

L1 Long Short Fund Limited (ASX:LSF)

April 2025

- The L1 Long Short Fund (LSF) portfolio returned -0.7%¹ in April (ASX200AI 3.6%).
- Over the past 5 years, the portfolio has returned 20.1%¹ p.a. (ASX200AI 12.1% p.a.).
- Markets faced extreme swings in April driven by U.S. tariff announcements and recession fears but ultimately stabilised as trade tensions eased.

Markets endured a turbulent month, with President Trump's 'Liberation Day' tariff announcements on 2 April triggering a sudden 12% fall in the S&P500 in just four days, the worst sell-off since March 2020. The U.S. Administration's imposed tariffs were far more severe and broad-based than anticipated, prompting swift countermeasures from China and the E.U..

Volatility spiked, with the VIX reaching its highest level since the GFC and the COVID-19 pandemic. U.S. treasuries, which would typically be viewed as a defensive asset class, sold off sharply with the 30-year bond yield rising to above 5%.

On 9 April, following the sharp rise in treasury yields, the U.S. Government announced a 90-day tariff pause to allow for negotiations with trading partners (excluding China). This, together with further statements from President Trump de-escalating trade tensions, saw markets recover in the back half of the month.

In contrast to the broader weakness seen across international markets, Australian shares rose in April. The ASX200AI returned 3.6%, buoyed by the relative immunity of many of the largest listed companies to tariff-driven volatility. 'Expensive defensives' rallied due to passive buying and perceived safe haven status, with investors crowding into sectors such as banking causing CBA's share price to rise 10% despite no material company-specific news flow. Communication Services (+6.5%), Information Technology (+6.4%) and Property (+6.3%) were the strongest sectors, while Energy (-7.7%), Materials (+0.7%) and Utilities (+1.9%) lagged.

The gold price rallied 5% on increasing macroeconomic uncertainty while the Brent crude oil price collapsed 21% due to concerns over global growth and increased production from Saudi Arabia.

Despite the extreme level of market volatility, the portfolio ended the month relatively flat as gains from gold and stability from our infrastructure positions (such as Fraport, Getlink and Cellnex) offset the broader cyclical market downturn that impacted other parts of the portfolio.

Returns (Net)¹ (%)

	LSF Portfolio	S&P/ASX 200 AI	Out-performance
1 month	(0.7)	3.6	(4.4)
3 months	0.3	(3.7)	+4.0
1 year	(7.5)	9.8	(17.3)
3 years p.a.	1.6	7.2	(5.6)
5 years p.a.	20.1	12.1	+7.9
LSF Since Inception p.a.	9.4	8.8	+0.6
LSF Strategy Since Inception ² p.a.	17.1	7.8	+9.3

Figures may not sum exactly due to rounding.

We believe equity market volatility has moved structurally higher, given Trump's more aggressive and unpredictable policy stance, heightened geopolitical tensions and the lack of an immediate central bank backstop. We expect to see a continued rotation out of previously high momentum, high P/E stocks, where valuations, expectations and positioning have all been extremely stretched. For our investors, periods of elevated volatility have historically been stressful in the short term, but extremely rewarding over the following 1-2 years. Our clear focus is on exploiting the recent volatility to identify stock-specific mispricings and taking advantage of the emotional or non-fundamental selling we observe in the market. We continue to believe that infrastructure, gold and 'Quality Value' stocks provide some of the best opportunities globally. Our portfolio also has a stronger than usual Value skew, with our median long position having a P/E of less than 9x, close to 10% FCF yield and double-digit EPS growth, providing a compelling medium-term return profile in spite of a tougher macro backdrop.

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 April were:

JD Sports (Long +16%) shares performed strongly during the month, following the release of better than expected Q4 FY25 results, FY26 guidance (January year-end) and a medium-term strategy update. Q4 like-for-like sales rose +0.3%, a solid improvement on the 1.5% decline in the first two months of the quarter. With major supply chain and infrastructure projects nearing completion, JD Sports will reduce capex spend and is expected to use its material cashflow generation to increase shareholder returns. Pleasingly, this includes an initial £100m share buyback.

