



L1 CAPITAL

We are pleased to invite all investors and interested parties to join L1 Capital's Joint Managing Director and Co-Chief Investment Officer Raphael Lamm, and Head of Research Amar Naik for a L1 Long Short Fund Limited (ASX:LSF) investor webinar on Thursday, October 31 at 11am (AEDT). Please [click here](#) to register to join the webinar.



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L1 Long Short Fund Limited (ASX:LSF)

Rafi Lamm, Joint Managing Director & Co-CIO

Amar Naik, Head of Research

31 October 2024



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Reflections on 10 years of the Long Short Strategy



Best performing Australian long short fund over the past decade¹



- Deep valuation and industry research to identify attractive opportunities
- Extensive network in Australia and overseas to generate unique company insights
- Contrarian approach to identify inflection points, exploit behavioural biases and generate alpha
- Four enduring advantages:

1 Adjust market exposure to reflect risk/reward

2 Use shorting to profit from falling share prices

3 Invest globally to exploit research insights

4 Focus on absolute returns (not relative)



Extreme alignment with investors

90%+ of Co-Founders' investible wealth invested in L1 Funds



No personal share trading allowed

50% All L1 staff bonuses invested in L1 Funds (min. 3yr escrow)

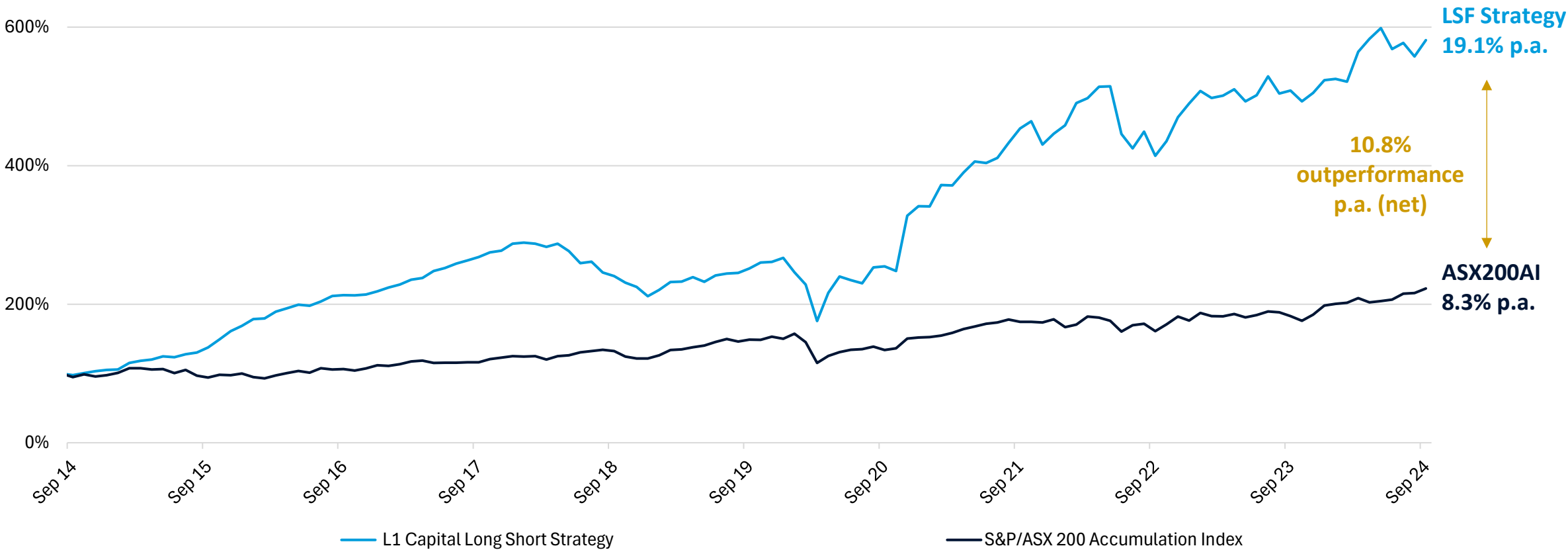


FUM capped to prioritise returns over asset gathering

Performance track record for L1 Capital Long Short Strategy

Delivered very strong absolute and relative returns since inception

Return of LSF Strategy vs. ASX200AI (since launch in September 2014)

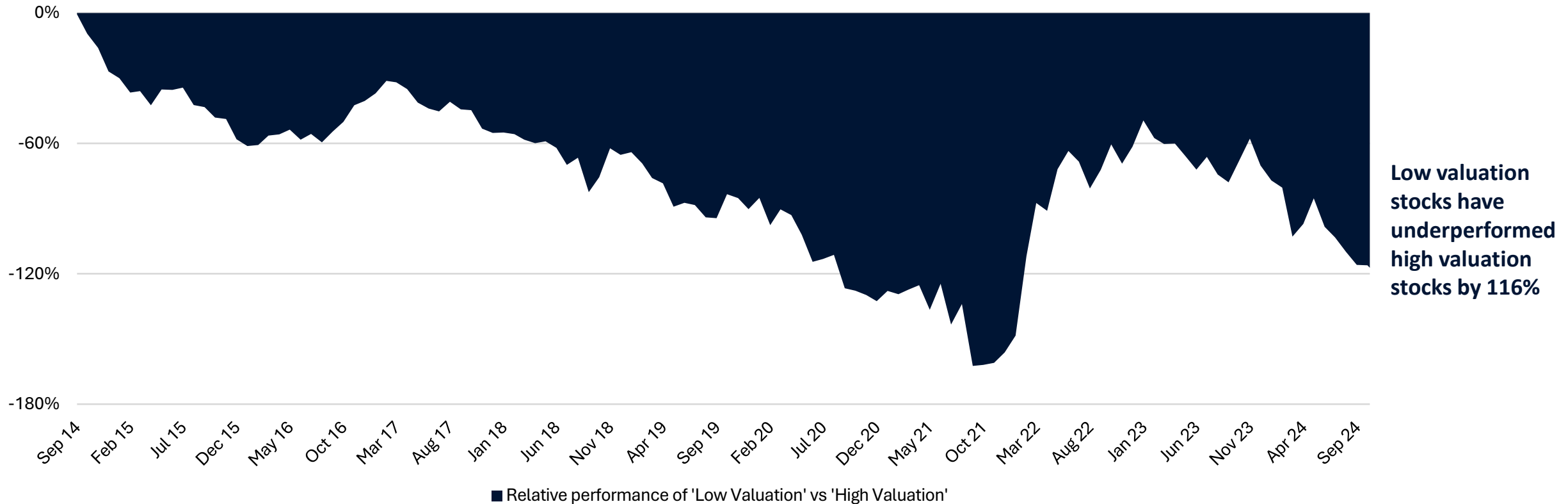


Low P/E stocks have dramatically underperformed high P/E stocks over the past decade

delivered strong returns despite enormous factor headwind for 'value' investing

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Relative performance of 'low valuation' stocks vs 'high valuation' stocks over the past decade



We tend to be 'long' low P/E stocks and 'short' higher P/E stocks = enormous factor headwind over past decade

Performance summary – L1 Long Short Fund Limited (ASX:LSF)



Strong absolute returns over all time periods

Pre-tax NTA Net Performance ¹ to 30 September 2024 (%)	L1 Long Short Portfolio	S&P/ ASX200 AI	Outperformance
1 year	14.0	21.8	(7.8)
2 years p.a.	17.9	17.5	+0.3
3 years p.a.	8.6	8.4	+0.1
4 years p.a.	22.9	13.6	+9.3
5 years p.a.	18.4	8.4	+10.0
ASX:LSF Since Inception p.a.	11.6	9.6	+2.0
LSF Strategy Since Inception p.a. ²	19.1	8.3	+10.8

**The L1 Capital Long Short Strategy has been the best performing
Australian long short strategy since inception in 2014.³**

Source: Apex Fund Services, Bloomberg and L1 Capital as at 30 September 2024. Numbers may not sum exactly due to rounding. Past performance should not be taken as an indicator of future performance. 1. Net returns for LSF (ASX:LSF) are calculated based on the movement of the underlying investment portfolio net of all applicable fees and charges since inception on 24 Apr 2018. 2. Strategy Since Inception is that of the L1 Capital Long Short Fund – Monthly Class since inception (1 September 2014). 3. Ranking amongst funds in Zenith Australian Shares – Long Short sector using FE Analytics data as at 30 September 2024.

