



We invite you to join L1 Capital's Joint Managing Director and Co-Chief Investment Officer, Mark Landau for a L1 Long Short Fund Limited (ASX:LSF) Investor Webinar on Thursday, May 11 at 11am (AEST).

Please [click here](#) to register to join the webinar.



L1 CAPITAL

L1 Long Short Fund Limited Investor Webinar

**Mark Landau, Joint Managing Director and
Chief Investment Officer**

May 11, 2023



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Performance summary



Performance summary

Strong long-term performance



Pre-tax NTA Net Performance ¹ to 30 Apr 2023 (%)	L1 Long Short Fund portfolio	S&P ASX 200 Accum. Index (AUD)	MSCI World Accum. Index (USD)	HFRX Global Hedge Fund Index (USD)
3 months	0.1	(0.8)	2.4	(1.3)
6 months	16.4	8.7	12.3	0.4
1 year	(0.2)	2.8	3.2	(1.9)
2 years p.a.	14.5	6.4	(0.2)	(1.7)
3 years p.a.	33.4	14.0	13.1	3.5
4 years p.a.	21.1	7.7	8.6	2.8
5 years p.a.	12.6	8.3	8.1	1.7
LSF since inception p.a.	12.2	8.5	8.2	1.6
Strategy since inception ² (p.a.)	20.7	7.4	7.6	1.1

The L1 Capital Long Short Strategy has been the best performing Australian long short strategy since inception in 2014.³

Source: Mainstream Fund Services, Bloomberg and L1 Capital as at 30 Apr 2023. 1. Net returns are calculated based on the movement of the underlying investment portfolio net of all applicable fees and charges.

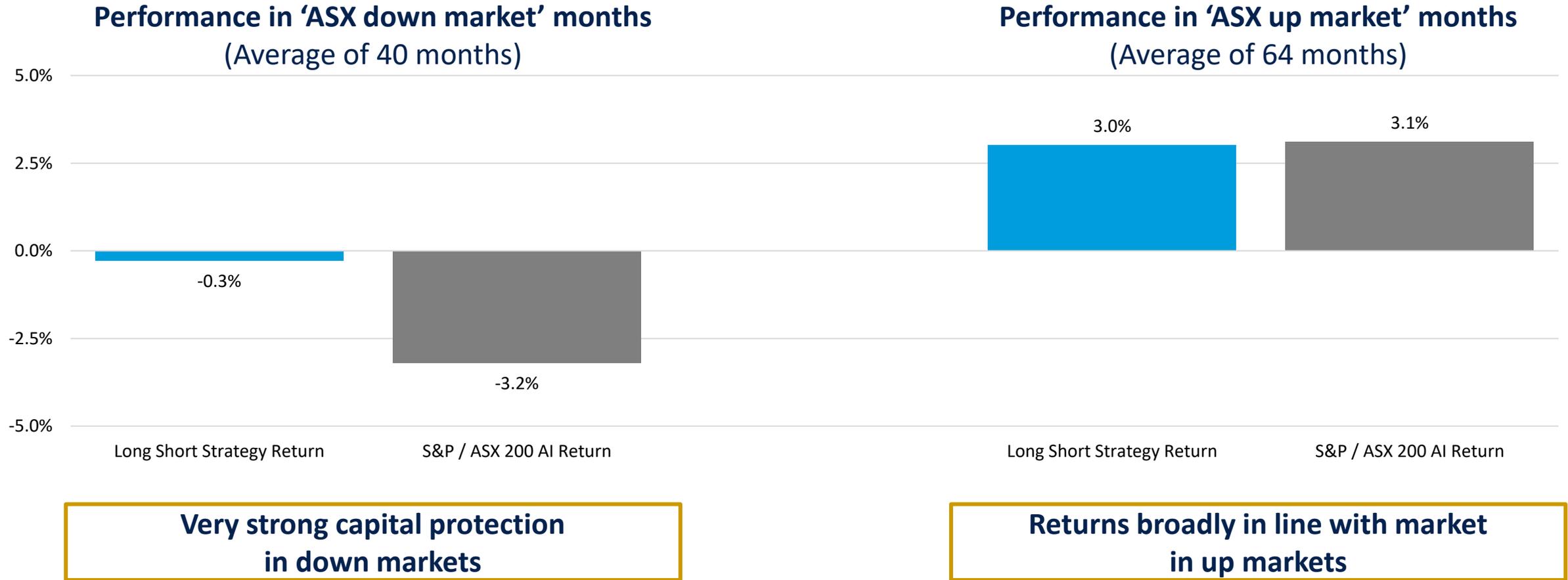
2. Strategy Since Inception return (net of fees) is for L1 Capital Long Short Fund – Monthly Class since inception (1 Sep 2014). Past performance should not be taken as an indicator of future performance.

3. Ranking in FE Analytics Australian Shares universe as at 31 Mar 2023.

Capital protection in falling markets



The strategy has protected 90% of investors' capital in falling markets



Stock contributors and detractors



Calendar year to date

Company name		Company news
Alibaba	✓	Favourable sentiment surrounding China's re-opening and indications regulatory intervention would ease
BlueScope	✓	Earnings guidance increased by more than 40% due to strong improvement in U.S. steel prices and spreads
Capstone	✓	Strengthening copper prices and continued strong execution of its growth projects
Flutter	✓	Extended leadership position in U.S. sports betting with market share accelerating to ~50% from ~40% in the prior year
Newcrest	✓	Takeover proposal from Newmont at an implied 46% premium to the pre-offer share price
QBE	✓	FY22 cash NPAT 15-20% ahead of consensus estimates. Premium growth continues to remain strong
Qantas	✓	Strong profit result with a further \$500m buy-back. Consensus earnings expectations have increased more than 100% for FY23
Teck Resources	✓	Takeover proposal from Glencore at an implied value of C\$58 per share
Apple (short)	✗	Rally in mega-cap technology stocks with investors crowding into defensives
Cenovus	✗	Lower oil price and refinery outages impacting production
Downer	✗	Weak first half FY23 earnings with a second downgrade to full year FY23 earnings guidance

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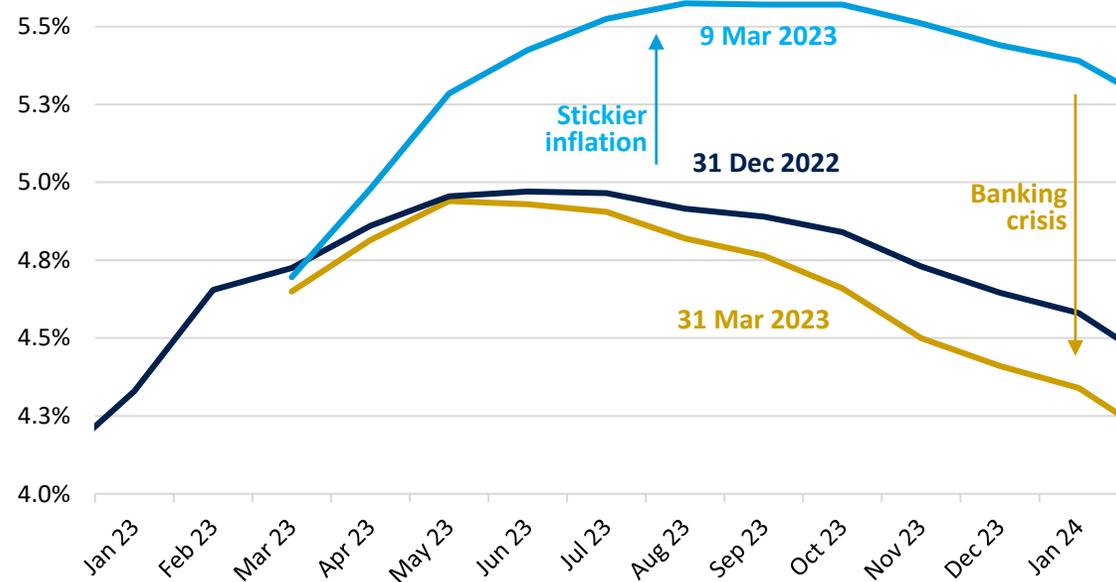
Market review



