

- The L1 Long Short Fund (LSF) portfolio returned 3.3%¹ in April (ASX200AI -2.9%).
- Over the past 3 years, the portfolio has returned 14.2%¹ p.a. (ASX200AI 7.3% p.a.).
- Global markets declined sharply on the back of elevated geopolitical risks and rising bond yields, as upside inflation surprises resulted in Central Banks indicating a higher for longer interest rate outlook.

Global markets retreated in April due to a mix of stronger than expected inflation data, rising geopolitical tensions and moderating U.S. economic data. U.S. real GDP growth for the March quarter of 1.6% fell well below market expectations of ~2.4%. CPI increased to 3.5% year-on-year, marking the biggest gain in six months and the third straight month of strong readings.

The persistently high inflation data led to a sharp reversal in interest rate cut expectations as well as a ~50bps increase in Australian and U.S. 10-year government bond yields. The market is now forecasting only a single 25bps interest rate cut in the U.S. this year relative to three cuts a month ago, and a peak of seven cuts in December of last year. In Australia the shift was even more pronounced, with the market pricing in the possibility that rates may have to rise further in order to fight inflation.

Commodity prices rose in April, with Gold and Oil moving higher on geopolitical tensions. Copper performed particularly well due to takeover interest in the sector (BHP's proposal to acquire Anglo American) and with the continued realisation that near-term deficits are likely, given ongoing mine supply disruptions. Please refer to our [March Quarterly Report](#) for further detail on our copper outlook.

The S&P/ASX 200 Accumulation Index returned -2.9% during April. Utilities (+4.8%), Materials (+0.6%) and Healthcare (-2.5%) were the strongest sectors, while Property (-7.8%), Consumer Discretionary (-5.1%) and Communication Services (-4.9%) lagged.

We continue to see heightened risks from any upside inflation surprises as Central Banks attempt to navigate 'soft landing' outcomes. Ongoing geopolitical tensions, war in the Middle East and potential impacts from events such as the U.S. election, provide an additional layer of uncertainty. Against this backdrop, we see equity markets as being relatively fully priced overall, but within that there are numerous compelling opportunities in low P/E, highly cash generative companies, along with select opportunities on the short side, particularly in some expensive growth stocks with overly optimistic market expectations.

Returns (Net) ¹ (%)	L1 Long Short Portfolio	S&P/ASX 200 AI	Out-performance
1 month	3.3	(2.9)	+6.3
3 months	10.6	1.0	+9.6
1 year	13.6	9.1	+4.5
2 years p.a.	6.4	5.9	+0.5
3 years p.a.	14.2	7.3	+6.9
4 years p.a.	28.2	12.7	+15.4
5 years p.a.	19.5	8.0	+11.5
LSF Since Inception p.a.	12.4	8.6	+3.9
LSF Strategy Since Inception ² p.a.	20.0	7.6	+12.4

Figures may not sum exactly due to rounding.

The portfolio performed strongly, driven by broad-based stock gains along with tailwinds from copper, energy and gold markets.

During the month, we trimmed some positions that have been big winners for the portfolio over the past year and used this opportunity to add to some of our existing high-conviction positions (including AGL, Chorus and Santos) and to invest in several new positions (including Anglo American and Tesco).

Key contributors to portfolio performance in April were:

Newmont (Long +19%) shares outperformed as the company released its first quarter results where gold production exceeded consensus estimates. We believe that much of Newmont's recent operating weakness is transitory and that the company is well placed to produce strong quarterly results throughout the year and restore market confidence. Newmont also sold a non-core gold asset for US\$330m. This move is consistent with the company's strategy to focus on execution at its large, low-cost and high free cash flow generative assets, while divesting smaller operations to simplify the portfolio. Following the acquisition of Newcrest, Newmont is the largest gold producer in the world and has an extensive portfolio of tier one mining assets with several development-ready growth assets supporting production expansion over the next few years. In addition, the company has strong exposure to copper, with annual copper production of around 150kt.

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.



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Qantas (Long +8%) shares rallied over the month after outlining plans to improve its Loyalty offer to enable easier access for Frequent Flyer members to use their points. The revision to the Loyalty offer had a smaller impact on earnings than market expectations and the company clearly articulated the strong medium-term benefits of investing in the program.

We believe Qantas remains very well placed over the next few years, given it has Australia's best loyalty business (which is expected to double earnings over the next 5-7 years), a raft of brand new, more fuel-efficient aircraft, and Project Sunrise, which will enable direct flights from Melbourne/Sydney to London and New York. It also has sufficient balance sheet capacity to continue buying back shares and to recommence fully franked dividends next year. The new CEO, Vanessa Hudson, is rapidly and methodically addressing customer 'pain points', which should improve sentiment from both customers and potential investors.

Qantas trades on a FY25 P/E of only 6x, despite a dominant industry position, exposure to the structural tailwinds of Asian inbound tourism to Australia and a high growth, capital-light loyalty division, which remains incredibly underappreciated by the market.