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Market observations



Economic Trends

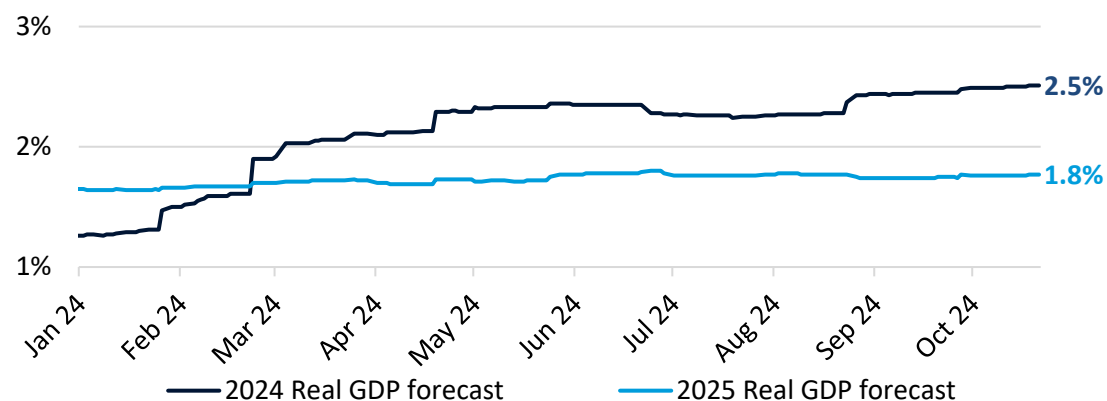
U.S. & U.K. economic activity has been more resilient than expected



U.S.

- Resilient economic data
- Unemployment rising, but well-below historical levels
- Consumers generally holding up well
- Fed expected to cut rates further

Change in U.S. real GDP growth forecasts YTD



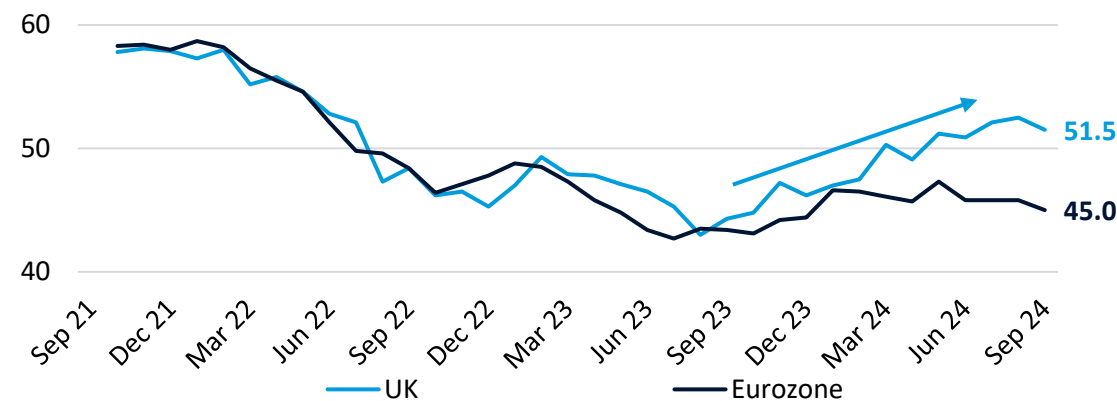
Current data supports a flat to moderate growth outlook



U.K./Europe

- Recovery in key U.K. economic indicators
- Europe more challenged (mixed eco data, weak manufacturing activity, risk of higher taxes)
- BoE and ECB cutting interest rates

Manufacturing PMI Index



Optimistic U.K., Europe remains sluggish

Economic Trends

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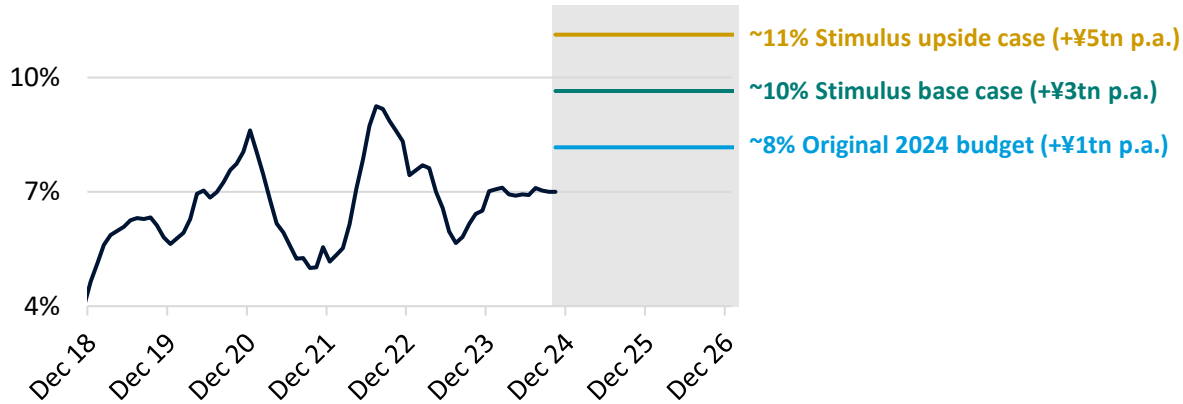
Chinese GDP growth has been weak, with major stimulus to come. Australia growing modestly – higher interest rates persisting.



China

- Step up in fiscal and monetary stimulus
- Aim to correct housing supply, improve sentiment, drive economic activity
- Medium-term implications unclear

Chinese General Government Deficit (% of GDP)



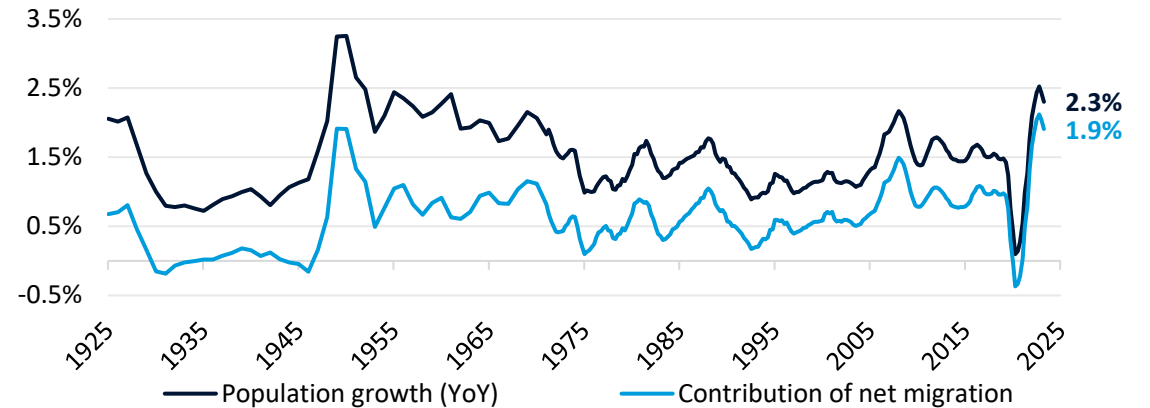
**Hard to be definitive
– expect measures will have some success**



Australia

- Surge in migration
- Commodity prices at relatively attractive levels
- Unemployment relatively stable
- Interest rates restrictive as inflation remains stubborn

