Quarterly report

L1 CAPITAL

L1 Capital Long Short Fund – Monthly Class

March 2026

- The L1 Capital Long Short Fund returned -0.2%[1] for the March quarter (ASX200AI -1.6%).
- Over the past 12 months, the Fund has returned 44.7%[1] (ASX200AI 11.7%) and over 5 years has returned 16.2%[1] p.a. (ASX200AI 8.6% p.a.).
- The portfolio was broadly flat over the March quarter, despite a sharp fall in global markets in March, as the war in Iran triggered the worst oil supply shock in history.

Equities initially performed well in January and February, driven by strong commodity prices (despite a more hawkish outlook for interest rates). Global markets, including in Australia, then fell sharply in March following the start of the war in Iran. The sell-off was extremely broad-based in the month, other than select defensive names and energy-related stocks.

Reflecting that, ASX200AI sector performance dispersion was extreme with Energy (+34.9%), Utilities (+8.5%) and Consumer Staples (+8.1%) the strongest performers, while Information Technology (-27.9%), Healthcare (-16.9%) and Property (-17.1%) were the hardest hit.

The U.S. equity market underperformed the Australian and most other markets during the quarter, with the S&P500 declining by 4.3%. The release of some more advanced AI tools in February highlighted the potential impact of AI on software industry incumbents and led to a sharp deterioration in sentiment towards these stocks, which are more prominent in U.S. indices than elsewhere.

The magnitude of the oil shock in March has amplified global stagflation risks and resulted in a sharp rise in bond yields across markets. In Australia, the RBA raised rates twice during the quarter (before the war), responding to stubborn inflationary pressures, with markets pricing in another two hikes by year end. The U.S. Fed left rates unchanged at both of its meetings during the quarter. Bond markets are now expecting no further easing in 2026 after previously pricing at least two additional cuts.

Following a strong start to the year, portfolio performance was impacted by the market sell-off in March. While energy and some infrastructure stocks performed well, several large long positions across the copper, gold and construction materials sectors weighed on portfolio performance despite limited change to their longer-term fundamentals.

Fund returns (Net)[1] (%)

	L1 Capital Long Short Fund	S&P/ASX 200 AI	Out-performance
3 months	(0.2)	(1.6)	+1.4
1 year	44.7	11.7	+33.0
3 years p.a.	16.2	9.5	+6.7
5 years p.a.	16.2	8.6	+7.5
7 years p.a.	19.0	8.6	+10.4
10 years p.a.	15.3	9.4	+5.9
Since Inception p.a.	19.5	7.8	+11.6

Figures may not sum exactly due to rounding.

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

	Cumulative return	Annualised return p.a.
L1 Capital Long Short Fund	685.9	19.5
S&P/ASX 200 Accumulation Index	139.8	7.8
MSCI World Net Total Return Index (USD)	196.2	9.8

The Iran War has triggered a widespread fall in equity markets, with a major spike in market volatility. We are using this period of elevated volatility to identify high quality companies that are now trading far below fair value, even assuming a less favourable macro outlook.

While periods of elevated market volatility can be unnerving in the short-term, they provide outstanding medium-term opportunities to invest in great companies at exceptional prices. We believe the portfolio looks particularly attractive at present, with our median long position trading on ~9x FY27 P/E, with double-digit earnings growth and modest debt levels.

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. 1.** 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.

Market observations

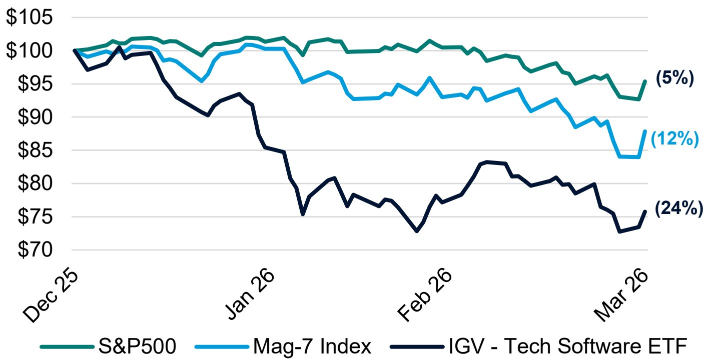
The Australian and Global equity markets were affected by the same major macro themes over the March quarter, in two distinct periods. During January and February, markets were dominated by a sell-off in Software and related stocks with the rapid progression of AI seen as threats to long-term business models. Then in March, risk-factors related to the Iran War – oil shock, higher inflation and interest rates – became the dominant theme for markets.

