

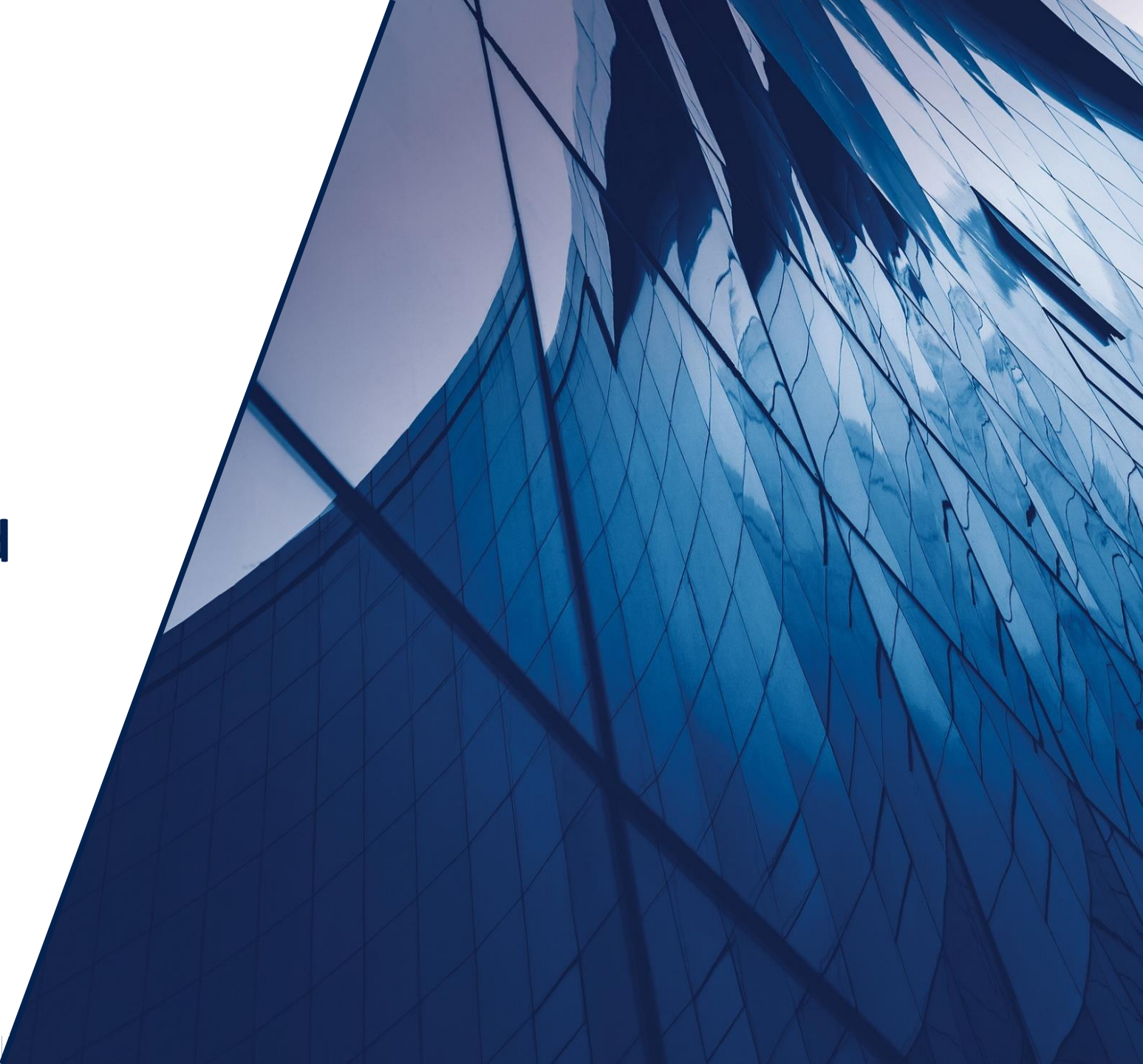


L1 CAPITAL

Bell Potter Voices: L1 Long Short Fund Limited

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

June 2023



Important information

L1 Long Short Fund Limited



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>

L1 Capital is a specialist investment manager founded in 2007 by Mark Landau and Rafi Lamm

