materials (+15.4%) and Utilities (+14.1%), while Information Technology (-13.7%), Healthcare (-10.1%) and Consumer Discretionary (-9.6%) lagged.

Returns (Net) <sup>1</sup> (%)	L1 Long Short Portfolio	S&P ASX200 AI	Out-performance
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 <sup>3</sup> p.a.	23.6	8.2	+15.3

The portfolio performed exceptionally well over the quarter with 17 individual stock positions each contributing 0.5% or more to returns.

The outperformance was driven by four key aspects:

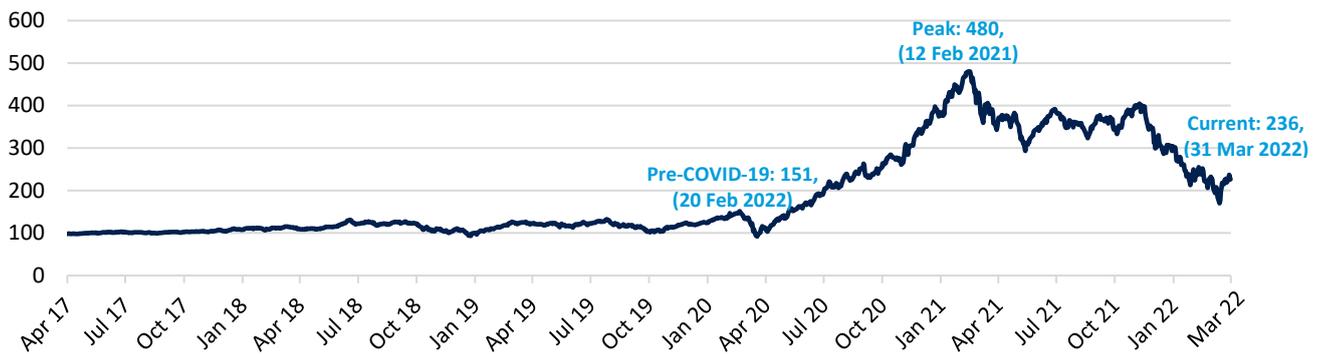
- 1. Positive reporting season/company updates:** Detailed, bottom-up stock picking remains the focus of the investment team and the key driver of performance. This quarter highlighted several examples of the team identifying ‘winners’ over the reporting season. Some examples include: SES (positive earnings guidance and increased dividends), Challenger (solid half-year result update), Smartgroup (strong free cash flow generation with a large special dividend) and CK Hutchison (resilient earnings with significant flexibility for capital returns).
- 2. Energy and commodities exposure:** In early March, global energy and commodity prices soared to the highest level since 2008 as the market reacted to potential disruptions in supply from the Russia/Ukraine conflict. We have been positive on these sectors over the past 12 months, given our favourable view of supply & demand, along with our belief that these sectors would outperform in a higher inflation environment. The portfolio’s ability to invest internationally and identify the best companies globally to leverage our research insights was a significant advantage over the quarter and drove additional returns. An example of this is the outperformance of our international copper positions relative to domestic peers, where Teck Resources (+40%) and Capstone (+27%) significantly outperformed the two large cap ASX copper stocks, Sandfire (-14%) and Oz Minerals (-5%).
- 3. Shorts in COVID-19 ‘winners’ and ultra-high P/E stocks:** Our short positions have been very strong contributors to returns over the quarter and the past 12 months. Two areas we have been short are high-multiple, concept stocks that are many years away from profitability and consumer discretionary companies that have been significant COVID-19 beneficiaries. The companies we shorted had major negative catalysts, such as a large sales or earnings miss or new competitive threats that were not expected by shareholders.

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. Indices are shown on total return basis in AUD. 2. FE Investment performance database since Strategy inception in Sep 2014. 3. Strategy performance and exposure history is for the L1 Long Short Limited (LSF:ASX) 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). Past performance should not be taken as an indicator of future performance.



Ultra-high P/E stocks have de-rated significantly as interest rates have risen and the market has (finally!) focused on profitability and cash generation. Despite this correction, we continue to see ongoing downside risk in many of these names. Figure 1 shows the Goldman Sachs Non-Profitable Tech Index. While the index has corrected sharply in 2022, it remains well above pre-COVID-19 levels. For some technology businesses there has been a step change in user adoption and growth through this period, which supports a higher valuation, however, there are many other examples of lower-quality names where tailwinds have been transitory in nature and where we see expensive share prices, combined with decelerating trends presenting large downside risk. If these share prices were to return to their pre-covid peak levels, it would imply a further 30% downside to these shares (despite already falling 50% since Feb 2021).

**Figure 1: Performance of the GS Non-Profitable Tech Basket (indexed to 100)**



Source: Goldman Sachs as at 31 Mar 2022.

