

- The L1 Long Short Fund (LSF) portfolio returned -3.2%<sup>1</sup> in May (ASX200AI -2.5%).
- Over the past 3 years, the portfolio has returned 27.5%<sup>1</sup> p.a. (ASX200AI 11.4% p.a.).
- Global equity markets were generally weaker in May as investors remained concerned about the risk of a U.S. government debt default and slowing economic growth.

The ASX200 and MSCI World fell in May as investors remained concerned with rising interest rates and a softening demand environment, along with elevated risks of a potential U.S. debt default, with debt levels approaching the US\$31.4 trillion debt ceiling.

Mega-cap technology stocks performed strongly as artificial intelligence and ChatGPT dominated headlines across the market. This perpetuated the extremely narrow level of market leadership we have seen over the year to date, with the seven best performing stocks in the S&P500 responsible for 100% of the total index return in 2023 (i.e. the aggregate return of the remaining 493 stocks has been zero). 'Value' equities underperformed 'Growth' equities in May by the most of any month in over 20 years. The last time this level of divergence in performance occurred was near the peak of the dot-com boom.

Bond yields rose in Australia and the U.S. (Australian 10-year yield +27bps and U.S. 10-year yield +22bps) as both the RBA and the Fed lifted interest rates by 25bps over the month with inflation continuing to remain sticky.

Commodity markets were weak (iron ore -3%, coking coal -3%, copper -6%, Brent crude -9%, nickel -16%) primarily driven by concerns over weakening U.S. demand and a sluggish Chinese economy, as well as a stronger U.S. dollar.

**We are cautious on the outlook for the stock market given the looming impact of significant interest rate hikes, weakness in leading economic indicators, gradually increasing pressure on corporate earnings and lingering tail risk from geopolitical tensions.**

**Given that backdrop, we have intentionally set a lower than usual net market exposure. We anticipate ongoing market volatility as investors continue to 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>	(3.2)	(2.5)	(0.7)
<b>3 months</b>	(1.1)	(0.9)	(0.2)
<b>6 months</b>	4.8	(0.6)	+5.4
<b>1 year</b>	(3.5)	2.9	(6.4)
<b>2 years p.a.</b>	10.4	3.9	+6.5
<b>3 years p.a.</b>	27.5	11.4	+16.1
<b>4 years p.a.</b>	20.9	6.6	+14.4
<b>5 years p.a.</b>	12.8	7.5	+5.3
<b>LSF Since Inception p.a.</b>	11.3	7.8	+3.5
<b>Strategy Since Inception<sup>2</sup> p.a.</b>	20.0	7.0	+13.0

*Figures may not sum exactly due to rounding.*

The S&P/ASX 200 Accumulation Index declined 2.5%. Information Technology (+11.6%), Utilities (+1.1%) and Energy (+0.2%) were the strongest sectors, while Consumer Discretionary (-6.1%), Consumer Staples (-4.6%) and Materials (-4.4%) lagged.

Portfolio performance was impacted by the sharp decline in commodity prices, as well as the rally in high-multiple growth stocks where we have some short positions.

We believe a deteriorating demand picture is already factored into commodity prices and there remains a likely structural improvement in medium-term demand for some commodities, such as copper and nickel.

The crowding in mega-cap technology stocks and 'expensive defensives' is at extreme levels relative to history. This has typically been an indicator of a likely inflection in market leadership and should support a reversion to cyclical equities which we believe are undervalued and under-owned.

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.

Key contributors to portfolio performance in May included:

**Allkem (Long +21%)** shares surged due to the announcement of an all-stock merger of equals with Livent, to create a leading, global, integrated lithium chemicals producer. The combined entity is expected to be the third largest lithium producer in the world by 2027, with production capacity of ~250ktpa lithium carbonate equivalent. Furthermore, the transaction is expected to generate cost synergies of US\$125m p.a. and a one-time capex saving of ~US\$200m. Livent management will lead the combined entity, with a primary listing in the U.S., which we believe could attract a higher multiple in line with U.S. peers such as Albemarle.

**James Hardie (Long +13%)** shares rose after announcing Q1 FY23 earnings guidance well above market expectations. There continues to be uncertainty in terms of the impact that rising interest rates will have on housing, and on repair and remodel demand. However, the company provided confidence that it can maintain strong margins even allowing for a sharp decline in fibre cement volumes. This is driven by its more resilient end-market exposure, the benefits of its product mix shifting towards higher-margin products and its proactive cost management program. We continue to believe James Hardie is well placed to manage through the current period of softer demand and thereafter, to continue to grow at an above-market rate for many years to come.