Bond market volatility

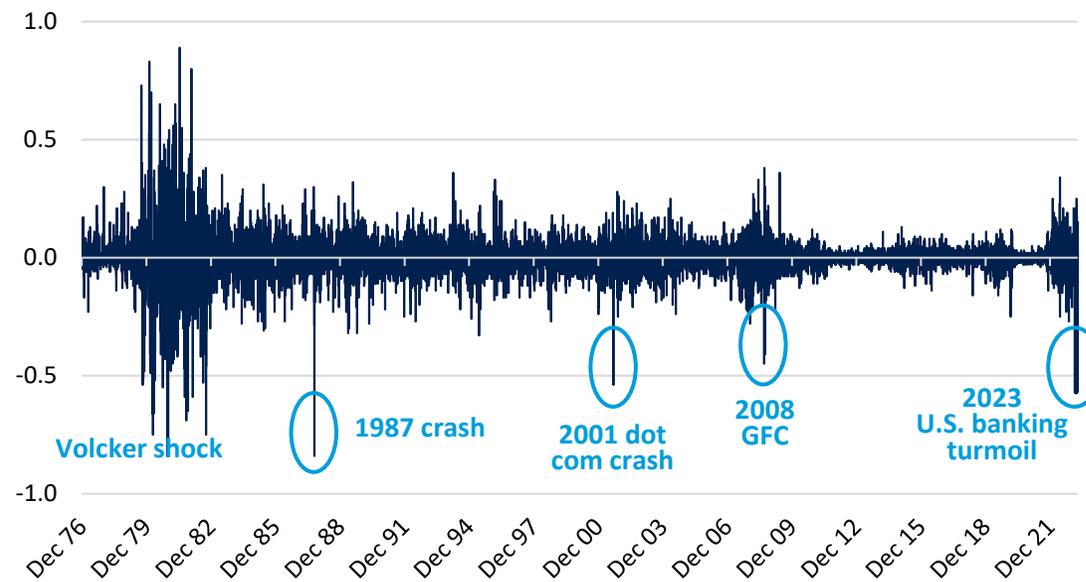
The recent banking crisis has driven significant volatility in interest rate expectations

Implied U.S. interest rate expectations



- 9 March – terminal rates peak >5.5%, no rate cuts in 2023
- End of March – terminal rates peak <5%, 3 rate cuts in 2023

Change in two-year bond yields



- Largest move in 2-year bond yields in over 35 years

Stock market trends



Narrow stock market rally led by large-cap technology stocks and high-multiple growth-stocks

MSCI growth vs. value performance



- Growth stocks have enjoyed an extraordinary period of outperformance since 2007
- Value stocks had been outperforming in recent times, with a reversal of trend in 2023

S&P500 equal weight vs. market-cap weight index

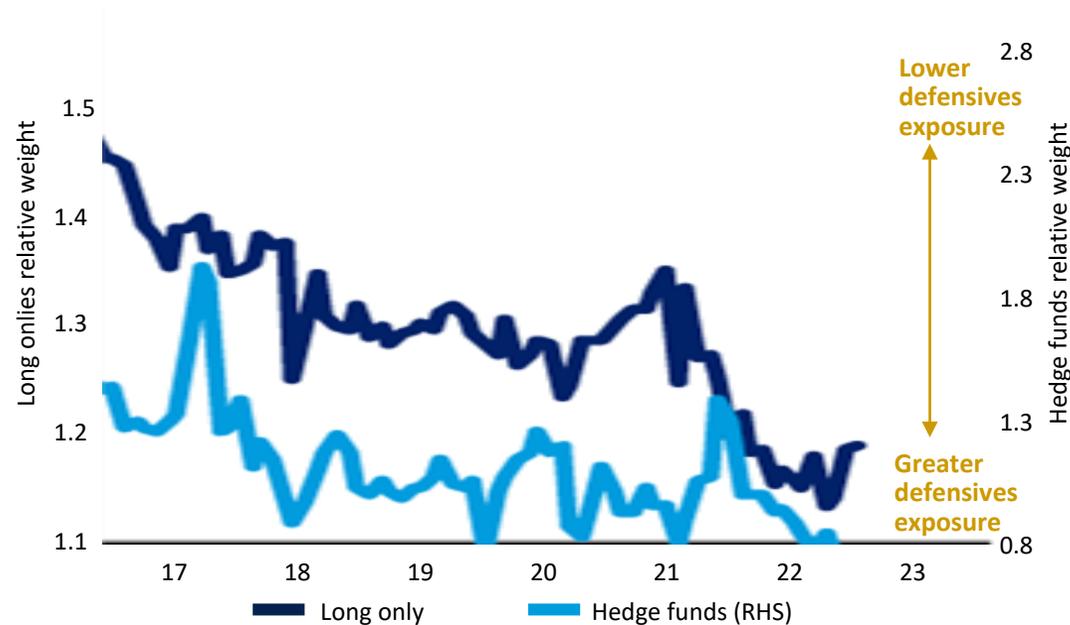


- Very narrow market leadership
- The 7 best performing stocks in the S&P500 account for ~75% of the index return in 2023¹

Investor positioning

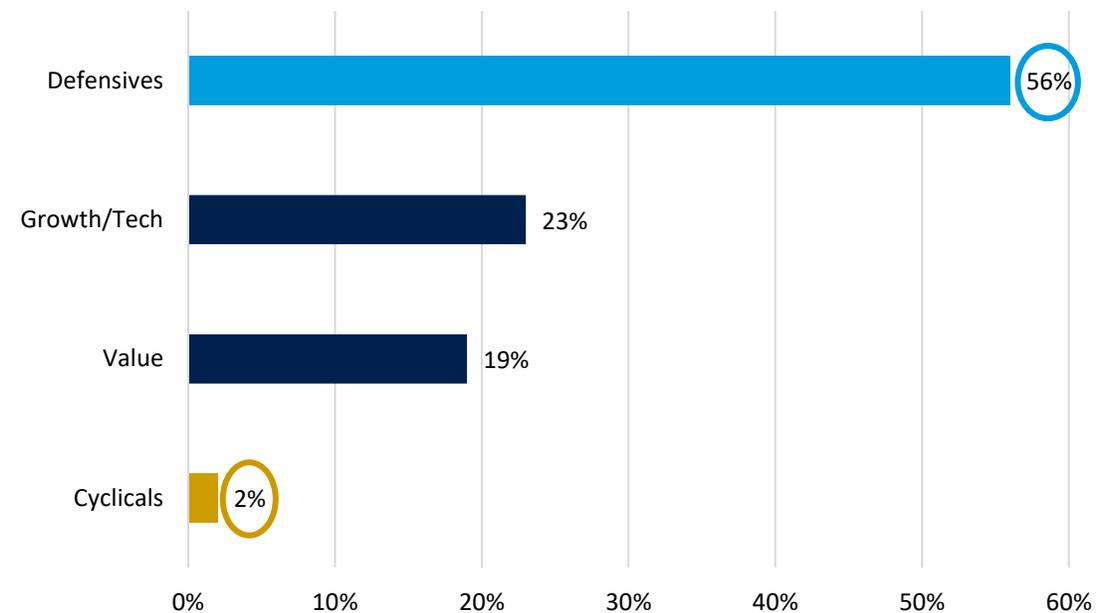
Cyclicals are extremely under-owned. Defensives are crowded.

