

- The L1 Long Short Fund (LSF) portfolio returned 2.4%¹ in November (ASX200AI 5.0%).
- Over the past 3 years, the portfolio has returned 15.5%¹ p.a. (ASX200AI 7.1% p.a.).
- Global markets rallied in November as bond yields fell and inflation showed further signs of moderation.

Global markets recovered in November, breaking a three-month losing streak as bond yields fell and inflation continued to decline. This, together with the Fed keeping rates unchanged at the November FOMC meeting, buoyed investor expectations for a potential U.S. 'soft-landing'.

After steep rises in the prior month, the Australian 10-year bond yield fell 52bps and the U.S. 10-year bond yield fell 54bps in November. Market expectations shifted from interest rates remaining higher for longer to fight sustained inflationary pressures, to the potential for interest rate cuts by mid-2024 to support economic growth.

The S&P/ASX 200 Accumulation Index returned 5.0% during November. Healthcare (+11.7%), Property (+11.0%) and Information Technology (+7.3%) were the strongest sectors, while Energy (-7.4%), Utilities (-6.0%) and Consumer Staples (-0.8%) lagged.

The portfolio performed positively over the month, driven by several supportive stock-specific updates (including CRH, Bluescope and Downer), with some offsets from our exposure to Energy.

We believe equity markets are facing opposing forces of positivity from moderating inflation in most OECD countries and potential policy stimulus in China, offset by negativity from weak leading economic indicators and heightened geopolitical tensions.

We are currently finding numerous attractive opportunities in low P/E stocks, infrastructure and resources, where expectations are low and valuations are compelling.

Returns (Net) ¹ (%)	L1 Long Short Portfolio	S&P/ASX 200 AI	Out-performance
1 month	2.4	5.0	(2.6)
3 months	0.2	(1.8)	+2.0
6 months	2.0	2.0	(0.1)
1 year	6.9	1.5	+5.5
2 years p.a.	8.4	3.2	+5.2
3 years p.a.	15.5	7.1	+8.4
4 years p.a.	18.2	4.8	+13.4
5 years p.a.	17.7	8.7	+9.0
LSF Since Inception p.a.	10.6	7.5	+3.2
Strategy Since Inception² p.a.	19.1	6.9	+12.3

Figures may not sum exactly due to rounding.

Key contributors to portfolio performance in November were:

CRH (Long +17%) rallied after announcing solid Q3 results and upgrading its full year guidance. The company continues to be a significant beneficiary of the unprecedented growth in U.S. infrastructure spending, which will underpin many years of robust demand. The Infrastructure Investment and Jobs Act ('IIJA'), Inflation Reduction Act ('IRA') and the Chips and Science Act will together add roughly US\$2 trillion in investment to ageing U.S. infrastructure. These market tailwinds, together with CRH's ability to drive value-accretive M&A, position the company to deliver consistent double-digit earnings growth over the medium term. CRH has also recently completed the transition of its primary listing to the NYSE which we expect will step-change its investment profile with U.S. investors.

Bluescope Steel (Long +11%) shares rose over the month as U.S. steel spreads strengthened following a resolution to the United Auto Workers strike that had extended through the preceding two months. As a result, the company updated first half FY24 earnings guidance to the top-end of the previously provided range. U.S. steel spreads' recent material rise above historical averages should also provide a strong tailwind for the company's second half earnings.

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.



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L1 Long Short Fund Limited

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BlueScope continues to focus on growing its U.S. operations through expanding the capacity at the North Star facility in Ohio by 850ktpa, acquiring the U.S.'s second largest metal coating/painting company in Coil Coatings, and establishing BlueScope Recycling following its acquisition of the MetalX recycling business. We continue to believe the market significantly undervalues BlueScope's unique and strategic asset base and the resilience of the largely consolidated U.S. steel sector.

Downer (Long +12%) shares strengthened over the month as the company reaffirmed that it remains on track to achieve its \$100m p.a. cost reduction targets by the end of FY24 as well as its target for EBITA margins to exceed 4.5% in FY25. In addition, during the month the company announced the sale of its non-core RepurposeIT asset, resulting in cash proceeds of \$85m and demonstrating execution of its portfolio simplification strategy.

While we continue to expect that FY24 will be a transition year for Downer, we should see solid improvements during the second half as the benefits from both its cost-out program and its utilities division turnaround materialise. With a renewed leadership team at both the Board and senior management levels committed to self-help measures and simplification initiatives, we anticipate the company will evolve into a more resilient, less capital-intensive and lower risk services business exposed to growing, annuity-style contracts.

Key detractors from portfolio performance in November included **Santos (Long -10%)** and **Cenovus (Long -7%)** which were impacted by the downturn in oil prices over the month.

As we recently outlined in our [November webinar](#) we believe the outlook for Energy will prove to be better than market expectations. We expect demand to remain relatively resilient supported by Chinese activity recovering to pre-pandemic levels and by growth in rapidly expanding markets such as India.

We expect supply to remain constrained due to the multi-year under-investment in new supply and the inability for shale production to increase at the same rate as it did in the last cycle.

