

# L1 Long Short Fund Limited (ASX:LSF)

November 2024

- The L1 Long Short Fund (LSF) portfolio returned -2.9%<sup>1</sup> in November (ASX200AI 3.8%).
- Over the past 5 years, the portfolio has returned 16.5%<sup>1</sup> p.a. (ASX200AI 8.3% 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)<sup>1</sup> (%)

	L1 Long Short Portfolio	S&P/ ASX 200 AI	Out-performance
1 month	(2.9)	3.8	(6.6)
3 months	(0.1)	5.5	(5.6)
1 year	10.0	23.4	(13.4)
2 years p.a.	8.4	11.9	(3.5)
3 years p.a.	8.9	9.6	(0.6)
4 years p.a.	14.1	11.0	+3.1
5 years p.a.	16.5	8.3	+8.2
LSF Since Inception p.a.	10.5	9.7	+0.8
LSF Strategy Since Inception <sup>2</sup> p.a.	18.2	8.4	+9.9

Figures may not sum exactly due to rounding.

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. LSF (ASX:LSF) returns are calculated based on the movement of the underlying investment portfolio net of all applicable fees and charges since inception on 24 April 2018. Figures may not sum exactly due to rounding. **Past performance should not be taken as an indicator of future performance.** 2. LSF Strategy Since Inception returns are for the L1 Capital Long Short Fund – Monthly Class since inception (1 September 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 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.

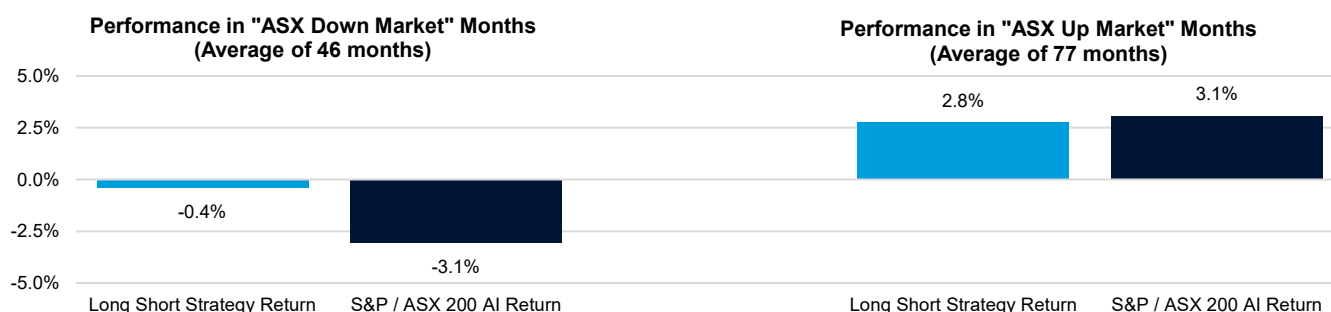
More broadly, we continue to believe that each of Mineral Resources' core segments should see material improvement from current levels over the medium term. Its Onslow Iron Ore project is commencing ramp-up towards positive cash flow contribution from mid-FY25. The mining services business should see 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)<sup>3</sup> (%)

	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)	0.6	2.2	29.6
2017	2.5	1.9	3.2	1.0	4.2	1.7	2.6	1.7	1.9	2.5	0.9	3.6	31.4
2018	0.6	(0.5)	(1.6)	(1.3) <sup>3</sup>	(4.0)	(6.0)	1.0	(5.3)	(2.1)	(3.9)	(2.6)	(6.0)	(27.7)
2019	4.3	5.1	0.2	3.1	(2.7)	3.9	0.6	0.4	2.5	3.5	0.4	2.1	25.5
2020	(7.8)	(6.8)	(22.9)	23.2	10.9	(2.1)	(1.7)	10.0	0.6	(2.4)	31.9	4.3	29.5
2021	(0.2)	9.0	(0.1)	5.1	4.1	(0.5)	1.8	5.1	4.9	2.3	(7.4)	3.7	30.3
2022	2.8	6.9	1.3	3.4	0.1	(13.5)	(3.3)	5.4	(7.6)	5.2	7.5	4.4	10.7
2023	3.6	(2.0)	0.5	1.6	(3.2)	1.7	5.2	(4.9)	0.9	(3.1)	2.4	3.7	6.2
2024	0.3	(1.0)	8.1	3.3	2.6	(5.0)	1.5	(3.3)	4.3	(1.4)	(2.9)		6.1

Strategy performance in rising and falling markets<sup>4</sup> (Net)

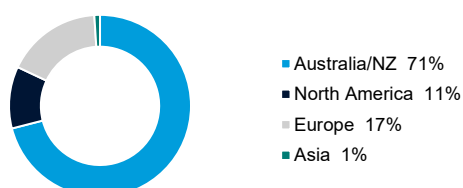
## Portfolio positions

Number of total positions	74
Number of long positions	55
Number of short positions	19
Number of international positions	25