AI fears dominated January and February…

While AI itself is not a new thematic, the release of more advanced enterprise AI agents from Anthropic highlighted the potential for these systems to automate complex workflows. This suggested structural change in the tech sector could happen in a more comprehensive manner and much more quickly than had been expected. This drove a structural shift in market expectations for long-term returns for some software companies where the market had assumed extremely high revenue and earnings growth rates to continue for years to come.

Domestically, software and technology stocks, including several large industry leaders, declined substantially in January and February on AI-displacement fears. This was more than offset by strength in banks and resources stocks, with the ASX200AI up 6.0% across January and February.

Figure 1: Software / Mag-7 share price performance (March quarter)



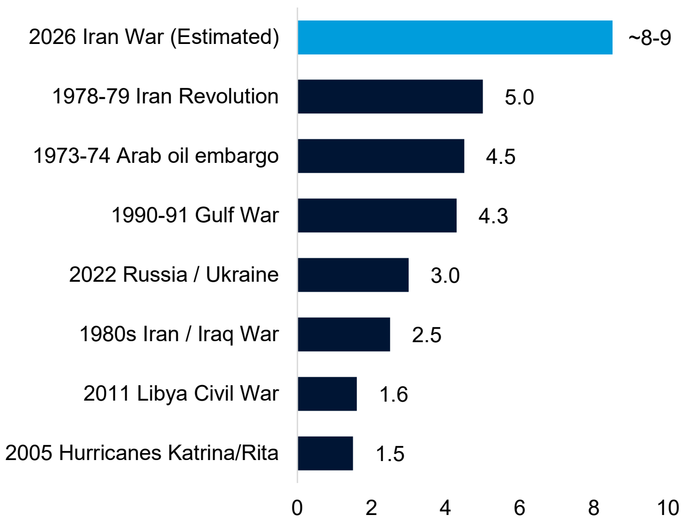
Source: Factset as at 31 March 2026. Mag-7 index comprises Apple, Microsoft, Amazon, Alphabet, Meta, Nvidia and Tesla

Gold continued its rally of the last 7 months, up 22% for the two months. Globally, the themes were similar, with the IGV – Tech Software ETF down 23% during the two months. However, the greater contribution of Software names in the U.S. to sector returns meant that the S&P500 lagged the ASX200AI, with the former growing by only 1% during the same period. The tech-heavy Nasdaq index fell 2.4%.

…with market volatility increasing further in March due to the Iran War

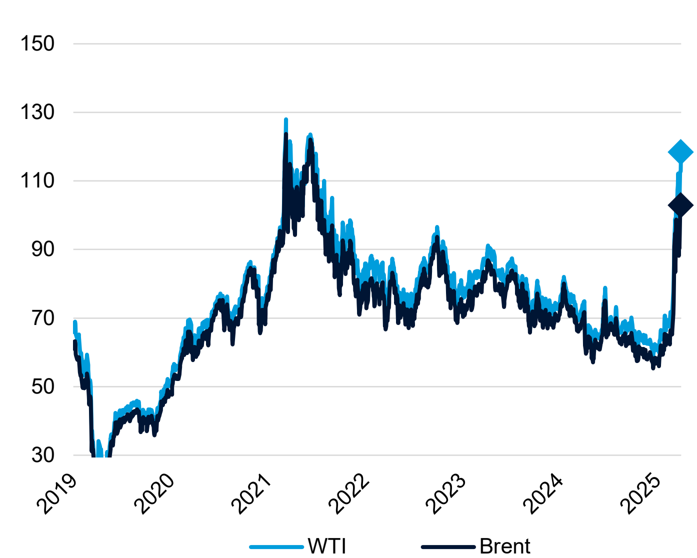
Following this sector rotation, markets declined sharply at the start of March as the war in Iran unfolded. The effective closure of the Strait of Hormuz (~20% of global oil flow) led to the worst oil supply shock in modern history (see Figure 2) and a dramatic spike in oil prices (see Figure 3).