Australia population growth – highest since the 1950s



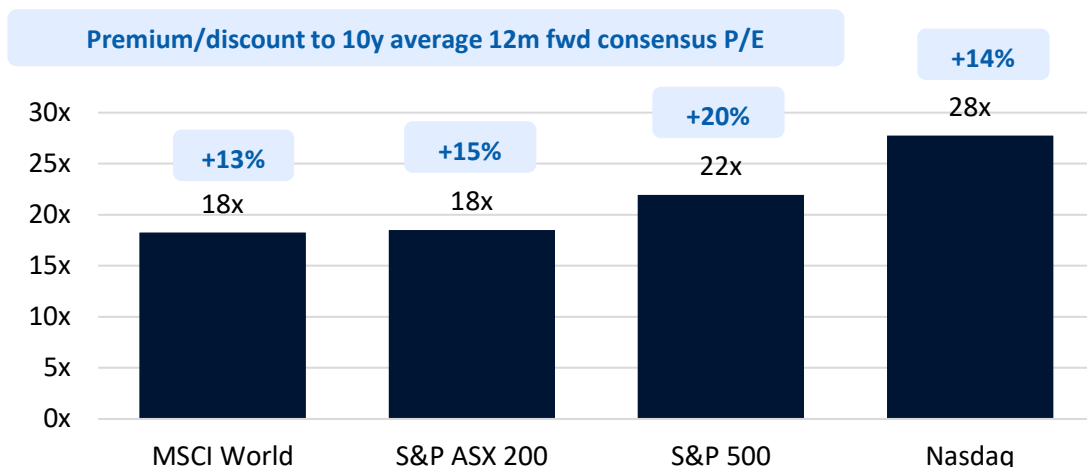
Current data supports a moderate growth outlook

Index & Sector Valuations

Most stock indices appear fully priced, with domestic Technology & Financials looking very stretched versus history

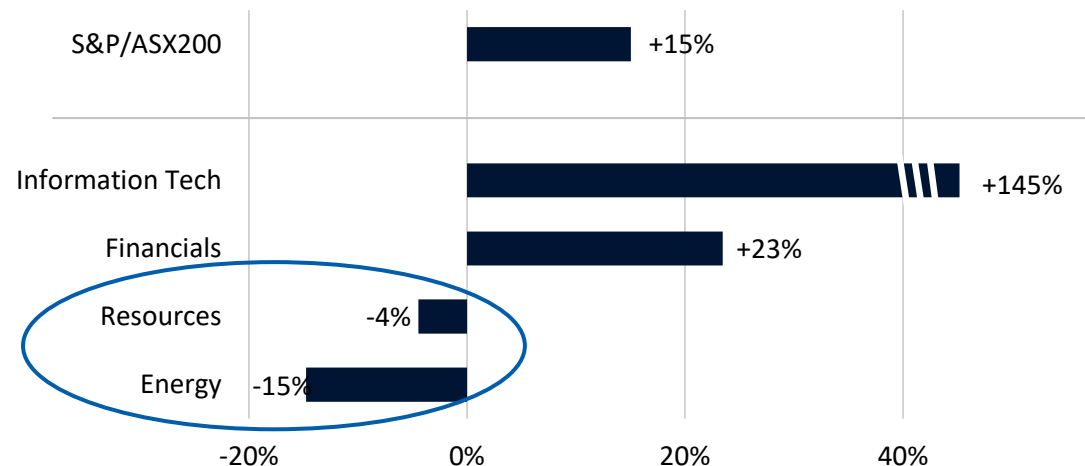


Selected markets P/E premium vs. historical average



Equity markets generally fully priced at an index level

ASX selected sector P/E premium vs. LT historical average



Opportunities remain in select stocks/sectors

At the same time, we remain conscious of other risks

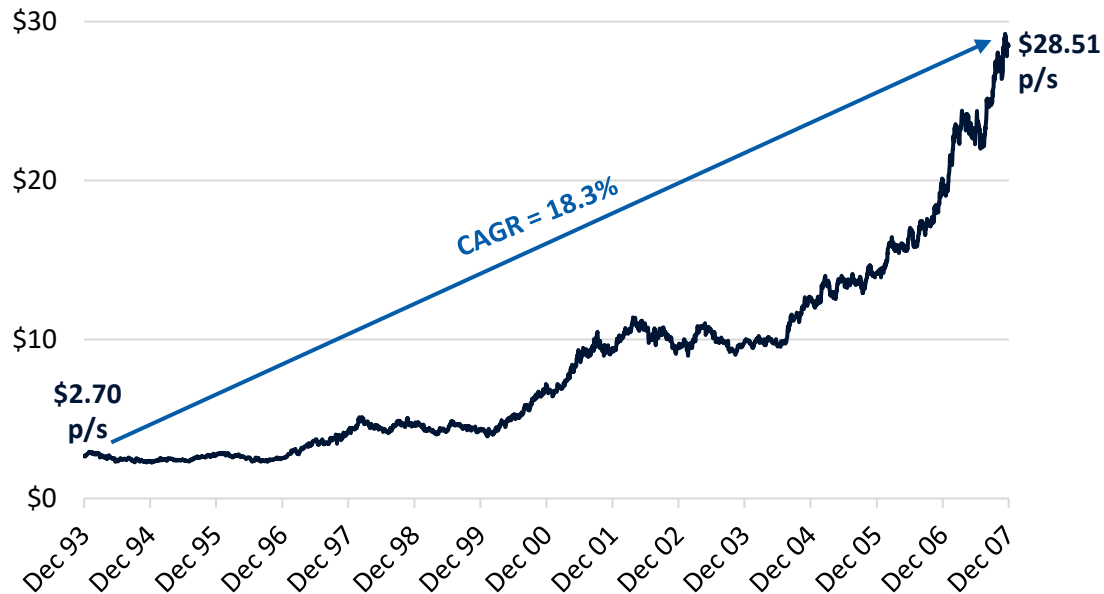
- U.S. election uncertainty
- Risky geopolitical backdrop
- Adverse government policy (IR/Energy)
- Consumers facing 'cost of living' pressures

Why valuation discipline is critical

Could Commonwealth Bank be the next Woolworths?

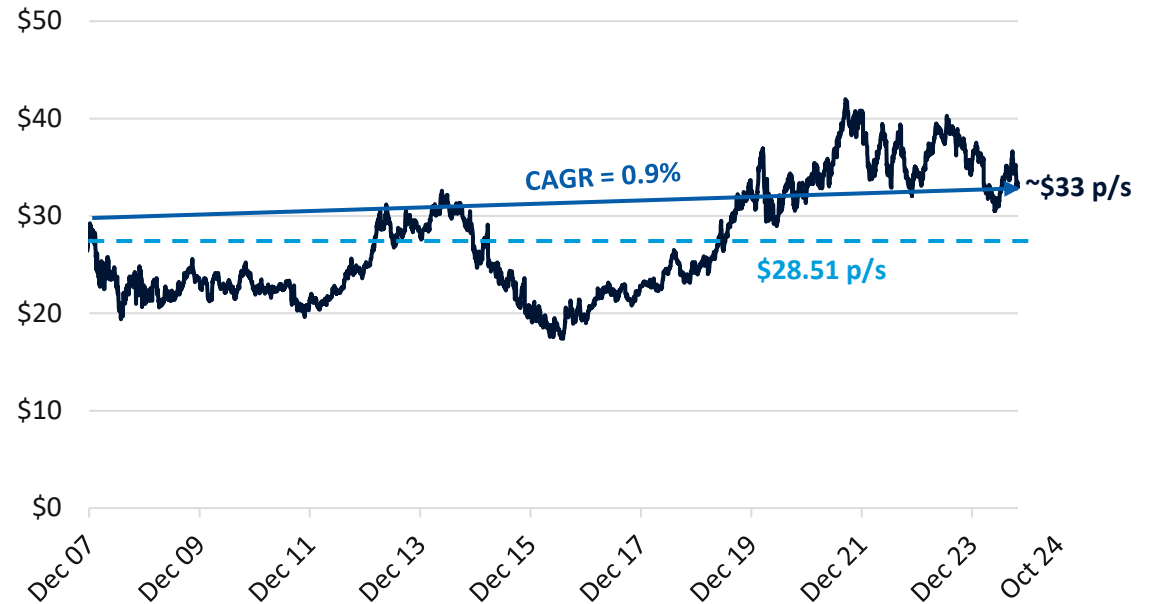
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Woolworth's price chart IPO to December 2007