From a consumer discretionary standpoint, there are numerous COVID-19 'winners' where the share prices have more than doubled in the last two years but their business models have not structurally improved. Our view was that the market had not appropriately reflected a normalisation in demand for these companies as economies re-open, stimulus measures roll-off and inflation impacts become more pronounced. We have started to see this play out in several of our short positions such as Peloton, Logitech and Williams Sonoma which each fell more than 30% while we were short the stock.

- Mergers and Acquisitions:** We have written extensively about our optimistic expectations for the M&A cycle and how we expected this to be a tailwind for the portfolio given our skew to undervalued companies that have strategic appeal. The portfolio benefitted from two takeover offers during the quarter: CIMIC received a bid from its parent company HOCHTIEF at a 33% premium, while Turquoise Hill received a bid from its majority shareholder, Rio Tinto, at a 32% premium. We continue to remain positive on the M&A cycle with numerous industry data points indicating deal pipelines at or above 2021 levels which was a record year for M&A. Current geopolitical tensions may dampen near-term deal volume, however, we expect this to rebound quickly as markets stabilise.

For further information on individual stocks positions that contributed to performance over the quarter, please refer to page 6.

## Portfolio positioning

We build our portfolio on a 'bottom-up' basis from our company and industry research (selecting stocks that represent the best combination of value and quality). However, when we step back and look at the major themes and opportunity sets we see at present, they broadly fall into four key themes:

### 1. U.S. Sports Betting and Gaming (e.g. Flutter and Entain)

This part of our portfolio has underperformed over the last six months, with the market concerned about two key aspects 1) impacts from the upcoming U.K. regulatory review, and 2) competitive intensity in the U.S. sports betting market.

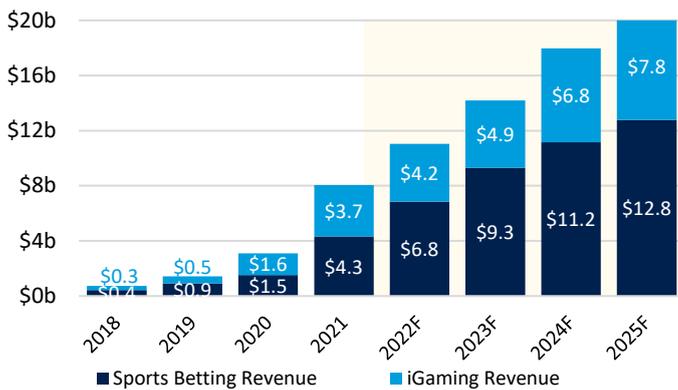
The U.K. regulatory review has been ongoing for more than two years and has been a significant overhang on U.K. listed gaming stocks. A Government white paper is due to be published in May 2022 which will provide much needed clarity for the industry. While the market is focused on near-term uncertainty regarding the impact, what is overlooked is that U.K. revenues are only a minority of both Flutter and Entain's revenues (~29% for Flutter and ~21% for Entain). We factor in a material impact from adverse regulation in our base case, however, we still see compelling value in both stocks given their strong global growth profile.



On the U.S. sports betting and gaming side, irrational promotions by some players over the NFL season in Q4 2021 raised concerns about the long-term viability and profitability of the industry. We have seen promotion levels moderate considerably in 2022 and even with a highly competitive market, we believe Flutter and Entain are best placed to succeed versus peers. Both companies have the best technology and most efficient operations in terms of customer acquisition costs ('CAC') relative to long-term customer value ('LTV') which sets them up to be profitable in the U.S. market in the next 12-18 months, well ahead of competitors. Flutter and Entain also have the ability to fund U.S. growth from their highly cash generative European and Australian businesses without the need to raise external capital.

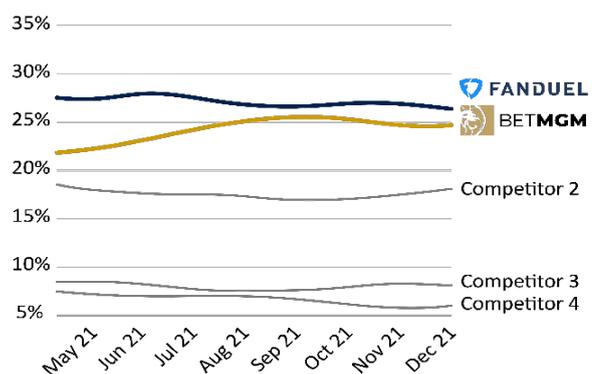
We are incredibly excited about the U.S. market with huge structural growth forecasted over the next few years. The market more than doubled in 2021 (growing from US\$3b to US\$8b between 2020 to 2021) and is expected to be larger than ~US\$20b by 2025 (refer to Figure 2). We expect the market could be close to US\$50b at maturity due to the growth of in-play sports betting and iGaming (which would be more than 6x the size of the U.K., the next largest regulated market). By owning Flutter (FanDuel) and Entain (BetMGM), we own the two leading players in the market, with a combined market share of over 50% across sports betting and iGaming combined (refer to Figure 3). We believe both companies are very undervalued at only ~16x FY23 P/E for Entain and 18x FY23 P/E for Flutter, despite our expectation of extremely strong earnings growth over the next decade.