Capstone (Long +11%) performed strongly for the month, as copper prices continued to rally upwards (+14% in April) and as BHP's bid for Anglo American enhanced the market's focus on the strategic value of copper producers. Capstone has an exceptional growth profile with a pipeline of fully permitted projects that are poised to more than double its current copper production to nearly 400kt over the next few years. Additionally, the company is commissioning its Mantoverde project which we expect to result in a major positive inflection in operating metrics across the business. The company is fully funded to complete its currently approved project pipeline and is led by a highly capable, focussed and aligned management team.

Anglo American (Long +35%) shares rallied following the announcement of a US\$39b all-scrip acquisition proposal from BHP. The Anglo American Board subsequently rejected the proposal noting that it is opportunistic and significantly undervalues the company and its future prospects. The company is currently trading at a premium to the implied BHP offer reflecting the market's view that BHP will need to increase its bid to get to an agreed transaction, as well as the possibility of a competing bid emerging.

We accumulated our position in Anglo American recently, with the company providing exposure to a high-quality copper portfolio at an attractive valuation following a period of underperformance. Irrespective of the outcome of the takeover proposal, we believe Anglo American has an opportunity to unwind what we see as a meaningful discount to its 'sum of the parts' valuation by addressing the complexity of its portfolio and refocusing its capital allocation strategy.

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	4.36	10.72
2023	3.65	(2.04)	0.54	1.64	(3.19)	1.70	5.25	(4.89)	0.94	(3.07)	2.39	3.67	6.20
2024	0.30	(0.97)	8.11	3.32									10.94

Portfolio positions

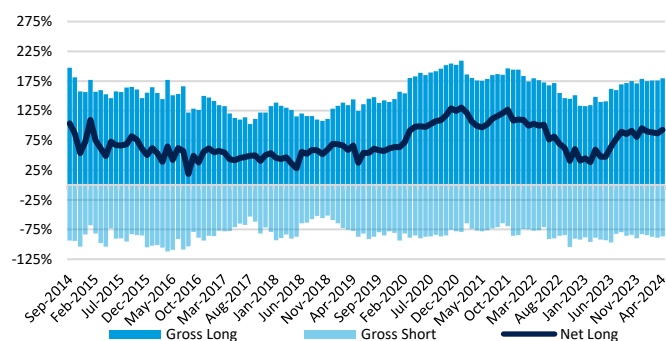
Number of total positions	86
Number of long positions	64
Number of short positions	22
Number of international positions	27

Net & gross exposure by region³ (%)

Geography	Gross long	Gross short	Net exposure
Australia/NZ	113	76	36
North America	29	7	22
Europe	32	-	32
Asia	6	-	6
Total	180	83	97

Figures may not sum exactly due to rounding.

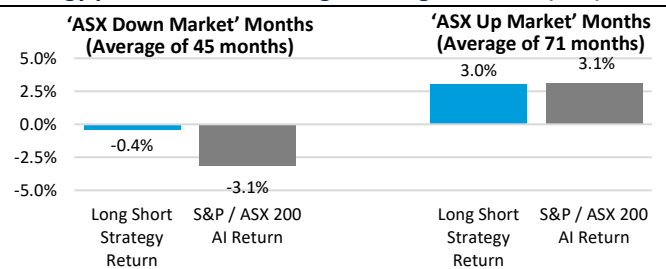
Historical Strategy exposures³



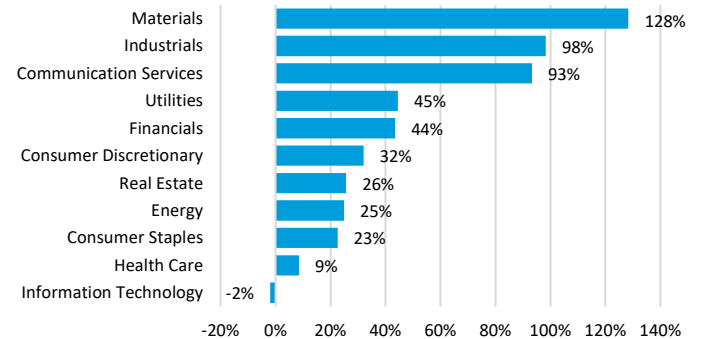
Company information as at 30 April 2024⁴

Share Price	\$2.99
NTA before tax	\$3.33
NTA after tax	\$3.14
Shares on issue	622,412,649
Company market cap	\$1.86b

Strategy performance in rising & falling markets³ (Net)



Sector contribution since Strategy inception³ (Net)



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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

Advisers

Lisa Salamon | lsalamon@L1.com.au | +61 406 585 322

Bryce Leyden | bleyden@L1.com.au | +61 407 876 532

Brokers

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

Private Wealth

Hugo Brettingham-Moore | hb-m@L1.com.au | +61 408 371 473

Private clients

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

Investor services

Jeffrey Lau | jlau@L1.com.au | +61 403 194 728

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 net of RITC
Performance fee	20.5% p.a. inclusive of GST and net of RITC
High watermark	Yes
Platform availability	BT Panorama, CFS Firstwrap, HUB24, IOOF, Macquarie Wrap, Mason Stevens, Netwealth, Powerwrap, uXchange

Scan the QR code for more information



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.



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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.

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