



L1 CAPITAL

# L1 Long Short Fund Limited

Monthly Report | FEBRUARY 2022

- The L1 Long Short Fund (LSF) portfolio returned 6.9% (net)<sup>1</sup> in February (ASX200AI 2.1%).
- The portfolio performed very strongly in February due to a number of positive company updates during reporting season, along with long exposure to resources and short positions in selected ultra-high P/E stocks.
- The portfolio has returned 31.5% over the past year and 28.5% p.a. over the past 3 years.

Global equity markets had another difficult month with sharp falls driven by the rapid escalation of geopolitical tensions culminating in Russia's attack on Ukraine as well as ongoing concerns over tighter monetary policy from central banks (NASDAQ -3.4%, S&P500 -3.1%, MSCI World -2.8%). Commodity prices saw strong upward moves as markets reacted to the potential disruption of key Russian exports.

The S&P/ASX 200 Accumulation Index rose 2.1% in February, outperforming most major developed markets, largely due to a greater weighting to energy and commodities. The strongest sectors were Energy (+8.6%), Consumer Staples (+5.6%) and Materials (+5.2%), while Information Technology (-6.6%), Consumer Discretionary (-5.0%) and Communications Services (-2.2%) were particularly hard hit.

The portfolio performed well over the month through broad-based stock gains with 14 individual stock positions contributing 0.4% or more to returns. The portfolio benefited from a strong reporting season, long exposure to commodities and several short positions in ultra-high P/E companies.

On 25 February 2022, the Company announced a half-year fully franked dividend of 4c/share and remains well-placed to continue to deliver a sustainable and growing dividend profile.

**We expect equity markets to remain volatile due to escalating geopolitical tensions, the fragility of global supply chains, reduction in central bank liquidity and uncertainty regarding the pace and timing of interest rate increases. After a period of stronger than normal equity returns, we would expect more muted market performance over the coming year. 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) <sup>1</sup> (%)	L1 Long Short Portfolio	S&P ASX 200 AI	Out-performance
1 month	6.9	2.1	+4.7
3 months	13.9	-1.7	+15.6
6 months	13.2	-4.2	+17.3
1 year	31.5	10.2	+21.3
2 years p.a.	46.9	8.3	+38.5
3 years p.a.	28.5	8.4	+20.1
LSF Since Inception p.a.	14.9	8.7	+6.1
Strategy Since Inception <sup>2</sup> p.a.	23.2	7.4	+16.2

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

**Teck Resources (Long +16%)** 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 we expect to generate further upside as it hits 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. Despite the share price quadrupling over the past 2 years, we believe Teck remains an attractive investment due to its robust cashflows, strong copper production growth and continued opportunities to catalyse value from non-core asset sales.

<sup>1</sup> 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. <sup>2</sup> 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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**F45 Training (Long +23%)** recovered strongly in February as market sentiment towards reopening beneficiaries improved with the passing of the peak Omicron wave in the U.S. F45 is a high-growth fitness franchise with more than 1,500 studios worldwide offering innovative, high-intensity group workouts. The company operates a capital-light, technology-enabled franchise model that is highly scalable and differentiated relative to key peers. Despite setbacks with COVID-19 related restrictions and logistics delays in their December 2021 quarterly results, we continue to believe F45 has an exciting future with ~2,000 additional studios already sold to franchisees and expected to open over the next few years.

**CIMIC (Long +35%)** shares rallied strongly in February 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.

**Bluescope Steel (Long +11%)** shares rose after reporting a solid FY21 result including the announcement of a further \$700m share buyback. Bluescope is Australia's largest steel production company focused on providing steel materials, products, systems and technologies across Australia, New Zealand, Asia and North America. We believe steel spreads are likely to settle at higher levels than pre-COVID due to the strong demand backdrop in Bluescope's key end markets and the lack of new supply. 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 believe Bluescope remains very undervalued 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.

## Strategy Returns (Net)<sup>3</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>3</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	6.87											<b>9.85</b>

## Portfolio Positions

Number of total positions	84
Number of long positions	66
Number of short positions	18
Number of international positions	32

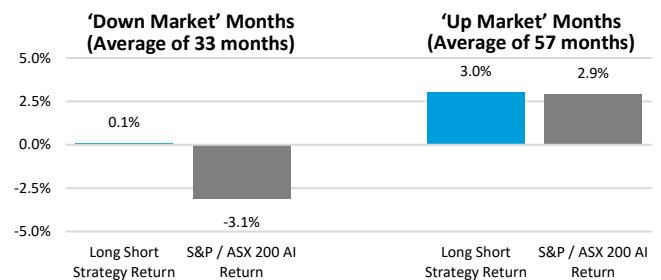
## Company information as at 28 February 2022<sup>4</sup>

Share Price	\$2.80
NTA before tax	\$3,2364
NTA after tax	\$2,9869
Shares on issue	609,823,954
Company market cap	\$1,707,507,071

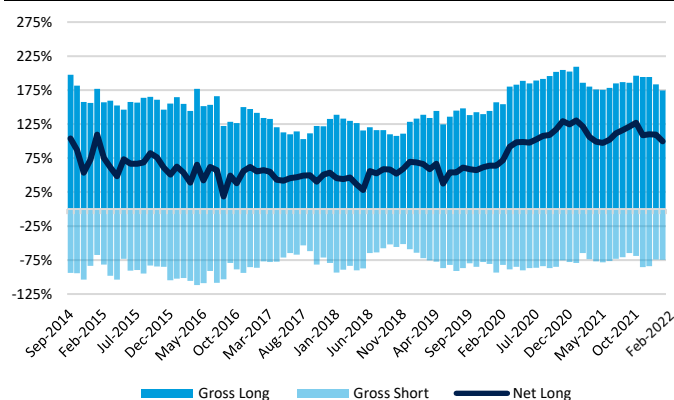
## Net & Gross Exposure by Region<sup>3</sup> (%)

Geography	Gross Long	Gross Short	Net Exposure
Australia / NZ	109	64	45
North America	37	8	29
Europe	22	2	20
Asia	6	0	6
<b>Total</b>	<b>175</b>	<b>75</b>	<b>100</b>

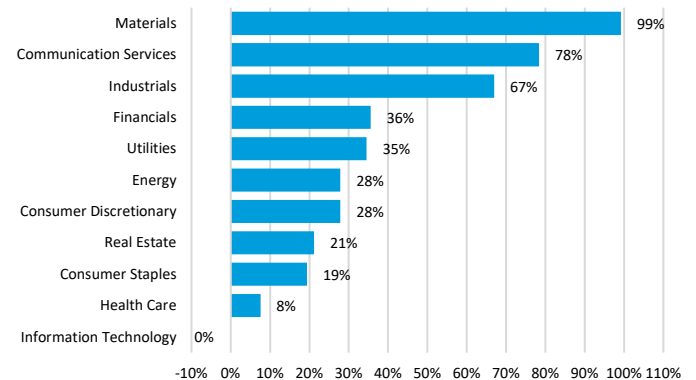
## Strategy Performance Since Inception<sup>3</sup> (Net)



## Historical Strategy Exposures<sup>3</sup>



## Sector Contribution Since Strategy Inception<sup>3</sup> (Net)



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## 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.au">www.L1LongShort.com.au</a>
<b>Linked In</b>	Follow us on

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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. Past performance is not a reliable indicator of future performance.

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