**Figure 2: U.S. Sports Betting and iGaming revenue forecasts (US\$)**



Source: Morgan Stanley Research as at 31 Mar 2022.

**Figure 3: U.S. Sports Betting and iGaming market share estimate**



Source: Rolling six month average estimates. Entain investor presentation.

## 2. Energy (e.g. Santos and Cenovus)

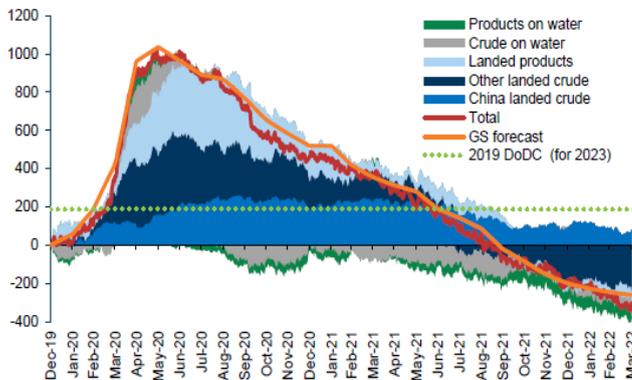
We have been positive on both 'new' energy, from tailwinds in electrification, sustainability and decarbonisation, as well as 'old' energy, where we believe there has been structural under-investment in oil supply that is going to exacerbate the tightness of the market over the next 1-2 years. Given the huge share price rally in 'new' energy exposed stocks (lithium/rare earths), we have trimmed and exited most of our exposure in this sector.

We continue to remain very positive on 'old' energy, with our key positions factoring in long-term prices far below what we think is likely. Over the past 18 months, we have talked about our bullish outlook and how, at sub-\$40/barrel, oil prices had reached an extreme low that was unsustainable. This view was very contrarian at the time, and we have seen a shift in consensus sentiment as oil prices have now risen to around ~\$100/barrel. Energy equities remain under-owned, with their weighting in the S&P 500 currently only ~3.9%, far below the ~10% level it averaged from 2007-2014.

We believe prices could remain elevated for much longer than expected. Oil inventories are currently at historical lows, following 20 consecutive months of oil demand being larger than production (refer Figure 4 over the page). However, the ability to increase supply remains constrained, with market spare capacity declining significantly, following a decade of under-investment due to lower oil prices, ESG pressure, COVID-related disruptions and pressure to increase cash returns to shareholders. Figure 5 on the next page highlights this under-investment, with capital expenditure spending by the oil majors dropping by roughly ~US\$40b or ~25% in 2020 and 2021 relative to 2019 levels. The Russia/Ukraine conflict adds further risk to supply. Russia is the world's third largest oil producer with the conflict leading to many countries looking to reduce their reliance on Russian exports and prioritise energy security going forward.

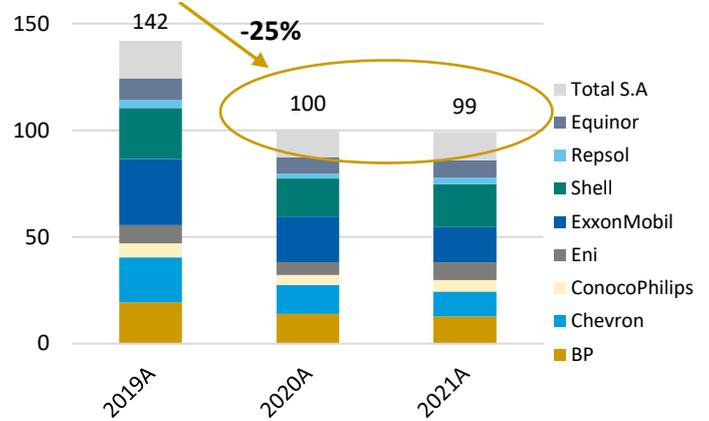


**Figure 4: Global oil inventory stocks (mb)**



Source: Kpler, IEA, EIA, JODI, IE Singapore, PAJ, PJK, ARA, Oilchem, Fujairah, Goldman Sachs Global Research. DoDC is the level required to normalise stocks in days of demand coverage to 2019 levels by 2023.

**Figure 5: Oil majors – capital expenditure (US\$b)**



Source: MST Marquee, FactSet.