U.S. Cyclicals vs. Defensives relative weight Long only funds and hedge funds



- Both long only and hedge fund investors have extremely low exposure to cyclicals versus history

JPM Fund Manager Survey: “What is the best way to position in equities in the current environment?”



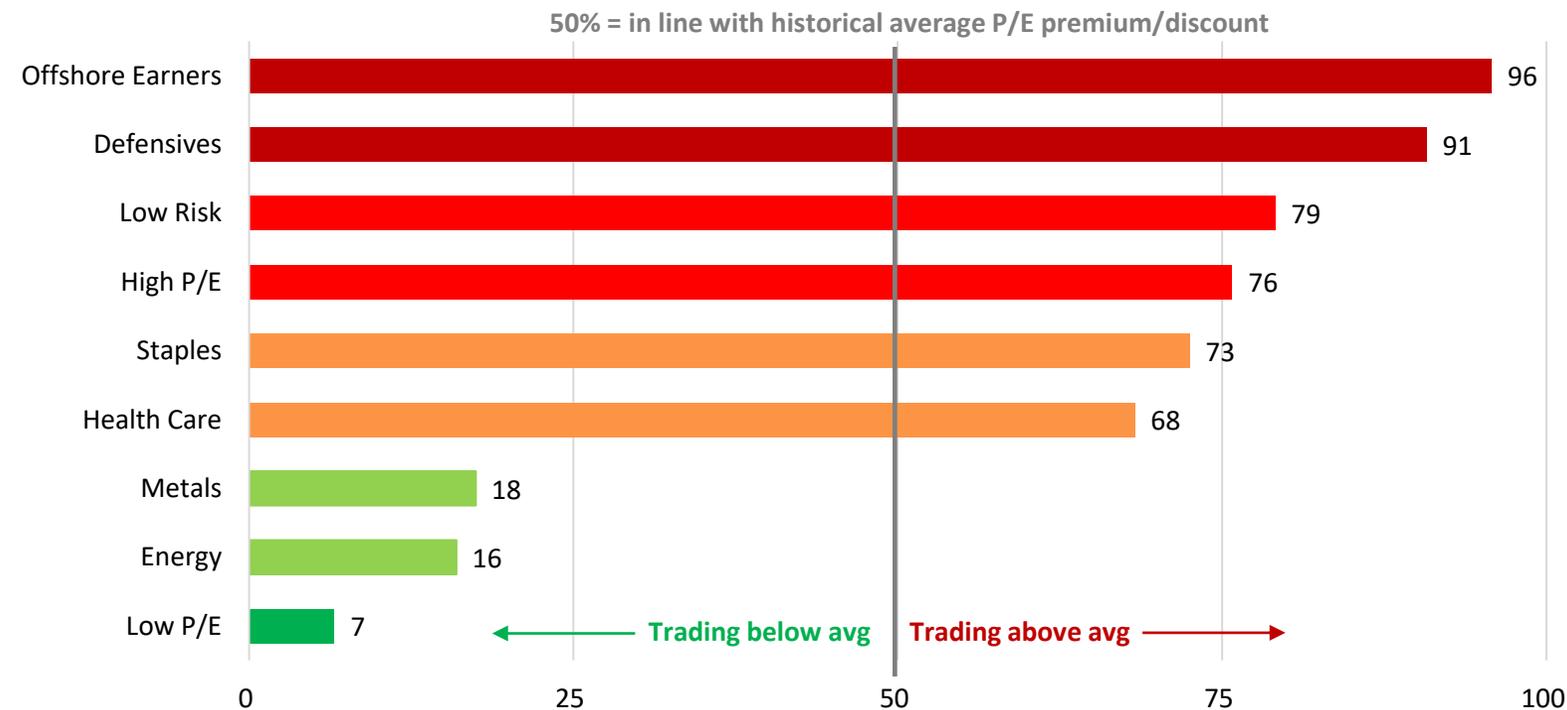
- Cyclicals are unloved and extremely under-owned
- Investors have crowded into defensives (making them riskier investments)

Valuation disparity



Defensives and growth stocks valuations appear stretched. Low P/E and resources look very undervalued versus history.

ASX 200 valuation premium of selected sectors/factors relative to historical ranges 12m forward P/E vs. 10-year range (percentile rank versus history)



- Multiples for Defensives and 'Low Risk' stocks are at extreme highs
- Offshore Earners are valued in the 96th percentile versus history. In addition, AUD (vs. USD) is also trading at depressed levels versus 20-year range
- Low P/E, Energy and Resources stocks trading at very depressed relative earnings multiples

