L1 CAPITAL

Monthly report

L1 Capital Long Short Fund – Monthly Class

April 2025

- The L1 Capital Long Short Fund returned -0.6%[1] in April (ASX200AI 3.6%).
- Over the past 5 years, the Fund has returned 20.1%[1] p.a. (ASX200AI 12.1% p.a.).
- Markets faced extreme swings in April driven by U.S. tariff announcements and recession fears but ultimately stabilised as trade tensions eased.

Markets endured a turbulent month, with President Trump's 'Liberation Day' tariff announcements on 2 April triggering a sudden 12% fall in the S&P500 in just four days, the worst sell-off since March 2020. The U.S. Administration's imposed tariffs were far more severe and broad-based than anticipated, prompting swift countermeasures from China and the E.U..

Volatility spiked, with the VIX reaching its highest level since the GFC and the COVID-19 pandemic. U.S. treasuries, which would typically be viewed as a defensive asset class, sold off sharply with the 30-year bond yield rising to above 5%.

On 9 April, following the sharp rise in treasury yields, the U.S. Government announced a 90-day tariff pause to allow for negotiations with trading partners (excluding China). This, together with further statements from President Trump de-escalating trade tensions, saw markets recover in the back half of the month.

In contrast to the broader weakness seen across international markets, Australian shares rose in April. The ASX200AI returned 3.6%, buoyed by the relative immunity of many of the largest listed companies to tariff-driven volatility. 'Expensive defensives' rallied due to passive buying and perceived safe haven status, with investors crowding into sectors such as banking causing CBA's share price to rise 10% despite no material company-specific news flow. Communication Services (+6.5%), Information Technology (+6.4%) and Property (+6.3%) were the strongest sectors, while Energy (-7.7%), Materials (+0.7%) and Utilities (+1.9%) lagged.

Fund returns (Net)[1] (%)

	L1 Capital Long Short Fund	S&P/ASX 200 AI	Out-performance
1 month	(0.6)	3.6	(4.3)
3 months	0.3	(3.7)	+4.0
1 year	(7.4)	9.8	(17.2)
3 years p.a.	1.6	7.2	(5.5)
5 years p.a.	20.1	12.1	+7.9
7 years p.a.	9.4	8.6	+0.8
10 years p.a.	16.2	7.7	+8.5
Since Inception p.a.	17.1	7.8	+9.3

Figures may not sum exactly due to rounding.

Returns since inception (Net)[1] (%)

	Cumulative return	Annualised return p.a.
L1 Capital Long Short Fund	439.7	17.1
S&P/ASX 200 Accumulation Index	122.5	7.8
MSCI World Net Total Return Index (USD)	151.3	9.0

We believe equity market volatility has moved structurally higher, given Trump's more aggressive and unpredictable policy stance, heightened geopolitical tensions and the lack of an immediate central bank backstop. We expect to see a continued rotation out of previously high momentum, high P/E stocks, where valuations, expectations and positioning have all been extremely stretched. For our investors, periods of elevated volatility have historically been stressful in the short term, but extremely rewarding over the following 1-2 years. Our clear focus is on exploiting the recent volatility to identify stock-specific mispricings and taking advantage of the emotional or non-fundamental selling we observe in the market. We continue to believe that infrastructure, gold and 'Quality Value' stocks provide some of the best opportunities globally. Our portfolio also has a stronger than usual Value skew, with our median long position having a P/E of less than 9x, close to 10% FCF yield and double-digit EPS growth, providing a compelling medium-term return profile in spite of a tougher macro backdrop.

1. All performance numbers are quoted net of fees. Figures may not sum exactly due to rounding. **Past performance should not be taken as an indicator of future performance.** Based on returns achieved by 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.

The gold price rallied 5% on increasing macroeconomic uncertainty while the brent crude oil price collapsed 21% due to concerns over global growth and increased production from Saudi Arabia.

Despite the extreme level of market volatility, the portfolio ended the month relatively flat as gains from gold and stability from our infrastructure positions (such as Fraport, Getlink and Cellnex) offset the broader cyclical market downturn that impacted other parts of the portfolio.

Key contributors to portfolio performance in April were:

JD Sports (Long +16%) shares performed strongly during the month, following the release of better than expected Q4 FY25 results, FY26 guidance (January year-end) and a medium-term strategy update. Q4 like-for-like sales rose +0.3%, a solid improvement on the 1.5% decline in the first two months of the quarter. With major supply chain and infrastructure projects nearing completion, JD Sports will reduce capex spend and is expected to use its material cashflow generation to increase shareholder returns. Pleasingly, this includes an initial £100m share buyback.

Given the highly uncertain and evolving nature of the proposed U.S. tariffs, the company did not incorporate any tariff impact into its FY26 guidance, though it has factored in a continued subdued demand environment. While it operates a diversified global business, it is not directly responsible for importing the vast majority of its goods into the U.S.. Nevertheless, the announced tariffs (particularly on Vietnam) are potentially extremely disruptive to the industry and we believe this risk is more than reflected in the current share price.