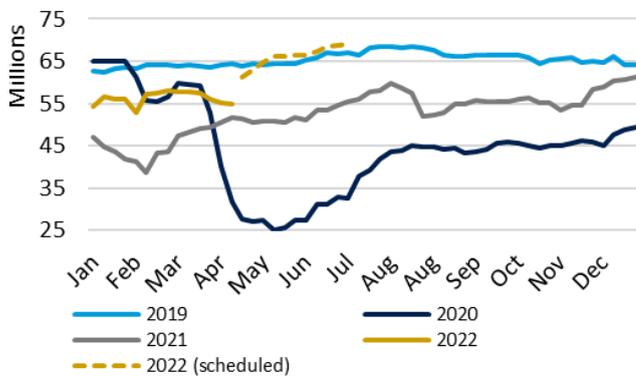
### 3. Vaccine recovery/re-opening (e.g. Qantas and Webjet)

We believe that vaccine success and the shift of COVID-19 from the pandemic to endemic phase has only been partially reflected in some share prices. As the recovery gains traction and operational momentum accelerates, we expect a valuation re-rating to follow for our reopening positions. Many of these stocks are trading at the same share price as six months ago, however the outlook is far better now and an inflection in operating metrics looks imminent.

Looking at the change in global airline capacity as a proxy for the reopening, Figures 6 and 7 below illustrate airline capacity and expected increases over the next few months based on forward bookings. Domestic capacity is currently 15% below 2019 levels, however, forward capacity estimates indicate this should trend above pre-pandemic levels over the next quarter. International airline capacity is ~35% below 2019 levels, with forward capacity estimates expected to see this narrow to roughly 20% over the next few months.

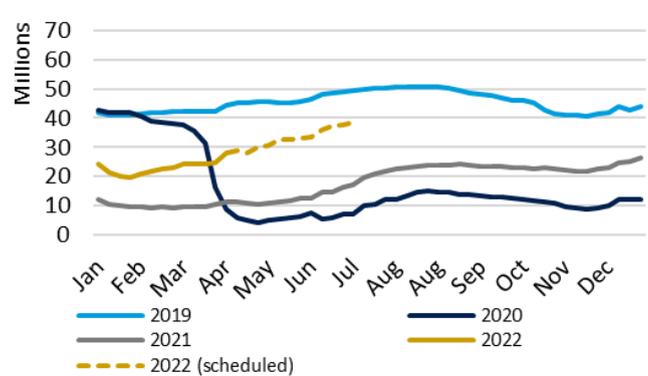
In the U.S., traveller throughput is already at 90% of pre-pandemic levels, with solid forward bookings supporting a continued recovery. This provides a strong leading indicator for the shape of the recovery in Australia over the next six months.

**Figure 6: Domestic airline capacity**



Source: OAG as at 4 Apr 2022.

**Figure 7: International airline capacity**



Source: OAG as at 4 Apr 2022.



## 4. Global reflation (e.g. QBE and Hudbay Minerals)

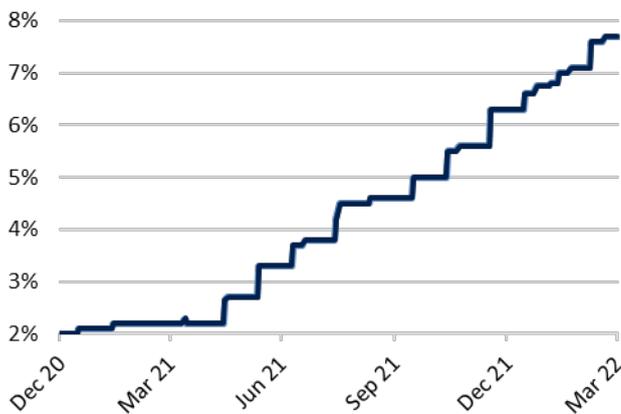
One year ago, we spoke in detail about our expectation of a large increase in inflation and that we believed inflation would be far higher and more persistent than the consensus view and would overshoot relative to central bank expectations. Figure 8 below shows how extreme this reassessment of inflation expectations has been. Consensus expectations have now quadrupled from ~2% 12 months ago (when we mentioned our expectation of much higher inflation) to close to 8% currently.

We expect the U.S. Federal Reserve (the 'Fed') to raise interest rates aggressively to counter these impacts, with the market currently forecasting 225 basis points of interest rate hikes over the remainder of the year (compared to an expectation 75-100 basis points only a few months ago).

We continue to maintain long positions in gold, commodities, financials and low P/E stocks, along with short positions in ultra-high P/E stocks, which we believe is logical from a pure valuation perspective, but also provides an effective way to hedge against persistent inflationary pressure and a central bank tightening cycle. This portfolio setting is supported by the last extended high inflationary period the market has experienced (1973-1983) where gold, commodities and value stocks dramatically outperformed (as shown in Figure 9).

