

- The L1 Long Short Fund (LSF) portfolio returned 0.5%<sup>1</sup> in March (ASX200AI -0.2%).
- Over the past 3 years, the portfolio has returned 42.3%<sup>1</sup> p.a. (ASX200AI 16.5% p.a.).
- Global equity markets were volatile in March driven by the collapse of several U.S. and European banks and concern this may lead to a broader banking crisis.

Global markets were volatile in March, with a sharp fall in the middle of the month driven by fears of a banking crisis as two regional U.S. Banks, Silicon Valley Bank and Signature Bank, collapsed on liquidity concerns. This led to further contagion in Europe, with Credit Suisse subject to a hasty takeover by UBS. As Credit Suisse is one of 30 banks considered to be of systemic importance to the global economy, the Swiss Government and regulator facilitated the takeover to quickly stem further banking turmoil.

Markets recovered in the back half of the month as the flight of deposits from U.S. regional banks slowed, the Credit Suisse takeover terms were finalised and inflation showed further signs of moderation.

Bond yields collapsed in both Australia and the U.S. during the month (U.S. 10-year yield -42bps and Australian 10-year yield -56bps) with stress in the banking system leading the market to price in three rate cuts in the U.S. in the back half of the year.

The S&P/ASX 200 Accumulation Index returned -0.2% in March with mixed performance across sectors. Materials (+5.9%), Communication Services (+3.4%) and Consumer Discretionary (+1.7%) were the strongest sectors, while Property (-6.8%), Financials (-4.9%) and Energy (-1.5%) lagged.

**We maintain a relatively cautious market outlook due to the lagged impact of significant interest rate hikes, weakness in leading economic indicators, gradually increasing pressure on corporate earnings and tail risk from geopolitical tensions.**

**Given that assessment, we have intentionally set a lower than usual net market exposure. We anticipate ongoing market volatility as investors continually reassess their expectations for the economy, interest rates and corporate profits. From our extensive company research, we are continuing to identify numerous mis-priced stocks that we believe will deliver attractive long-term returns for our investors.**

Returns (Net) <sup>1</sup> (%)	L1 Long Short Portfolio	S&P ASX 200 AI	Out-performance
<b>1 month</b>	0.5	(0.2)	+0.7
<b>3 months</b>	2.1	3.5	(1.4)
<b>6 months</b>	20.5	13.2	+7.4
<b>1 year</b>	1.5	0.1	+1.4
<b>2 years p.a.</b>	16.4	7.3	+9.1
<b>3 years p.a.</b>	42.3	16.5	+25.7
<b>4 years p.a.</b>	21.5	7.9	+13.6
<b>LSF Since Inception p.a.</b>	12.1	8.2	+3.8
<b>Strategy Since Inception<sup>2</sup> p.a.</b>	20.6	7.3	+13.4

Portfolio performance was marginally positive over the month, driven by strong performance of a number of key portfolio positions along with tailwinds from our exposure to the gold sector. This was partially offset by the movement in bond yields which supported the outperformance of high-multiple growth stocks where we have some short positions.

Key contributors to portfolio performance in March included:

**Newcrest Mining (Long +19%)** shares rallied with gold prices up close to 10% over the month. Newcrest is the largest gold producer on the ASX with annual gold production in excess of 2,000koz. The company is also a significant copper producer, with FY23 guidance for 135kt-155kt of copper from its Cadia, Telfer and Red Chris operations. In early February, the company received a takeover proposal from Newmont at an implied premium of ~22% to the pre-offer share price. Newcrest rejected the offer on valuation grounds. On 11 April, a revised proposal was received at a 46% premium to the pre-offer share price, with Newmont currently conducting confirmatory due diligence to put forward a binding proposal.

We believe gold equities generally continue to remain attractive as gold demand from central banks increases, U.S. interest rates look to be nearing a peak and the U.S. dollar potentially weakens. Furthermore, we expect M&A activity in the sector to be a continued theme going forward.

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\$. Index returns are on a total return (accumulation) basis unless otherwise specified.



L1 CAPITAL

# L1 Long Short Fund Limited

Monthly Report | MARCH 2023

The largest gold miners have robust balance sheets and continue to search for opportunities to increase production, replenish depleting gold reserves and improve synergies across operations through greater scale. Consolidation provides a lower risk and shorter timeframe to achieving these objectives at a time when large scale discoveries have become scarce and development timelines have extended.

**Flutter (Long +10%)** shares continued to rise with FY22 results highlighting continued strong performance from its U.S. business. Flutter's U.S. sports betting market share accelerated to 50% from ~40% in the prior period, driven by its superior product, efficient customer acquisition strategies and strong operational execution. The U.S. division is now the largest by revenue for the company, with a clear path to profitability in 2023. This shift to profitability, together with the exponential growth of the U.S. sports betting market, underpins Flutter's ability to significantly accelerate its earnings growth over the next few years. The company is also exploring a secondary listing in the U.S. which could be implemented by the end of this calendar year. This will enhance the company's profile, increase liquidity in Flutter shares and unlock deeper access to capital markets through new U.S. domestic investors. We continue to believe Flutter remains significantly undervalued given its exceptional growth outlook and dominant industry position.