In addition to our positive Energy market view, our key positions have several catalysts to drive shareholder value.

For **Cenovus**, we estimate the company can reach its net debt target in mid-CY24, enabling a significant step-up in shareholder returns.

For **Santos**, we see potential for the company to explore structural options to unlock value, including through a potential demerging of its oil and domestic gas assets from the core LNG portfolio, which we detailed in our [September 2023 quarterly report](#).

Strategy returns (Net)³ (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2014	-	-	-	-	-	-	-	-	(2.42)	3.03	2.85	1.61	5.17
2015	0.59	9.14	2.42	1.71	3.73	(0.86)	3.30	2.06	5.51	8.49	8.11	4.62	60.52
2016	5.81	0.59	5.47	2.46	2.78	(0.89)	3.22	3.92	0.46	(0.13)	0.55	2.22	29.61
2017	2.51	1.87	3.15	1.03	4.18	1.70	2.62	1.69	1.93	2.54	0.89	3.56	31.40
2018	0.56	(0.47)	(1.64)	(1.32) ³	(4.05)	(5.96)	1.01	(5.34)	(2.06)	(3.90)	(2.60)	(5.95)	(27.74)
2019	4.26	5.11	0.16	3.05	(2.73)	3.87	0.63	0.40	2.54	3.46	0.36	2.06	25.46
2020	(7.75)	(6.85)	(22.93)	23.16	10.94	(2.12)	(1.69)	9.99	0.63	(2.37)	31.94	4.29	29.50
2021	(0.17)	9.00	(0.14)	5.11	4.07	(0.52)	1.75	5.10	4.86	2.32	(7.36)	3.66	30.29
2022	2.79	6.87	1.34	3.44	0.06	(13.39)	(3.34)	5.37	(7.60)	5.24	7.52	4.36	10.72
2023	3.65	(2.04)	0.54	1.64	(3.19)	1.70	5.25	(4.89)	0.94	(3.07)	2.39		2.44

Portfolio positions

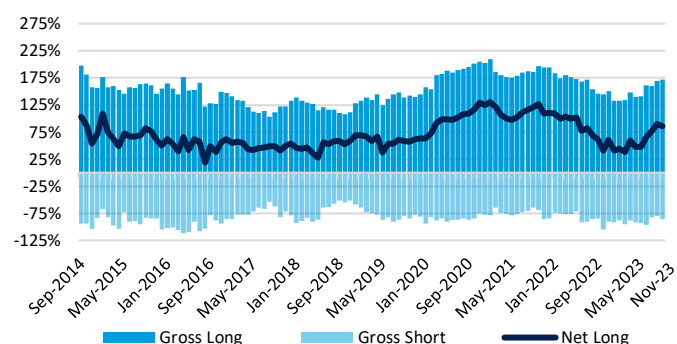
Number of total positions	80
Number of long positions	60
Number of short positions	20
Number of international positions	23

Net & gross exposure by region³ (%)

Geography	Gross long	Gross short	Net exposure
Australia/NZ	106	81	24
North America	48	8	40
Europe	14	-	14
Asia	2	-	2
Total	170	90	81

Figures may not sum exactly due to rounding.

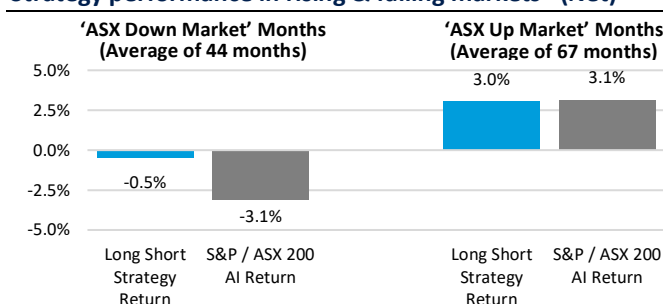
Historical Strategy exposures³



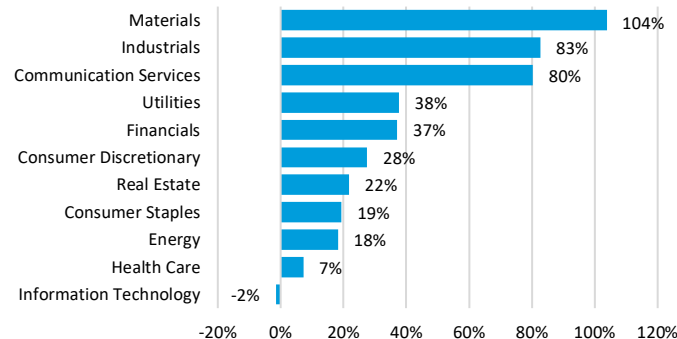
Company information as at 30 November 2023⁴

Share Price	\$2.87
NTA before tax	\$2.93
NTA after tax	\$2.88
Shares on issue	619,457,738
Company market cap	\$1.78b

Strategy performance in rising & falling markets³ (Net)



Sector contribution since Strategy inception³ (Net)



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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
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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

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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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