L1 CAPITAL

Monthly report

L1 Long Short Fund Limited (ASX:LSF)

June 2024

- The L1 Long Short Fund (LSF) portfolio returned -5.0%[1] in June (ASX200AI 1.0%).
- The portfolio has returned 8.2%[1] over the calendar year-to-date (ASX200AI 4.2%) and 11.9%[1] p.a. over the past 3 years (ASX200AI 6.4% p.a.).
- Global markets were mixed over the month with the U.S. moving higher on gains in mega-cap technology stocks, Europe declining on election concerns and Australia marginally positive as domestic banks continued to outperform.

Global markets were mixed in June, with U.S. markets continuing to move higher driven by narrow market leadership in mega-cap technology stocks. The top 5 holdings in the S&P 500 now make up ~29% of the index, the highest concentration in 50 years. European indices fell as French election concerns and their impact on fiscal sustainability weighed on the broader region.

The Australian market trended marginally higher with the ASX200AI up 1%. Performance was driven by domestic banks which continued to outperform, while the Materials sector lagged as concerns about China's growth led to declines across key commodities. At a sector level, Financials (+5.1%), Consumer Staples (+4.6%) and Utilities (+4.6%) were the strongest performers, while Materials (-6.5%), Energy (-1.6%) and Industrials (-0.2%) lagged.

U.S. CPI trended slightly below forecasts in May, reinforcing market expectations for an interest rate cut towards the back end of this year. Australian CPI, however, rose to +4.0% year-on-year, above market expectations of +3.8% and up from +3.6% in April. The futures market is now pricing in a 32% chance of an interest rate hike at the next RBA meeting in August, in contrast to last month where rates were expected to remain stable.

The portfolio was impacted by the downturn in European markets as well as commodity price declines which weighed on several key holdings over the month. Notwithstanding this weakness, the portfolio delivered a strong return of 8.2% for the first half of the year.

Returns (Net)[1] (%)

	L1 Long Short Portfolio	S&P/ ASX 200 AI	Out-performance
1 month	(5.0)	1.0	(6.0)
3 months	0.7	(1.1)	+1.8
Calendar year-to-date	8.2	4.2	+3.9
1 year	12.4	12.1	+0.3
2 years p.a.	13.0	13.4	(0.5)
3 years p.a.	11.9	6.4	+5.5
4 years p.a.	24.8	11.4	+13.4
5 years p.a.	18.7	7.3	+11.4
LSF Since Inception p.a.	11.6	8.7	+3.0
LSF Strategy Since Inception[2] p.a.	19.3	7.7	+11.7

Figures may not sum exactly due to rounding.

We see equity markets as being relatively fully priced overall with narrow market leadership in both Australia and the U.S. driving gains, and ongoing risks from weakening consumer sentiment, geopolitical tensions, U.S. elections and potential upside inflation surprises. We are currently finding numerous attractive opportunities in low P/E, highly cash generative companies where valuations remain compelling, along with select opportunities on the short side, particularly in some expensive growth stocks with overly optimistic market expectations.

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 April 2018. Prior to this date, data is that of the L1 Capital Long Short Fund – Monthly Class since inception (1 September 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.

A key contributor to portfolio performance in June was:

SK Hynix (Long +25%) rallied in June as the market better recognised the turnaround in its NAND memory storage business where spot prices have recovered strongly in 1H 2024 and demand for its AI datacentre product continues to remain strong. Micron, a competitor in the space, also reported strong operating results in June although tempered by low yields in high bandwidth memory (HBM) and higher expected capex. News flow around its only other major competitor, Samsung continues to suggest that it will be delayed in its HBM qualification process with NVIDIA. This positions SK Hynix well to maintain its market leadership position in HBM with the company's capacity already sold out into 2025.

Key detractors to portfolio performance in June were:

Fraport (Long -9%) shares were weaker during June against a backdrop of limited news flow, strong share price performance during the prior month and weaker European equity markets more broadly due to concerns over the French elections. May traffic growth of 6.9% for Frankfurt was in line with expectations, while passenger numbers at Fraport's key international assets remained strong. With demand for air travel remaining strong, we see traffic at Frankfurt Airport continuing to gradually recover towards 100% of 2019 levels over the next few years (85% CYTD). Against this backdrop, as major capital programs in Frankfurt and Lima wind down, we believe Fraport is well-positioned to generate strong cash flows and a return to dividends from 2026 and beyond. We see substantial valuation upside for Fraport over the medium term, which we expect will be reflected in the share price over time as these positive milestones are achieved.