**Apple (Short +12%)** was a detractor from portfolio performance in March. Apple shares rose over the month with mega-cap technology stocks rallying as volatility in the banking sector led to investors crowding into stocks perceived as more defensive and liquid. We continue to see risks to Apple's earnings as demand weakens for its key products and in particular its flagship iPhone 14 device. Despite having a fantastic brand and loyal customer base, we believe the company has benefitted significantly from a one-off pull forward of demand through the COVID-19 lockdown period, which we expect will start to normalise over the next 2-3 quarters.

The lockdown period delivered a huge windfall to Apple as a combination of work/study from home conditions and government stimulus fuelled a surge in purchases of its key products. During this period, Apple also benefitted from the launch of two of its most important products (5G iPhone 12 and Apple Silicon MacBook), along with significant market share gains in China as a result of Huawei's exit from the market. This drove a spike in net profit from a broadly flat range of US\$50-60b p.a. between FY15 to FY20 to ~US\$100b in FY22. We believe tougher economic conditions, a less exciting new product line-up and input cost pressures will weigh on Apple's ability to meet/exceed consensus earnings expectations in 2023. Apple shares are currently trading around \$165/share, compared to around \$80/share pre-COVID.

### 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	1.34	3.44	0.06	(13.39)	(3.34)	5.37	(7.60)	5.24	7.52	4.36	<b>10.72</b>
<b>2023</b>	3.65	(2.04)	0.54										<b>2.08</b>

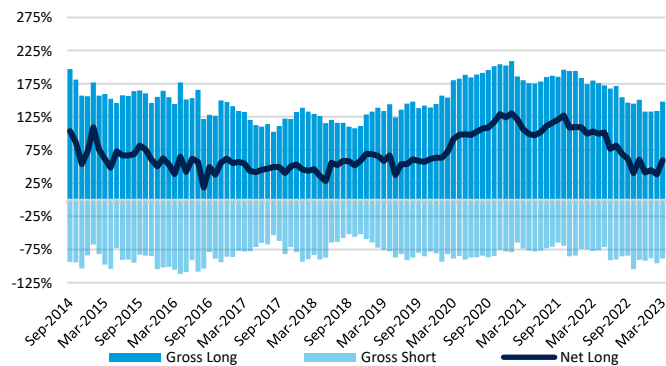
### Portfolio positions

Number of total positions	80
Number of long positions	56
Number of short positions	24
Number of international positions	25

### Net & gross exposure by region<sup>3</sup> (%)

Geography	Gross Long	Gross Short	Net Exposure
Australia/NZ	92	73	19
North America	42	15	26
Europe	12	-	12
Asia	2	-	2
<b>Total</b>	<b>148</b>	<b>89</b>	<b>60</b>

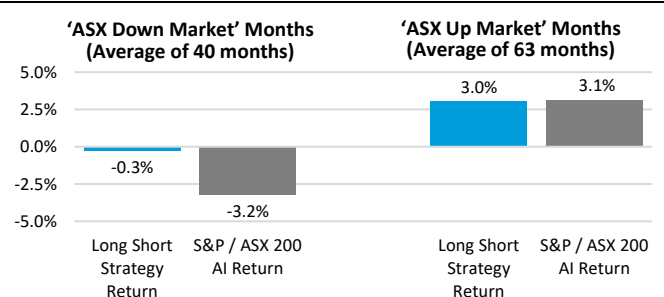
### Historical Strategy exposures<sup>3</sup>



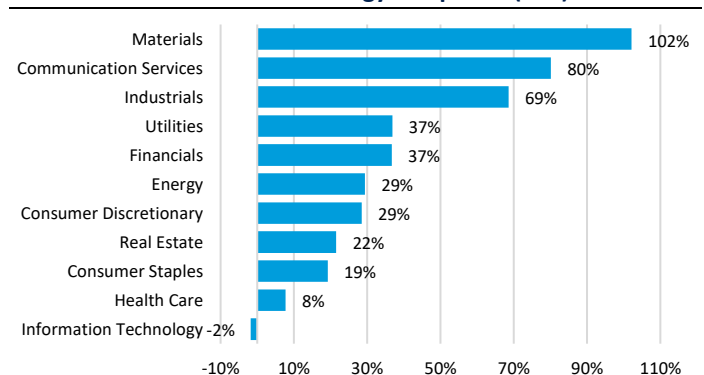
### Company information as at 31 March 2023<sup>4</sup>

Share Price	\$2.8700
NTA before tax	\$2.9774
NTA after tax	\$2.9227
Shares on issue	613,825,593
Company market cap	\$1.76b

### Strategy performance since inception<sup>3</sup> (Net)



### 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">www.L1LongShort.com</a>
<b>Manager website</b>	<a href="http://www.L1.com.au">www.L1.com.au</a>
<b>LinkedIn</b>	Follow us on 

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## Company information – LSF

<b>Name</b>	L1 Long Short Fund Limited
<b>Structure</b>	Australian Listed Investment Company (ASX:LSF)
<b>Inception</b>	24 April 2018
<b>Management fee</b>	1.44% p.a. inclusive of GST and net of RITC
<b>Performance fee</b>	20.50% p.a. inclusive of GST and net of RITC
<b>High watermark</b>	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.



**L1 CAPITAL**

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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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