

L1 Capital Long Short (Offshore Feeder) Fund

November 2024

- The L1 Long Short Fund (LSF) returned -2.7%¹ in November (ASX200AI 3.8%, MSCI World 4.6%).
- Over the past 5 years, the Fund has returned 18.6%¹ p.a. (ASX200AI 8.3% p.a., MSCI World 12.4% p.a.).
- Global markets reversed the prior month sell-off, driven by Trump's decisive election win, which investors expect will foster stronger economic growth and boost corporate earnings.

Global markets rallied over the month with the conclusive victory by Donald Trump in the U.S. elections and the sweep of control by the Republican Party in both the Senate and House of Representatives. Markets were buoyed by the speed of the election outcome, removing the potential for months of uncertainty, as well as by the prospect that a Trump government with control of both the House and Senate should be able to quickly enact economic reforms that will support economic growth and boost corporate earnings. These reforms include lower corporate taxes, higher tariffs and government deregulation.

Markets were also supported by the Fed's 25bp rate cut (as expected) together with positive comments by Fed Chair Jerome Powell noting that the U.S. economy was performing remarkably well, with the labour market 'normalising' and inflation cooling off, trends he said looked set to continue.

Long-term bond yields in both Australia and the U.S. initially climbed after Trump's election win but eased in late November with the appointment of Scott Bessent as U.S. Treasury Secretary, with the view that he would bring more fiscal discipline in managing the U.S. deficit. Gold and other precious metals prices retreated in response to the initial spike in yields, U.S. dollar strength and a shift to more pro-cyclical exposure post the election outcome.

The S&P/ASX 200 Accumulation Index returned 3.8% during November. Information Technology (+10.5%), Utilities (+9.1%) and Financials (+7.0%) were the strongest sectors, while Materials (-2.6%), Energy (-0.7%) and Consumer Staples (+1.1%) lagged.

The portfolio was impacted by weakness in the Materials and Gold sectors and strength in domestic banks (where we have some short positions) which more than offset gains across several key holdings in other sectors.

Returns (Net)¹ (%)

	L1 Capital Long Short Fund	S&P/ASX 200 AI	MSCI World
1 month	(2.7)	3.8	4.6
3 months	0.3	5.5	4.4
1 year	11.4	23.4	27.8
2 years p.a.	10.1	11.9	20.2
3 years p.a.	10.6	9.6	8.8
5 years p.a.	18.6	8.3	12.4
7 years p.a.	12.0	9.2	10.9
10 years p.a.	19.2	9.1	10.1
Since Inception p.a.	19.1	8.4	9.8

Returns since inception (Net)¹ (%)

	Cumulative return	Annualised return p.a.
L1 Capital Long Short Fund	498.4	19.1
S&P/ASX 200 Accumulation Index	128.1	8.4
MSCI World Net Total Return Index (USD)	160.4	9.8

We believe domestic and global equity markets are generally fully priced, however, we continue to find compelling opportunities with major valuation distortions in specific stocks and sectors. In Australia, we continue to see extreme crowding and overvaluation in Australian banks and several other ASX20 stocks that offer stability and liquidity but are trading far above fair value and now offer little in the way of earnings growth or yield. Many high P/E growth stocks also look incredibly overvalued based on traditional valuation metrics. At the same time, many cyclical stocks are now trading at both depressed P/E multiples and depressed earnings bases, which provides the opportunity for large medium-term upside for patient investors. We are using this period of volatility and price distortion to add to oversold positions and rotate out of those stocks that have been beneficiaries of this recent move.