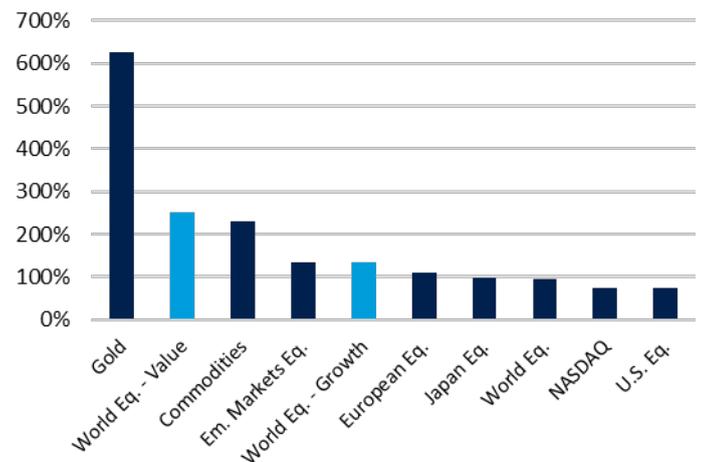
From a financials perspective, we currently prefer exposure to insurance over banks. Banks will be a clear beneficiary of rising rates with net interest margins likely to benefit, however, we see some offsets from greater competition within the industry (due to the rise of mortgage brokers, non-bank lenders and 'neobanks'), increases in bad debts (from essentially a zero base today) and continued regulatory and capital scrutiny.

**Figure 8: U.S. CPI Economic Forecast – Q2 2022**



Source: Bloomberg as at 4 Apr 2022.

**Figure 9: Sectors that outperformed from 1973-1983**



Source: Datastream, STOXX, Haver Analytics, FRED, Goldman Sachs Global Investment Research.

## Outlook

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.

We see the challenge facing the Fed as particularly complex in the current environment. The Fed is one of the few central banks in the world that operates under a 'dual mandate' that targets both full employment and price stability relative to most central banks that simply target price stability. Following an unprecedented level of fiscal and monetary support, U.S. employment levels have rebounded strongly and are now back to pre-COVID-19 levels. However, in achieving this outcome, we have Fed policy settings that would be more appropriate in an economic depression, rather than for an over-heated economy facing the highest inflation levels in 40 years. The Fed now (surely) realises it is way behind the curve and had begun to lose credibility in combatting inflation.

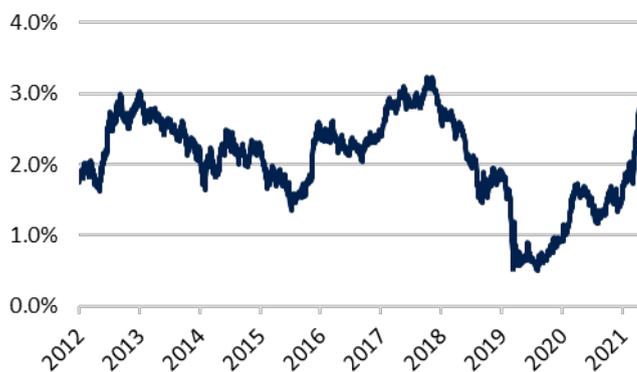
As a result, the Fed has begun talking very tough on the measures they are planning to take to combat inflation as a means of restoring credibility and in an attempt to avoid a wages-prices spiral that would be terrible for society and markets in general. This hawkish rhetoric led to a surge in bond yields with the U.S. 10 year yield rising 80 basis points over the quarter (Figure 10 on the next page).



The risk for the Fed is that by falling behind the curve and now having to over-compensate with a more aggressive and sudden tightening path, they do more damage to business and consumer confidence and ultimately trigger a stagflationary period, which is essentially the worst of all economic worlds – low or negative real economic growth combined with persistently high inflation. Bond markets have reflected some of this risk, with 2-year bond yields moving above 10-year bond yields (i.e. yield curve inversion) (refer to Figure 11). Yield curve inversion has historically been viewed as a strong indicator that tighter monetary policy will slow growth, potentially leading to an economic recession. This historical relationship does not always hold true, but is an important flag for investors to do more research to assess the likelihood of going into a recession.