Overall, we see the company as a high-quality global retailer with leading scale and brand relationships, excellent in-store execution and an attractive store roll-out pipeline ahead, yet it still trades on a P/E of less than 7x consensus earnings. While trading conditions are likely to remain challenging for much of 2025, we expect that the recent acquisitions of Hibbett and Courir, along with supply chain improvements and Nike's turnaround initiatives, should start delivering meaningful benefits from 2026.

BlueScope (Long +12%) shares outperformed during the month as spot U.S. steel spreads remained elevated above US$500/t, significantly higher than BlueScope's H2 FY25 guidance of US$340/t. In addition, key peers Nucor and Steel Dynamics reported beat Q1 earnings expectations vs. previous guidance with robust shipment volumes and upbeat near-term demand outlooks amidst the tariff uncertainty. In contrast, Asian steel prices remained depressed as excess Chinese steel production has driven exports beyond 100Mtpa annual run-rate, pressuring steel prices across the region.

BlueScope's half year results in February 2025 included an annual EBIT improvement target exceeding $1b comprising >$200m cost out, $500m from growth investments and $500m to $1b from improved market conditions. These targets provide visibility into a materially higher future earnings base, projected to exceed $1.8b, far higher than the current annual run-rate EBIT of ~$600m. More broadly, we continue to believe the market underappreciates BlueScope's unique and strategic asset base, as well as the longer-term resilience of the largely consolidated U.S. steel sector.

Key detractors to portfolio performance in April were:

Mineral Resources (Long -14%) shares declined during the month as cautious investor sentiment around the company's gearing levels was exacerbated by extreme market volatility, widening high yield bond spreads and weakness in commodities markets (iron ore and lithium spodumene prices declined ~3% and ~6%, respectively). In April, Mineral Resources released its Q3 25 results, which were well received by the market, partially reversing the share price decline from earlier in the month. Most notably, the company provided more granular guidance for shipment improvements from its Onslow Iron project in May-June and reported material improvements in the operating costs of its lithium assets. Mineral Resources also clarified that an equity raising is not currently under consideration despite its elevated leverage given *'the strong liquidity and a number of other levels at MinRes' disposal'*. This had been a key concern of the market and led to a strong intra-month share price rally.

We refer our readers to our Long Short Fund February 2025 Monthly Report for further commentary on Mineral Resources. We continue to believe that each of the company's core segments should see material improvement from current levels over the medium term. As a result, we find the risk-reward at current share price levels to be compelling, with significant upside potential as Mineral Resources executes its key growth projects.

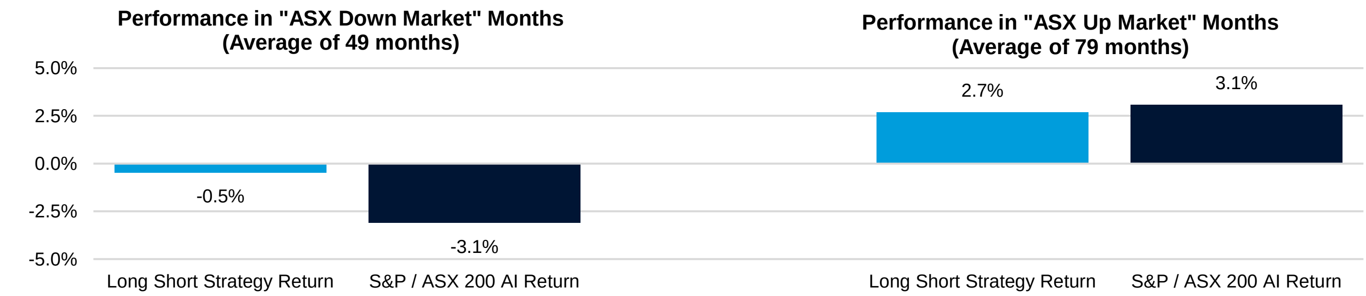
Santos (Long -10%) underperformed during the month due to a significant decline in oil prices, with Brent crude down 21% (from US$77/bbl to US$61/bbl). The key drivers were the U.S. tariff announcements, which sparked concerns over global economic activity and resulting lower oil demand, as well as the almost simultaneous OPEC+ announcement of a faster than anticipated partial end of its voluntary supply cuts.

Even at a spot oil price of ~US$60/bbl, we believe Santos' asset base is materially undervalued as the company continues to make significant progress on its key growth initiatives. The Barossa project is 95% complete and on track for first production in 2025, and the Pikka project is more than 80% complete. Their completion will conclude a multi-year period of elevated capex spend and represents an inflection point for cashflow and potentially shareholder returns.