3

Market outlook

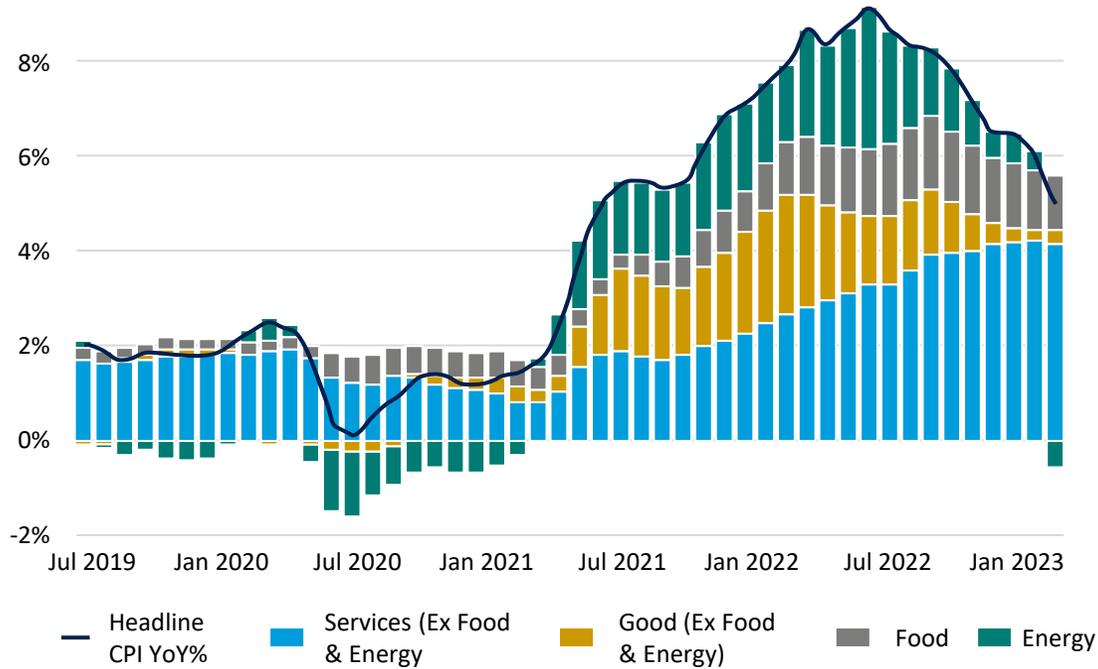


Inflation



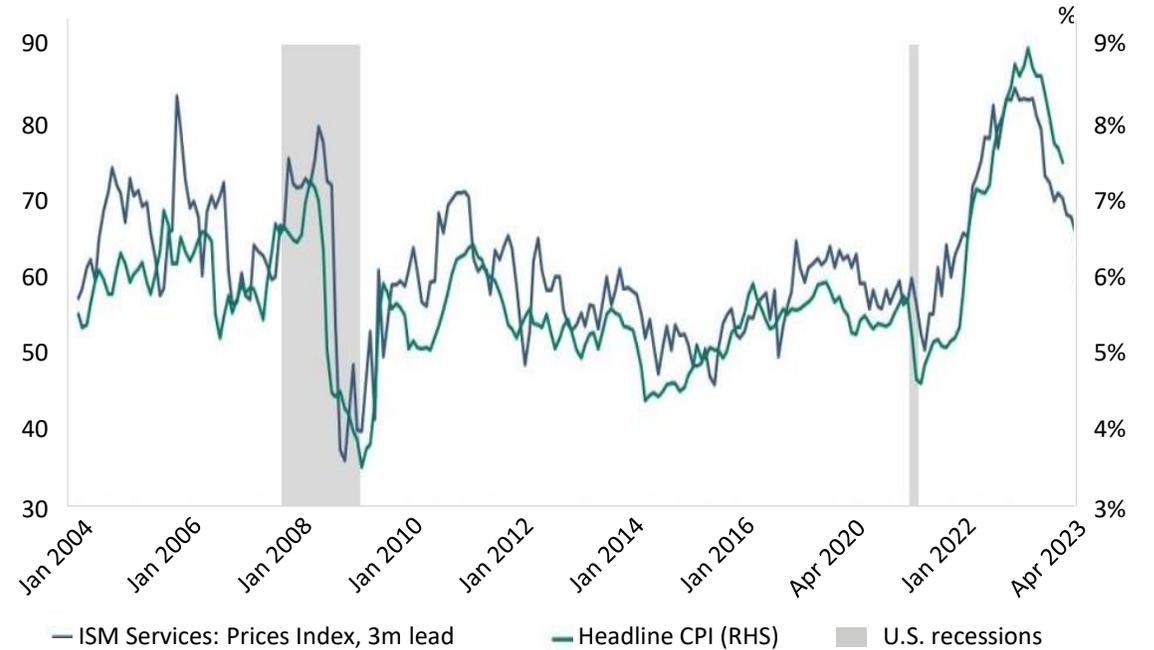
U.S. Inflation is now moderating and we expect a further decline over the coming months

U.S. Headline CPI breakdown, YoY % Change



- Goods inflation has collapsed
- Services inflation remains sticky and elevated (largest factor causing higher than average CPI)

U.S. Headline CPI vs. ISM prices index



- ISM services price index indicates a continued fall in CPI is likely over the coming months

U.S. economic outlook



Several indicators suggest an elevated risk of a U.S. recession

U.S. yield curve (10-year – 3-month spread)



- Yield curve at the most inverted level in decades
- Reliable predictor of all recessions since 1955

ISM Manufacturing PMI and recessions (grey shading)



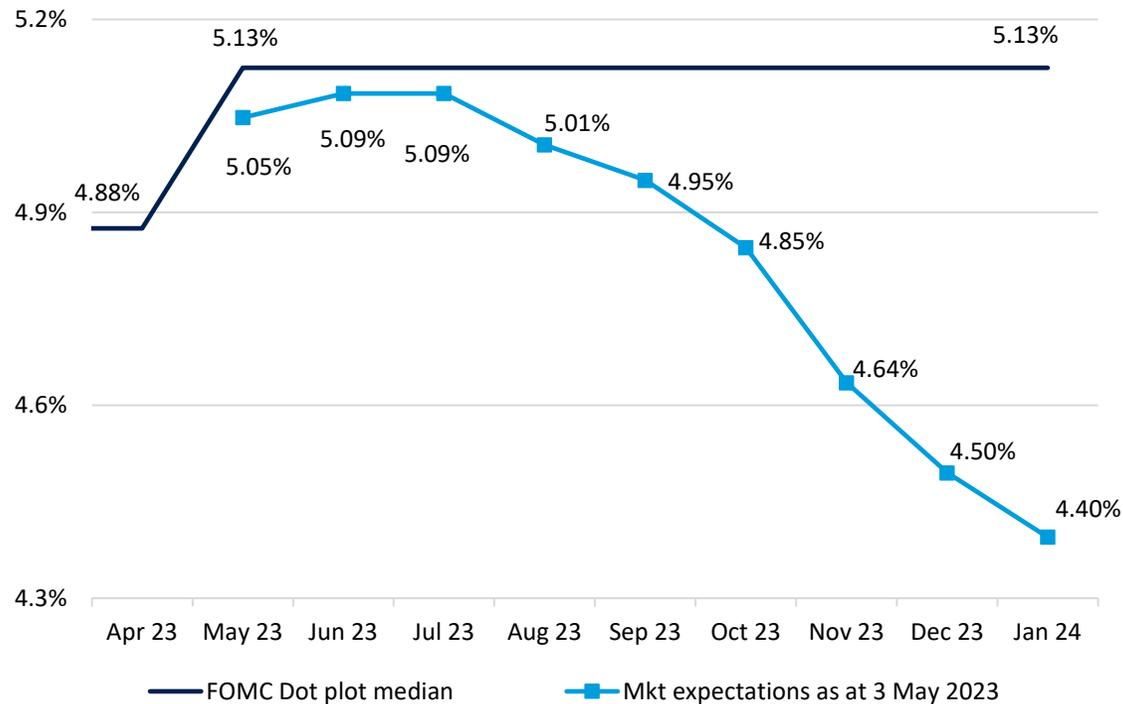
- Manufacturing PMI continues to collapse
- Reading below 45 (dotted gold-line) has predicted 11 of 12 recessions in the past 70 years

Bond market vs. Fed commentary



Large divergence between bond market interest rate expectations compared to Fed guidance

Fed 'dot plot' median vs. market current expectations



There is a major disconnect between what the bond market is saying and what the Fed is saying....

“(The Fed) participants don’t see rate cuts this year. They just don’t.”

*Jerome Powell, Fed Chair
FOMC meeting press conference – 22 March 2023*

Equities backdrop



Positive factors

- Inflation pressures likely to reduce over the next 6 months
- Interest rates nearly at peak
- China re-opening tailwinds
- Influx of migrants to Australia



Negative factors

- Full valuations
- Corporate earnings unlikely to beat expectations
- Tail risk from U.S. regional banking crisis
- Likely economic downturn in Australia & U.S.
- Geopolitical tensions
- Adverse Government policy for corporates

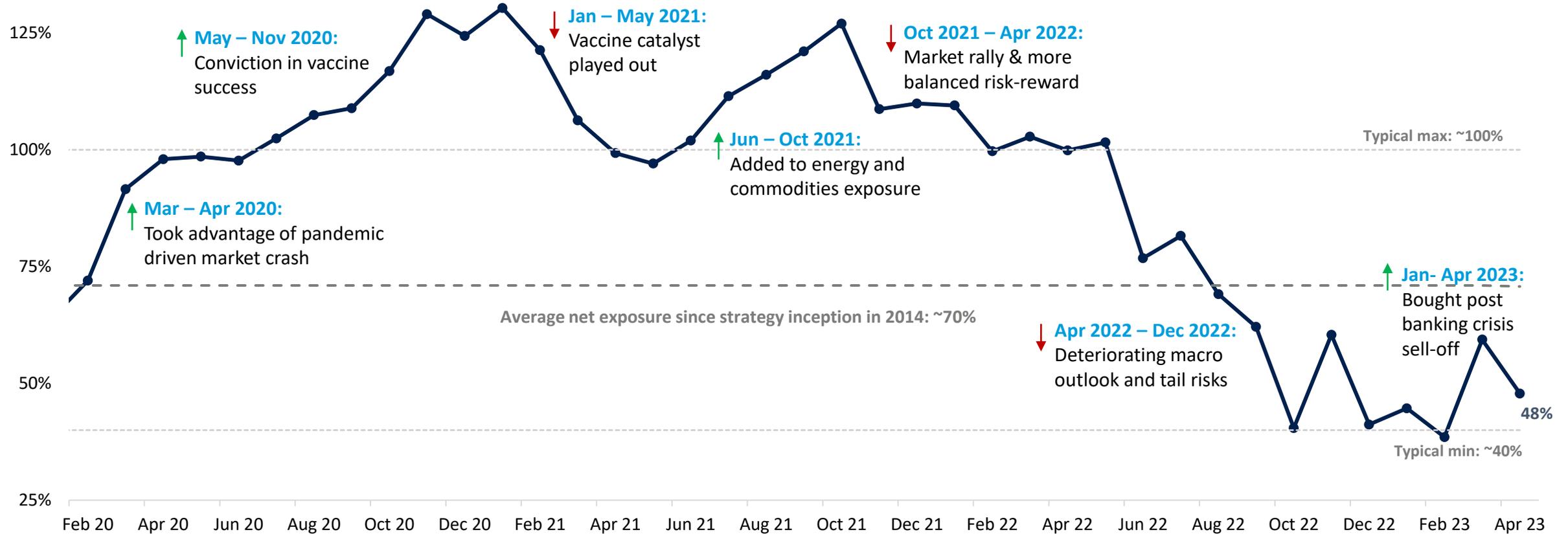
**We believe the stock market now offers a less compelling risk-reward.
Importantly, we do not need the stock market to rally to generate positive returns.**

