

- The L1 Long Short Fund (LSF) portfolio returned 0.3%<sup>1</sup> in January (ASX200AI 1.2%).
- Over the past 3 years, the portfolio has returned 15.5%<sup>1</sup> p.a. (ASX200AI 9.6% p.a.).
- Global markets were mixed in January, as investors re-assessed interest rate expectations and the broader economic outlook.

Markets started the year cautiously after the strong December rally as investors re-assessed interest rate expectations and the broader economic outlook.

Despite initial concerns, markets increased in the back half of the month as December inflation data continued to remain supportive, U.S. Q4 GDP data exceeded expectations (3.3% growth relative to consensus forecasts of 2.0%) and consumer spending remained resilient, all of which reinforced investor expectations for a 'soft landing' for the U.S. economy.

Long-term bond yields in both Australia and the U.S. remained relatively flat over the month at around ~4%, consolidating the sharp falls in the prior month. There was greater volatility at the short end of the curve, with the market moving from a 70% probability of a U.S. interest rate cut at the March FOMC meeting at the start of the month to only a ~30% chance at the end of the month.

The S&P/ASX 200 Accumulation Index returned 1.2% during January. Energy (+5.2%), Financials (+5.0%) and Healthcare (+4.3%) were the strongest sectors, while Materials (-4.8%), Utilities (-1.5%) and Consumer Staples (0.0%) lagged.

**We expect global markets to remain volatile and sensitive to future economic data updates as Central Banks attempt to navigate 'soft landing' outcomes. Ongoing geopolitical tensions and potential impacts from events such as the U.S. elections provide an additional layer of uncertainty. Against this backdrop, recent equity market performance has been driven primarily by a narrow group of stocks. We see equity markets as being relatively fully priced overall, but within that we see numerous compelling opportunities in low P/E, highly cash generative companies, along with select opportunities on the short side.**

Returns (Net) <sup>1</sup> (%)	L1 Long Short Portfolio	S&P/ASX 200 AI	Out-performance
1 month	0.3	1.2	(0.9)
3 months	6.5	14.0	(7.5)
1 year	2.8	7.1	(4.3)
2 years p.a.	7.1	9.6	(2.5)
3 years p.a.	15.5	9.6	+5.9
4 years p.a.	21.2	6.2	+14.9
5 years p.a.	19.1	9.7	+9.4
LSF Since Inception p.a.	11.1	8.8	+2.3
LSF Strategy Since Inception <sup>2</sup> p.a.	19.2	7.7	+11.6

*Figures may not sum exactly due to rounding.*

Key contributors to portfolio performance in January were:

**Flutter (Long +17%)** shares rallied over the month after the company released a trading update illustrating that it continues to maintain its leadership position in the U.S. sports betting/iGaming market. This was despite a step-up in competition in the market from the entry of ESPN BET and Fanatics' acquisition of PointsBet's U.S. operations.

We believe 2024 has several catalysts for the company. Flutter completed its U.S. secondary market listing at the end of January and has announced the intention to shift to a U.S. primary listing towards the middle of this year. We expect this will further enhance its profile and highlight the valuation discount versus listed U.S. peers. FanDuel's profitability is set to accelerate meaningfully after several years of high investment. This will transform the company's earnings growth and deleveraging profile, allowing them the flexibility to pursue bolt-on M&A growth and increased shareholder returns.

We believe the business has an exciting growth path ahead for the rest of the decade with Flutter's outstanding management team well placed to maintain the company's leadership position.

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.



L1 CAPITAL

# L1 Long Short Fund Limited

Monthly Report | JANUARY 2024

**Resmed (Long +15%)** shares rose in January after the company reported better-than-expected gross margin improvement in its Q2 earnings announcement and allayed fears over the impact of GLP-1 weight loss drugs. Resmed is a major manufacturer of continuous positive airway pressure (CPAP) machines and masks to treat sleep apnoea. We established our position in September 2023, where, after consulting with over 20 sleep physicians and distributors, we believed the impact of GLP-1 weight loss drugs was manageable, and the stock was over-sold. At the JP Morgan conference in San Francisco, (which we attended) Resmed presented its own analysis of the GLP-1 sleep impact, which confirmed our initial views. Despite the recent share price rally, Resmed is currently trading at over a 20% discount to its historic average forward P/E.