- Market darling – strong & consistent performer
- Most popular growth stock in 2007 at ~\$28/share
- Forward P/E increased by 65% from 15x to 25x in only 3 years

Woolworth's price chart from December 2007 to today



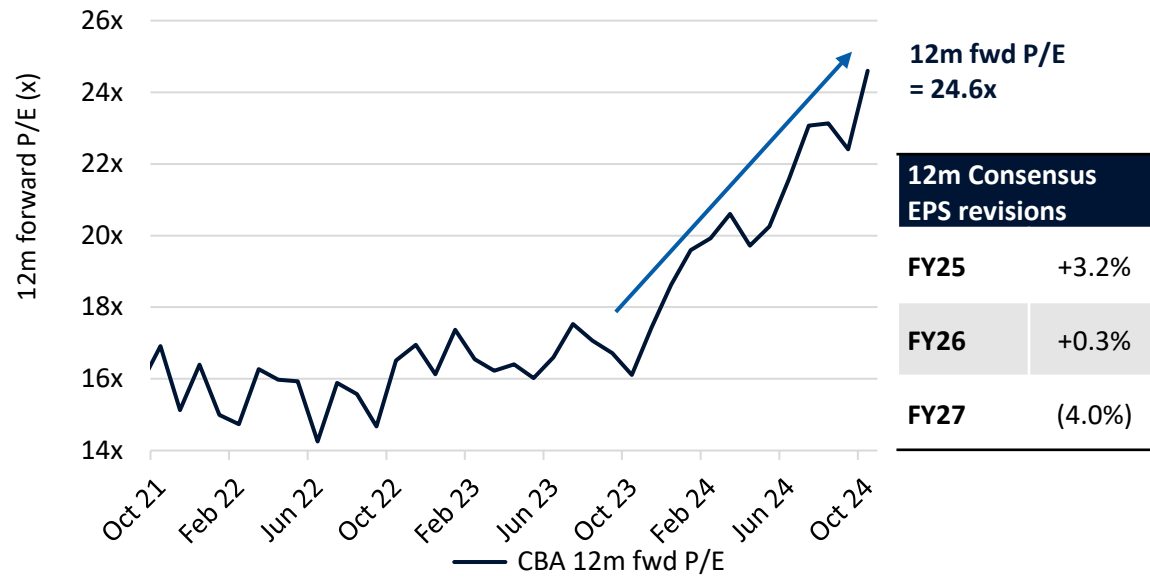
- Share price rose by less than 1% p.a. over next 17 years
- Despite tailwinds from population growth, rising consumer spending, new stores, favourable industry structure, etc.

Why valuation discipline is critical



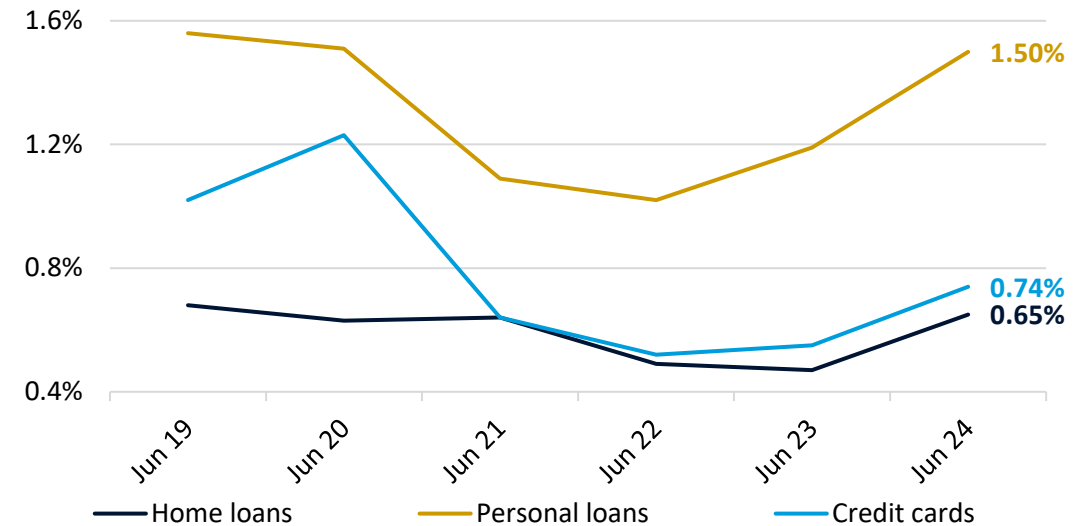
We see some parallels with CBA today

CBA 12m forward P/E and consensus EPS revisions



- CBA P/E multiple has increased from 16.1x to 24.6x (>50% re-rate for no apparent reason). All-time high P/E multiple.
- Share price rally not a function of change in EPS outlook. Consensus assumes less than 2% EPS growth p.a. (FY25-26)
- Lowest dividend yield on record (~3.3%)

CBA 90+ days overdue loans as a % of total assets – starting to revert back to trend



- Close to zero bad debts priced into perpetuity
- Some early signs of rising arrears (see chart above)
- Interest rates persisting at high levels and cost of living pressures could exacerbate risks

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Portfolio performance and key themes



Key stock contributors and detractors



2024 calendar year-to-date (ending 30 Sep)

Company name		Company news
Qantas	✓	Strong operational trends, additional ~\$400m share buyback program, reinstatement of fully franked dividends from 1H25
Hudbay	✓	Rising copper and gold prices coupled with strong production results and balance sheet deleveraging
Flutter	✓	Continued leadership position in the U.S. and ambitious investor day targets – aim to double EBITDA over the next 3 years
CRH	✓	Strong Q2 earnings results and upgrade to FY24 EBITDA and EPS guidance
Downer	✓	Solid 2H'24 results and increase in cost out program by \$75m p.a. to a total of \$175m p.a. to be achieved by FY25
Chorus	✓	21% increase in FY25 dividend vs FY24 as the business begins its transition from “network builder” to “network operator”
Tesco	✓	Consistent market share gains, operating leverage and Bank sale driving strong cash flow generation and shareholder returns
NatWest	✓	Q2 earnings ~28% above market expectations and guidance upgraded on higher revenues and further margin expansion
Fraport	✗	Lower passenger growth trends in part due to delays in aircraft deliveries, as well as strike action early in the year
Mineral Resources	✗	Fall in iron ore and spodumene prices. Concerns over balance sheet capacity. CEO/Board investigation in October.
Arcadium Lithium	✗	Fall in spodumene prices and deferral in growth projects. Takeover offer from Rio Tinto at US\$5.85 / share in early Oct.

