

- The L1 Long Short Fund (LSF) portfolio returned 7.5%¹ in November (ASX200AI 6.6%).
- Over the past 3 years, the portfolio has returned 22.2%¹ p.a. (ASX200AI 5.9% p.a.).
- Global equity markets rallied on the back of falling bond yields and some early signs that China may step away from its strict 'zero COVID' policy.

Global equity markets rallied in November on the back of falling bond yields and hopes that inflation pressures may have peaked. Early signs of China moving away from its strict 'zero COVID' policy saw strong gains in Chinese and Hong Kong listed stocks and those companies most exposed to a potential China re-opening. As outlined in our [November Webinar](#), we are optimistic about the prospect of a China re-opening in 2023 and the portfolio is well positioned to benefit from any progress on this front.

Markets were further supported by Fed Chair Jerome Powell's comments at the end of the month that the pace of interest rate increases could moderate as early as the Fed's next meeting in December.

The gold price rose strongly by US\$114 per oz to US\$1,754 per oz and the Australian Dollar gained 6% against the US Dollar, supported by declining bond yields and speculation the Fed is closer to the end of the hiking cycle.

Portfolio performance was strong in November, driven by several positive stock-specific updates along with tailwinds from positive China re-opening sentiment.

We remain cautious on the outlook for equity markets given the lagged impact of significant interest rate increases, deteriorating leading economic indicators, increasing pressure on corporate earnings into 2023 and tail risk from geopolitical tensions. As a result, we are maintaining our conservative portfolio positioning and have taken profits in several positions that have performed well over the past two years.

| Returns (Net) ¹ (%) | L1 Long Short Portfolio | S&P ASX 200 AI | Out-performance |
|--|-------------------------|----------------|-----------------|
| 1 month | 7.5 | 6.6 | +0.9 |
| 3 months | 4.6 | 6.0 | -1.5 |
| CYTD | 6.1 | 2.2 | +3.9 |
| 1 year | 10.0 | 5.0 | +5.0 |
| 2 years p.a. | 20.1 | 10.1 | +9.9 |
| 3 years p.a. | 22.2 | 5.9 | +16.3 |
| 4 years p.a. | 20.6 | 10.6 | +9.9 |
| LSF Since Inception p.a. | 11.5 | 8.8 | +2.6 |
| Strategy Since Inception ² p.a. | 20.6 | 7.5 | +13.1 |

Key contributors to portfolio performance in November included:

Origin Energy (Long +41%) shares rallied after receiving a takeover offer at \$9.00 per share from a consortium led by Brookfield Asset Management and MidOcean Energy. The offer represents a 55% premium to Origin's share price prior to the announcement of the proposal and follows two prior rejected proposals at \$7.95 per share on 8 August 2022 and \$8.70-\$8.90 per share on 18 September 2022. The takeover offer recognises the upside potential we saw in the company. We decided to exit the position during the month given some risks to completion remain, including, due diligence and regulatory approvals.

Sandfire Resources (Long +45%) shares rallied as copper prices rose 11% on expectations of a gradual reopening of the Chinese economy. China accounts for more than 50% of global copper demand, with its economic recovery critical to support copper prices. Sandfire also announced an entitlement offer to raise \$200m during the month in order to strengthen its balance sheet as the company completes a capex-intensive investment period developing the Motheo Copper Mine in Botswana. We continue to see compelling valuation upside in Sandfire with the commencement of Motheo production in FY24 set to deliver a step-change in profits and cash flow for the company.

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\$. Returns are on a total return basis unless otherwise specified.

Seven Group Holdings (Long +14%) shares gained after providing a strong trading update at its AGM in November, including double digit earnings growth expectations for its WesTrac and Coates business units for FY23. These business units account for roughly two-thirds of Group earnings and are well positioned to grow strongly over the medium term as investment in mining, construction and infrastructure continues to grow. Seven also holds a 72.6% shareholding in Boral, one of the largest building and construction materials companies in Australia. Boral earnings have been impacted by surging input costs and significant wet weather delays. Under new leadership, and in a normalised trading environment, we believe Boral has the potential to more than double earnings over the medium-term from current levels.

Alibaba Group (Long +38%) shares gained on positive China re-opening sentiment. Alibaba reported Q3 earnings during the month which showed improved margins supported by cost reduction and efficiency initiatives. The company also increased its share buyback program by US\$15b reflecting management's long-term confidence in the business. Alibaba remains a high-quality business with leading positions in both eCommerce and Public Cloud. We believe earnings growth in 2023 will be supported by a broader economic recovery as COVID-related restrictions are eased.

