

The L1 Long Short Fund portfolio returned 5.1% (net)¹ in August (ASX200AI 2.5%).

The portfolio has returned 71.0% (net)¹ over the past 12 months (ASX200AI 28.1%).

Performance was strong in August, with numerous portfolio positions delivering upbeat results ahead of market expectations.

Global equity markets rallied in August with investors reassured after U.S. Federal Reserve Chair Jerome Powell's dovish Jackson Hole address where he emphasised that the Federal Reserve would remain cautious in raising interest rates as it tries to ensure the economy reaches full employment.

The S&P/ASX 200 Accumulation Index returned 2.5% in August. The strongest sectors were Information Technology (+17.0%), Consumer Staples (+6.9%) and Healthcare (+6.8%), while Materials (-7.3%), Energy (-3.9%) and Utilities (+1.0%) lagged.

The portfolio performed strongly in August with a number of our holdings delivering better results and outlooks than consensus expectations over reporting season. Performance was broad based, with 13 individual stock positions contributing 0.4% or more to returns.

| Returns (%) (Net) ¹ | L1 Long Short Portfolio | S&P ASX 200 AI | Out-performance |
|--|-------------------------|----------------|-----------------|
| 1 month | 5.1 | 2.5 | +2.6 |
| 3 months | 6.4 | 6.0 | +0.4 |
| YTD | 26.5 | 17.0 | +9.5 |
| 1 year | 71.0 | 28.1 | +42.8 |
| 2 years p.a. | 33.4 | 10.3 | +23.1 |
| 3 years p.a. | 21.0 | 9.9 | +11.1 |
| LSF Since Inception p.a. | 13.0 | 11.5 | +1.5 |
| Strategy Since Inception ² p.a. | 23.3 | 8.6 | +14.7 |

The investment team continued to significantly increase its position in LSF in August, reconfirming our strong alignment with investors and our positive outlook for the portfolio. Our expectations remain underpinned by the large number of portfolio stocks with significant upside to valuation and the extreme stock dispersion across the market, which provides attractive opportunities for stock picking.

Some of the key contributors to portfolio performance during the month of August were:

Z Energy (Long +21%) performed strongly on the back of Ampol's proposed takeover bid. Z Energy is the dominant fuel distributor in New Zealand with circa 200 Z-branded fuel stops and 133 Caltex-branded service stations country-wide. During the month, Z Energy announced that it had agreed to a four-week due diligence/exclusivity period following a NZ\$3.78 per share bid from Ampol – a 35% premium over the Z Energy share price before the market began speculating it was a takeover target (26 July). Z Energy is a high-quality, lowly-gear business giving it a strong asymmetric risk/return profile. We believe the valuation is underappreciated by the market based on its attractive earnings growth outlook and its highly cashflow generative business, which enables strong and reliable dividends to be paid under all conditions.

The company also has further upside from its conversion of the part-owned New Zealand Oil Refinery into an import oil terminal. This move will provide a large working capital release, along with much reduced earnings volatility. Taken together, these elements are very supportive for Z Energy's long-term growth and likely trading multiple.

Downer (Long +23%) had another solid month in August. The company delivered a strong full year earnings result with high cashflow conversion and an optimistic outlook statement across the key divisions. Downer is primarily leveraged to forecast spending increases by their government clients to support further urbanisation in Australia and New Zealand. The defence sector was again highlighted as a key medium-term growth priority as the government looks to prioritise reliable, Australian service providers in the face of a more challenging geopolitical backdrop. While the east coast open-cut mining business still needs to be exited, the company has successfully disposed of almost all the other non-core assets for total consideration of \$605m. We expect the remaining asset sales to be completed in the coming months, leading to a further re-rating of Downer as a capital-light (and lower risk) services business exposed to growing, annuity style contracts. Downer continues to execute a 10% buyback while still retaining the balance sheet flexibility to consider bolt-on acquisitions and higher dividends.

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).



L1 CAPITAL

L1 Long Short Fund Limited

Monthly Report | AUGUST 2021

Star Entertainment (Long +19%) rallied strongly following a robust full year result with good cost control and exceptional performance from their Queensland gaming assets. Star also announced it is exploring the sale of up to 49% of its Sydney property portfolio which has the potential to release significant capital. We continue to believe Star has an attractive outlook given the scarcity value of its casino licenses and the transformative impact of the Queen's Wharf development in Brisbane. In our view, Star's market cap of ~\$4 billion significantly undervalues the asset base, licenses and likely cashflow generation of the company. While the market is very focused on the short-term risks around COVID-19 disruption, we believe the medium-term outlook for Star looks very attractive.

Chorus (Long +16%) rose in August based on the New Zealand Commerce Commission's draft determination of a Regulated Asset Base (RAB) that was slightly less punitive than feared by the market. This draft determination, however, still incorporates a very low allowed rate of return that severely underestimates the real risks investors have taken on in building and operating the fibre network. We are hopeful this will be corrected through a much more commercial approach to the assumptions underlying the asset base in the final determination and through a re-examination of other assumptions through the rest of this year. Failure to do so would send a strong signal that there is huge risk in entering into long-term public private partnerships with the New Zealand government and that New Zealand is not a reliable destination for investing in regulated assets. In terms of company fundamentals, Chorus's fibre build has been consuming the majority of cashflow for many years, preventing the company from paying out its true underlying earnings in dividends. With the peak capital expenditure period now past, we are hopeful that shareholders will finally begin to see the returns on this 10-year investment program.