Portfolio exposure



Lower net market exposure reflects a more cautious outlook

LSF portfolio net long exposure – Last three years





LSF positioning



Markets going forward:

- We believe passive and index hugging strategies will no longer be able to deliver 10%+ returns
 - ‘Fed Put’ no longer in effect to provide safety net for investors
 - Going forward, active stock picking will be required to generate attractive returns (alpha, not just beta)
 - Environment for active management improving:
 - Passive investing continues to dominate flows (i.e. investing with no reference to fundamentals/valuation)
 - Large institutions internalising their equities exposure (taking mandates off active managers)
 - Retail investors very active
- = better backdrop for active fund managers**

LSF positioning



The portfolio is skewed to lower P/E stocks with strong cashflow generation

In general:

- Low P/E stocks are far better value than high P/E stocks (see charts)
- High P/E stocks look expensive, crowded and unappealing
- Portfolio positioning:
 - Median long: 9x P/E, 8% FCF yield, above market EPS growth
 - Median short: Half the earnings yield, half the free cash flow with only modestly higher earnings growth (versus longs)

Portfolio metrics

FY23 Consensus Forecasts	Portfolio longs	Portfolio shorts
P/E	9.2x	21.4x
EPS Growth YoY	7.4%	10.8%
Free Cash Flow Yield	8.2%	4.1%

Low P/E firms trade at a 61% discount to the market (14% below the 20-year average)



High P/E firms trade at an 80% premium to the market (37% above 20-year average)

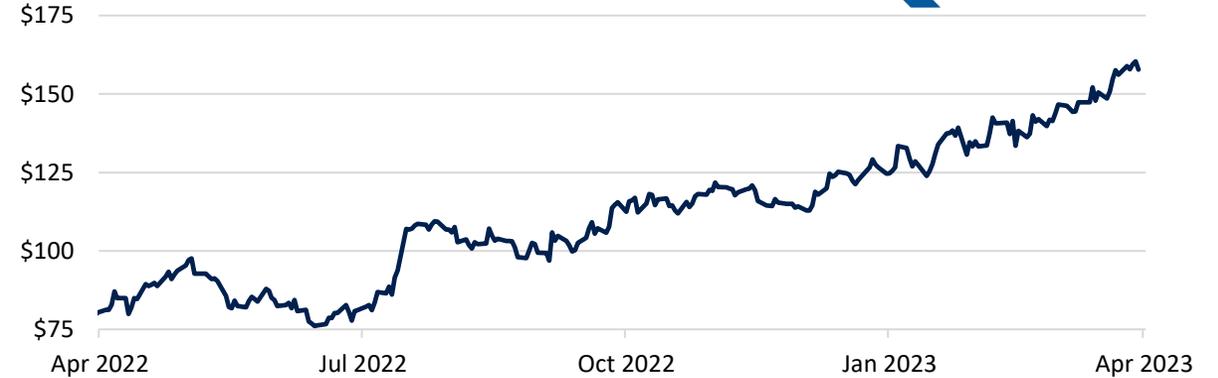


No. 1 player in the one of the most exciting, high growth industries globally

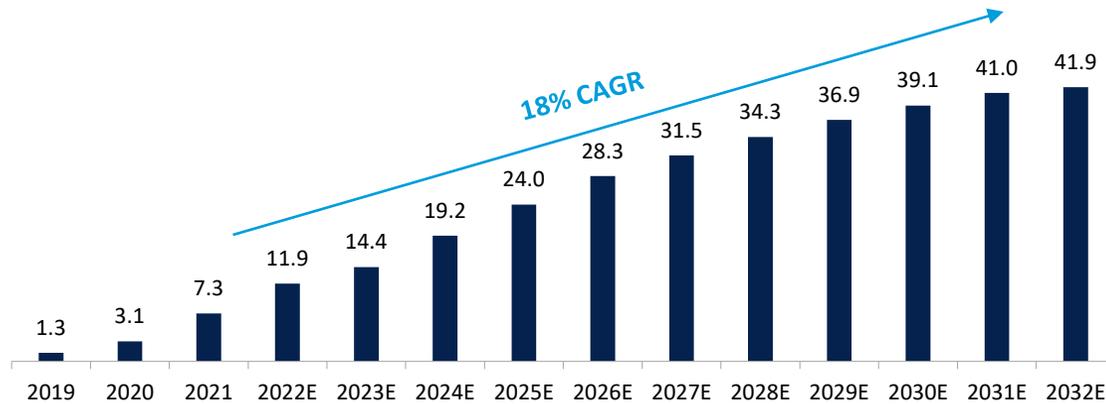
- #1 player in U.S. online sports betting (~50% market share)
- Industry set to grow at 18% CAGR to 2032
- Major inflection point in 2023
 - Hitting U.S. profitability & U.S. listing
- 28x P/E (FY24), 25-30% EPS growth p.a. (on avg)
- Outstanding management team