¹. All performance numbers are quoted net of fees. **Past performance should not be taken as an indicator of future performance.** Based on returns achieved by the L1 Capital Long Short (Offshore Feeder) Fund since inception on 4 January 2017 (being the date that the first Offshore Feeder Fund shares were issued). Prior to this date, data is that of the L1 Capital Long Short Fund – Monthly Class since inception (1 September 2014) which is subject to a different fee structure. This is representative of the investment strategy employed by the L1 Capital Long Short (Offshore Feeder) Fund. NOTE: Offshore Fund returns are shown in US\$ 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 November were:

NexGen Energy (Long +16%) strengthened during the month as the company announced it had successfully completed the final federal technical review, representing a major de-risking milestone. The company is now due to enter the final stage of federal approval with a commission hearing expected in H1 25, following which NexGen can commence full scale project construction, with state approvals having already been granted. NexGen is preparing to develop the world's largest undeveloped uranium deposit, Arrow, located in Saskatchewan, Canada. This would be a major, new, strategic Western source to address the looming uranium market deficit. Arrow has the potential to generate more than C\$2b of cash flow annually, once developed – a highly attractive proposition given NexGen's current market cap of ~C\$6.5b.

Flutter (Long +19%) shares rallied over the month after reporting strong Q3 results (~26% ahead of consensus expectations) and upgrading full year guidance despite weaker than expected U.S. sports win margins in October. The company continues to bolster its leadership position in the U.S. sports betting/iGaming market and is in the process of launching some exciting new products, including the 'Your Way' betting feature. This product took four years to develop and allows the creation of a customisable, same game parlay bet with an almost infinite set of options. We continue to see a strong earnings growth path ahead for the company through continued strong execution in the U.S. market supplemented by steady growth and bolt-on acquisitions outside the U.S.. Flutter has also recently launched a \$5b share buyback program given the strength of the balance sheet and inflection to strong cashflow generation in the U.S.

Qantas (Long +9%) continued its strong share price performance in November, as robust and favourable trading conditions persisted. Qantas shares have now rallied around 80% since October last year, reflecting continued strong earnings, management and board changes, and the removal of many 'pain points' for customers. At its AGM in late October, Qantas upgraded its expectations for Domestic yields, with strong travel demand, including ongoing improvement in corporate travel. Qantas is also seeing the benefit of lower fuel prices so far this financial year. International segment expectations were largely unchanged and Loyalty remains on track for double digit earnings growth. Strong execution in the business continues to support robust shareholder returns in coming years, including a return to fully franked dividends flagged from H1 25.

We believe Qantas remains very well placed over the medium term given it has Australia's best loyalty business (which is expected to double earnings over the next 5-7 years) and a raft of brand new, more fuel-efficient aircraft to be delivered, along with Project Sunrise, which will enable direct flights from Melbourne/Sydney to London and New York from 2026. Despite the large share price rally, Qantas trades on a FY25 P/E of only 8.3x. We believe this low earnings multiple does not reflect its leading industry position, structural medium-term growth in travel demand and a high growth, capital-light loyalty division, which remains underappreciated by the market.

Key detractors to portfolio performance in November were:

Mineral Resources (Long -15%) shares declined primarily due to ongoing governance issues, with the company announcing a leadership transition plan seeking to implement CEO succession over the next 12-18 months. We refer our readers back to the [October Monthly Report](#), for our more detailed perspectives on the matter.

