

- The L1 Long Short Fund (LSF) portfolio returned -3.1%¹ in October (ASX200AI -3.8%).
- Over the past 3 years, the portfolio has returned 25.7%¹ p.a. (ASX200AI 8.9%p.a.).
- Global markets declined in October, as investors faced headwinds from further increases in long-term bond yields, along with heightened geopolitical risks.

Global markets were weaker in October as investors faced headwinds from further increases in long-term bond yields, along with heightened geopolitical risks following the terrorist attack on Israel by Hamas on October 7.

Yield curves continued to steepen as investors priced in an increased likelihood that interest rates will remain higher for longer in the face of sustained inflationary pressures and strained Government budgets. The Australian 10-year bond yield rose a further 44bps in September to 4.92%, while U.S. 10-year bond yields increased by 33bps to 4.90%.

Gold was one of the few commodities that was stronger in the month, rising by 7.4% to US\$1,985/oz, as markets turned to it as a hedge against geopolitical risk, inflation and potential U.S. dollar weakness. Despite tensions in the Middle East, Brent crude oil prices fell ~8% in October, reflecting concerns over global growth (following a bounce of nearly 30% in the September quarter).

The S&P/ASX 200 Accumulation Index returned -3.8%. Utilities (+1.7%), Materials (-0.8%) and Communication Services (-2.9%) were the strongest sectors, while Information Technology (-7.6%), Healthcare (-7.2%) and Industrials (-6.4%) lagged.

We believe equity markets are facing opposing forces of positivity from moderating inflation and potential policy stimulus in China, offset by negativity from weak leading economic indicators, heightened geopolitical tensions and increasing pressure on corporate earnings.

We anticipate rising market volatility as investors continue to reassess their expectations for the economy, interest rates and corporate profits. From our extensive company research, we are continuing to identify numerous mispriced stocks that we believe will deliver very attractive long-term returns for our investors.

Returns (Net) ¹ (%)	L1 Long Short Portfolio	S&P/ASX 200 AI	Out-performance
1 month	(3.1)	(3.8)	+0.7
3 months	(6.9)	(7.2)	+0.2
6 months	(3.6)	(5.3)	+1.7
1 year	12.3	3.0	+9.3
2 years p.a.	3.1	0.4	+2.7
3 years p.a.	25.7	8.9	+16.8
4 years p.a.	17.6	4.3	+13.3
5 years p.a.	16.5	7.2	+9.3
LSF Since Inception p.a.	10.3	6.6	+3.7
Strategy Since Inception ² p.a.	19.0	6.4	+12.6

Figures may not sum exactly due to rounding.

A key contributor to portfolio performance in October was:

Westgold Resources (Long +23%) rallied strongly during the month on the back of the ongoing increase in the gold price in Australian dollar terms, as well as the company's release of a positive Q1 FY24 production update. Westgold is a Western Australia-based gold producer with four mines across three processing hubs. The company is currently producing around 250koz of gold per annum, with the potential for this to increase to over 300koz in 2025 and has significant earnings leverage from the rising A\$-denominated gold price. Alongside this strong growth potential, the company's new management has delivered an outstanding turnaround over the past year with all in sustaining costs falling substantially and net cash growing to over \$200m.

Key detractors to portfolio performance in October were:

Capstone (Long -18%) fell along with the sector as copper prices continued to decline due to concerns around the weak global economy and the strong U.S. dollar. The company also reported soft second quarter production and modestly reduced guidance for the full year. Capstone has an exceptional growth profile with a pipeline of fully permitted projects that are poised to more than double its current copper production of ~185kt to nearly 400kt over the next few years.

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.



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Additionally, the company is quickly approaching completion and commissioning of its Mantoverde project which we expect to result in a major inflection in operating metrics across the business. Together with the integration of its Santo Domingo asset, Capstone is also set to become one of the largest (ex Democratic Republic of Congo) and most cost-effective battery-grade cobalt producers in the world. The company is fully funded to complete its currently approved project pipeline and is led by a highly capable, focussed and aligned management team.

Mineral Resources (Long -15%) shares declined as lithium prices continued to weaken, falling ~23% over the month. Lithium markets continue to adjust from a significant supply deficit to a more balanced outlook in the short term. Mineral Resources also released its first quarter production report which illustrated the continued ramp-up of the company's lithium assets. The company is forecast to more than double lithium production over the coming years to exceed 1,000kt of spodumene concentrate. In addition, the company continues to progress its Onslow Iron project, which we visited this quarter, noting the rapid progress firsthand. The project is expected to transform its existing smaller scale iron ore business into a sizeable, long-life, low-cost operation, with first production targeted for June 2024. 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 undervalued.