Key detractors from portfolio performance in May included **Capstone (-16%)**, **Teck Resources (-16%)** and **Imdex (-11%)**, which were all impacted by the downturn in commodity prices over the month.

Investors remain cautious on the near-term demand outlook and in particular, the recovery of the Chinese economy where consumer spending and industrial activity grew at a slower pace than expected in April. Demand for services continues to recover strongly in China, however, this has not yet extended into a greater demand for goods.

Whilst near-term demand may remain subdued, the medium-term fundamentals across our commodity exposures continues to remain positive. Furthermore, our key portfolio positions have strong production growth, with any positive commodity price moves adding incremental upside.

## 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	1.64	(3.19)								<b>0.44</b>

## Portfolio positions

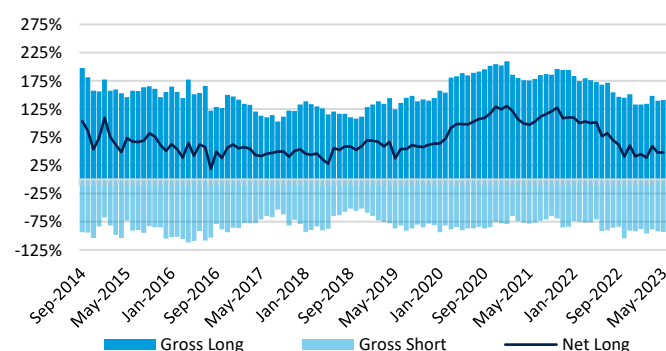
Number of total positions	74
Number of long positions	54
Number of short positions	20
Number of international positions	23

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

Geography	Gross long	Gross short	Net exposure
<b>Australia/NZ</b>	90	76	14
<b>North America</b>	36	17	20
<b>Europe</b>	12	-	12
<b>Asia</b>	3	-	3
<b>Total</b>	<b>141</b>	<b>93</b>	<b>47</b>

Figures may not sum exactly due to rounding.

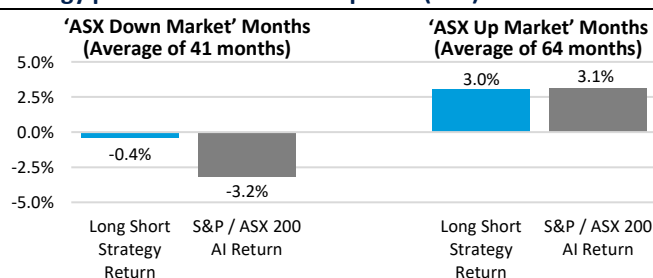
## Historical Strategy exposures<sup>3</sup>



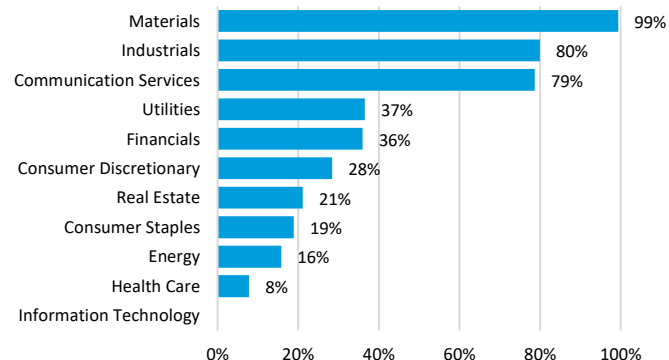
## Company information as at 31 May 2023<sup>4</sup>

Share Price	\$2.79
NTA before tax	\$2.93
NTA after tax	\$2.89
Shares on issue	616,618,288
Company market cap	\$1.72b

## 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 

### Contact us

#### Head of Distribution

Chris Clayton | [cclayton@L1.com.au](mailto:cclayton@L1.com.au) | +61 3 9286 7021

#### Researchers

Aman Kashyap | [akashyap@L1.com.au](mailto:akashyap@L1.com.au) | +61 477 341 403

#### Advisors

Alexander Ordon | [aordon@L1.com.au](mailto:aordon@L1.com.au) | +61 413 615 224

Alejandro Espina | [aespina@L1.com.au](mailto:aespina@L1.com.au) | +61 423 111 531

Lisa Salamon | [lsalamon@L1.com.au](mailto:lsalamon@L1.com.au) | +61 406 585 322

#### Private Clients

Edward Vine | [evine@L1.com.au](mailto:evine@L1.com.au) | +61 412 525 390

### 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

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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 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, private wealth firms, financial planning groups, family offices, high net worth investors and retail investors.



**L1 CAPITAL**

Level 45, 101 Collins Street  
Melbourne VIC 3000  
Australia  
[www.L1.com.au](http://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.

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