LSF portfolio adjustments

Portfolio gross and net exposure largely consistent relative to 6 months ago

Change in sector positioning vs 6 months ago

 Infrastructure	↑	Added several attractive opportunities
 Gold	↑	Compelling risk/reward
 Materials	↑	Added to some oversold, high conviction positions
 Aus. industrials	↓	Sold down several positions that had rallied
 Copper	↓	Reduced after shares had performed strongly

Geographies – key changes

 U.K.	↑	Added several new positions
 U.S.	↓	Sold down given large rally in 2024
 China/Asia	=	Remains very small part of overall portfolio
 Australia/N.Z.	=	Similar exposure. Rotation into oversold names and out of strong performers

Portfolio themes: Summary

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We are invested in five key themes that we believe offer compelling, asymmetric risk-reward

Infrastructure

- Regulated assets with significant barriers to entry
- Strong cash generation and long-term demand growth



Global leaders

- Number 1 players in structurally growing industries
- High quality management teams with attractive options to invest, acquire and return capital to shareholders



U.K. Quality Value

- Dominant, high-quality companies with significant barriers to entry
- Strong earnings growth & pristine balance sheets
- Very low P/E multiples vs. global peers



Gold

- Ongoing demand for gold from central banks across Asia & Chinese consumers
- Interest rate cuts and U.S. federal debt/deficit concerns should support pricing



Uranium

- Uranium demand resurgence driven by the need for zero-emission, reliable base-load energy
- Major new mine supply required given demand outlook and reliance on supply from Russia/Africa



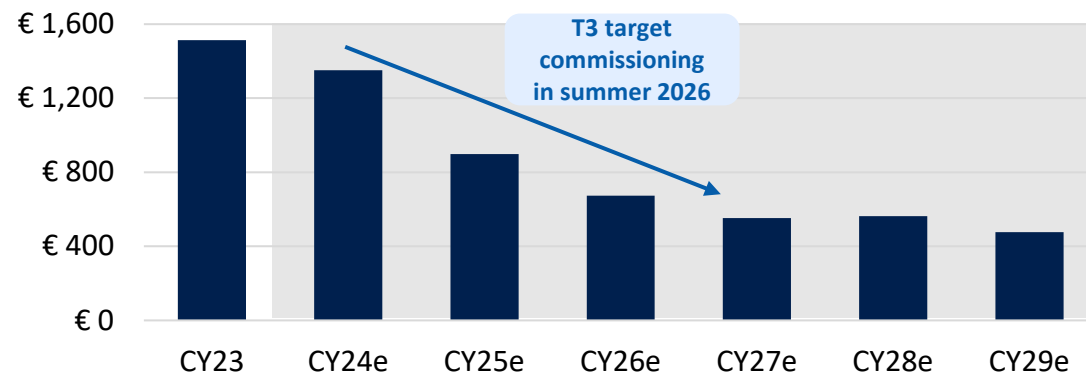
Theme: Infrastructure

Monopoly infrastructure assets with strong dividend profiles



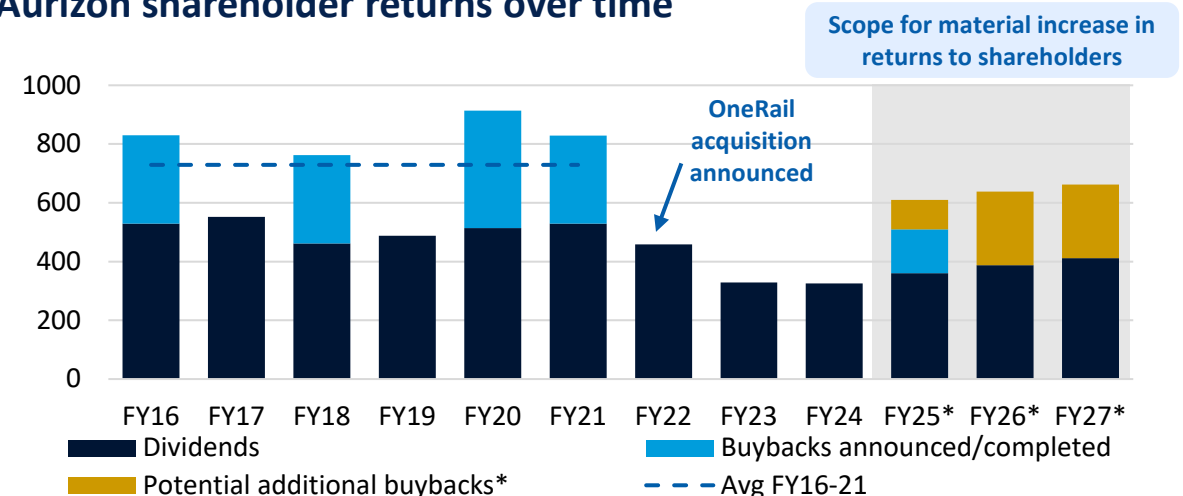
- Owns and operates Frankfurt Airport alongside a portfolio of International airport stakes
- Frankfurt is one of the busiest airports in Europe (~60m pax 2023)
- Approaching the end of a significant investment program, including the €4b+ build of a new third terminal in Frankfurt (T3)
- As capex programs wind down, company will become highly cash generative, underpinning a return to strong dividends

Fraport capex (€m)



- National rail operator with >5,000kms of network assets and largest haulage operations in Australia
- Majority of valuation derived from regulated “below-rail” network infrastructure assets
- Current investment for growth is weighing on cash generation – will revert in coming years
- Scope for material capital returns via dividends and buybacks

Aurizon shareholder returns over time



Theme: Global Leaders

Number 1 players with outstanding management teams and an enormous runway of earnings growth



- Largest building products company in North America
- Outstanding track record of EPS growth (10yr EPS CAGR of 19%)
- Significant beneficiary of U.S. infra spend – IIJA + IRA + Chips and Science Act will add ~\$US2 trillion of investment
- ~US\$35b in financial capacity over next 5 years (operating cash flow + B/S capacity)
- ~15x P/E (FY25), double-digit EPS growth p.a. (on average)

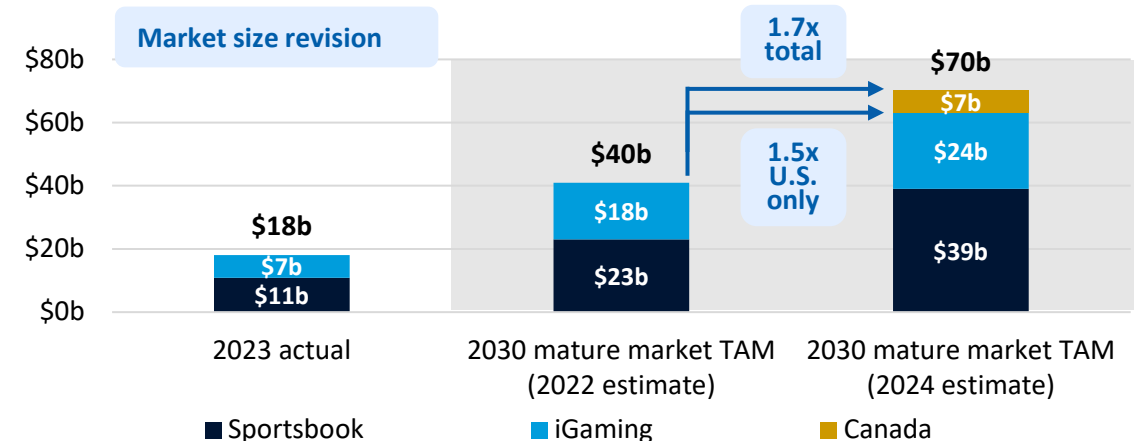
Market positions (North America)

#1 Aggregates production **#1** Concrete products
#1 Utility infrastructure **#1** Asphalt production
#1 Outdoor living solutions **#1** Road Solutions

Flutter

- #1 player in U.S. online sports betting/iGaming (51% sports market share*, 25% iGaming share)
- Industry revenues set to surge (US\$18b in 2023 to US\$70b post 2030)
- Target to double EBITDA in 3 yrs (~US\$2.5b FY24 to >\$5bn in FY27)
- Outstanding management, technology and product suite
- 27x P/E (FY25), 30% EPS growth p.a. (avg. FY24-26)
- Announced ~US\$5bn buyback to be executed over next 3-4 yrs