Figure 2: Scale of net supply loss (million barrels/day)



Source: IEA, Bloomberg, NEF estimates

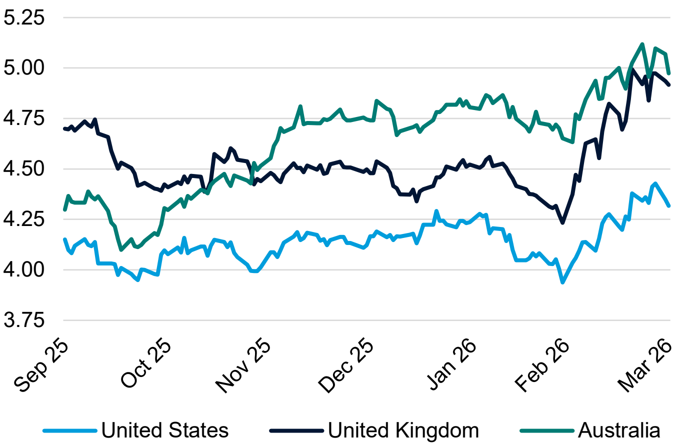
Figure 3: Movement in oil prices (US$/oil barrel)



Source: Bloomberg as at 31 March 2026

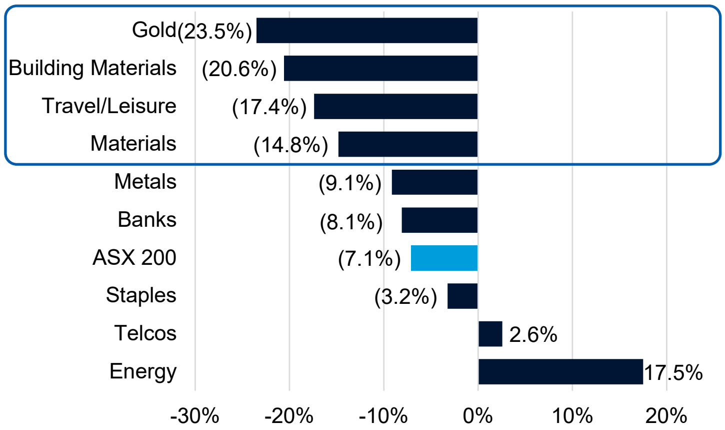
In response to this energy shock, long-term yields have surged and interest rate expectations have been reset meaningfully higher (see Figure 4 on the next page) on the back of higher inflation expectations. The growing risk of global stagflation contributed to an aggressive and broad market sell off with 89% of ASX/S&P200 stocks declining in March and ~49% of stocks down over 10% in the month (the average price move of that cohort was -17%). As shown in Figure 5 on the next page, Energy was the only sector to deliver meaningful positive returns in March, while defensive stocks (Consumer Staples and Telcos) were relatively stable.

Figure 4: 10-year bond yields (%)



Source: Bloomberg as at 31 March 2026

Figure 5: ASX200 sector returns – March 2026



Source: Goldman Sachs investment research, Factset as at 31 March 2026. Sector classification per Goldman Sachs, not based on GICS.

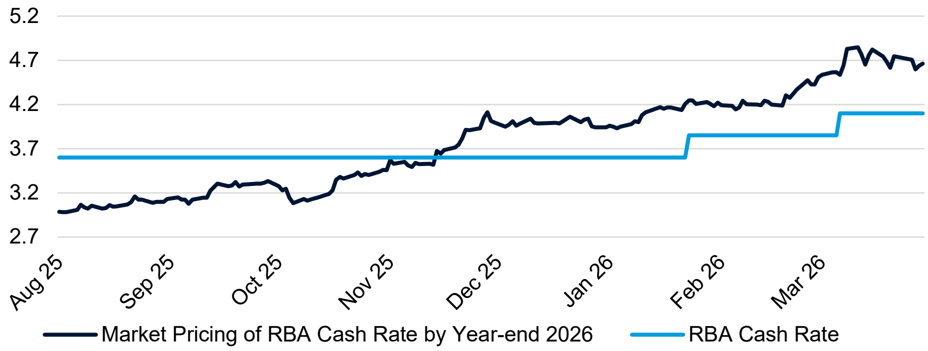
After continued strong momentum in January and February, gold prices declined 12% in March, defying the typical resilience during geopolitical shocks. This was due to a number of fundamental and technical factors which we discuss later in this note. Reflecting the weaker gold price and concerns over the potential for higher operating costs, ASX200 gold equities fell ~23.5% in March. Against this, we believe that the long-term drivers of the gold price (central bank buying, fiscal deficits and elevated geopolitical risks) remain supportive and that gold mining equities are highly compelling at current levels.