**NexGen (Long +11%)** strengthened as spot uranium prices continued to rise over the month (+11% during January). Uranium prices reached a 15-year high as medium-term demand tailwinds indicated the possibility of material, potential supply deficits by the end of the decade. This sentiment was further amplified as the world's largest uranium producer Kazatomprom (~20% global supply) flagged a downgrade to its previously guided 2024 production, demonstrating the fragility of current supply. NexGen is preparing to develop the world's largest uranium deposit, Arrow, located in Saskatchewan, Canada which would be a major, new, strategic Western source to address the anticipated market deficit. At the current uranium spot prices, Arrow, once developed, has the potential to generate more than C\$2b of cash flow per annum.

A key detractor to portfolio performance in January was:

**Newmont (Long -13%)** shares fell as expectations for the company's 2024 production volumes declined due to several operational downgrades across the portfolio, including, most recently, the Telfer and Brucejack mines being temporarily suspended due to environmental and operating safety issues. We expect much of this near-term operating weakness will be transitory and supportive of Newmont'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. Post 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 that will support production growth over the next few years. In addition, the company has strong exposure to copper, with annual copper production of ~150kt.

## Strategy returns (Net)<sup>3</sup> (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>2014</b>	-	-	-	-	-	-	-	-	(2.42)	3.03	2.85	1.61	<b>5.17</b>
<b>2015</b>	0.59	9.14	2.42	1.71	3.73	(0.86)	3.30	2.06	5.51	8.49	8.11	4.62	<b>60.52</b>
<b>2016</b>	5.81	0.59	5.47	2.46	2.78	(0.89)	3.22	3.92	0.46	(0.13)	0.55	2.22	<b>29.61</b>
<b>2017</b>	2.51	1.87	3.15	1.03	4.18	1.70	2.62	1.69	1.93	2.54	0.89	3.56	<b>31.40</b>
<b>2018</b>	0.56	(0.47)	(1.64)	(1.32) <sup>3</sup>	(4.05)	(5.96)	1.01	(5.34)	(2.06)	(3.90)	(2.60)	(5.95)	<b>(27.74)</b>
<b>2019</b>	4.26	5.11	0.16	3.05	(2.73)	3.87	0.63	0.40	2.54	3.46	0.36	2.06	<b>25.46</b>
<b>2020</b>	(7.75)	(6.85)	(22.93)	23.16	10.94	(2.12)	(1.69)	9.99	0.63	(2.37)	31.94	4.29	<b>29.50</b>
<b>2021</b>	(0.17)	9.00	(0.14)	5.11	4.07	(0.52)	1.75	5.10	4.86	2.32	(7.36)	3.66	<b>30.29</b>
<b>2022</b>	2.79	6.87	1.34	3.44	0.06	(13.39)	(3.34)	5.37	(7.60)	5.24	7.52	4.36	<b>10.72</b>
<b>2023</b>	3.65	(2.04)	0.54	1.64	(3.19)	1.70	5.25	(4.89)	0.94	(3.07)	2.39	3.67	<b>6.20</b>
<b>2024</b>	0.30												<b>0.30</b>

## Portfolio positions

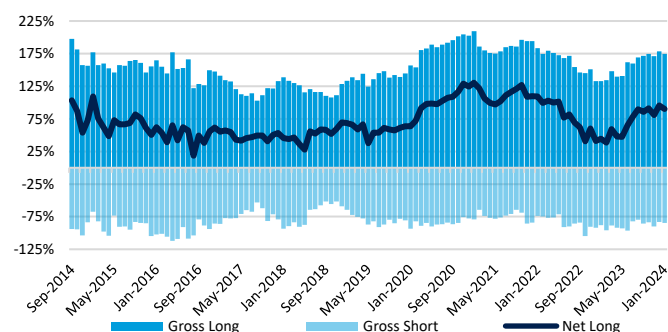
Number of total positions	80
Number of long positions	62
Number of short positions	18
Number of international positions	24