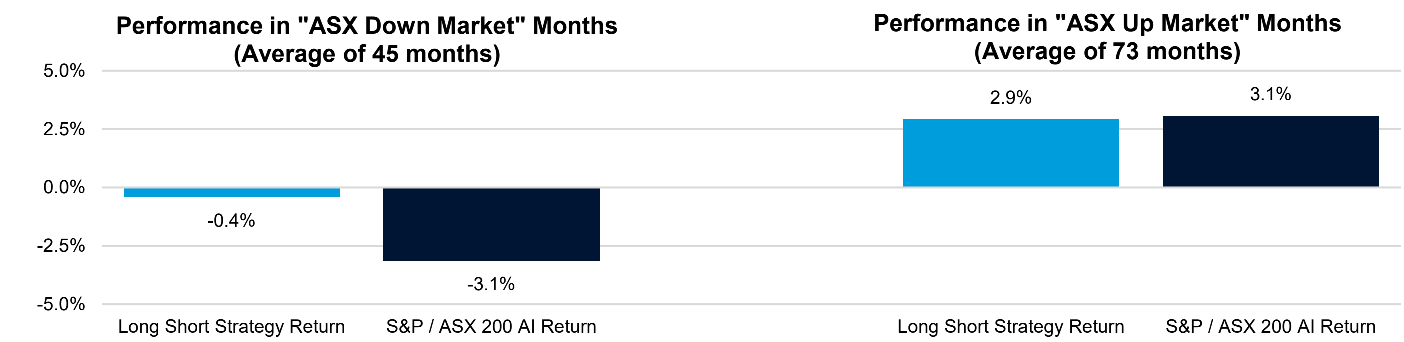
Mineral Resources (Long -25%) shares declined during the month due to softness in its key commodity end markets, most notably with lithium spodumene and iron ore prices down 16% and 7%, respectively. This more than offset some positive operational announcements from the company including the delivery of first ore from its Onslow Iron project ahead of schedule and the sale of a 49% interest in the Onslow haul road for A$1.3b. Once this transaction closes, the company will be well placed to drive future growth and shareholder returns. While the lithium market continues to be volatile, Mineral Resources remains on track to more than double production over the coming years to exceed 1,000kt of spodumene concentrate. We continue to believe that all key areas of Mineral Resources' core business (iron ore, lithium, mining services and gas) have favourable medium-term tailwinds and the shares remain significantly undervalued.

NexGen (Long -10%) weakened as uranium prices fell 8% over the month. 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 undeveloped uranium deposit, Arrow, located in Saskatchewan, Canada. This would be a major, new, strategic Western source to address the anticipated uranium market deficit. We anticipate that NexGen will have completed all regulatory requirements over the course of 2024, providing a clear pathway to full scale construction of the project. Arrow has the potential to generate more than C$2b of cash flow annually, once developed (2028) – a highly attractive proposition given NexGen's current market cap of ~C$5.2b.

Strategy returns (Net)[3] (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2014	-	-	-	-	-	-	-	-	(2.4)	3.0	2.9	1.6	5.2
2015	0.6	9.1	2.4	1.7	3.7	(0.9)	3.3	2.1	5.5	8.5	8.1	4.6	60.5
2016	5.8	0.6	5.5	2.5	2.8	(0.9)	3.2	3.9	0.5	(0.1)	0.6	2.2	29.6
2017	2.5	1.9	3.2	1.0	4.2	1.7	2.7	1.7	1.9	2.5	0.9	3.6	31.4
2018	0.6	(0.5)	(1.6)	(1.3)[3]	(4.0)	(6.0)	1.0	(5.3)	(2.1)	(3.9)	(2.6)	(6.0)	(27.7)
2019	4.3	5.1	0.2	3.0	(2.7)	3.9	0.6	0.4	2.5	3.4	0.4	2.0	25.5
2020	(7.8)	(6.9)	(22.9)	23.2	10.9	(2.1)	(1.7)	10.0	0.6	(2.4)	31.9	4.3	29.5
2021	(0.2)	9.0	(0.1)	5.1	4.1	(0.5)	1.8	5.1	4.9	2.3	(7.4)	3.7	30.3
2022	2.8	6.9	1.3	3.4	0.1	(13.4)	(3.3)	5.4	(7.6)	5.2	7.5	4.4	10.7
2023	3.7	(2.0)	0.5	1.6	(3.2)	1.7	5.2	(4.9)	0.9	(3.0)	2.4	3.7	6.2
2024	0.3	(1.0)	8.1	3.3	2.6	(5.0)							8.2

Strategy performance in rising and falling markets[3] (Net)



Portfolio positions

Number of total positions	83
Number of long positions	60
Number of short positions	23
Number of international positions	26

Company information as at 30 June 2024[4]

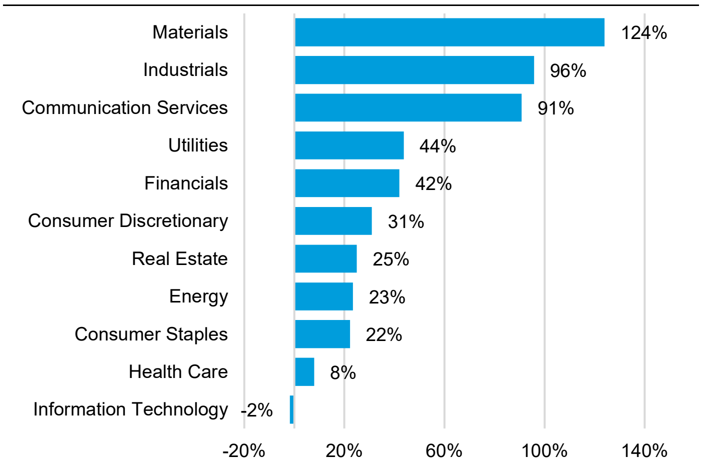
Share Price	$3.18
NTA before tax	$3.21
NTA after tax	$3.08
Shares on issue	622,412,649
Company market cap	$1.98b

Net and gross exposure[3] (%)

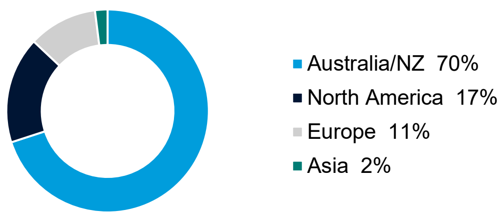
	Gross long	Gross short	Net exposure
Total	173	91	82

Figures may not sum exactly due to rounding.

Sector contribution since Strategy inception[3] (Net)



Gross geographic exposure as a % of total exposure



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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
Registry	Link Market Services Limited
Company website	www.L1LongShort.com

Company information – LSF

Name	L1 Long Short Fund Limited
Structure	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

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.