- ‘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 – super funds, pension funds, asset consultants, financial planning groups, family offices, high net worth and retail

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

Business Overview

- Founded in 2007
- Circa A\$5.8b FUM
- Investment professionals in 5 locations globally



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

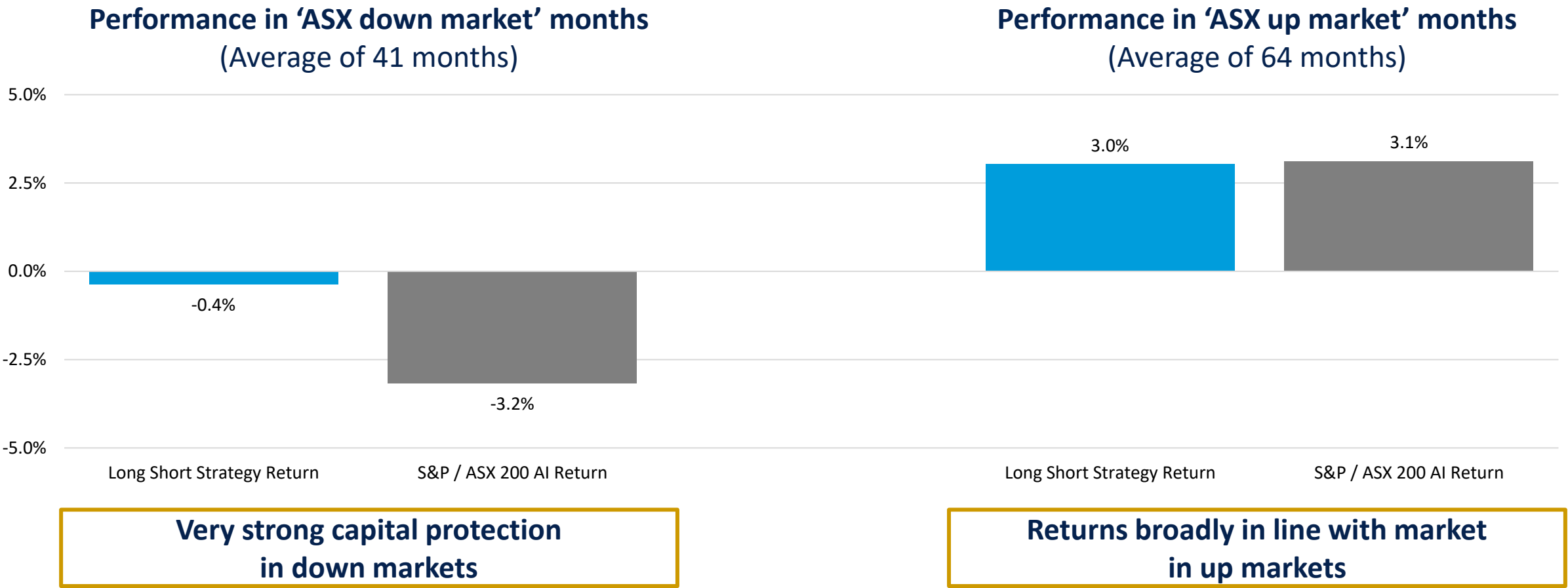
Investment team has the majority of personal wealth invested alongside investors.

Pre-tax NTA Net Performance ¹ to 31 May 2023 (%)	L1 Long Short Fund portfolio	S&P ASX 200 Accum. Index (AUD)	MSCI World Accum. Index (USD)	HFRX Global Hedge Fund Index (USD)
1 year	(3.5)	2.9	2.1	(1.3)
2 years p.a.	10.4	3.9	(1.4)	(2.1)
3 years p.a.	27.5	11.4	11.0	2.8
4 years p.a.	20.9	6.6	9.9	2.9
5 years p.a.	12.8	7.5	7.8	1.5
LSF since inception p.a.	11.3	7.8	7.8	1.5
Strategy since inception ² (p.a.)	20.0	7.0	7.4	1.0

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

Capital protection in falling markets

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



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About the L1 Long Short Fund (ASX: LSF)



We hold three core beliefs:

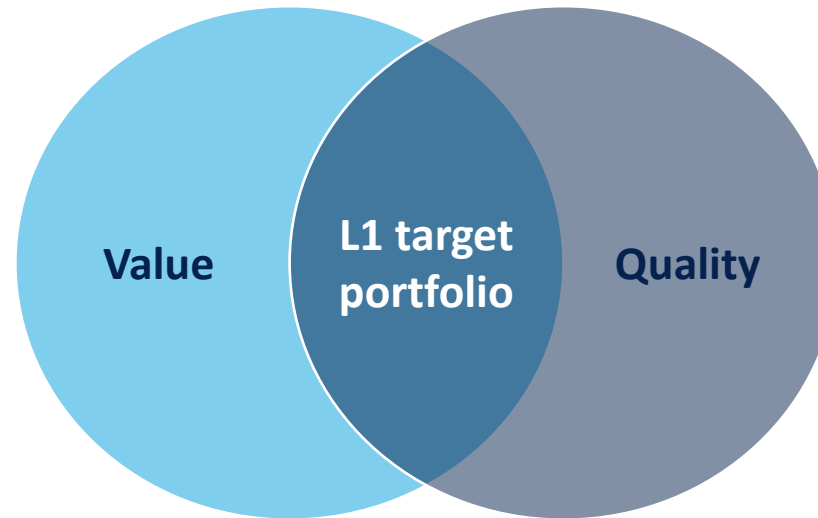
- 1 Valuation and qualitative factors are the key drivers of long term share price performance.**
Both factors are critical and of equal importance.
- 2 Markets tend to be emotional, short-term and backward looking.**
Markets continually present opportunities to investors who are unemotional and long term in their assessment of business potential.
- 3 An intensive visitation schedule with a wide variety of stakeholders can provide a more complete cross-check of a company's prospects.**
Successful bottom-up investing requires detailed research and an independent thought process.

Value (50%) + Quality (50%) = Investment appeal

Value Managers

Focus on valuation and stocks that are 'cheap'.

Risk: May buy a 'value trap' (low quality business).



Growth Managers

Focused on earnings growth and business quality.

Risk: May buy overvalued stocks.

L1 Capital

Focused on buying stocks that are both undervalued and high quality.

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

LSF has a number of key advantages over many other funds:

Market exposure

Adjust portfolio net long to reflect the risk-reward of the market.

Shorting

Able to profit from both rising and falling share prices.

International

Exploit research insights offshore, not just domestically.

Able to generate returns from all investment and market insights

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Market outlook



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

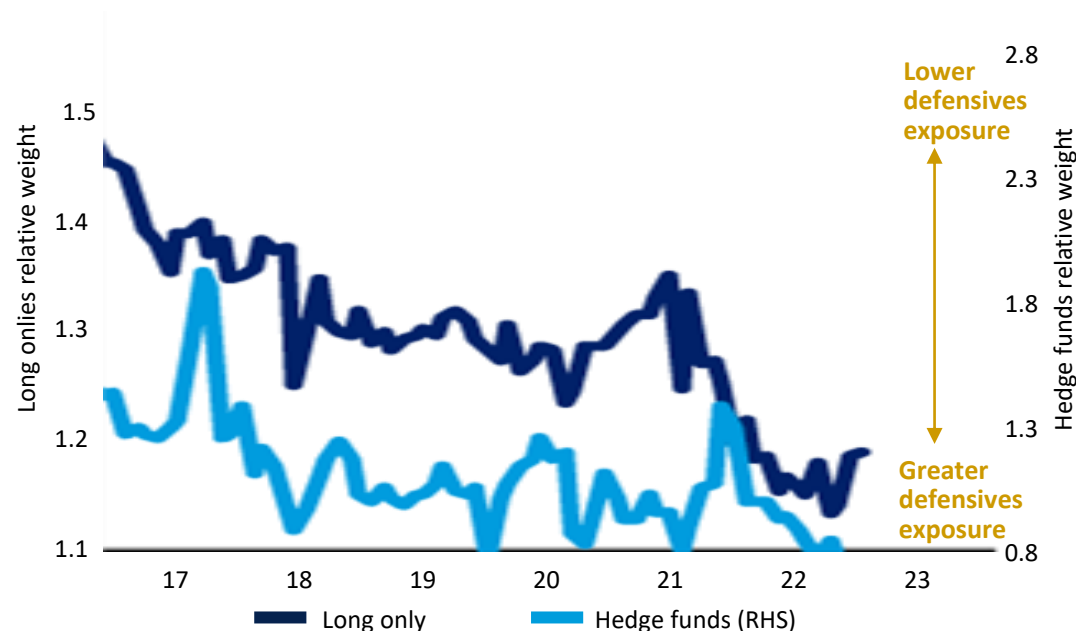
- Full valuations
- Corporate earnings unlikely to beat expectations
- Tail risk from U.S. regional banking crisis
- Likely economic downturn in Australia & U.S.
- Geopolitical tensions
- Adverse Government policy for corporates

