

- The L1 Long Short Fund (LSF) portfolio returned -13.4%¹ in June (ASX200AI -8.8%).
- The portfolio has returned -0.2%¹ over the past 6 months (ASX200AI -9.9%), 10.0%¹ over the past year (ASX200AI -6.5%) and 22.7%¹ p.a. over the past 3 years (ASX200AI 3.3% p.a.).
- Global markets fell sharply in June on increasing concerns over central bank policy tightening and the possibility of a U.S. recession. The portfolio underperformed the market over the month largely due to its exposure to Materials and Energy stocks.

Global markets were very weak in June as a higher than expected U.S. May inflation reading exacerbated investor concerns over the possibility of further Fed tightening, which raised fears about a potential U.S. recession. The S&P 500 fell 8.3% in June, contributing to a 20% fall for the first six months of the year, the worst first half performance since 1970. The Nasdaq fell 8.7% for the month and has now declined 30% for the first half of the year.

The S&P ASX 200 Accumulation Index fell 8.8% during the month with all sectors coming under pressure. The ASX200 finished the first half of 2022 down 9.9%, while the portfolio was able to remain largely flat over the period (-0.2%), which was a relatively pleasing outcome considering the extreme weakness in global and domestic stock markets.

The portfolio performed poorly in June, largely due to the sharp correction in Energy and Materials stocks which fell much further than the underlying changes in commodity prices.

WTI oil prices fell ~8%, primarily on an expected softening in demand due to U.S. economic recession risks. This caused a more substantial drop in oil equities with the S&P Oil and Gas E&P index (XOP) down 23% over the month. We believe the physical energy market remains tight and that the recent pronounced sell-off in equities has been overdone due to a number of non-fundamental factors such as quantitative flows, hedge fund de-grossing, redemptions, ETF flows and margin calls. Given this backdrop, we remain positive on the outlook for Energy and have used the sell-off to add to several of our key positions.

A U.S. recession is likely to result in softer oil demand, however we believe this would be more than outweighed by China re-opening over the coming year. Oil supply continues to remain constrained with sustained declines in global inventories and OPEC+ remains unable to grow production significantly.

Returns (Net) ¹ (%)	L1 Long Short Portfolio	S&P ASX 200 AI	Out-performance
1 month	(13.4)	(8.8)	(4.6)
3 months	(10.4)	(11.9)	+1.5
6 months	(0.2)	(9.9)	+9.7
1 year	10.0	(6.5)	+16.4
2 years p.a.	37.9	9.3	+28.5
3 years p.a.	22.7	3.3	+19.4
LSF Since Inception p.a.	11.0	6.5	+4.6
Strategy Since Inception ² p.a.	21.0	6.2	+14.8

After two years of stronger than normal equity returns, our expectations for market performance over the coming year remain more subdued. We believe the recent market sell-off has been quite erratic and is providing us with a better than usual set of investment opportunities. We have been using this period of heightened market volatility to add to a number of our highest conviction positions at exceptional prices. Given our positive view of the portfolio, we have also been increasing our personal investment in LSF.

Key detractors to portfolio performance during the month of June were:

Mineral Resources (Long -24%) shares declined over the month due to a combination of a ~14% fall in iron ore prices, broad-based weakness in the junior miner space and two well-publicised, bearish lithium reports by major investment banks. We continue to believe that all key areas of Mineral Resources' business (iron ore, lithium and mining services) have favourable medium-term tailwinds. The long-life, low-cost Ashburton iron ore project is expected to soon receive formal sanction with production due in late CY23/early CY24. We believe the market has not yet priced in either the step-change it will deliver for the mining services business or the inherent optionality from a new, major iron ore region.

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\$.



L1 CAPITAL

L1 Long Short Fund Limited

Monthly Report | JUNE 2022

We also expect Mineral Resources to realise its massive lithium growth pipeline (full downstream integration for >100kt of lithium hydroxide production) over the next four years, funded by a recent, successful US\$1.25b bond issue and more subdued, but still 'stronger for longer', lithium prices. Our positive outlook for Mineral Resources was reinforced by our recent visit to their impressive, new, company-owned Perth headquarters which reflect management's vision to provide an industry-leading experience for both head office and mine-based staff.

