L1 CAPITAL

Monthly report

L1 Long Short Fund Limited (ASX:LSF)

February 2025

- The L1 Long Short Fund (LSF) portfolio returned -0.9%[1] in February (ASX200AI -3.8%).
- Over the past 5 years, the portfolio has returned 18.5%[1] p.a. (ASX200AI 8.9% p.a.).
- Markets declined in February with risk-off sentiment driven by concerns over a slowdown in growth due to disappointing U.S. economic data and ongoing geopolitical tensions.

Markets fell in February as investor confidence faded amid rising stagflation risks, driven by weaker U.S. economic data and stubbornly high inflation reports.

U.S. economic data for January across non-farm payrolls, retail sales, housing and services were all softer than expected. The Fed maintained a cautious stance on inflation expectations dashing any hopes of near-term interest rate cuts. Furthermore, uncertainty on the impact of Trump's trade tariffs, immigration, tax and Ukraine policies weighed on markets. These factors contributed to U.S. consumer confidence in February seeing its biggest decline since August 2021.

The Australian market followed the U.S. market lower, with risk-off sentiment driving a move into more defensive sectors.

The S&P/ASX 200 Accumulation Index returned -3.8% during February. Utilities (+3.2%), Communication Services (+2.6%) and Consumer Staples (+1.5%), were the strongest sectors, while Information Technology (-12.3%), Healthcare (-7.7%) and Property (-6.4%) suffered steep falls.

The portfolio performed far better than the market, driven by a generally positive reporting season with solid updates across a range of positions including BlueScope, Imdex, Light & Wonder, NatWest, Ventia and Worley. This was offset by losses in a handful of long positions, such as Mineral Resources and Viva Energy.

The portfolio also benefitted from what we see as the early stages of a sell-off in Australian bank shares (which we are short) with the sector down 4.6% over the month. We think domestic bank earnings growth will be challenged going forward as net interest margins appear to have plateaued and arrears are beginning to rise from exceedingly low levels. This comes at a time when bank valuations, especially for stocks such as CBA, look extremely stretched.

Conversely, we remain comfortable with our long bank positions in the U.K., such as NatWest and Lloyds, which rallied strongly in February. We see further upside from here as valuations remain compelling (~7x P/E), earnings growth remains very strong (10-20% EPS growth p.a. for FY26-27) and 6% dividend yields with the potential for further share buybacks.

Returns (Net)[1] (%)

	L1 Long Short Portfolio	S&P/ASX 200 AI	Out-performance
1 month	(0.9)	(3.8)	+2.9
1 year	2.1	9.9	(7.9)
3 years p.a.	2.8	9.2	(6.5)
5 years p.a.	18.5	8.9	+9.7
LSF Since Inception p.a.	9.4	9.0	+0.4
LSF Strategy Since Inception[2] p.a.	17.3	7.9	+9.4

Figures may not sum exactly due to rounding.

We believe domestic and global equity markets are generally fully priced, however, we continue to find compelling opportunities with major valuation distortions in specific stocks and sectors. In Australia, we continue to see extreme crowding and overvaluation in Australian banks and several other ASX20 stocks that offer stability and liquidity but are trading far above fair value and now offer little in the way of earnings growth or yield. Many high P/E growth stocks also look incredibly overvalued based on traditional valuation metrics. At the same time, we see outstanding risk-reward opportunities in European infrastructure, global aviation, U.K. 'quality value', mid-cap gold producers and construction materials companies. Numerous stocks in these sectors offer exceptionally compelling return profiles over the next 2-3 years and we are extremely excited about the outlook for the portfolio in both absolute and relative terms.

1. All performance numbers are quoted net of fees. LSF (ASX:LSF) returns are calculated based on the movement of the underlying investment portfolio net of all applicable fees and charges since inception on 24 April 2018. Figures may not sum exactly due to rounding**. Past performance should not be taken as an indicator of future performance. 2.** LSF Strategy Since Inception returns are for 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.

Key contributors to portfolio performance in February were:

Light & Wonder (Long +23%) shares rallied with the company delivering solid Q4 FY24 results, reaffirming its FY25 guidance for $1.4b EBITDA, announcing the earnings accretive acquisition of Grover Gaming and receiving a favourable court ruling in Australia. The court ruling denied Aristocrat Leisure's request for an interlocutory injunction concerning Light & Wonder's Dragon Train game. This ruling, in effect, allows Australian venues to keep the Dragon Train game on their floors. Light & Wonder continues to demonstrate strong earnings momentum across its land-based gaming, SciPlay and iGaming business segments which we believe sets the company up for double-digit EPS growth p.a. over the medium term.

Imdex (Long +15%) shares performed strongly as the company reported first half 2025 results above market expectations and provided a confident medium-term outlook. The company materially outperformed underlying exploration activity resulting in increased market share and resilient margins, despite the declining revenue backdrop. We believe this reflects its strong cost management, industry leading product offering and reliable revenue streams in a difficult market environment. Imdex provided positive FY26 commentary with its expectation for continued growth underpinned by further market share gains, margin expansion and digital penetration, which are all within the company's control. From a broader market activity standpoint, while exploration activity has been muted in recent history, we are seeing some early signs of improvement going forward.