**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.**

Investor positioning

Cyclicals are extremely under-owned. Defensives are crowded.

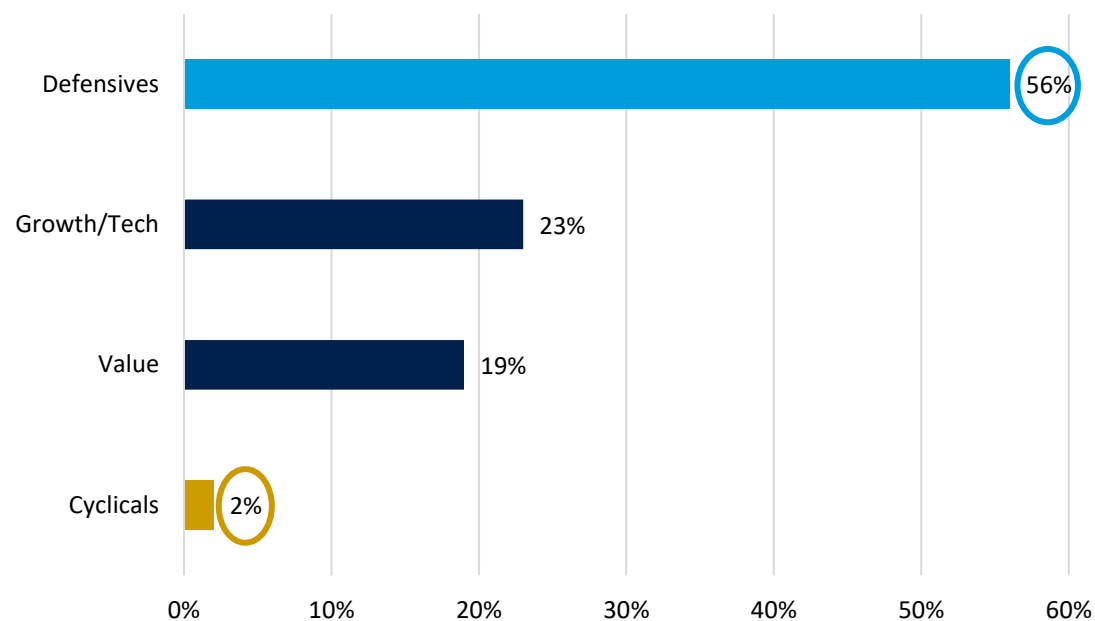
U.S. Cyclicals vs. Defensives relative weight Long only funds and hedge funds



- 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?”