Total North American online sports betting/iGaming market

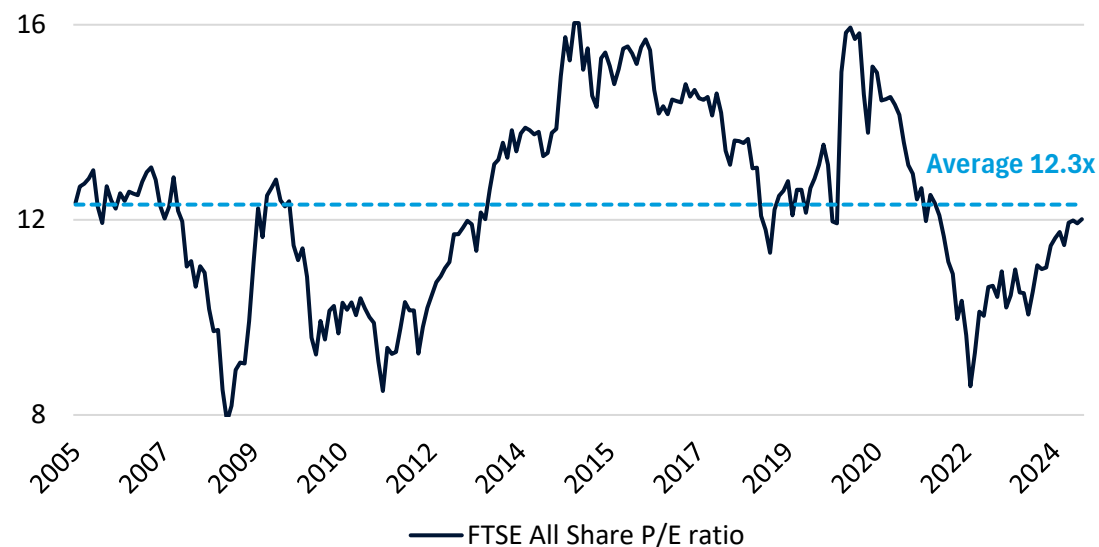




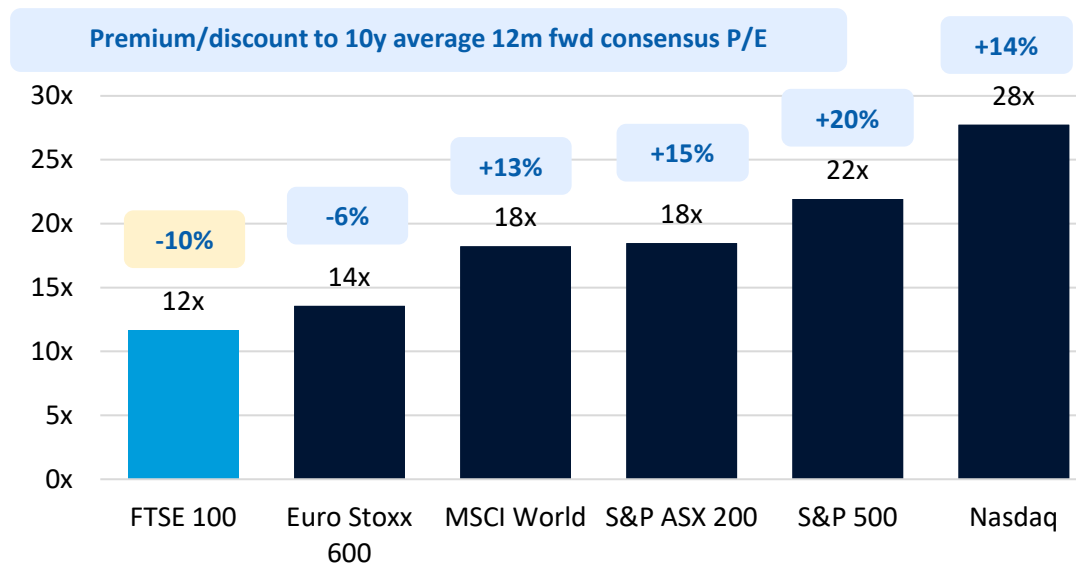
Theme: U.K. Quality Value

The U.K. stock market is a standout globally, with numerous high-quality companies trading at compelling prices

U.K. FTSE All Share forward P/E ratio



Major markets 12m forward P/E



- U.K. market has underperformed for over a decade (due to Brexit, COVID, weak economic growth)
- Clear signs of macro environment improving (improving consumer confidence, PMI, housing activity)
- Several opportunities in high-quality, leading U.K. companies trading at large discounts to global peers

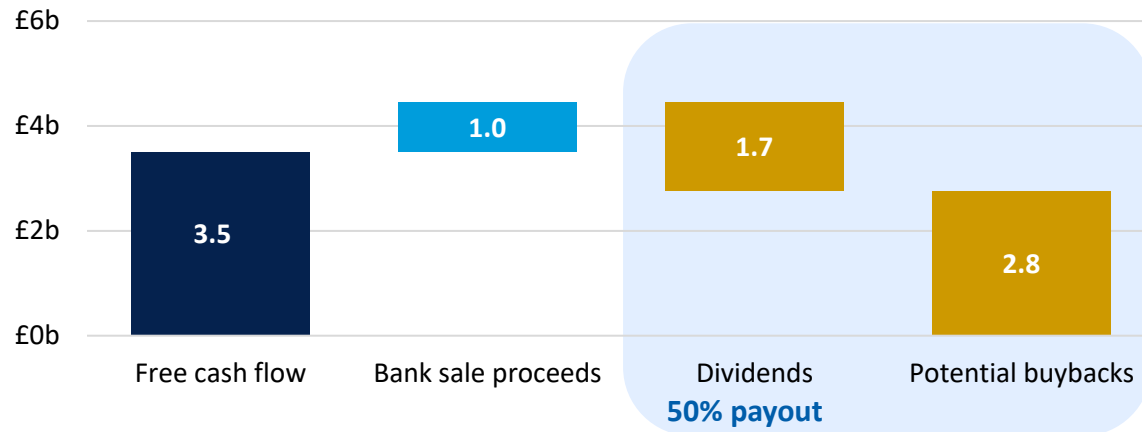
Theme: U.K. Quality Value

Tesco & Rightmove are high quality, fast growing businesses trading at huge discounts to Australian peers



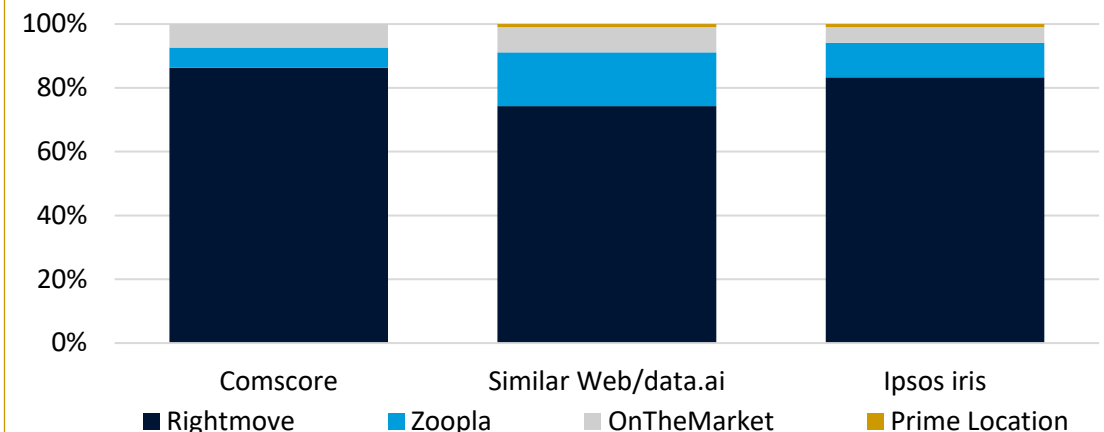
- #1 supermarket in the U.K. with ~28% share
- Tesco is ~50% larger than its next largest competitor
- Strong balance sheet underpinned by £17b property portfolio (~70% of market cap)
- Disciplined management team with strong track record
- 20% of market cap available for divs/buybacks over next 2 years
- Trades on ~13x FY25 P/E vs. Woolworths at 24x P/E

