

- The L1 Long Short Fund (LSF) portfolio returned **-1.0%¹** in February (ASX200AI **0.8%**).
- Over the past 3 years, the portfolio has returned **11.8%¹** p.a. (ASX200AI **9.3%** p.a.).
- Global equity markets rose in February as relatively resilient corporate earnings supported markets despite a tempering in expectations for interest rate cuts.

Global markets were supported by a robust U.S. reporting season with companies generally managing cost inflation better than the market expected. This contributed to more than 70% of S&P500 companies exceeding earnings expectations over the Q4 reporting season.

Domestically, however, the picture was considerably more mixed, with only 40% of ASX200 firms beating consensus expectations relative to 32% that missed expectations. FY24 earnings for the ASX200 are now estimated to decline ~5.5% vs. the prior period, a further weakening of 60bps relative to estimates at the start of the year.

Bond yields in the U.S and Australia rose over the month as both the Fed and the RBA adopted a more hawkish tone on the timing and pace of potential interest rate cuts. In the U.S., consensus expectations for the first rate cut have now pushed out from March to June this year.

The S&P/ASX 200 Accumulation Index returned 0.8% during February. Information Technology (+19.5%), Consumer Discretionary (+9.1%) and Property (+5.1%) were the strongest sectors, while Energy (-5.9%), Materials (-5.0%) and Healthcare (-2.7%) lagged.

The portfolio was modestly down for the month as several positive stock updates were offset by weakness in certain commodities and a rally in high-multiple growth stocks where we have some short positions.

We expect global markets to oscillate based on future economic data updates as Central Banks attempt to navigate 'soft landing' outcomes. Ongoing geopolitical tensions, war in the Middle East 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 Technology/A.I. 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, particularly in some expensive growth stocks with overly optimistic market expectations.

Returns (Net) ¹ (%)	L1 Long Short Portfolio	S&P/ASX 200 AI	Out-performance
1 month	(1.0)	0.8	(1.8)
3 months	3.0	9.4	(6.4)
1 year	3.9	10.6	(6.8)
2 years p.a.	3.1	8.9	(5.8)
3 years p.a.	11.8	9.3	+2.5
4 years p.a.	23.1	8.6	+14.5
5 years p.a.	17.7	8.6	+9.1
LSF Since Inception p.a.	10.7	8.8	+1.9
LSF Strategy Since Inception² p.a.	19.0	7.7	+11.3

Figures may not sum exactly due to rounding.

Key contributors to portfolio performance in February were:

Imdex (Long +25%) shares performed well as the company reported H1 2024 results materially ahead of consensus expectations, highlighting business resilience in a difficult market environment where funding availability for junior explorers has been soft. The strong result was underpinned by the company's Devico business, which it acquired in H2 2023, materially beating expectations and increasing product cross-selling within Imdex's broader business. While exploration activity remains muted, we see Imdex being well-positioned to capitalise on improved activity as the cycle recovers.

Downer (Long +18%) shares strengthened over the month as the company announced it was increasing its targeted cost-out program by \$75m p.a. to a revised total of \$175m p.a. to be achieved by FY25. In addition, the company reported that its utilities division successfully returned to profitability during H1 2024, which, together with the expanded cost-out program, saw Downer reaffirm that it remains on track to achieve target EBITA margins of at least 4.5% in FY25. Downer also continues to explore non-core divestments and to finalise a revised capital allocation strategy.

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 | FEBRUARY 2024

While we continue to expect that FY24 will be a transition year for the company, we expect to begin seeing positive impacts from improvements in the cost base and the utilities division materialise during H2 2024. With a renewed leadership team at both the Board and senior management levels committed to efficiency improvement measures and simplification initiatives, we expect the company to evolve into a more resilient, less capital-intensive and lower risk services business exposed to growing, annuity-style contracts.

CRH (Long +17%) shares continued to rally after delivering strong Q4 FY23 numbers and providing FY24 guidance ~5% ahead of consensus expectations. The company is a significant beneficiary of the exceptional 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. The company also made a \$2.1b offer together with the Barro Group to acquire ASX-listed building materials company Adbri in December.