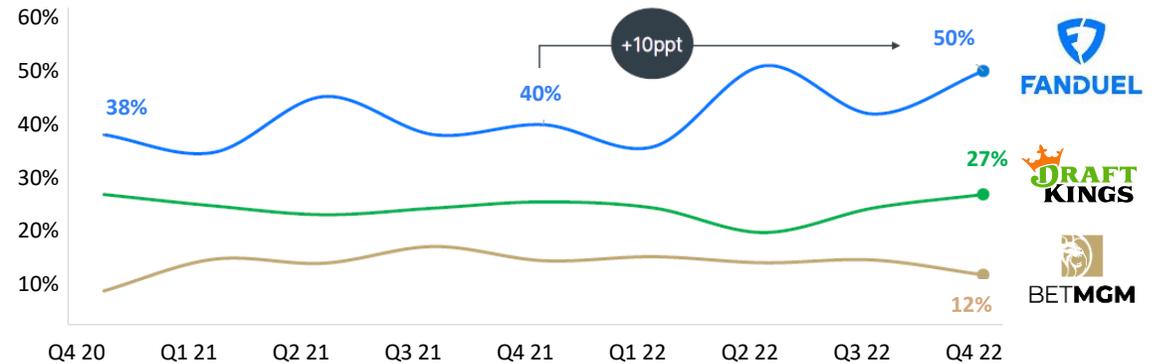
Flutter share price – 1 year



Total online gambling market forecast to grow to >US\$40b by 2032



Fan Duel sports betting share (Last 2 years)
Online sportsbook GGR market share¹

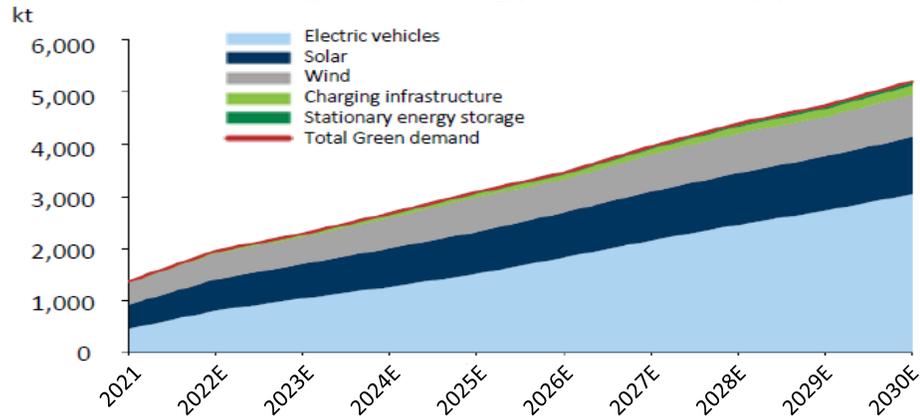


Source: LH chart: Redburn as at Apr 2023. RH chart: company reports and L1 Capital. 1. GGR market share of FanDuel and FOX Bet in the states in which FanDuel was live based on published gaming regulator reports in those states. Competitor estimates based on third party regulator reporting and Eilers and Krejcik reports.

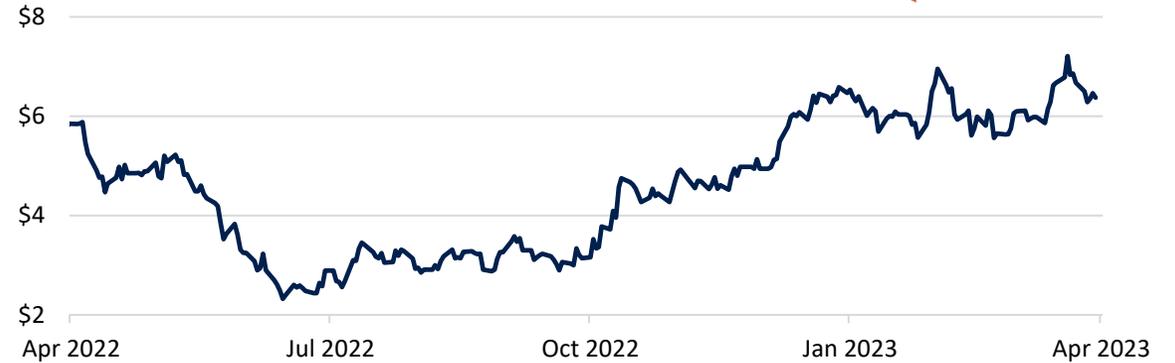
Strong production outlook with significant upside from higher copper prices

- Fast-growing and well-managed copper miner focused in the Americas
- Expected to more than double copper production over the next few years with a capex efficient growth portfolio
- Potential to become one of the largest and most cost-effective battery-grade cobalt producers
- Likely target for consolidation in the base metals industry
- 8x FY24 P/E with significant EPS growth potential

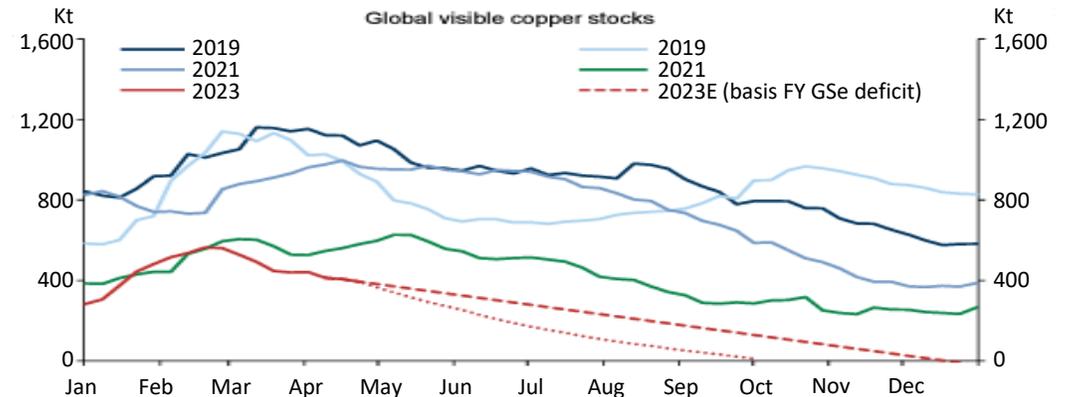
Structural boom in green energy demand (copper intensive)



Capstone share price – 1 year



Global copper inventories are extremely low versus history

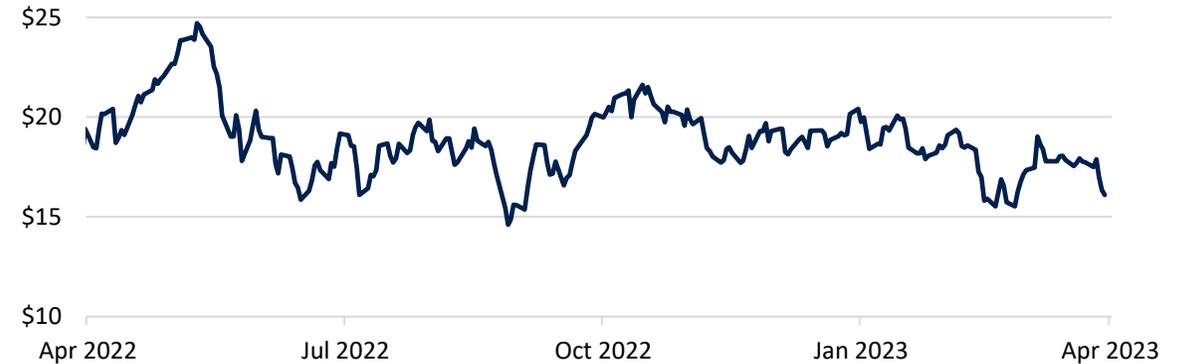


Exceptional free cash flow generation potential with capital management optionality

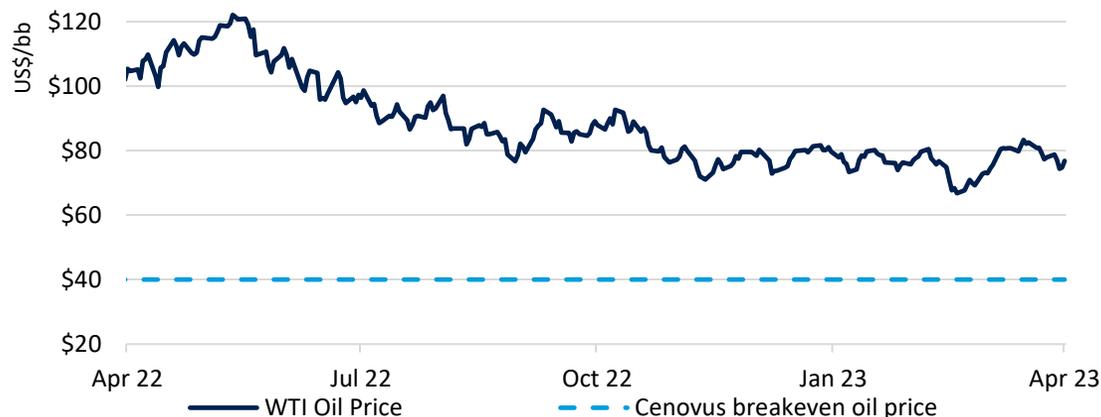
- Integrated energy company operating mainly in Canada
- Long-life oil sands assets and low cost of production providing a break-even oil price at around ~US\$40/bbl
- On track to hit \$4b net debt target at the end of this year enabling a step-up in shareholder returns
- Exceptional free cash flow generation at current oil price levels (~15% FCF Yield based on consensus forecasts)