Nufarm (Long -9%) shares continued to decline along with global agriculture peers due to the impact of drier weather conditions and a reduction in on-farm purchases by farmers. After a build-up of inventories during Covid-19, farmers shifted to just-in-time purchasing for key crop inputs this year as prices fell sharply and supply chains normalised. This led to a significant contraction in demand for crop protection products, particularly in North America, to bring inventories back to more balanced levels. Nufarm recently announced a ~5% downgrade to EBITDA guidance for the FY23 year due to this challenging operating environment. We view this as a relatively strong performance, given major industry headwinds (which are transitory) and considering Nufarm's listed peers had announced negative earnings impacts of 20% or more.

We believe Nufarm is a much higher-quality business than it was a few years ago. The company is in the process of augmenting its crop protection business with a series of high-margin, high-growth proprietary formulations. In addition, Nufarm's seeds business has commercialised several exciting traits, including Omega-3 and Carinata, that are gaining traction and should deliver strong earnings growth in the Seeds division for many years to come.



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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)			0.04

Portfolio positions

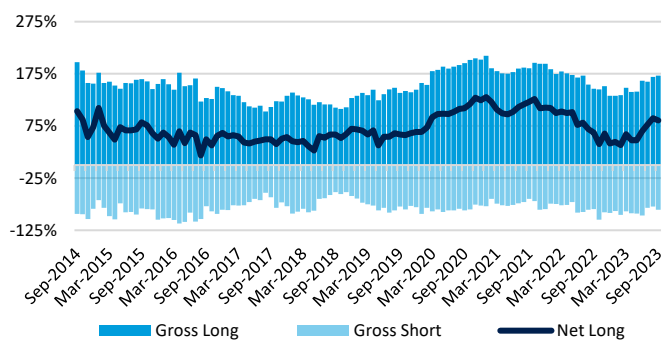
Number of total positions	76
Number of long positions	58
Number of short positions	18
Number of international positions	22

Net & gross exposure by region³ (%)

Geography	Gross long	Gross short	Net exposure
Australia/NZ	105	75	30
North America	51	7	44
Europe	14	-	14
Asia	2	-	2
Total	173	82	90

Figures may not sum exactly due to rounding.

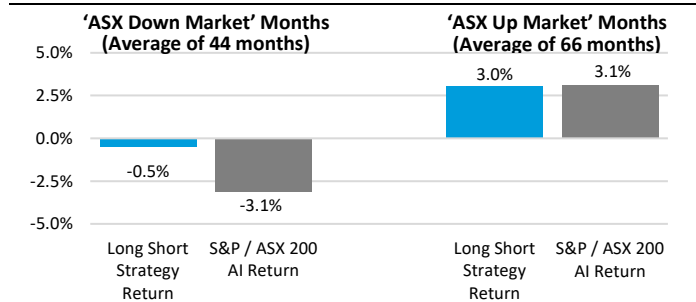
Historical Strategy exposures³



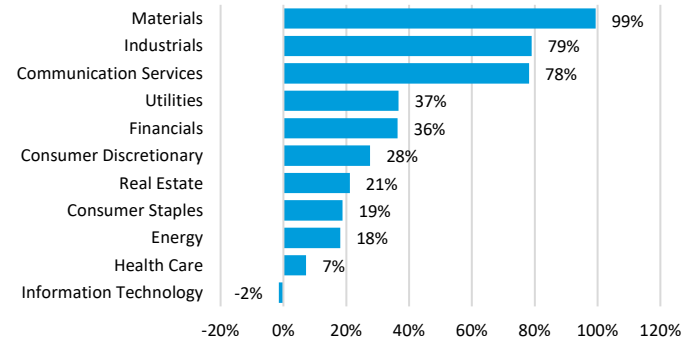
Company information as at 31 October 2023⁴

Share Price	\$2.75
NTA before tax	\$2.86
NTA after tax	\$2.83
Shares on issue	619,457,738
Company market cap	\$1.70b

Strategy performance since inception³ (Net)



Sector contribution since Strategy inception³ (Net)



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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
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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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