Qantas (Long +7%) shares continued to climb after the company provided its second earnings upgrade in six weeks. Qantas increased first half profit before tax expectations by \$150m to \$1.35-1.45b and announced it expects to further reduce net debt by \$900m to \$2.3-2.5b by 31 December 2022. The company also noted that it is actively considering further shareholder returns given its low levels of net debt.

We continue to view Qantas as having emerged from the pandemic even stronger than before, given its \$1b cost out program, improved market position and the massive pent-up demand for leisure travel, which we expect will persist despite macroeconomic headwinds. If Qantas management can achieve its FY24 targets, there is potential to deliver close to \$1 of earnings per share, with Qantas currently trading on only ~6x P/E on that basis. We believe there is significant share price upside through earnings growth and a P/E re-rating as the company's earnings mix shifts towards more predictable domestic earnings and loyalty business.

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) | (3.34) | 5.37 | (7.60) | 5.24 | 7.52 | | 6.09 |

Portfolio Positions

| | |
|-----------------------------------|----|
| Number of total positions | 91 |
| Number of long positions | 60 |
| Number of short positions | 31 |
| Number of international positions | 30 |

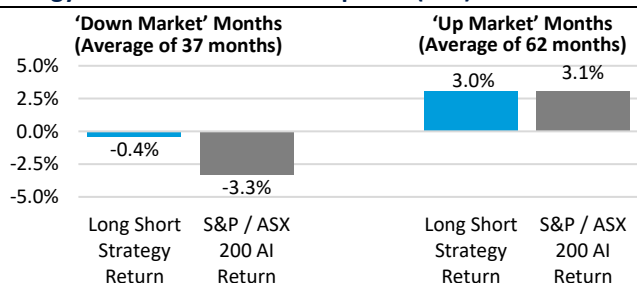
Company information as at 30 November 2022⁴

| | |
|--------------------|-------------|
| Share Price | 2.6000 |
| NTA before tax | 2.8416 |
| NTA after tax | 2.8367 |
| Shares on issue | 613,825,593 |
| Company market cap | \$1.596b |

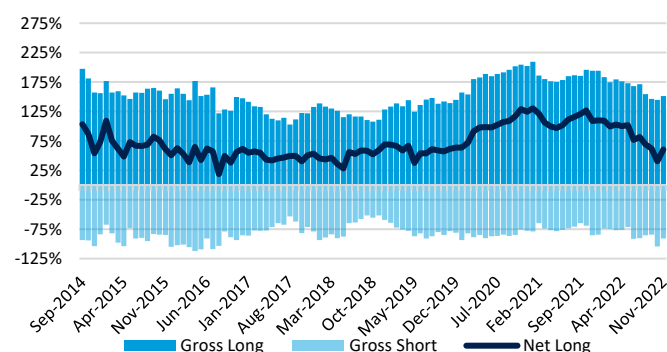
Net & Gross Exposure by Region³ (%)

| Geography | Gross Long | Gross Short | Net Exposure |
|----------------------|------------|-------------|--------------|
| Australia/NZ | 91 | 77 | 15 |
| North America | 39 | 14 | 25 |
| Europe | 13 | 0 | 13 |
| Asia | 8 | 0 | 8 |
| Total | 151 | 91 | 60 |

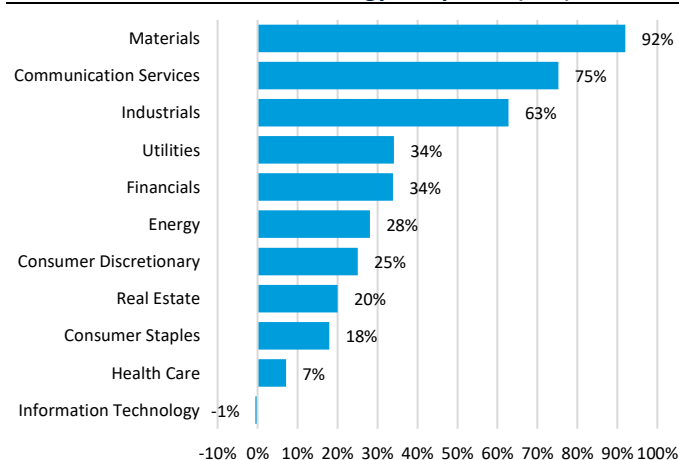
Strategy Performance Since Inception³ (Net)



Historical Strategy Exposures³



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.

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 |
| Manager website | www.L1.com.au |
| 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 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.



Level 45, 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.