Cumulative cash flow profile (FY25-26E, £b)



- Dominant U.K. real estate portal – >80% of search traffic & leads
- Strong expected LT earnings growth on improving core and adjacencies offerings (Rentals, Commercial, Mortgages)
- Positive leverage to an improving U.K. housing market
- REA takeover bid highlights inherent value and strategic appeal
- Trading on ~22x FY25 P/E with double-digit EPS growth p.a. (on average) vs. REA at ~54x P/E

Consumer time spent on major U.K. real estate portals*



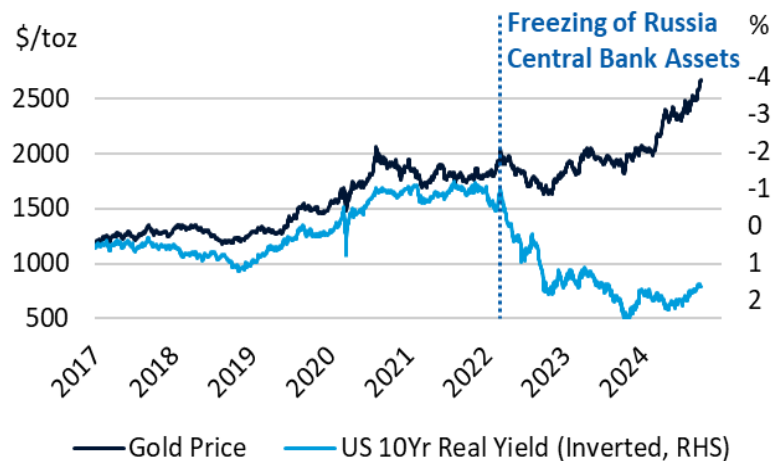
Theme: Gold



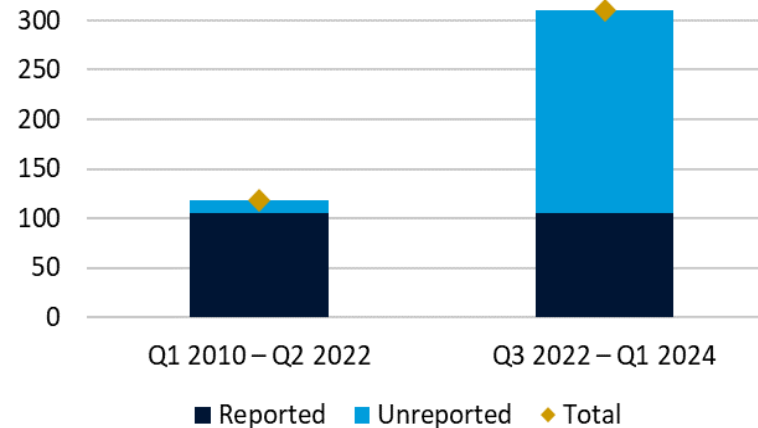
Gold price has continued rising due to structurally higher demand and concerns over rising U.S. debt and ongoing deficits

- 2024 rally driven by an acceleration in buying from Central Banks and Asian consumers
- U.S. fiscal sustainability remains a key concern (U.S. Federal Govt debt rising by US\$1 trillion every 100 days!)

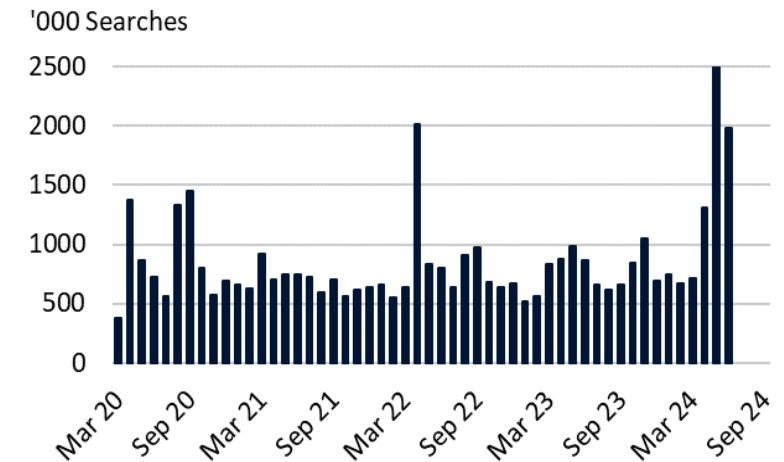
Gold rallied despite rising rates



Central bank average quarterly purchases increased



Asian retail interest in gold has surged



We remain positive on gold due to elevated geopolitical tensions, lower real interest rates and structural demand growth from Central Banks and consumers

Theme: Gold

OceanaGold and Eldorado offer strong production growth and exceptional value

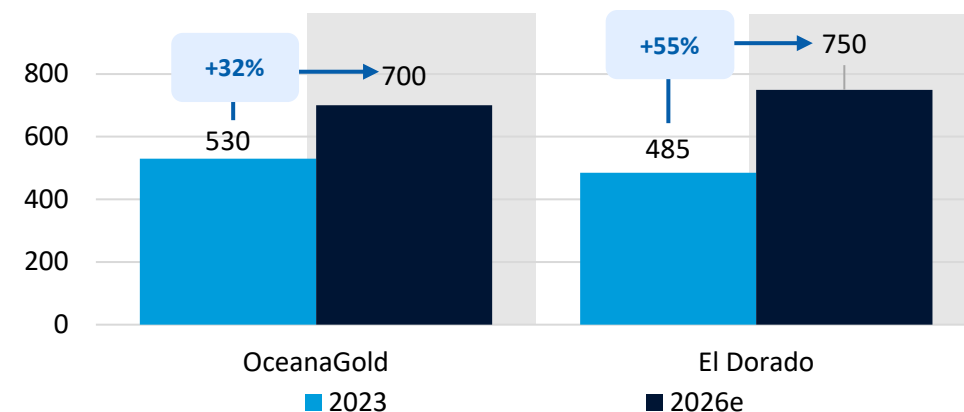


- Long-life producing assets in U.S., Philippines & NZ
- Strong cash flow growth from rising production and grades
- Exploration upside to extend life & develop new high-grade project in New Zealand (WKP)
- Trading at >50% discount to large-cap ASX peers and ~70% discount to global peers

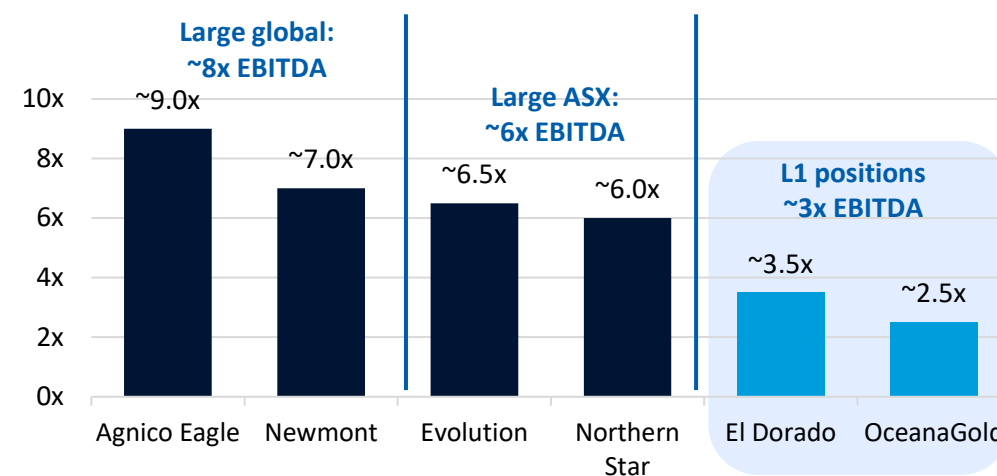


- Diversified portfolio of assets in Greece, Turkey & Canada
- Funded to complete key copper/gold project – Skouries in Greece
- 55% production growth from 2023 to 2026*
- Opportunity to continue to grow and consolidate regionally
- Trading at ~40% discount to large-cap ASX peers and ~60% discount to global peers

