

**The L1 Long Short Fund portfolio returned 4.9% (net)<sup>1</sup> in September (ASX200AI -1.9%).**

**The portfolio has returned 78.1% (net)<sup>1</sup> over the past 12 months (ASX200AI 30.6%).**

**Performance was strong in September due to numerous positive company updates, along with portfolio positioning designed to benefit from the reopening trade and higher inflation.**

Global equity markets fell in September (NASDAQ -5.7%, S&P500 -4.7%, MSCI World -4.2%), with investor sentiment impacted by ongoing fears around high inflation, the potential default of Evergrande (one of China's largest property developers) and more hawkish commentary from the U.S. Federal Reserve. These factors contributed to a sharp rise in bond yields with the US 10-year rising 24bps to 1.52% and the Australian 10-year rising 33bps to 1.49%.

The S&P/ASX 200 Accumulation Index returned -1.9% in September. The strongest sectors were Energy (+16.7%), Utilities (+2.5%), Financials (+1.6%), while Materials (-9.3%), Health Care (-4.9%) and Information Technology (-3.9%) lagged.

The portfolio performed strongly over the month primarily due to broad-based stock gains with 15 individual stock positions contributing 0.3% or more to returns. The portfolio also had tailwinds from our exposure to reopening beneficiaries, which we believe remain undervalued given our positive views on the recovery path from COVID-19, as well as from our positioning for higher inflation (e.g. long resources and short ultra-high P/E growth stocks).

**The investment team continued to significantly increase its position in LSF in September, reconfirming our strong alignment with investors and our positive outlook for the portfolio. Our expectations remain underpinned by the large number of portfolio stocks with significant upside to valuation and the extreme stock dispersion across the market, which provides attractive opportunities for stock picking.**

Some of the key contributors to portfolio performance during the month of September were:

**Oil Search (Long +17%)** rallied due to a ~10% increase in oil prices. Oil Search is one of the highest quality energy stocks listed in Australia, with its low cost of production, long life assets, attractive growth options and partnership with a high-quality operator (Exxon Mobil). Oil Search also has a large stake in two very substantial growth projects in Papua New Guinea and Alaska.

Returns (%) (Net) <sup>1</sup>	L1 Long Short Portfolio	S&P ASX 200 AI	Out-performance
<b>1 month</b>	4.9	-1.9	+6.7
<b>3 months</b>	12.1	1.7	+10.4
<b>CYTD</b>	32.6	14.8	+17.8
<b>1 year</b>	78.1	30.6	+47.6
<b>2 years p.a.</b>	34.9	8.3	+26.6
<b>3 years p.a.</b>	23.8	9.7	+14.1
<b>LSF Since Inception p.a.</b>	14.3	10.6	+3.6
<b>Strategy Since Inception<sup>2</sup> p.a.</b>	23.8	8.2	+15.6

The Oil Search board recently approved entering into a scheme or arrangement for an all scrip merger with Santos at a modest premium to the pre-deal Oil Search price. We believe the combined Santos/Oil Search business led by the highly credentialed Santos management team is well-positioned to re-rate as the market reflects on the substantial synergies available, excellent producing asset base and strong suite of growth assets across the portfolio.

**Qantas (Long +11%)** shares performed well as investor sentiment significantly improved for the 'reopening trade'. Vaccination rates across Australia accelerated in September, while case numbers in NSW peaked, providing improved confidence that Australia was on track to reopen for both domestic and international travel. Qantas brought forward the re-start of its key Sydney-Melbourne route to early November and also its recommencement of international travel from mid-November. While it will take some time for Qantas' flight activity to return to 2019 levels (given lingering quarantining restrictions and some states remaining closed to interstate travel), we believe the outlook for Qantas on a medium-term view is extremely positive. We believe Qantas will re-emerge from the pandemic even stronger than before, given its \$1b cost out program, improved market position and the massive pent-up demand for leisure travel.

<sup>1</sup> 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. <sup>2</sup> 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).



L1 CAPITAL

# L1 Long Short Fund Limited

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**Entain (Long +10%)** shares rallied after the company announced that it had received a takeover proposal from DraftKings at £28 per share (£6.30 per share in cash and the balance in DraftKings Class A common shares), representing a ~46% premium to the unaffected share price. The takeover proposal adds further support to our view that Entain remains significantly undervalued relative to its peers. Entain has a joint venture with MGM Resorts in the U.S. (BetMGM) which is now the second largest player in the overall U.S. sports betting and iGaming market (behind Fan Duel and ahead of DraftKings). We believe the DraftKings offer could act as a catalyst for MGM Resorts to either consider bidding for the whole company or for the remaining 50% in BetMGM that it does not own. MGM had previously made an all scrip bid for Entain in January this year. MGM has a meaningfully stronger balance sheet now with access to more than ~US\$10b in cash from a combination of current cash on hand and proceeds from announced asset sales which positions the company very strongly to make a counter-bid. While there is inherent uncertainty in any takeover scenario, we continue to believe Entain has strong earnings growth potential over the medium term, with further upside should a strong M&A offer be confirmed.

**Teck Resources (Long +10%)** shares continued to trend higher driven by a surge in coking coal prices. Teck is one of the world's highest quality mining companies with very low-cost operations in coking coal, copper and zinc. The company continues to make good progress on the construction of one of the world's largest copper mines (QB2). This comes at a time when the world is gradually becoming short copper due to ongoing grade declines at major copper mines globally combined with medium-term demand support from rapid electrification. Despite the strong performance to date, Teck continues to be materially undervalued, trading on a FY22 P/E of only ~7x (consensus earnings) with likely near-term upgrades to consensus. With the benefits of QB2 earnings and a large cost out program still to come over the next few years, we continue to believe Teck is exceptionally well-positioned.