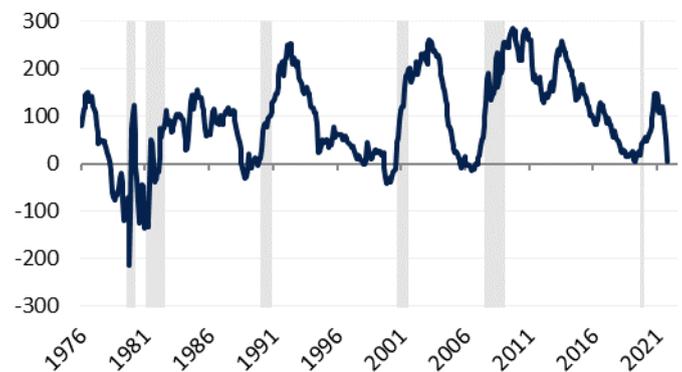
It may still be possible for the Fed to achieve a ‘soft-landing’ (i.e. moderating inflation without destroying economic growth), however, the execution risks are clearly heightened, particularly when overlaying geopolitical risks from the Russia/Ukraine conflict, ongoing supply chain disruptions, political gridlock in the U.S. and lingering COVID-19 restrictions and lockdowns in China.

**Figure 10: U.S. 10 year government bond yield**



Source: Bloomberg.

**Figure 11: 10-year – 2-year spread vs. Recessions (shaded)**



Source: Bloomberg.

We believe the above factors raise the prospect of more modest index returns over the coming years, however, we continue to remain very positive about the outlook for the portfolio. Periods of heightened market volatility, while unnerving, typically present us with outstanding opportunities to generate alpha for our shareholders as stock prices disconnect from fundamental valuations.

Given our expectation of more muted market returns, we think bottom-up stock picking will become an even more important driver of returns for all investors going forward (making our rigorous company research even more valuable). In addition to this, we believe the portfolio’s ability to adjust exposure to reflect the prevailing risk-reward of the market, to short stocks that are overvalued and to exploit insights overseas (not just in Australia) enables us to deliver attractive returns despite the more difficult market backdrop.

## Key stock contributors for the quarter

**Teck Resources (Long +40%)** performed well following a strong earnings quarter driven by increasing commodity prices and an acceleration in the company’s copper production profile. Teck continues to progress the construction of one of the world’s largest copper mines (QB2), which is expected to reach commercial production in late 2022. This comes at a time when the world continues to become short copper due to ongoing grade declines at major copper mines globally combined with medium-term demand support from expansion of the electricity grid in the developing world, along with the structural shift to electric vehicles. Teck has been a very strong performer for the portfolio and with the share price quadrupling over the past two years we decided to exit the position during the quarter.



**Shopify (Short -51%)** is a Canadian software company that enables small and medium size businesses to easily manage an online shopfront. The company performed extremely well during COVID-19 as businesses moved to an online model, driving up subscriptions, and consumers shopped more online, driving up payment volumes. We began shorting Shopify in December 2021 at ~\$1,360 per share, a price which we saw as very overvalued despite some demonstrable strengths at the company. There were also growing risks of a significant slow-down in Shopify's growth in 2022 from a general economic re-opening and from the emergence of well-funded copycat platforms. Shopify, like many ultra-high P/E stocks, also de-rated as a result of higher bond yields which essentially reduce the present value of 'long duration' cashflows (that are many years or decades in the future). In February, the share price fell 28% with the company announcing disappointing revenue results and admitting that growth will be challenging in 2022 on the back of lower advertising revenue as reopening activity and stimulus dissipated. We covered our short at around US\$880 per share, locking in a ~35% profit on the short position.

**Worley (Long +21%)** shares rose during the quarter due to the continued recovery in oil prices and sentiment to the oil services sector. At its half year result, Worley also noted its backlog and headcount were starting to re-build after a COVID disrupted 2020 and 2021. With a renewed focus on energy security, oil prices above \$100/barrel and multiple years of under-investment, we believe Worley's conventional energy business should start to see tailwinds in capex spending over the next 12 months. In addition, Worley is uniquely positioned to benefit from the global energy transition and the significant industry investment that is likely to be made in hydrogen, carbon capture and renewable energy. We believe Worley is in the early stages of the pivot to 'green' energy opportunities, with the market incorrectly viewing the stock as a structurally challenged oil and gas engineering contractor.

**Santos (Long +23%)** rallied in line with the strong oil price and on the back of completing its merger with Oil Search in late 2021. We retained our interest in Oil Search, which has now converted into Santos shares post-merger. In our view, the combined business, led by the highly regarded Santos management team, is well placed to outperform. Key upside drivers include strong organic cashflow generation supported by high oil and gas prices, the potential to deliver merger synergies above guidance and catalysts from partial asset sales in both Papua New Guinea and Alaska.

**CIMIC (Long +30%)** shares rallied following a takeover offer from its majority shareholder HOCHTIEF at \$22 per share, a ~33% premium to the unaffected share price. CIMIC has a dominant market position in the delivery of large-scale infrastructure projects, with the majority of its construction work linked to government projects with favourable exposure to post-COVID-19 infrastructure spending increases. We elected to exit our position given the share price was trading in line with the offer price and we did not expect any competing bid to emerge.