Two rate rises by the RBA

The RBA decided to increase the cash rate by 25bps at both of its meetings during the quarter, citing a re-acceleration of domestic inflation and in its March statement, noting upside risks to inflation from the war.

As shown in Figure 6, market interest rate expectations have now moved to price-in two further 25bp hikes in 2026 (from one hike in total at the start of the year).

Figure 6: Australian cash rate futures pricing



Source: Goldman Sachs Investment Research

Portfolio positioning

The recent portfolio positioning – in particular our exposure to the Gold, Infrastructure, Construction Materials and Resources sectors – has performed well for the last 15 months overall, but relatively poorly following the start of the war in Iran. However, in most cases this short-term performance reflects a broad deterioration in market sentiment and positioning, rather than a change in the long-term fundamentals of our portfolio holdings.

Moments of heightened uncertainty in markets have historically created some of the best investment opportunities for the Fund. Accordingly, we have been using this period of elevated volatility to identify high quality companies that are now trading far below fair value, even assuming a less favourable macro outlook. These changes include adding to our positions in gold, construction materials, travel-related stocks and copper, while trimming exposure to some of our energy and infrastructure names which have outperformed.

In addition, we have been seeking to capitalise on the massive global AI-related spending via downstream beneficiaries (including copper producers and uranium companies), while avoiding beneficiaries where we struggle to justify current valuations.

Sectors where we <u>increased</u> exposure during March:

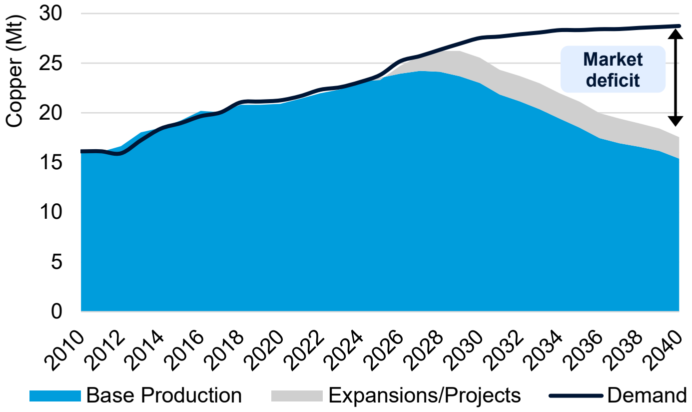
Copper

We remain positive on copper as a commodity given the strong long-term demand profile that is underpinned by electrification, grid expansion, renewable energy and broader infrastructure growth. There is limited projected supply coming online to meet that demand. Despite the strong fundamentals, we had previously exited most of our copper positions on valuation grounds but have used the recent sell-off – with many copper names falling by 20-25% – as an attractive re-entry point with sector valuations falling to below 5x EV/EBITDA.

Key holdings:

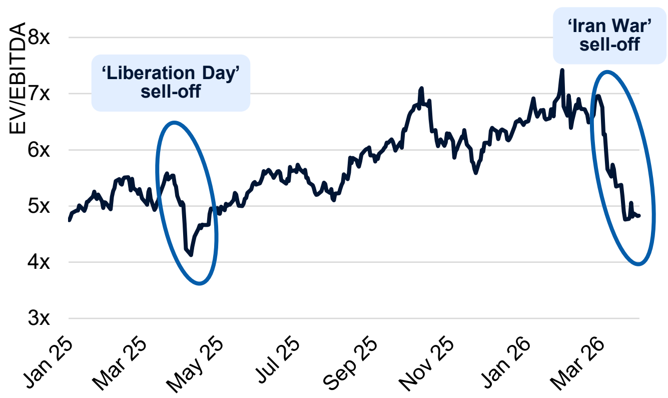
Taseko | CAPSTONE COPPER

Figure 7: Copper supply and demand outlook



Source: Woodmac

Figure 8: Copper miners EV/NTM EBITDA (x)



Source: Factset. Average of copper mid-caps: HBM, CS and SFR.