Key detractors to portfolio performance in February were:

Santos (Long -10%) underperformed following the announcement that preliminary merger discussions with Woodside had concluded without an agreed deal. The company reinforced that it is continuing to review options to unlock shareholder value. As detailed in our [September 2023 Quarterly Report](#), we see Santos' asset base as materially undervalued by the market and we believe that the company has attractive structural options to unlock this value, independent of any transaction with a third party. Santos continued to make material progress on its key growth initiatives, with the Barossa project nearly 70% complete and on track for first production in 2025, and the Pikka project nearly 40% complete. We anticipate that Santos will have one of the most attractive cash flow profiles globally in the sector in 2026 when both major projects have been completed.

NexGen (Long -8%) shares pulled back as uranium market sentiment moderated. Uranium spot prices retreated from 15-year highs on the back of stronger-than-expected 2024 production guidance from major producer Cameco, and from potential U.S. sanctions on Russian nuclear fuel exports not materialising. We continue to see the uranium market as having positive fundamental supply/demand tailwinds over the medium to long term. NexGen is preparing to develop the world's largest uranium deposit, Arrow, located in Saskatchewan, Canada. This would be a major, new, strategic Western source to address the anticipated market deficit. At the current uranium spot prices, Arrow has the potential to generate more than C\$2b of cash flow annually, once developed – a highly attractive proposition given NexGen's market cap of C\$5.6b. We made the majority of our investment in NexGen when it had a market cap of around C\$2b.

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	3.67	6.20
2024	0.30	(0.97)											(0.68)

Portfolio positions

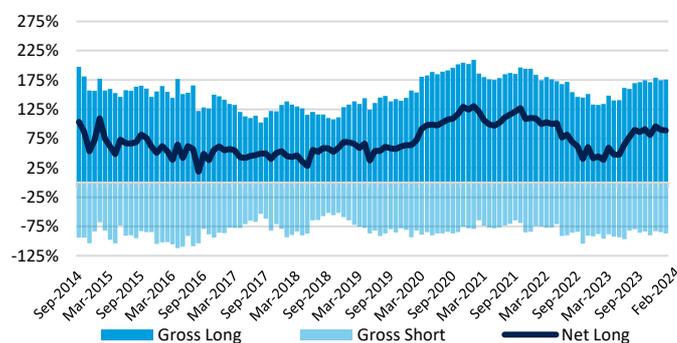
Number of total positions	78
Number of long positions	58
Number of short positions	20
Number of international positions	21

Net & gross exposure by region³ (%)

Geography	Gross long	Gross short	Net exposure
Australia/NZ	116	80	36
North America	39	7	31
Europe	13	-	13
Asia	8	-	8
Total	176	87	89

Figures may not sum exactly due to rounding.

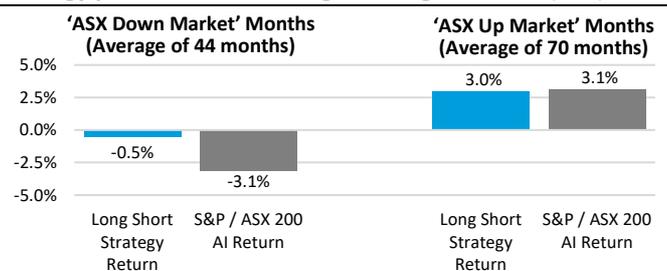
Historical Strategy exposures³



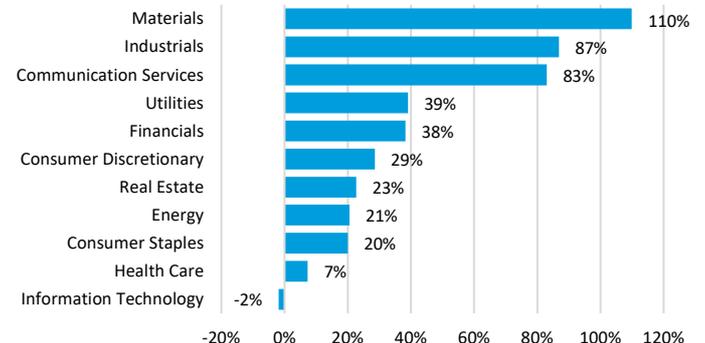
Company information as at 29 February 2024⁴

Share Price	\$2.84
NTA before tax	\$3.02
NTA after tax	\$2.95
Shares on issue	619,457,738
Company market cap	\$1.76b

Strategy performance in rising & falling markets³ (Net)



Sector contribution since Strategy inception³ (Net)



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L1 CAPITAL

L1 Long Short Fund Limited

Monthly Report | FEBRUARY 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
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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.



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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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