**News Corp (Long +8%)** shares rose in September with the company announcing a US\$1b share buy-back program. This reflects increasing optimism on the outlook for its core operations, an improving free cash flow profile and a view from the News Corp board and management on the underlying value of the company. News Corp's latest result highlighted the strong operating momentum for the Group, which is being driven by its three core segments of Digital Real Estate, Dow Jones and Book Publishing. Complementing strong organic growth trends, News Corp has undertaken selective M&A to further bolster the operating outlook for these segments in coming years. Also during the month, News Corp held a Foxtel Investor Day. Presentations from management highlighted the substantial progress made to transition this business from a legacy, linear pay-TV model that was in decline, to a capital-lite, streaming-led operation that is well-positioned to deliver revenue growth and materially higher cash flow generation going forward. The success of this turnaround creates optionality for News Corp to pursue an IPO of Foxtel as a measure to unlock value for shareholders. Such a move – which we would encourage – would be consistent with News Corp management's recent efforts to better highlight the underlying value of its assets via portfolio rationalisation, cost initiatives, improved shareholder disclosures and the recently announced share buyback program.

### 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				<b>32.61</b>

### Portfolio Positions

Number of total positions	85
Number of long positions	71
Number of short positions	14
Number of international positions	32

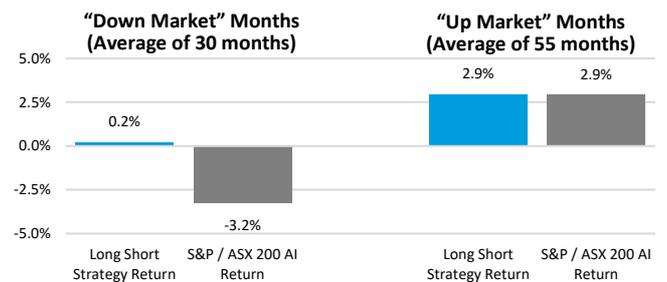
### Share Price & NTA per share as at 30 September 2021<sup>4</sup>

Share Price	\$2.72
NTA before tax	\$3.0842
NTA after tax	\$2.8089

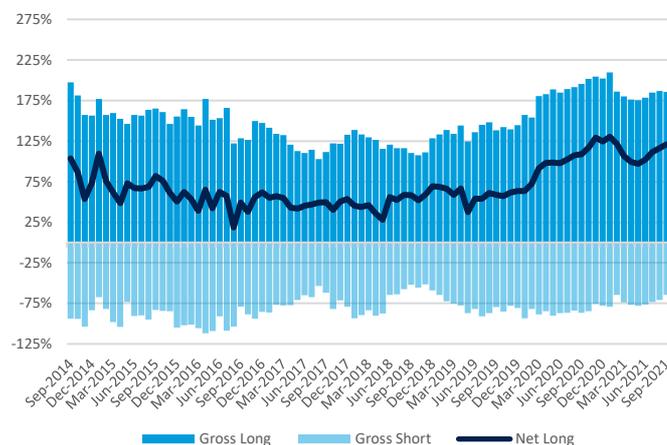
### Net & Gross Exposure by Region<sup>3</sup> (%)

Geography	Gross Long	Gross Short	Net Exposure
Australia / NZ	118	58	61
North America	38	6	32
Europe	25	2	24
Asia	5	0	5
<b>Total</b>	<b>187</b>	<b>65</b>	<b>122</b>

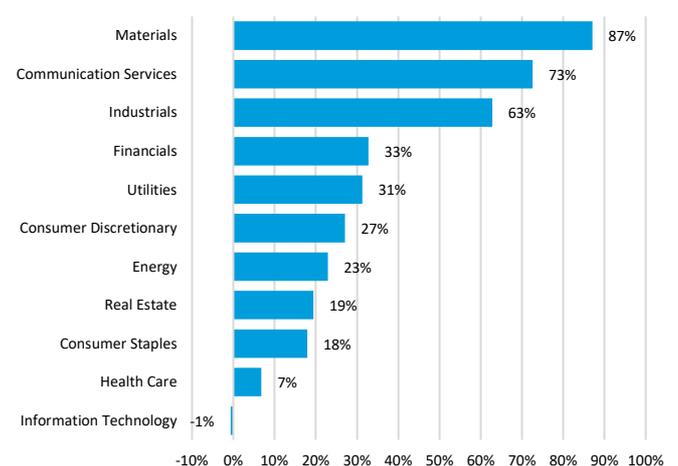
### Strategy Performance Since Inception<sup>3</sup> (Net)



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



### Sector Contribution Since Strategy Inception<sup>3</sup> (Net)



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# L1 Long Short Fund Limited

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## Investment Guidelines

Typical no. of positions	50-100 securities
Geographic exposures	Max 30% gross outside of Aust/NZ
Net exposure limits	Max 150% of NAV; typically 30-100%
Gross exposure limits	Max 300% of NAV; typically 150-300%

## Board of Directors

Andrew Larke	Independent Chair
John Macfarlane	Independent Director
Harry Kingsley	Independent Director
Raphael Lamm	Non-Independent Director
Mark Landau	Non-Independent Director

## Key Contacts

Company Secretary

Mark Licciardo

Manager



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## 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 100% 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 only Australian equities, long short 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 versus both benchmarks and peers. 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, financial planning groups, family offices, high net worth individuals and retail investors.

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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.

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