Gold

The gold price fell ~12% (from ~$5,280 to ~$4,670) in March, defying typical resilience during geopolitical shocks (refer Figure 9). Major drivers included:

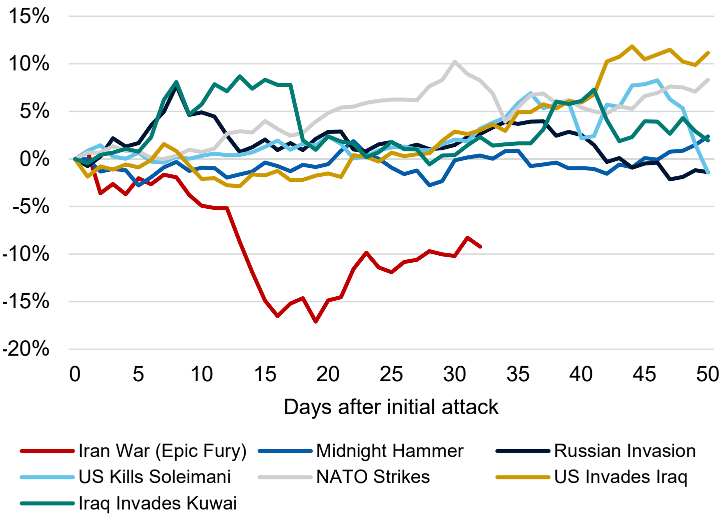
- The largest monthly gold ETF outflows in 5 years (over US$12b),
- Large scale profit-taking and technical-driven selling,
- Physical gold ETF flows being negatively correlated to rising interest rates, and
- Select sovereign selling of gold due to the Iran war (e.g. – Turkey sold ~120 tonnes or US$20b of gold).

Key holdings:

WESTGOLD | eldorado gold

ASX200 gold equities fell ~23.5%, reflecting a lower gold price and rising operating cost concerns. Valuations remain compelling despite the recent decline in the gold price, with our key positions trading at <6x P/E at the spot gold price. This allows a significant margin of safety over future gold price moves and cost inflation.

Figure 9: Gold performance during major regional military conflicts



Source: Bloomberg

Figure 10: GDX 12M Forward P/E

Source: Factset

Construction Materials

Construction Materials names pulled back in March in response to higher interest rates and expectations for softening demand. This has contributed to a sector de-rate toward bottom-of-the-cycle valuations with asymmetric upside from a future normalisation of interest rates and/or improving consumer confidence. Following 15-20% sell-offs, we increased our exposure to CRH and James Hardie. Both offer strong earnings growth over the medium-term at mid-teen multiples.

Key holdings:

Travel & Airlines

Travel-related equities fell sharply in March on higher oil prices and fears of a reduction in global travel demand. However, company-specific fundamentals remain attractive and travel demand outside of the Middle East appears likely to be resilient, while fuel hedging provides some short-term cost protection.

Key holding:

Sectors where we <u>decreased</u> exposure during March:

Energy

Oil and gas names rallied sharply in response to the Iran war, with oil prices spiking by over 50% and European gas names up ~50-70% year-to-date. While we expect near-term tightness to continue, medium-term fundamentals are less supportive. Hence, we reduced our exposure to Energy names during March on the expectation that oil and gas prices (and related equities) normalise as the current conflict resolves.

Key holding:

Infrastructure

Despite headwinds from higher interest rates, several of our infrastructure positions held up well in March reflecting business resilience and a flight of investor capital toward lower risk names with resilient cash flows underpinned by contractual arrangements and regulation. While we retain a significant exposure to Infrastructure, we did reduce our exposure to some of the stronger performing names to re-allocate capital to better opportunities elsewhere

Key holdings:

Overall, we took advantage of the market sell-off in March and elevated volatility across the quarter to identify high quality companies that are now trading far below fair value, even assuming a less favourable macro outlook. We believe that the portfolio is particularly attractive at present, with our median long-position trading on a ~9x FY27 P/E, with double-digit EPS growth, strong free cash flows and modest debt levels.

Stock contributors/detractors

Key stock contributors for the March quarter were:

Santos (Long +29%) shares rose in the March quarter driven by a more than doubling of the Brent Crude oil price from US$61/bbl to US$127/bbl. Global oil prices increased significantly due to the ongoing conflict in Iran, which has materially disrupted oil supply transiting via the Strait of Hormuz ~20% of the world's oil supply). The Strait remains effectively shut to non-Iranian vessels.