Cenovus share price – 1 year



WTI Oil Price remains well above the Cenovus break even price



Cenovus’s capital allocation framework

Net Debt	>\$9 Billion	<\$9 to >\$4 Billion	\$4 billion
Leverage Ratio (net debt to AFF) ¹	>2.0x	Between 1.0x and 2.0x	<1.0x
Excess Free Funds Flow Allocation	~100% Net Debt Reduction	Up to 50% Net Debt Reduction	Target 100% Shareholder Returns (Opportunistic share buybacks and/or variable dividends)
		Target 50% Shareholder Returns (Opportunistic share buybacks and/or variable dividends)	

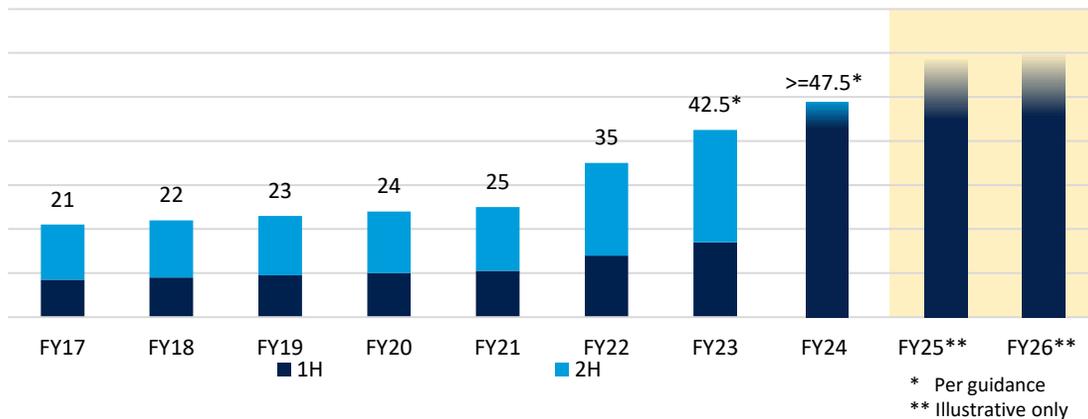
Continued strong growth in dividends, allowing for ongoing re-investment in asset base

- Long-term LSF portfolio position (since September 2014 - \$1.60 share price)
- High-speed fibre broadband infrastructure owner (NZ)
- Protected from higher inflation and higher interest rates. WACC and RAB to step up from 2025 on regulatory reset.
- Continued strong dividend growth likely (given earnings growth and network build completion)

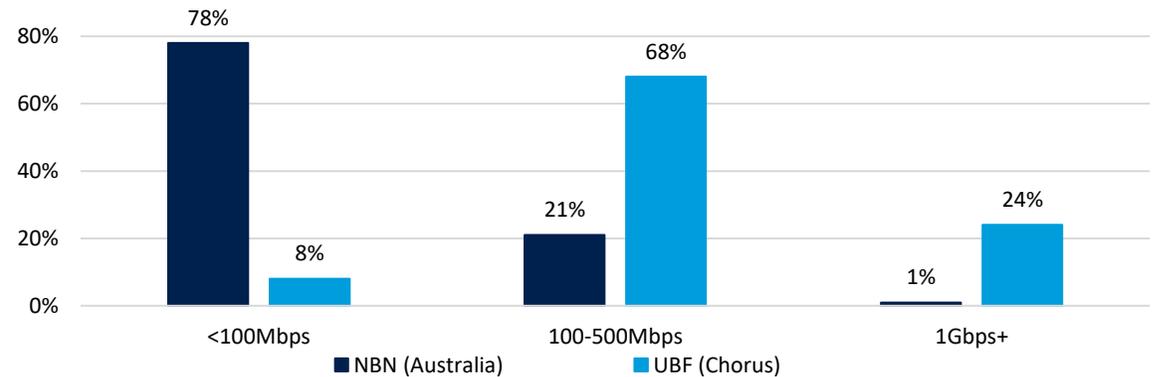
Chorus share price – Since L1 investment **C H ● R U S**



Chorus dividends to continue to grow as FCF profile improves



Chorus well placed with strong take-up of higher speed plans



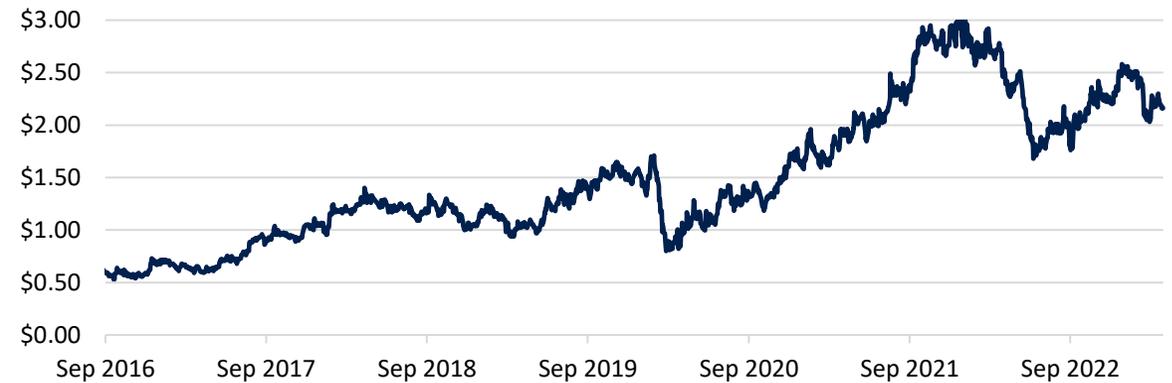
Underappreciated growth company with the best suite of new and improved drilling technology products

- Global leader in mining exploration drilling technology
- Announced acquisition of #2 player (Devico) to accelerate global growth strategy
- Strong growth outlook from expected launch of the industry’s best suite of new products
- Leveraged to increased mining exploration spend, particularly in the gold and lithium sector

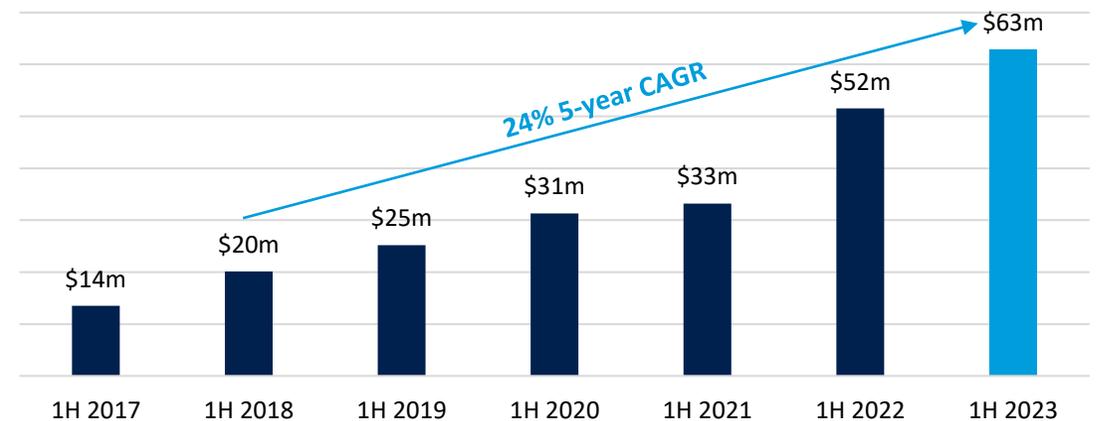
Gold price – 1 year (US\$/oz.)