Production growth (Koz)*



Valuation metrics**



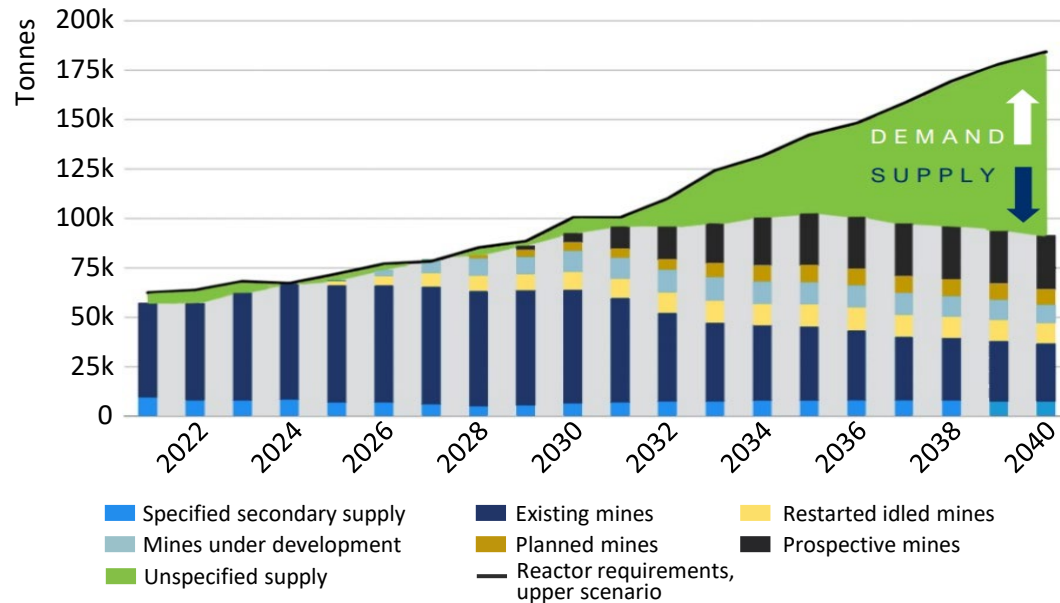
Theme: Uranium



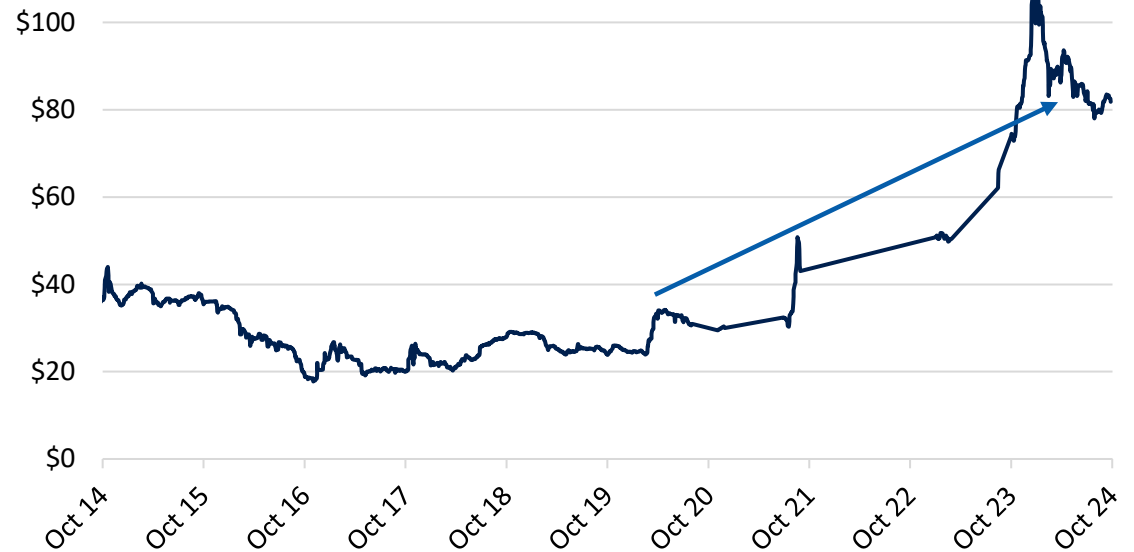
The outlook for uranium is bright given the world's desire for reliable, affordable, green energy

- Large western nations looking to triple nuclear energy capacity by 2050. China demand expected to grow even faster.
- Significant new mine supply needed to meet demand and reduce sovereign supply risk (Russia, Kazakhstan, Niger, etc)
- Microsoft, Amazon and Google have recently announced major investments in nuclear power for new data centres

Uranium supply demand (upper scenario) (tonnes)



Uranium price history (US\$/lb)



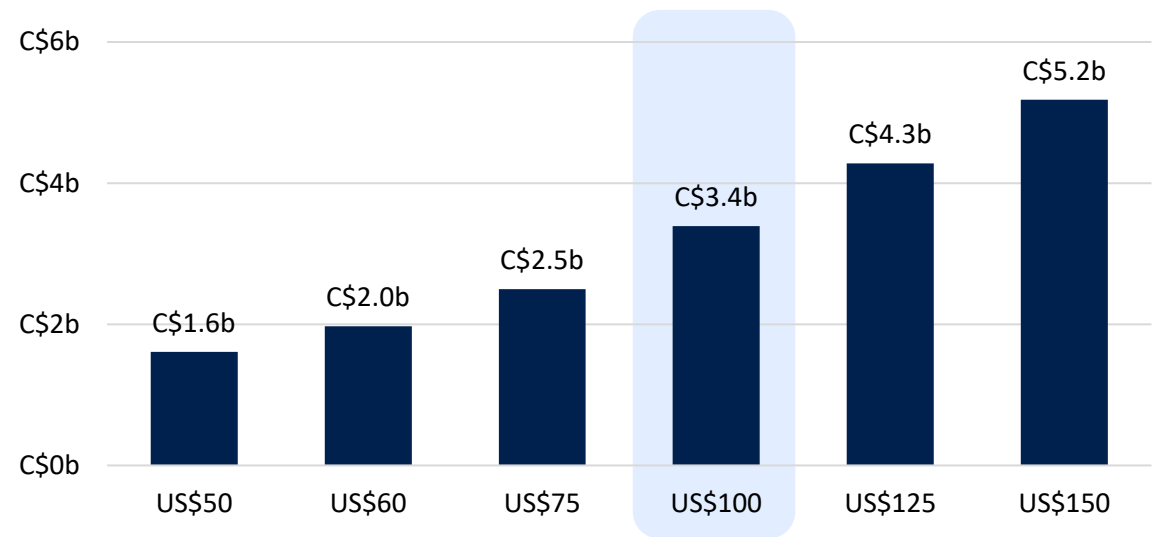
Theme: Uranium

NexGen owns the most prospective undeveloped uranium asset globally



- Largest uranium asset under development globally (Rook I)
- Exceptional project scale and quality
- In final stages of approvals and financing, expected to commence major works within next 6-12 months
- Over ~C\$1b in cash and uranium assets on balance sheet
- At US\$100/lb uranium prices, could produce ~C\$3.4b EBITDA p.a. vs. current enterprise value of ~C\$5b

NexGen average Annual EBITDA at different uranium prices (C\$b)



Average Annual EBITDA (US\$ billion) – Year 1 – 5 production

Important information

L1 Capital Pty Ltd



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Zenith

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