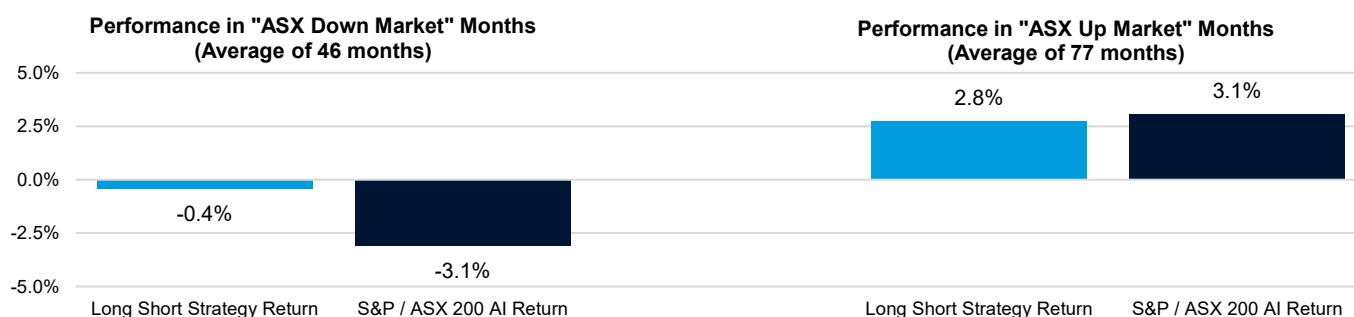
More broadly, we continue to believe that each of Mineral Resources' core segments should see material improvement from current levels over the medium term. Its Onslow Iron Ore project is commencing ramp-up towards positive cash flow contribution from mid-FY25. The mining services business should see a positive step-change in volumes and earnings over the coming 18 months. Finally, the lithium business has significant volume optionality to produce over 1,000kt of spodumene concentrate when market conditions improve.

JD Sports (Long -18%) shares fell following the release of its Q3 FY25 trading update, in which Group like-for-like sales growth declined by 0.3%. After robust sales in August and September, October sales were heavily impacted by the combination of unseasonal weather, political uncertainty and elevated promotional activity in key markets. Pleasingly, gross margins expanded compared with the prior year and the company was able to open a large number of JD Sports stores prior to its key trading period (with total organic sales growth of 5.4% during the quarter). Q4 accounts for a disproportionately high share of revenue and earnings, and initial indicators suggest a strong level of retail activity in key markets around the Black Friday sales period. We believe that JD Sports is a high-quality global retailer with leading brand relationships, excellent in-store execution and an attractive store roll-out pipeline ahead, yet trades at only 8x FY25 P/E on consensus earnings.

Westgold Resources (Long -11%) declined during the month following weakness in the gold price (-4% over the month). Despite the recent pullback, the Australian dollar gold price remains up ~32% for the year, which we expect to translate into a material increase in cash flow for gold equities. Westgold is rapidly transforming towards becoming a producer of material scale, with FY24 production of ~230koz expected to grow towards ~600koz post FY26, driven by a combination of organic growth and its merger with Karora, which closed in August 2024. Importantly, Westgold is upgrading the quality of its portfolio by narrowing its focus on scalable operations, enabled through investment in exploration, which we expect to result in a more efficient cost structure over time, and ultimately, stronger cash flow generation.

Strategy returns (Net)² (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2014	–	–	–	–	–	–	–	–	(2.4)	3.0	2.8	1.6	5.1
2015	0.6	9.1	2.4	1.7	3.7	(0.9)	3.3	2.1	5.5	8.5	8.1	4.6	60.5
2016	5.8	0.6	5.5	2.5	2.8	(0.9)	3.2	3.9	0.5	(0.1)	0.5	2.2	29.6
2017	1.6 ²	1.1	3.3	0.8	4.1	1.7	2.8	1.5	1.8	2.5	0.5	3.6	28.4
2018	0.6	(0.5)	(1.6)	1.5	(3.8)	(6.1)	0.8	(6.0)	(2.2)	(4.0)	(2.6)	(5.9)	(26.3)
2019	4.3	4.9	0.2	2.9	(2.8)	3.9	1.1	0.5	2.7	3.4	0.4	2.3	26.3
2020	(7.6)	(6.8)	(21.4)	23.6	11.0	(1.5)	(1.9)	10.0	0.5	(2.5)	31.6	4.2	32.6
2021	(0.1)	9.3	(0.1)	5.1	4.3	0.0	1.4	5.3	4.9	2.5	(7.0)	3.6	32.4
2022	3.0	7.1	1.4	3.3	0.3	(13.3)	(3.3)	5.4	(7.5)	5.2	8.0	4.5	12.4
2023	3.9	(1.9)	1.1	1.7	(3.3)	1.9	5.5	(4.7)	1.0	(2.9)	2.4	3.9	8.3
2024	0.3	(0.7)	8.4	3.4	2.8	(5.1)	1.7	(3.5)	4.5	(1.3)	(2.7)		7.2