Outside of the market environment, Santos continues to make significant progress on its key growth initiatives, with its Barossa project loading the first LNG cargo at the end of January 2026, and its Pikka project anticipating first oil in the coming weeks. The completion of these significant growth projects will conclude a multi-year period of elevated investment and represent an inflection point for earnings and dividends going forward. As a result, we believe Santos is well positioned to deliver attractive future returns and pass on the benefits of higher oil prices to shareholders.

BlueScope (Long +9%) shares rose during the quarter, after receiving two takeover offers from a consortium of SGH and Steel Dynamics. The first offer, received in January 2026 at A$30.00/sh, represented a 27% premium to the pre-offer date share price and was rejected by the Board of Directors of BlueScope. They stated, '*This proposal was an attempt to take BlueScope from its shareholders on the cheap. It drastically undervalued our world-class assets, our growth momentum, and our future – and the Board will not let that happen*'. In February 2026, the Consortium offered a revised 'best and final' offer of A$32.35/sh, which was ex A$1.65/sh in dividends declared by the company since the initial offer ($34.00/sh including the dividends paid) representing a 47% adjusted premium.

BlueScope has since responded to the offer with a list of conditions necessary for the Company to engage and provide due diligence. This includes adjustment to the offer price/valuation and changes/clarifications to certain conditions. Press speculation has also suggested that BlueScope is separately preparing an auction process for its North American business. We note that the market environment for North American steel assets remains very compelling with steel spreads remaining well above US$600/t and at multi-year highs. For further information on BlueScope and our views on the offer, please see our December 2025 quarterly.

Aurizon (Long +9%) shares strengthened over the quarter, with the company announcing a solid operating result in line with previously issued guidance. A key feature of the result was confirmation that Aurizon sees declining growth capex requirements, underpinning improving free cash outcomes moving forward and supporting an increase in its forward dividend policy to a 90% payout ratio. Recently, Aurizon confirmed that it had reached a 10-year extension to the company's regulatory arrangements with miners for access to the Queensland rail network. The agreement, which is subject to approval by the Queensland Competition Authority, enhances long-term earnings and cash-flow certainty for Aurizon's Networks business. From a trading perspective, coal export volumes have been robust, while the recent grain harvest has been extremely strong. Heading into FY27 Aurizon should see improving contributions from its BHP Copper operations which commenced last October, as well as from improving containerised freight volumes.

Key stock detractors for the March quarter were:

Qantas (Long -20%) was weaker as investors became more focused on the near-term earnings impact from sharply higher fuel costs and the uncertainty created by disruption in global fuel markets due to the war in Iran.

Qantas has responded to this volatility with a recovery through higher ticket prices and select trimming of capacity where appropriate, with demand remaining resilient so far. Separate to this, the RBA's review of card payment costs and charges created a modest overhang for the Loyalty business, with key changes being the removal of card surcharges and the reduction in the interchange fee cap on domestic credit cards. Qantas' share price was also softer following the H1 result release, despite a result that was slightly ahead of expectations and accompanied by additional capital management. Investors instead focused on softer trends in select international markets. All up, the share price declines appear to reflect nearer-term earnings volatility rather than any deterioration in the group's underlying competitive position.

James Hardie (Long -15%) declined during the period as rising inflation expectations and higher mortgage rates weighed on the outlook for housing activity. While the company has no direct exposure to the Iran conflict – given that approximately 80% of its sales are generated in North America – it may face indirect pressures. These include softer consumer confidence and elevated input costs, which are likely to act as near-term headwinds.