**Rio Tinto (Long +19%)** shares performed strongly after announcing record FY21 results that were underpinned by rising prices in iron ore, aluminium and copper. Rio Tinto is structured across four main segments, namely: iron ore, aluminium, copper and minerals, with iron ore remaining its key exposure and accounting for over 60% of revenue. We continue to believe the company is undervalued, trading on an FY22 P/E of only ~7x and offering a fully-franked dividend yield close to 10%. Rio Tinto also has further tailwinds from a positive commodity price backdrop given the supply disruptions from the Russia/Ukraine conflict and the likelihood of economic stimulus from the Chinese government.

**SES (Long +18%)** shares rallied over the quarter 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 a further ~US\$2.4b in cash payments (after tax) over the next two years, amounting to ~60% of the company's current market cap.

**Turquoise Hill (Long +80%)** 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.



L1 CAPITAL

# L1 Long Short Fund Limited

Quarterly Report | MARCH 2022

## Key stock detractor for the quarter

---

**Flutter (Long -24%)** 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 by Flutter 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 ultimately remove a key overhang on the stock.

On the U.S. sports betting and gaming side, there were numerous comments across the industry on the ramp up in competitive intensity and increase in acquisition costs for customers over the key NFL season. Flutter's U.S. operations, comprising FanDuel and FOX Bet, generated ~50% more revenue in FY21 than its nearest competitor but at half the estimated EBITDA losses (Flutter incurs temporary losses due to ramp up investment in newly opened states). The company outlined a blended U.S. customer acquisition cost ('CAC') of ~US\$291 per customer and a payback of 1.2x by the end of year 1 and reaffirmed its target to be EBITDA positive in the U.S. in 2023. This gives us confidence that despite strong competition, Flutter remains best-placed to achieve profitability ahead of competitors and will continue to consolidate its leading position in the U.S. sports betting market. 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.



L1 CAPITAL

# L1 Long Short Fund Limited

Quarterly Report | MARCH 2022

## Strategy Returns (Net)<sup>4</sup> (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2014</b>	-	-	-	-	-	-	-	-	(2.42)	3.03	2.85	1.61	<b>5.17</b>
<b>2015</b>	0.59	9.14	2.42	1.71	3.73	(0.86)	3.30	2.06	5.51	8.49	8.11	4.62	<b>60.52</b>
<b>2016</b>	5.81	0.59	5.47	2.46	2.78	(0.89)	3.22	3.92	0.46	(0.13)	0.55	2.22	<b>29.61</b>
<b>2017</b>	2.51	1.87	3.15	1.03	4.18	1.70	2.62	1.69	1.93	2.54	0.89	3.56	<b>31.40</b>
<b>2018</b>	0.56	(0.47)	(1.64)	(1.32) <sup>4</sup>	(4.05)	(5.96)	1.01	(5.34)	(2.06)	(3.90)	(2.60)	(5.95)	<b>(27.74)</b>
<b>2019</b>	4.26	5.11	0.16	3.05	(2.73)	3.87	0.63	0.40	2.54	3.46	0.36	2.06	<b>25.46</b>
<b>2020</b>	(7.75)	(6.85)	(22.93)	23.16	10.94	(2.12)	(1.69)	9.99	0.63	(2.37)	31.94	4.29	<b>29.50</b>
<b>2021</b>	(0.17)	9.00	(0.14)	5.11	4.07	(0.52)	1.75	5.10	4.86	2.32	(7.36)	3.66	<b>30.29</b>
<b>2022</b>	2.79	6.78	1.34										<b>11.32</b>

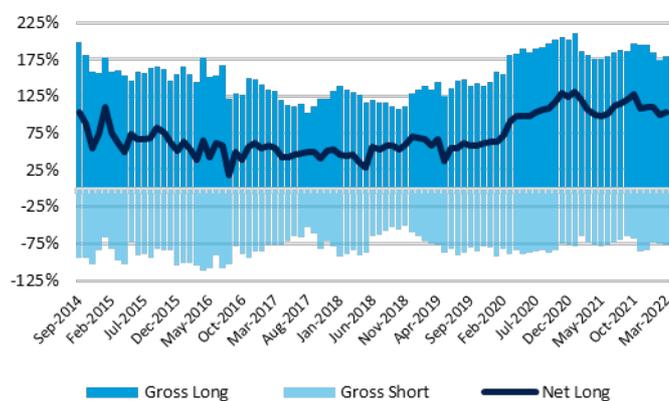
## Portfolio Positions

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

## Net & Gross Exposure by Region<sup>4</sup> (%)

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
<b>Total</b>	<b>181</b>	<b>77</b>	<b>104</b>