Index share price – Since L1 investment



5 Year EBITDA growth

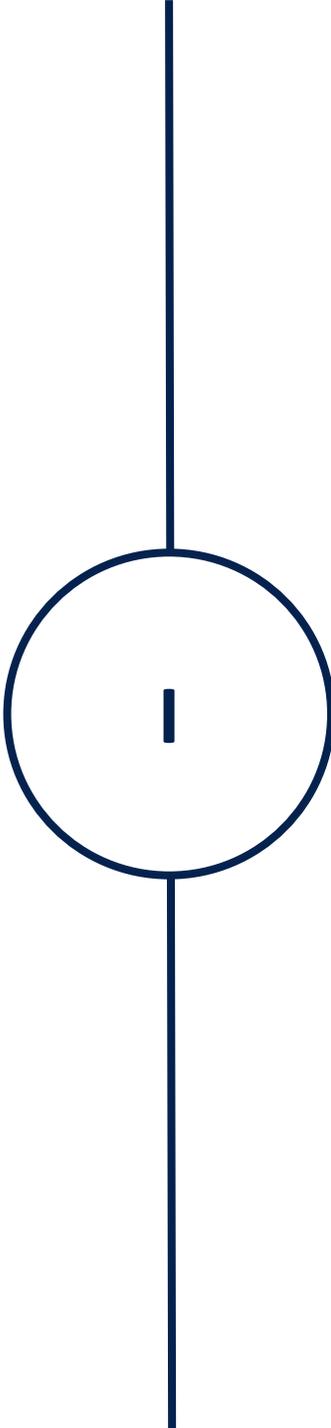


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Summary



- 1 The portfolio has performed very strongly over the past 3 years (33.4% p.a.¹).
- 2 We have reduced our net market exposure as we believe the outlook for equities is less positive than it has been for the past few years.
- 3 Going forward, we believe passive strategies will underwhelm as the era of double-digit index returns ends.
- 4 Defensives and growth stocks (which have performed strongly over the past decade) look very crowded and expensive.
- 5 Therefore, active stock picking (based on rigorous fundamental research and a strict focus on valuation) will be required to generate attractive real returns.
- 6 We are excited about the outlook for the portfolio and believe we are well-placed to navigate the changing macro backdrop.



I

Appendix

Overview of L1 Capital



Specialist investment manager founded by Mark Landau & Rafi Lamm in 2007

- ‘L’ – Derived from the surnames of the founders (Lamm & Landau).
- ‘1’ – Genuine firm-wide aspiration to be the “best”, not just “good”.
- Reputation for investment excellence and best of breed investment funds.
- All L1 Capital funds have delivered strong returns since inception.
- Diverse client base – large superannuation funds, pension funds, asset consultants, private wealth firms, financial planning groups, family offices, high net worth investors and retail investors.

People



Proven, high calibre and stable team

Integrity



Ethical and professional in all respects

Ownership



Owned by senior L1 staff

Alignment



L1 staff invested alongside clients

Global investment manager

Well resourced and experienced team across investments, operations, compliance and investor relations

Business Overview

- Founded in 2007
- Circa A\$5.5b FUM
- Investment professionals in 5 locations globally



Long Short Fund

20.7% p.a.

net return S.I.
(ASX200AI 7.4% p.a.)¹

**Best performing long short fund
in Australia S.I.²**

AUS. ALTERNATIVE INV. AWARDS

Best Alternative Manager of the Year 2021
Best Alts. Inv. Product (LSF:ASX) 2021 & 2022

ZENITH FUND AWARD WINNER

Aus. Equities – Alts
Strategy 2022

ZENITH RATING
'Recommended'

LONSEC RATING
'Recommended'

Melbourne

Sep 2014

Global Opportunities

31.1% p.a.

net return p.a. S.I.³

**One of the best performing
hedge funds globally**

No negative months S.I.

HSBC SURVEY

'Top 20 Hedge Fund Globally' in 2017, 2018,
2020 and 2021⁴

Miami

Jun 2015

Catalyst

10.8% p.a.

net outperformance of
ASX200AI S.I.

**High conviction
activist strategy**

ZENITH RATING
'Recommended'

LONSEC RATING
'Recommended'

Melbourne

Jul 2021

International Equities

11.0% p.a.

net return S.I.
(MSCI World 11.2% p.a.)

Solid absolute returns

ZENITH RATING
'Recommended'

LONSEC RATING
'Recommended'

Sydney

Mar 2019

U.K. Residential Property

6.1% p.a.

total return on U.K. Fund I⁵

**Delivering strong income plus capital
growth despite impact from
pandemic on student properties**

London

Sep 2017

Long Short Strategy – Competitive edge



A proven team that drives performance through high quality, independent research

Track Record

Best performing long short fund in Australia since inception in 2014¹.

Quality Research

Differentiated company, industry and macro research (e.g. vaccine, inflation).

Independent Thinking

Low correlation with other fund managers and typically not in crowded positions.

Sound Judgement

Unemotional investment approach and track record of taking advantage of market volatility and dislocations.

Alignment

Investment team has the majority of personal wealth invested alongside investors.

Long Short Fund portfolio characteristics

Total positions Typical range: 50 – 100 positions (longs + shorts combined)
Average: 80 positions

Long positions Typical range: 1-5% weight
Average: 3% weight
Exceptional risk/reward: >5% weight

Short positions Typical range: 1-3% weight
Average: 2% weight
Exceptional risk/reward: >3% weight

Net/gross exposure Typical net long: 40-100%
Average net long: ~70% over the cycle

L1 Long Short Fund Limited



Monthly performance, strategy returns (Net, %)

Period	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)*	(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									3.75

Best performing long short fund in Australia since inception¹.

~21% p.a. since inception* despite a major factor headwind.

Greater than 25% net return in 6 out of 8 calendar years since inception*.

All performance numbers are quoted after fees to 30 Apr 2023. * Full performance history (net of fees) is for the L1 Long Short Limited (LSF:ASX) since inception on 24 Apr 2018. Performance prior to this date is that of the L1 Capital Long Short Fund – Monthly Class since inception (1 Sep 2014). Past performance should not be taken as an indicator of future performance.

1. Ranking in FE Analytics Australian Shares universe as at 31 Mar 2023.



L1 CAPITAL

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Important information

L1 Long Short Fund Limited



L1 CAPITAL

L1 Long Short Fund Limited 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. The portfolio is managed by L1 Capital Pty Ltd, which has established a reputation for offering clients best of breed investment products. L1 Capital manages money for a range of clients including large superannuation funds, pension funds, financial planning groups, asset consultants, family offices, high net worth individuals and retail investors.

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.

Lonsec ratings

The rating issued (L1 Capital Long Short Fund – Daily Class, L1 Capital Long Short Fund – Monthly Class, L1 Capital Catalyst Fund, L1 Capital International Fund and L1 Capital Australian Equities Fund) are published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit lonsec.com.au for ratings information and to access the full report. © 2021 Lonsec. All rights reserved.

Zenith ratings

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) (“Zenith”) rating (assigned L1 Capital Long Short Fund – Daily Class, L1 Capital Long Short Fund – Monthly Class, L1 Long Short Fund, L1 Capital Catalyst Fund, L1 Capital International Fund and L1 Capital Australian Equities Fund) referred to in this document is limited to “General Advice” (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith’s methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at <http://www.zenithpartners.com.au/RegulatoryGuideline>



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