Strategy performance in rising and falling markets³ (Net)

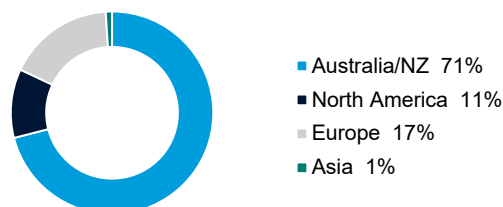
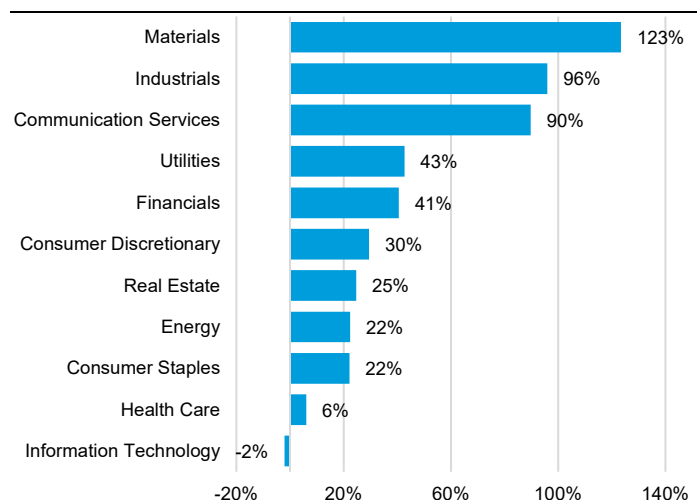
Portfolio positions

	Current	Avg. since inception
Number of total positions	74	81
Number of long positions	55	57
Number of short positions	19	24
Number of international positions	25	25

Net and gross exposure³ (%)

	Gross long	Gross short	Net exposure
Australia/NZ	97	(88)	9
North America	25	(4)	21
Europe	44	–	44
Asia	4	–	4
Total	171	(92)	79

Figures may not sum exactly due to rounding.

Gross geographic exposure as a % of total exposure³Sector contribution since Strategy inception³ (Net)

2. All performance numbers are quoted net of fees. 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 Capital Long Short (Offshore Feeder) Fund since inception on 4 January 2017 (being the date that the first Offshore Feeder Fund shares were issued). Prior to this date, data is that of the L1 Capital Long Short Fund – Monthly Class since inception (1 September 2014) which is subject to a different fee structure. This is representative of the investment strategy employed by the L1 Capital Long Short (Offshore Feeder) Fund. 3. Exposure and contribution are that of the L1 Capital Long Short Fund – Monthly Class since inception (1 September 2014).

Fund information – Offshore Feeder

Class Name	L1 Capital Long Short (Offshore Feeder) Fund
Structure	Master – Feeder
Domicile / Currency	Cayman Islands / USD
Inception	4 January 2017
Management Fee*	1.25% p.a.
Performance Fee**	20.0%
High Watermark	Yes
APIR / ISIN	KYG555391039 / G55539103
Minimum Investment	USD\$250,000
Subscription / Redemption Frequency	Monthly

L1 Capital 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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Key service providers for the Fund are: Prime Brokers – Morgan Stanley, Merrill Lynch and Goldman Sachs, Fund Administrator – Apex Fund Services Ltd, Fund Auditor – EY, Legal Advisor – Norton Rose Fulbright. There have been no changes to key service providers since the last report.

* Fees are quoted inclusive of GST and net of RITC. ** The performance fee is equal to the stated percentage of the increase in the Net Asset Value per Participating Share for the Performance Fee Calculation Period above the Base Net Asset Value of that Participating Share.

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