Bluescope Steel (Long -13%) shares weakened over the month, along with most offshore steel-making companies as U.S. and Asian steel spreads declined. We took the opportunity to top up our position. While the sharp rise in bond yields quickly dampened sentiment to housing, steel demand in the U.S. and Australia remains robust. U.S. steel spreads have declined from record levels but remain healthy and are likely to stay around current levels near-term as the arbitrage on importing steel has now largely been eroded.

Bluescope recently completed the acquisition of MetalX, a scrap business, and Coil Coatings, the U.S.'s second largest metal coating and painting company, as well as an 850kt expansion of the North Star plant in Ohio, which will benefit earnings as it ramps up over 18 months. Given its strong net cash balance sheet, we expect Bluescope to continue its \$985m on-market share buyback program, along with a further low-cost expansion of up to 1.4mt of steel at North Star in the coming years. The company has also committed to a \$1b Port Kembla blast furnace reline and upgrade over the next four years, a solid step towards Bluescope's ESG and carbon abatement targets. The company currently trades on just 4x consensus FY23 EV/EBIT and 5.6x consensus FY23 PE, which we believe significantly undervalues Bluescope's unique and strategic asset base.

Meg Energy (Long -19%) shares fell heavily in June on the back of an ~8% decline in WTI oil prices, providing a good buying opportunity for us. While Meg delivered its turnaround at Christina Lake on time in May, an unexpected electrical outage slowed the ramp-up of energy production in June. Although the company trimmed production guidance for Q2 by ~12% to 67MB/d and for this financial year by ~3% to 92-95MB/d, we believe it is still capable of producing 100MB/d in CY23 and adding a further 10-20% to production for limited capex in the medium term. Meg continues to repurchase shares on market and we believe the buyback program will accelerate as net debt declines, reducing shares on issue considerably in the coming years. Meg remains one of our preferred long-life energy companies, with strong cashflow generation, a de-risked balance sheet and a shareholder friendly management team.

Capstone Copper (Long -32%) shares fell substantially as copper prices declined by 13% in June. While the market is concerned by the possible impact of several new copper projects and expansions to be delivered in 2022 and 2023, this should not distract from the major supply shortfall that we expect in the medium to longer term, as the copper-intensive global energy transition gains momentum.

Capstone is a fast-growing copper mining company focussed in the Americas with four producing mines, one undergoing a major expansion (with capex largely fixed under a lump sum contract) and one awaiting final investment decision. The company currently has no net debt and is well funded to complete the currently approved project pipeline (even in a more adverse copper price environment). We expect Capstone to double production over the medium term with the commencement and ramp-up of the Santo Domingo copper and cobalt project. The company has a capable management team that has emphasised long-life projects as well as low-cost expansion opportunities (rather than risky M&A or capex-intensive growth projects). We took advantage of the large sell-off to top up our position, with Capstone currently trading on only 4x consensus FY24 P/E, when the projects currently under construction will be in full production.

Qantas (Long -19%) shares declined in June, despite reaffirming second half EBITDA guidance, due to a combination of market concerns over an economic slowdown and high jet fuel costs. We continue to view Qantas as having emerged from the pandemic period even stronger than before, given its \$1b cost out program, improved market position and the massive pent-up demand for business and leisure travel, which we believe will persist despite macroeconomic headwinds. The company has announced plans to combat near-term higher input costs through passing some costs on to travellers and through a modest reduction in its domestic travel capacity over the next 12 months. We have long viewed Qantas as one of the world's highest quality airlines, with its dominant industry position, high-growth loyalty (frequent flyer) division and well-regarded management team.