QBE (Long +9%) performed strongly in August after the company delivered its best earnings result and outlook in many years. After enduring a flat and challenging premium market for over a decade, QBE stated that Gross Written Premiums (GWP) increased 14% in the first half (on a constant currency basis excluding crop). QBE's Combined Ratio improved dramatically from 103.4% (H1 FY20) to 93.4% (H1 FY21), with all indications suggesting this new level is sustainable and may have some modest further improvement to come. We have been cautious on QBE for a long time, given the clear industry headwinds they were facing. However, after 15 years of weak industry dynamics, we believe QBE is finally at a turning point and is set to deliver improving margins, dividends and ROE which we believe are not yet fully factored into market expectations.

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) 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 | | | | | 26.46 |

Portfolio Positions

| | |
|-----------------------------------|----|
| Number of total positions | 84 |
| Number of long positions | 69 |
| Number of short positions | 15 |
| Number of international positions | 30 |

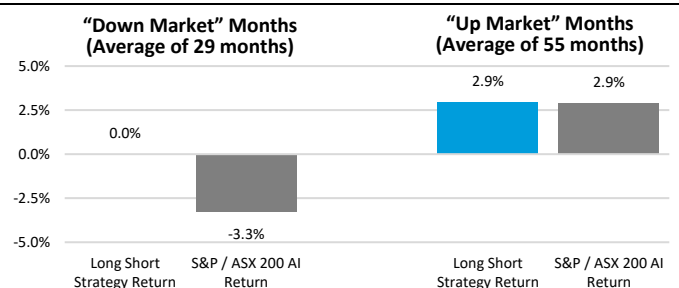
Share Price & NTA as at 31 August 2021⁴

| | |
|------------------------|----------|
| Share Price | \$2.57 |
| NTA pre-tax per share | \$2.9984 |
| NTA post-tax per share | \$2.7333 |

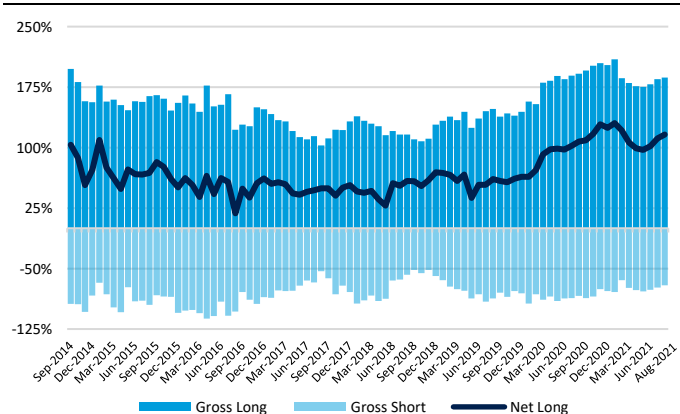
Net & Gross Exposure by Region³ (%)

| Geography | Gross Long | Gross Short | Net Exposure |
|-----------------------|------------|-------------|--------------|
| Australia / NZ | 118 | 62 | 56 |
| North America | 36 | 7 | 29 |
| Europe | 28 | 2 | 26 |
| Asia | 5 | 0 | 5 |
| Total | 187 | 71 | 116 |

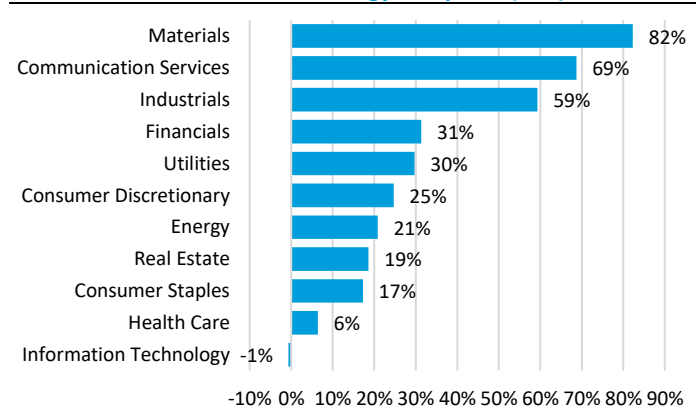
Strategy Performance Since Inception (Net)³



Historical Strategy Exposures³



Sector Contribution Since Strategy Inception (Net)³



³ 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. 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). ⁴ 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 realised tax and deferred tax on unrealised gains and losses.

Investment Guidelines

| | |
|---------------------------------|-------------------------------------|
| Typical no. of positions | 50-100 securities |
| Geographic exposures | Max 30% gross outside of Aust/NZ |
| Net exposure limits | Max 150% of NAV; typically 30-100% |
| Gross exposure limits | Max 300% of NAV; typically 150-300% |

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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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 only Australian equities, long short 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.

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