## Net & gross exposure by region<sup>3</sup> (%)

Geography	Gross long	Gross short	Net exposure
Australia/NZ	114	76	39
North America	43	9	34
Europe	14	-	14
Asia	4	-	4
<b>Total</b>	<b>174</b>	<b>84</b>	<b>90</b>

Figures may not sum exactly due to rounding.

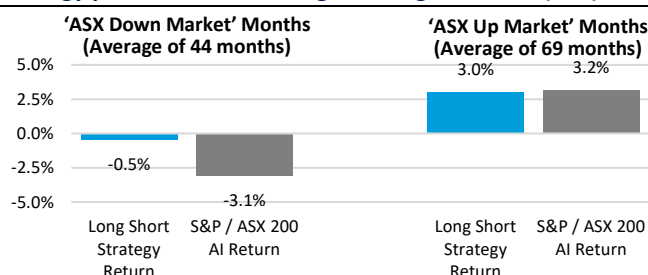
## Historical Strategy exposures<sup>3</sup>



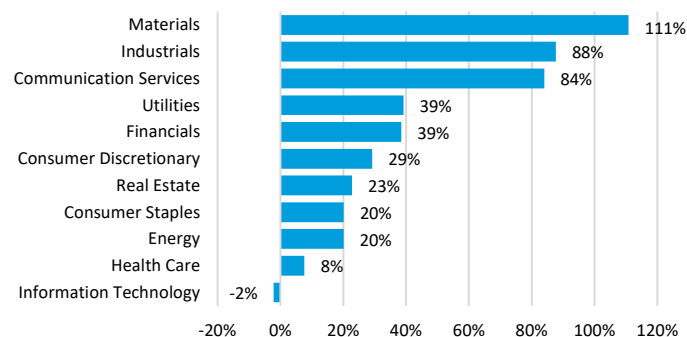
## Company information as at 31 January 2024<sup>4</sup>

Share Price	\$2.92
NTA before tax	\$3.05
NTA after tax	\$2.96
Shares on issue	619,457,738
Company market cap	\$1.81b

## Strategy performance in rising & falling markets<sup>3</sup> (Net)



## Sector contribution since Strategy inception<sup>3</sup> (Net)



3. 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. 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). 4. 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.



L1 CAPITAL

# L1 Long Short Fund Limited

Monthly Report | JANUARY 2024

## 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	<a href="http://www.L1LongShort.com">www.L1LongShort.com</a>
Manager website	<a href="http://www.L1.com.au">www.L1.com.au</a>
LinkedIn	Follow us on 

## Contact us

### Head of Distribution

Chris Clayton | [cclayton@L1.com.au](mailto:cclayton@L1.com.au) | +61 3 9286 7021

### Researchers

Aman Kashyap | [akashyap@L1.com.au](mailto:akashyap@L1.com.au) | +61 477 341 403

### Advisers

Lisa Salamon | [lsalamon@L1.com.au](mailto:lsalamon@L1.com.au) | +61 406 585 322  
Bryce Leyden | [bleyden@L1.com.au](mailto:bleyden@L1.com.au) | +61 407 876 532

### Brokers

Alejandro Espina | [aespina@L1.com.au](mailto:aespina@L1.com.au) | +61 423 111 531

### Private clients

Alexander Ordon | [aordon@L1.com.au](mailto:aordon@L1.com.au) | +61 413 615 224

### Investor services

Jeffrey Lau | [jlau@L1.com.au](mailto: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.



L1 CAPITAL

Level 45, 101 Collins Street  
Melbourne VIC 3000  
Australia  
[www.L1.com.au](http://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.

## 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.