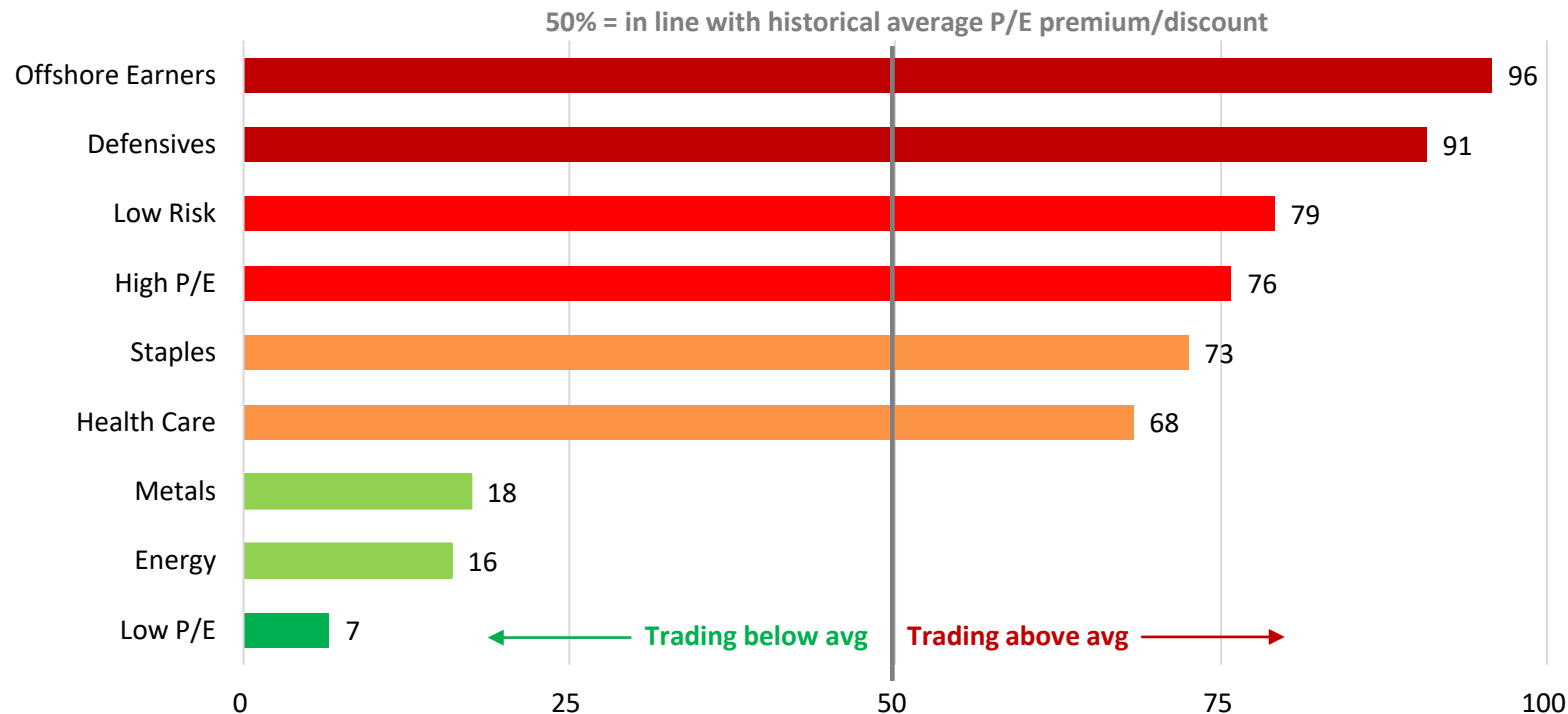


- Cyclicals are unloved and extremely under-owned
- Investors have crowded into defensives (making them riskier investments)

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

LSF positioning

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

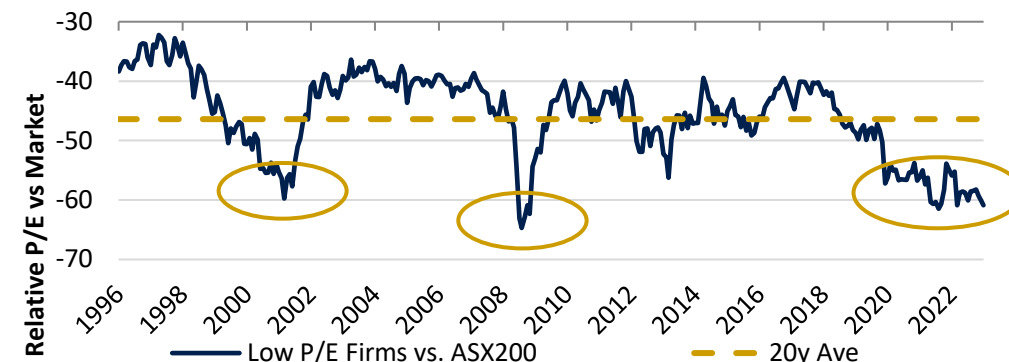
In general:

- 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)

