

17 November 2022

The Manager

ASX Market Announcements

L1 Long Short Fund Limited – 2022 Annual General Meeting – Chairman’s Address

Market conditions have been difficult in 2022, with equity markets impacted by rising inflation, increasing global interest rates and geopolitical tensions. These conditions have not been seen for many years and have proven challenging for the Company over the last 12 months, albeit the Manager did outperform the S&P ASX200 Accumulation Index during the calendar year to date.

The Manager’s returns for calendar year 2022 as at the end of October were -1.3% compared with -4.1% for the S&P ASX200 Accumulation Index. While it has been a somewhat frustrating year at times, the Manager’s performance over the last 3 years has been exceptional, with the Company’s portfolio returning 19.5% pa (net of fees), compared with 4.8% pa for the S&P ASX200 Accumulation Index. This is an outperformance of 14.7% pa over that period. Since IPO in April 2018, the Company’s portfolio has outperformed the S&P ASX200 Accumulation Index by 2.4% pa.

At the Australian Alternative Investment awards in late September, the Company won the award for the “Best Listed Alternative Investment Product” and in mid October at the Zenith Awards, the L1 Long Short Strategy won the award for best “Australian Equities - Alternative Strategies”.

Looking forward, the Manager remains cautious on the outlook for global markets and has continued to reduce its net long exposure to around 50%. At the same time last year, the net long was over 100%.

In this environment, where markets are particularly uncertain, the Company’s fortunes will be determined by the ability of the Manager to carefully select stock positions, agilely adjust net long exposures and generally navigate volatile equity markets. We feel the Company is in good hands with L1 Capital as the Manager. Previous periods of volatility have provided the Manager with opportunities to buy good quality stocks at attractive prices.

Dividends

The company paid an interim dividend of 4c/share fully franked in March 2022 and a final dividend of 4.5c/share fully franked in September 2022, bringing total dividends for the year to 8.5c/ share fully franked, which was an uplift of 89% on PCP. We expect total dividends to increase in 2023.

Capital Management

Over the last 12 months the share price discount to post-tax NTA has been around 5%.

The Board believes that the following measures have been and continue to be important in minimising this discount:

1. Strong performance by the Investment Manager.



2. Regular and growing fully franked dividend payments.
3. An ongoing share buyback programme, whereby the Company will acquire shares if the discount to post tax NTA is greater than 10%.
4. Strong Alignment from the Manager and the Non-Executive Directors. During the year, Both Mark and Rafi continued to increase their investment in the Company, bringing the total shareholdings of the owners of the Manager to around 15% of the Company. Non Executive Directors also increased their shareholdings in the Company during the year.
5. Extensive market communications. The Company has a comprehensive investor relations program that includes daily NTA disclosures, monthly and quarterly reports, six monthly investor webinars, periodic Podcasts and over 500 meetings with shareholders, key advisory and wealth management groups over the last 12 months. Last week over 700 people attended the latest investor webinar, hosted by Mark Landau.

In conclusion, your Board would like to thank the Manager for their hard work over the last 12 months, in difficult market conditions. I know their team is sticking to their processes that have provided exceptional historical returns through value investing based upon deep industry and company specific research.

I would also like to thank all of our shareholders for their continuing support of the Company. It is very much appreciated

ENDS

Authorised for release by Andrew Larke, Chairman.