Given the highly uncertain and evolving nature of the proposed U.S. tariffs, the company did not incorporate any tariff impact into its FY26 guidance, though it has factored in a continued subdued demand environment. While it operates a diversified global business, it is not directly responsible for importing the vast majority of its goods into the U.S.. Nevertheless, the announced tariffs (particularly on Vietnam) are potentially extremely disruptive to the industry and we believe this risk is more than reflected in the current share price.

Overall, we see the company as a high-quality global retailer with leading scale and brand relationships, excellent in-store execution and an attractive store roll-out pipeline ahead, yet it still trades on a P/E of less than 7x consensus earnings. While trading conditions are likely to remain challenging for much of 2025, we expect that the recent acquisitions of Hibbett and Courir, along with supply chain improvements and Nike's turnaround initiatives, should start delivering meaningful benefits from 2026.

BlueScope (Long +12%) shares outperformed during the month as spot U.S. steel spreads remained elevated above US\$500/t, significantly higher than BlueScope's H2 FY25 guidance of US\$340/t. In addition, key peers Nucor and Steel Dynamics reported beat Q1 earnings expectations vs. previous guidance with robust shipment volumes and upbeat near-term demand outlooks amidst the tariff uncertainty. In contrast, Asian steel prices remained depressed as excess Chinese steel production has driven exports beyond 100Mtpa annual run-rate, pressuring steel prices across the region.

BlueScope's half year results in February 2025 included an annual EBIT improvement target exceeding \$1b comprising >\$200m cost out, \$500m from growth investments and \$500m to \$1b from improved market conditions. These targets provide visibility into a materially higher future earnings base, projected to exceed \$1.8b, far higher than the current annual run-rate EBIT of ~\$600m. More broadly, we continue to believe the market underappreciates BlueScope's unique and strategic asset base, as well as the longer-term resilience of the largely consolidated U.S. steel sector.

Key detractors to portfolio performance in April were:

Mineral Resources (Long -14%) shares declined during the month as cautious investor sentiment around the company's gearing levels was exacerbated by extreme market volatility, widening high yield bond spreads and weakness in commodities markets (iron ore and lithium spodumene prices declined ~3% and ~6%, respectively). In April, Mineral Resources released its Q3 25 results, which were well received by the market, partially reversing the share price decline from earlier in the month. Most notably, the company provided more granular guidance for shipment improvements from its Onslow Iron project in May-June and reported material improvements in the operating costs of its lithium assets. Mineral Resources also clarified that an equity raising is not currently under consideration despite its elevated leverage given *'the strong liquidity and a number of other levels at MinRes' disposal'*. This had been a key concern of the market and led to a strong intra-month share price rally.

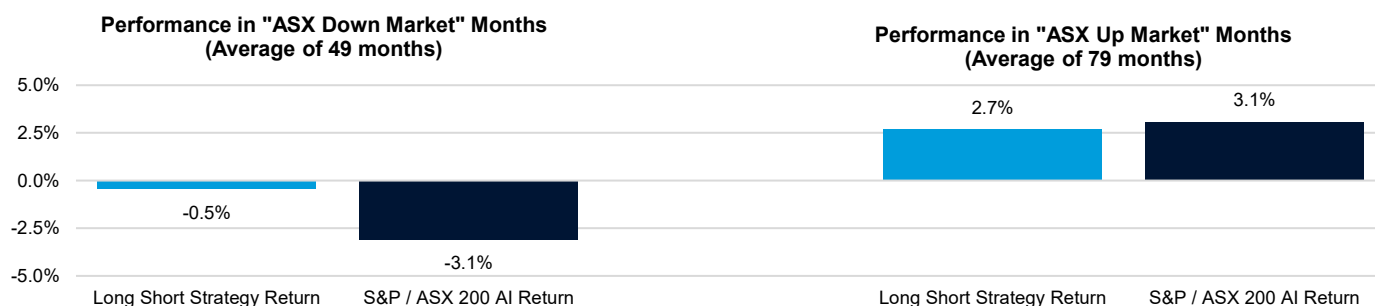
We refer our readers to our [Long Short Fund February 2025 Monthly Report](#) for further commentary on Mineral Resources. We continue to believe that each of the company's core segments should see material improvement from current levels over the medium term. As a result, we find the risk-reward at current share price levels to be compelling, with significant upside potential as Mineral Resources executes its key growth projects.