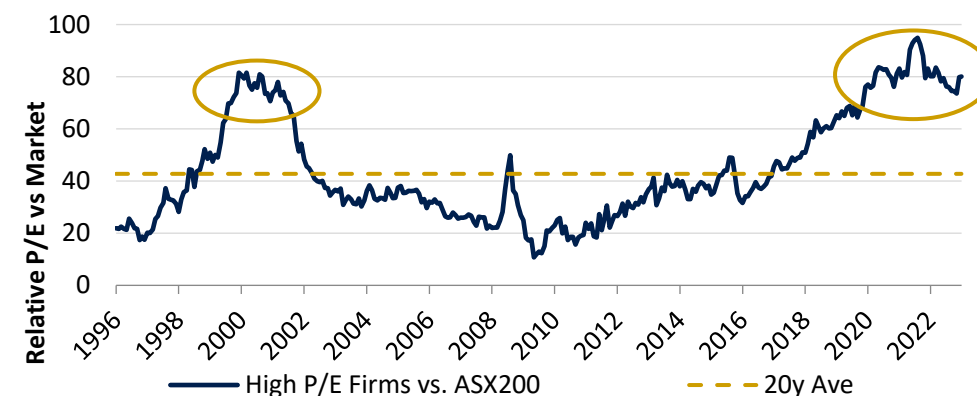
Portfolio metrics

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)



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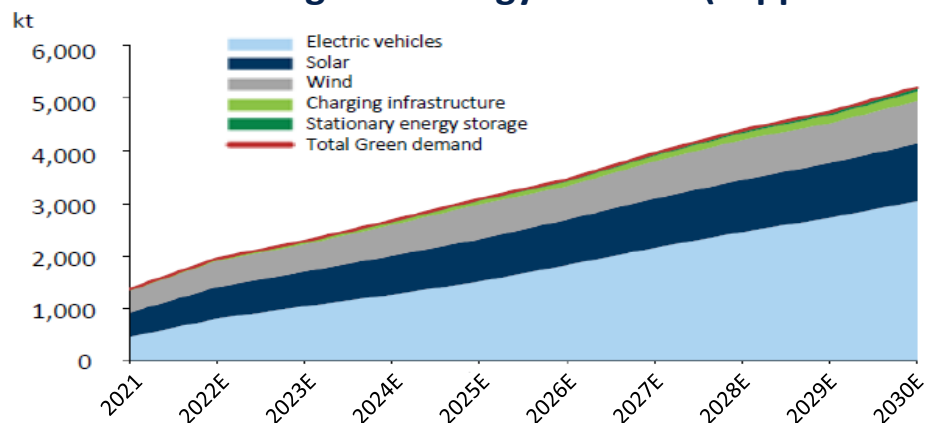
Stock examples



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)