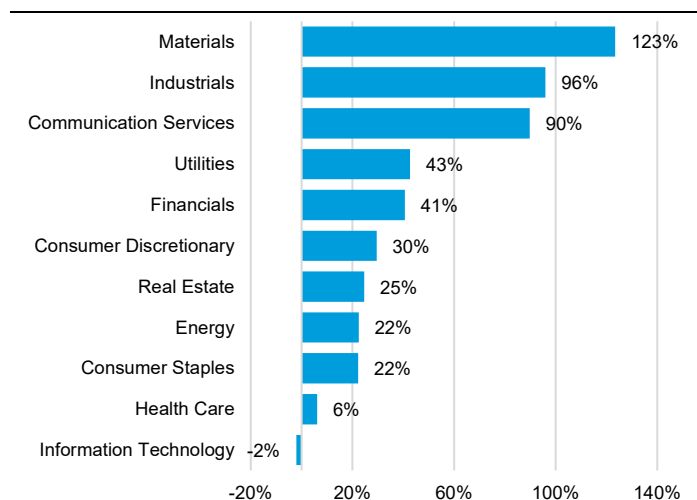
Net and gross exposure<sup>4</sup> (%)

	Gross long	Gross short	Net exposure
Australia/NZ	97	(88)	9
North America	25	(4)	21
Europe	44	-	44
Asia	4	-	4
Total	170	(91)	79

Figures may not sum exactly due to rounding.

Gross geographic exposure as a % of total exposure<sup>4</sup>Company information as at 30 November 2024<sup>5</sup>

Share Price	\$3.06
NTA before tax	\$3.03
NTA after tax	\$2.99
Shares on issue	625,482,718
Company market cap	\$1.91b

Sector contribution since Strategy inception<sup>4</sup> (Net)

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.** 3. LSF (ASX:LSF) returns are calculated based on the movement of the underlying investment portfolio net of all applicable fees and charges since inception on 24 April 2018. Strategy returns table is for the L1 Long Short Limited (ASX:LSF) since inception on 24 April 2018. Performance prior to this date is that of the L1 Capital Long Short Fund – Monthly Class since inception (1 September 2014). 4. Exposure and contribution are that of the L1 Capital Long Short Fund – Monthly Class since inception (1 September 2014). 5. The NTA before tax is calculated before the provision for deferred tax on unrealised gains and losses on the investment portfolio. The NTA after tax is calculated after all taxes.

## 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>

## Company information – LSF

<b>Name</b>	L1 Long Short Fund Limited
<b>Structure</b>	Listed Investment Company (ASX:LSF)
<b>Inception</b>	24 April 2018
<b>Management fee*</b>	1.44% p.a.
<b>Performance fee**</b>	20.5% p.a.
<b>High watermark</b>	Yes
<b>Platform availability</b>	BT Panorama, CFS Firstwrap, HUB24, IOOF, Macquarie Wrap, Mason Stevens, Netwealth, Powerwrap, uXchange

## 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.



## Contact us

Level 45, 101 Collins Street  
Melbourne VIC 3000  
Email [info@L1.com.au](mailto:info@L1.com.au)  
[www.L1.com.au](http://www.L1.com.au)



Invest now

<b>Head of Distribution</b>	Chris Clayton	<a href="mailto:cclayton@L1.com.au">cclayton@L1.com.au</a>	+61 3 9286 7021
<b>Researchers</b>	Aman Kashyap	<a href="mailto:akashyap@L1.com.au">akashyap@L1.com.au</a>	+61 477 341 403
	Allan Evans	<a href="mailto:aevans@L1.com.au">aevans@L1.com.au</a>	+61 400 993 597
	Bryce Leyden	<a href="mailto:bleyden@L1.com.au">bleyden@L1.com.au</a>	+61 407 876 532
<b>Advisers</b>	Clifford Fernandes	<a href="mailto:cfernandes@L1.com.au">cfernandes@L1.com.au</a>	+61 411 667 096
	David Redford-Bell	<a href="mailto:drb@L1.com.au">drb@L1.com.au</a>	+61 417 148 075
	Alejandro Espina	<a href="mailto:aespina@L1.com.au">aespina@L1.com.au</a>	+61 423 111 531
<b>Brokers</b>	Hugo Brettingham-Moore	<a href="mailto:hb-m@L1.com.au">hb-m@L1.com.au</a>	+61 408 371 473
<b>Private wealth</b>	Alexander Ordon	<a href="mailto:aordon@L1.com.au">aordon@L1.com.au</a>	+61 413 615 224
<b>Private clients</b>	Jeffrey Lau	<a href="mailto:jlau@L1.com.au">jlau@L1.com.au</a>	+61 403 194 728
<b>Investor services</b>			

\* Fees are quoted inclusive of GST and net of RITC. \*\* The performance fee is equal to the stated percentage of any increase in the NAV over any Performance Period.

**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.

**Copyright:** Copyright in this publication is owned by L1 Capital. You may use this information in this publication for your own personal use, but you must not (without L1 Capital's consent) alter, reproduce or distribute any part of this publication, transmit it to any other person or incorporate the information into any other document.