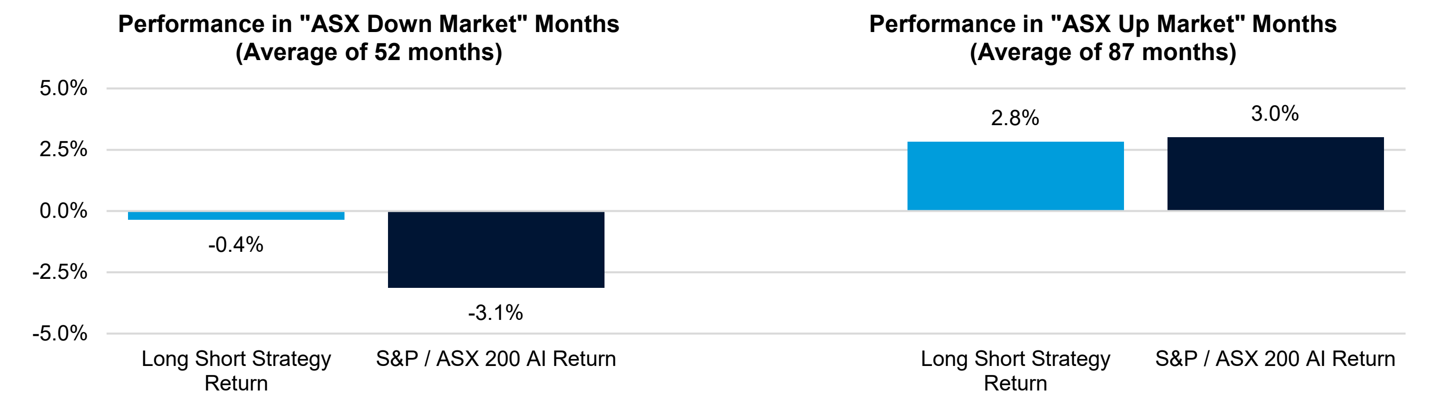
James Hardie is currently trading at around 15x forward P/E, a notable discount to its 10-year average multiple of 21x. In our view, this dislocation presents an attractive entry point, with valuation more than compensating for the cyclical risks in the near term.

Rightmove (Long -17%) shares were weaker during the quarter as concerns over the impact of AI on the longer-term growth prospects of classified businesses continued to weigh. This thematic was consistent with its Marketplace peers, as well as across Software names deemed susceptible to structural change. From a macro perspective, a more subdued outlook for U.K. housing and rising interest rate expectations has likely also had an impact on investor sentiment. While we continue to monitor the evolution of AI in the sector, we see Rightmove as being well placed to navigate the introduction of this technology given its strong market position – over 80% of real estate search traffic – which locks in positive network effects as the U.K.'s leading real estate marketplace.

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)	6.6	5.6	2.4	6.1	4.4	2.3	7.5	3.7	**46.6**
2026	9.3	(0.9)	(7.8)										**(0.2)**

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



Portfolio positions

Number of total positions	74
Number of long positions	59
Number of short positions	15
Number of international positions	26

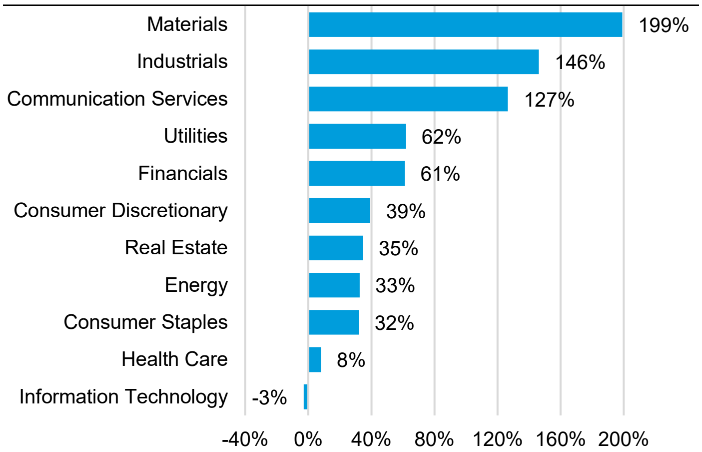
Net and gross exposure[3] (%)

	Gross long	Gross short	Net exposure
Australia/NZ	102	(79)	23
North America	37	(1)	36
Europe	37	-	37
Asia	3	-	3
Other	-	(23)	(23)
Total	**178**	**(103)**	**76**

Fund information as at 31 March 2026[4]

Unit price	$3.07
Fund NAV	$2.75b

Sector contribution since Strategy inception[2] (Net)



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. 2.** Strategy performance and exposure history is for the L1 Capital Long Short Fund – Monthly Class since inception (1 September 2014). **3.** Other refers to positions or portfolio hedges that are not specific to a single region. **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 0.15%). 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 by Raphael Lamm and Mark Landau in 2007 and continues to be majority owned by its founders and staff. The team is committed to offering clients best of breed investment products through strategies that include long-short equities, international equities, activist equities, global convertible debt and U.K. residential property funds. The firm has built a reputation for investment excellence, with all L1 Capital strategies delivering strong returns since inception. In October 2025, L1 Capital merged with Platinum Asset Management to create L1 Group (ASX: L1G), one of Australia's leading investment managers. The L1 Capital team remains dedicated to delivering on that strong reputation by providing market-leading performance via differentiated investment strategies 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 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.