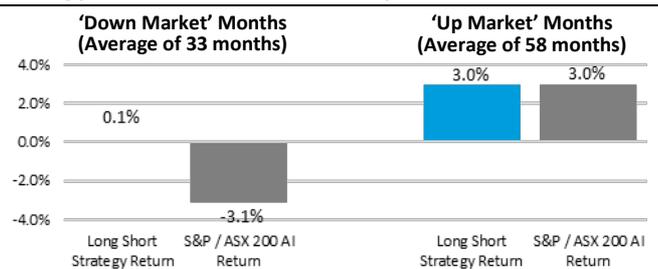
## Historical Strategy Exposures<sup>4</sup>



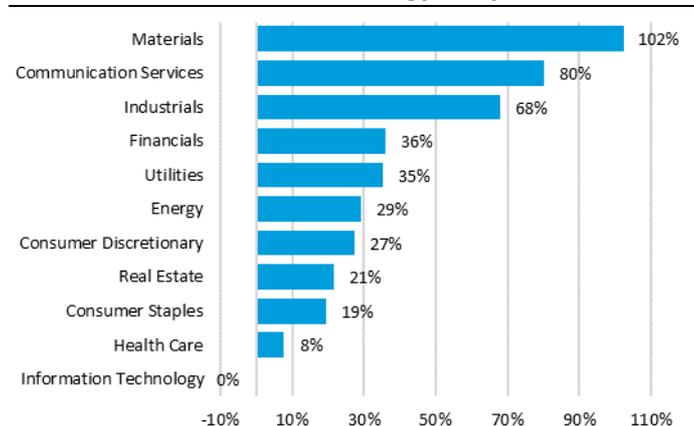
## Company information as at 31 March 2022<sup>5</sup>

Share Price	\$2.95
NTA before tax	\$3.1653
NTA after tax	\$2.9835
Shares on issue	609,823,954
Company market cap	\$1,798,980,664

## Strategy Performance Since Inception<sup>4</sup> (Net)



## Sector Contribution Since Strategy Inception<sup>4</sup> (Net)



4. All performance numbers are quoted net of fees. Net returns are calculated based on the movement of the underlying investment portfolio. Indices are shown on total return basis in AUD. Figures may not sum exactly due to rounding. Past performance should not be taken as an indicator of future performance. 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). 5. The NTA before tax is calculated before the provision for deferred tax on unrealised gains and losses on the investment portfolio. The NTA after tax is calculated after all taxes.



L1 CAPITAL

# L1 Long Short Fund Limited

Quarterly Report | MARCH 2022

## Key personnel

<b>Andrew Larke</b>	Independent Chair
<b>John Macfarlane</b>	Independent Director
<b>Harry Kingsley</b>	Independent Director
<b>Raphael Lamm</b>	Non-Independent Director
<b>Mark Landau</b>	Non-Independent Director
<b>Mark Licciardo</b>	Company Secretary
<b>Registry</b>	Link Market Services Limited
<b>Company website</b>	<a href="http://www.L1LongShort.com">www.L1LongShort.com</a>
<b>Linked In</b>	Follow us on

## Contact us

### Head of Distribution

Chris Clayton | [cclayton@L1.com.au](mailto:cclayton@L1.com.au) | +61 3 9286 7021

### Researchers

Aman Kashyap | [akashyap@L1.com.au](mailto:akashyap@L1.com.au) | +61 477 341 403

### Advisors

Alexander Ordon | [aordon@L1.com.au](mailto:aordon@L1.com.au) | +61 413 615 224

Alejandro Espina | [aespina@L1.com.au](mailto:aespina@L1.com.au) | +61 423 111 531

### Private Clients

Wayne Murray | [wmurray@L1.com.au](mailto:wmurray@L1.com.au) | +61 424 300 003

Edward Vine | [evine@L1.com.au](mailto:evine@L1.com.au) | +61 412 525 390

James Thompson | [jthompson@L1.com.au](mailto:jthompson@L1.com.au) | +61 457 866 661

## Company Information – LSF

<b>Name</b>	L1 Long Short Fund Limited
<b>Structure</b>	Australian Listed Investment Company (ASX:LSF)
<b>Inception</b>	24 April 2018
<b>Management Fee</b>	1.44% p.a. inclusive of GST and RITC
<b>Performance Fee</b>	20.0%
<b>High Watermark</b>	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.



L1 CAPITAL

Level 28, 101 Collins Street  
Melbourne VIC 3000  
Australia

[www.L1.com.au](http://www.L1.com.au)

## 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.

### Copyright

Copyright in this publication is owned by L1 Capital. You may use this information in this publication for your own personal use, but you must not (without L1 Capital's consent) alter, reproduce or distribute any part of this publication, transmit it to any other person or incorporate the information into any other document.