Strategy returns (Net)[2] (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2014	–	–	–	–	–	–	–	–	(2.4)	3.0	2.8	1.6	**5.1**
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)	0.5	2.2	**29.6**
2017	2.5	1.9	3.2	1.0	4.2	1.7	2.6	1.7	1.9	2.5	0.9	3.6	**31.4**
2018	0.6	(0.5)	(1.6)	1.6	(3.8)	(6.3)	0.8	(5.9)	(2.1)	(4.0)	(2.6)	(6.1)	**(26.4)**
2019	4.4	5.2	0.2	2.8	(2.8)	3.8	1.2	0.4	2.6	3.4	0.3	2.2	**26.2**
2020	(7.8)	(7.1)	(23.0)	23.0	11.0	(2.2)	(1.9)	10.0	0.5	(2.6)	32.3	4.2	**28.0**
2021	(0.1)	9.1	(0.1)	5.0	4.1	(0.6)	1.8	5.2	4.8	2.3	(7.2)	3.6	**30.6**
2022	2.7	7.0	1.5	3.3	0.1	(13.4)	(4.6)	5.7	(7.8)	5.1	7.9	4.3	**9.8**
2023	3.7	(2.0)	0.7	1.9	(3.4)	1.8	5.4	(4.7)	0.9	(3.1)	2.5	3.7	**6.9**
2024	0.3	(0.8)	8.3	3.3	2.7	(5.0)	1.6	(3.4)	4.2	(1.2)	(2.9)	(3.8)	**2.5**
2025	0.3	(0.9)	1.8	(0.6)									**0.5**

Strategy performance in rising and falling markets[2] (Net)



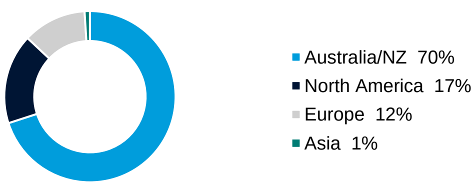
Portfolio positions

	Current	Avg. since inception
Number of total positions	82	81
Number of long positions	62	57
Number of short positions	20	24
Number of international positions	29	25

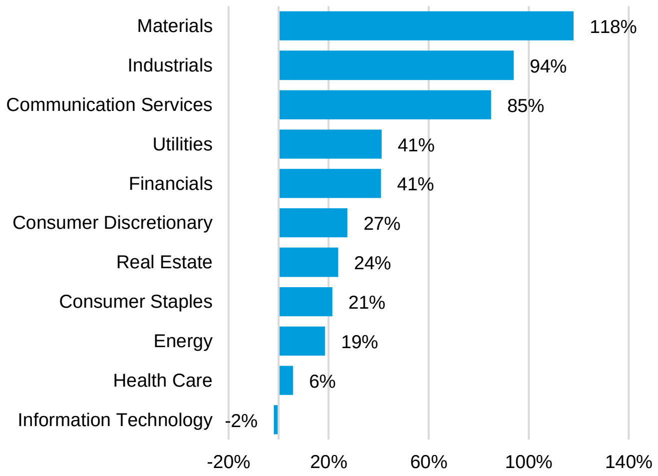
Net and gross exposure (%)[2]

	Gross long	Gross short	Net exposure
Australia/NZ	100	(87)	13
North America	43	(3)	41
Europe	32	-	32
Asia	2	-	2
Total[3]	**178**	**(90)**	**88**

Gross geographic exposure as a % of total exposure[2]



Sector contribution since Strategy inception[2] (Net)



Company information as at 30 April 2025[4]

Unit price	$2.11
Fund NAV	$1.75b

2. All performance numbers are quoted net of fees. Figures may not sum exactly due to rounding. **Past performance should not be taken as an indicator of future performance.** Strategy performance and exposure history is for the L1 Capital Long Short Fund – Monthly Class since inception (1 September 2014). **3.** Figures may not sum exactly due to rounding. Excludes exposures to instruments not associated with a specific geography. **4.** The value of the Fund's assets less the liabilities of the Fund net of fees, costs and taxes. The unit price is calculated by decreasing the NAV price by the sell spread (currently 0.25%). The NAV price is the NAV divided by the units on issue.

Fund information – Monthly Class

Class Name	L1 Capital Long Short Fund – Monthly Class
Structure / Currency	Australian Unit Trust / AUD
Inception	1 September 2014
Management Fee*	1.28% p.a.
Performance Fee**	20.5%
High Watermark	Yes
Buy / Sell Spread	15bps / 15bps
APIR / ISIN	ETL4912AU / AU60ETL49128
Minimum Investment	A$500,000
Subscription / Redemption Frequency	Monthly
Platform Availability	Australian Money Market, HUB24^, Mason Stevens^, Netwealth, PowerWrap, Praemium

L1 Capital 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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Key service providers: for the Fund are**:** Responsible Entity – Equity Trustees Limited, Prime Brokers – Morgan Stanley, Merrill Lynch and Goldman Sachs, Fund Administrator – Apex Fund Services Ltd, Fund Auditor – EY, Legal Advisor – Hall & Wilcox. There have been no changes to key service providers since the last report.

* Fees are quoted inclusive of GST and net of RITC. ** The performance fee is equal to the stated percentage (inclusive of GST and net of RITC) of any increase in the NAV over any Performance Period (adjusted for applications and redemptions and before the payment of any distribution after the payment of the management fee and expenses) above the high-water mark. ^ Administration only.

All performance numbers are quoted net of fees. Past performance should not be taken as an indicator of future performance. Sources of information in this report are Apex Fund Services, Bloomberg and L1 Capital.

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