Santos (Long -10%) underperformed during the month due to a significant decline in oil prices, with Brent crude down 21% (from US\$77/bbl to US\$61/bbl). The key drivers were the U.S. tariff announcements, which sparked concerns over global economic activity and resulting lower oil demand, as well as the almost simultaneous OPEC+ announcement of a faster than anticipated partial end of its voluntary supply cuts.

Even at a spot oil price of ~US\$60/bbl, we believe Santos' asset base is materially undervalued as the company continues to make significant progress on its key growth initiatives. The Barossa project is 95% complete and on track for first production in 2025, and the Pikka project is more than 80% complete. Their completion will conclude a multi-year period of elevated capex spend and represents an inflection point for cashflow and potentially shareholder returns.

Strategy returns (Net)³ (%)

	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) ³	(4.1)	(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)	(3.8)	2.0
2025	0.2	(0.9)	2.0	(0.7)									0.5

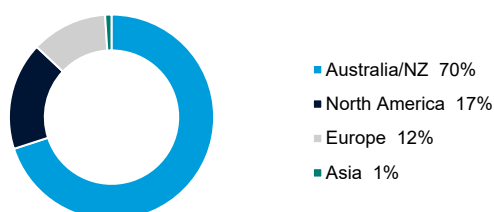
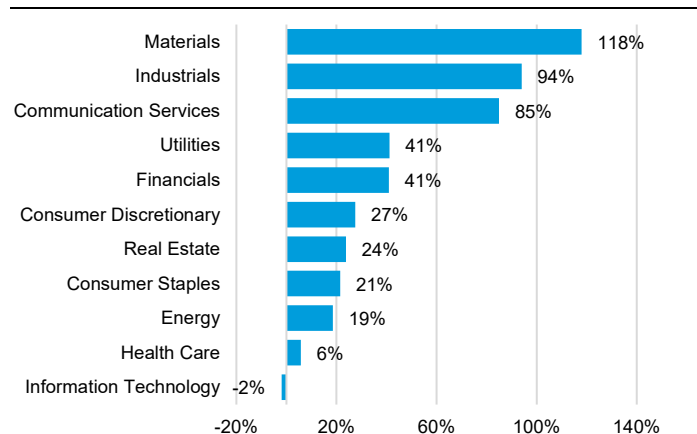
Strategy performance in rising and falling markets⁴ (Net)

Portfolio positions

Number of total positions	82
Number of long positions	62
Number of short positions	20
Number of international positions	29

Net and gross exposure (%)

	Gross long	Gross short	Net exposure
Australia/NZ	101	(87)	13
North America	43	(3)	41
Europe	32	-	32
Asia	2	-	2
Total ⁵	179	(90)	89

Gross geographic exposure as a % of total exposure⁴Sector contribution since Strategy inception⁴ (Net)Company information as at 30 April 2025⁶

Share Price	\$2.81
NTA before tax	\$2.81
NTA after tax	\$2.86
Shares on issue	628,939,776
Company market cap	\$1.77b

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. Figures may not sum exactly due to rounding. Excludes exposures to instruments not associated with a specific geography. 6. 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

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	MUFG Corporate Markets
Company website	www.L1LongShort.com

Company information – LSF

Name	L1 Long Short Fund Limited
Structure	Listed Investment Company (ASX:LSF)
Inception	24 April 2018
Management fee*	1.44% p.a.
Performance fee**	20.5% p.a.
High watermark	Yes
Platform availability	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.



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* 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.**

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