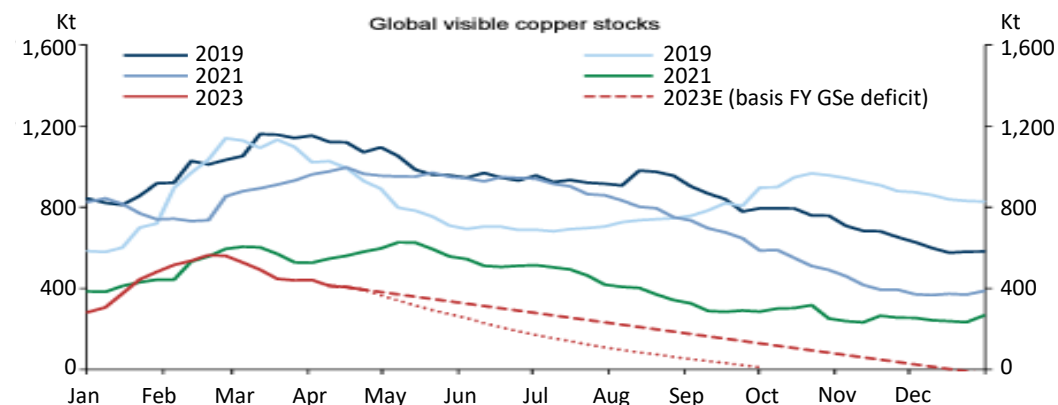


Source: Goldman Sachs Global Investment Research

Capstone share price – 1 year



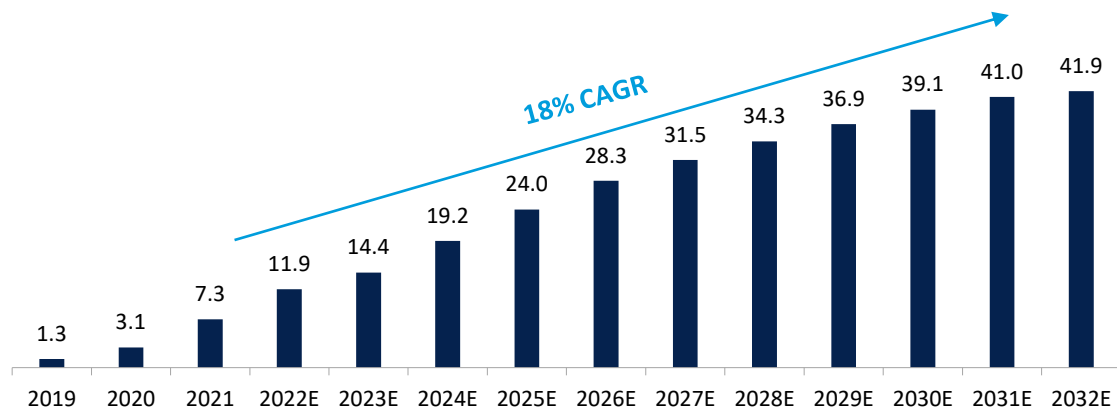
Global copper inventories are extremely low versus history



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

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

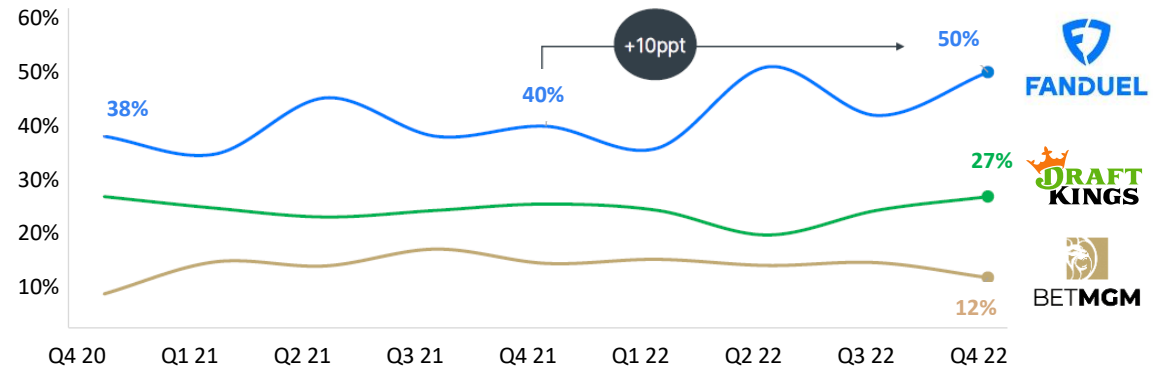


Flutter share price – 1 year



Fan Duel sports betting share (Last 2 years)

Online sportsbook GGR market share¹



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

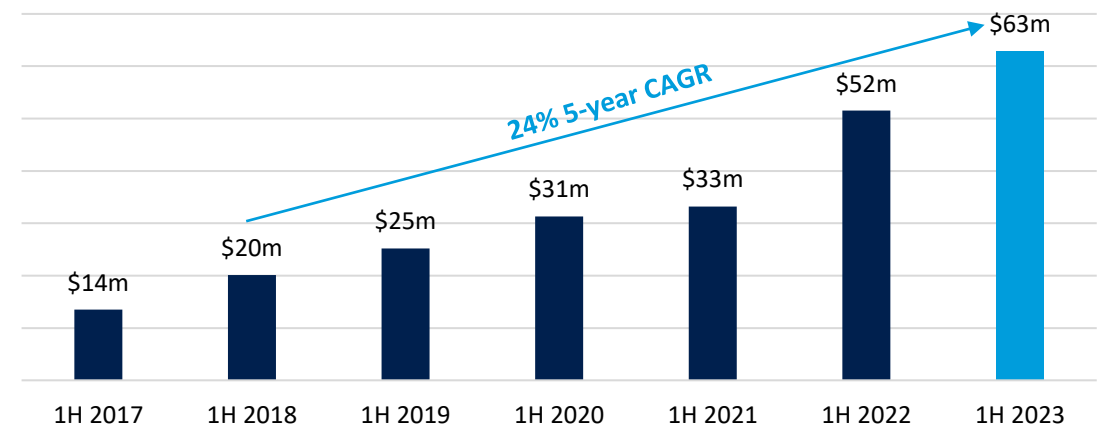
Gold price – 1 year (US\$/oz.)