L1 CAPITAL

L1 Long Short Fund Limited

Monthly Report | JUNE 2022

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	(13.39)							(0.21)

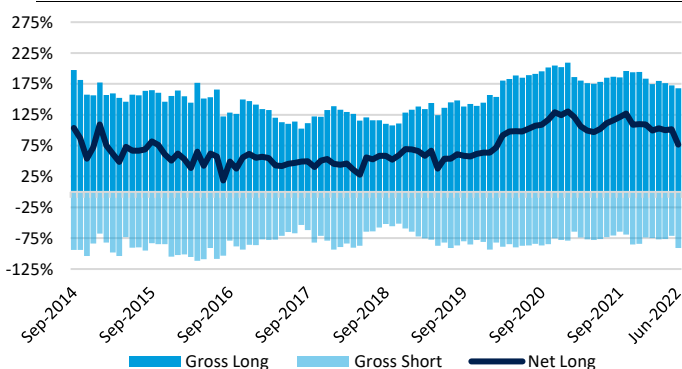
Portfolio Positions

Number of total positions	85
Number of long positions	62
Number of short positions	23
Number of international positions	31

Net & Gross Exposure by Region³ (%)

Geography	Gross Long	Gross Short	Net Exposure
Australia/NZ	106	77	30
North America	35	14	21
Europe	23	0	23
Asia	5	0	5
Total	170	91	78

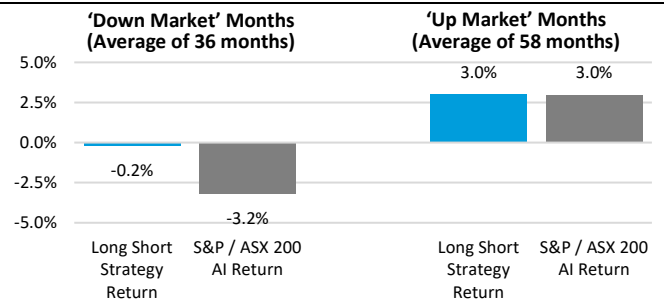
Historical Strategy Exposures³



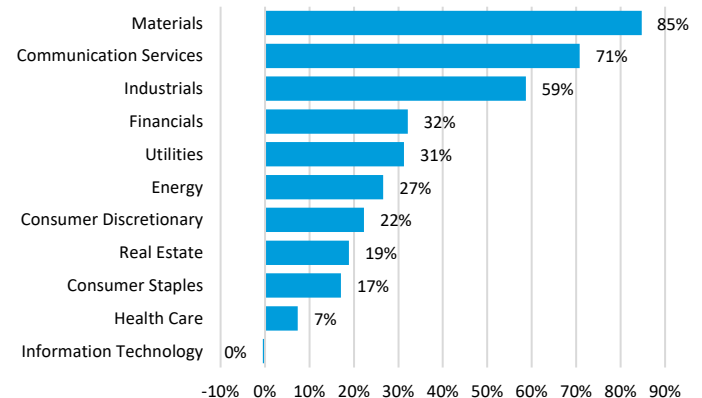
Company information as at 30 June 2022⁴

Share Price	\$2.56
NTA before tax	\$2.7055
NTA after tax	\$2.7545
Shares on issue	611,162,437
Company market cap	\$1.56b

Strategy Performance Since Inception³ (Net)



Sector Contribution Since Strategy Inception³ (Net)



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 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

Monthly Report | JUNE 2022

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
Company website	www.L1LongShort.com
LinkedIn	Follow us on

Contact us

Head of Distribution

Chris Clayton | cclayton@L1.com.au | +61 3 9286 7021

Researchers

Aman Kashyap | akashyap@L1.com.au | +61 477 341 403

Advisors

Alexander Ordon | aordon@L1.com.au | +61 413 615 224

Alejandro Espina | aespina@L1.com.au | +61 423 111 531

Matthew Leung | mleung@L1.com.au | +61 431 747 929

Private Clients

Edward Vine | evine@L1.com.au | +61 412 525 390

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.



L1 CAPITAL

Level 28, 101 Collins Street
Melbourne VIC 3000

Australia

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.