Index share price – Since L1 investment



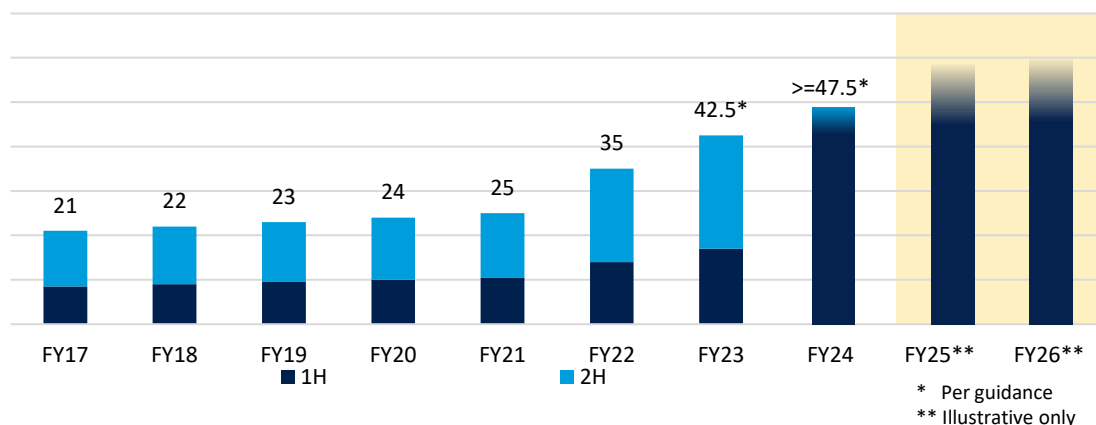
5 Year EBITDA growth



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 dividends to continue to grow as FCF profile improves

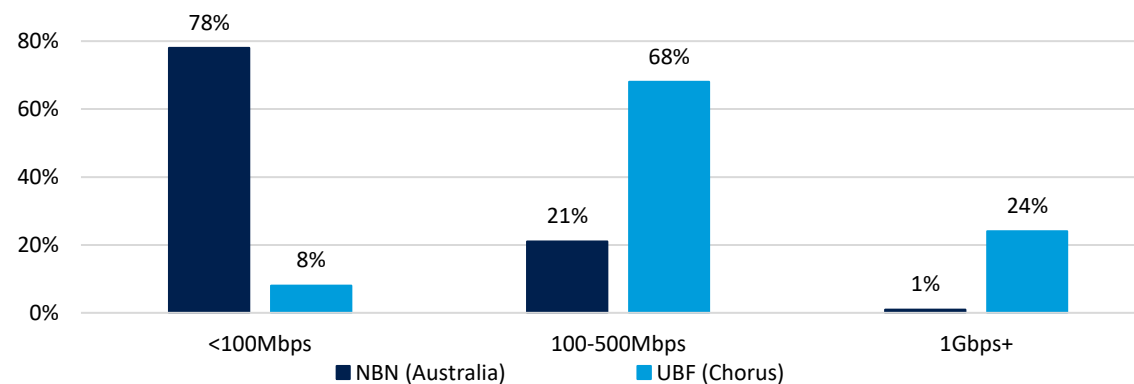


Chorus share price – Since L1 investment

C H ● R U S



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





L1 CAPITAL

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Portfolio exposure



Lower net market exposure reflects a more cautious outlook

LSF portfolio net long exposure – Last three years