Key detractors to portfolio performance in February were:

Viva Energy Group (Long -34%) shares declined after the company released its 2024 results. While these were broadly in line with guidance and market expectations, Viva's first half 2025 guidance for its Convenience & Mobility business was well below market expectations, driven by slow ex-tobacco convenience sales growth, an ongoing sharp decline in tobacco sales and declining retail fuel margins.

Despite the disappointing first half 2025 guidance, the second half should improve significantly, benefiting from acquiring its remaining interest in the Liberty Convenience business, substantial synergies from combining the Coles Express and OTR businesses, its $50m cost-out program and the potential for a recovery to more normal fuel retail margins. OTR remains a proven, high-quality fuel and convenience retail offering. There is significant earnings upside potential from rolling out OTR across the well-located, but historically under-invested Coles Express sites, with the initial set of conversions performing well. Management have retained their $500m EBITDA target for the Convenience & Mobility business (compared with $231m EBITDA in 2024).

Furthermore, Viva's Commercial business is performing well ($470m EBITDA in 2024) and refining margins are trending higher, following a trough in 2024 when the business made a minimal EBITDA contribution. Viva trades at a substantial discount to its global peers, despite the significant medium-term earnings upside potential in the business.

Mineral Resources (Long -35%) shares declined due to a 3-month delay to the ramp up of the company's Onslow iron ore project and an additional $300m capital expenditure to upgrade and repair the haul road connecting the project to the port (after severe weather damage). While the update was disappointing, we believe the share price reaction, which reduced the company's market capitalisation by more than ~$2.6b, is excessive.

At current levels we believe Mineral Resources is incredibly undervalued. For a market capitalisation of just over $4b and an enterprise value of ~$9.2b investors get three highly valuable business segments.

First, a high quality, mining services business that has grown EBITDA at over 20% p.a. over the past 5 years. We believe this segment is on track to generate close to $1b p.a. in FY27 EBITDA, with growth underpinned by long-life contracts. In our view, this division alone would be worth close to the entire enterprise value of the company.

Second, a rapidly growing iron ore business. The ramp-up of the Onslow project later this year has the potential to deliver ~$750m in FY27 EBITDA assuming an iron ore price of US$90/t (10% below the current spot price).

Third, a lithium business whose main asset is a 50% stake in Wodgina, one of the largest hard rock lithium mines in the world. This business is implicitly being valued at zero, due to the lithium price being at a major cyclical low (a large part of the lithium mining industry is loss-making at the current lithium price). Based on peer valuations, with a similar size production base and cost profile, this business could easily be valued at around $3b for Mineral Resources' interest.

While concerns over the company's balance sheet are valid, we believe its gearing metrics are set to dramatically improve over the next 12 months as the capex hump comes to an end, Onslow earnings begin to contribute and mining services earnings move structurally higher (further improvement is possible if the lithium price was to recover from extremely depressed levels). Mineral Resources also has no near-term debt maturities and has several asset sale options to assist with deleveraging.

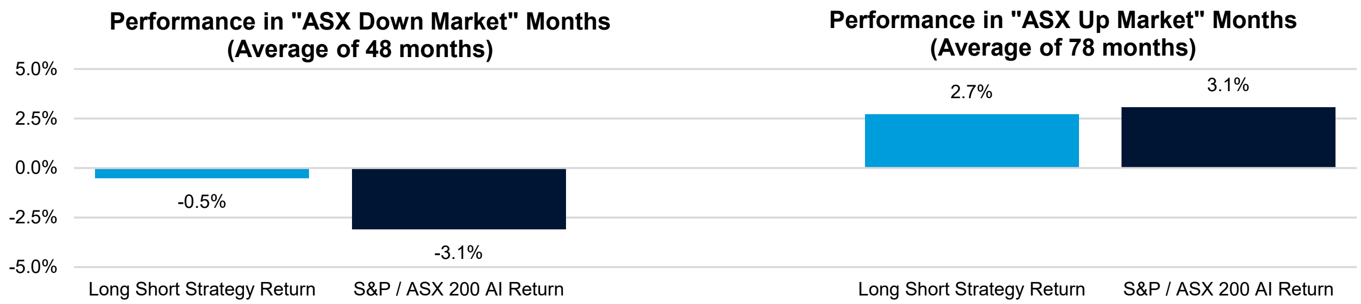
From a corporate governance standpoint, the company is making steady progress in its refresh program and we look forward to the announcement of a new Chair, expected in the June 2025 quarter.

Overall, we think the risk-reward at the current share price of around $21 is extremely compelling, with significant upside potential as Mineral Resources executes its key growth projects.

Strategy returns (Net)[3] (%)

	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)	0.6	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)	(1.3)[3]	(4.1)	(6.0)	1.0	(5.3)	(2.1)	(3.9)	(2.6)	(6.0)	**(27.7)**
2019	4.3	5.1	0.2	3.1	(2.7)	3.9	0.6	0.4	2.5	3.5	0.4	2.1	**25.5**
2020	(7.8)	(6.8)	(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	(13.5)	(3.3)	5.4	(7.6)	5.2	7.5	4.4	**10.7**
2023	3.6	(2.0)	0.5	1.6	(3.2)	1.7	5.2	(4.9)	0.9	(3.1)	2.4	3.7	**6.2**
2024	0.3	(1.0)	8.1	3.3	2.6	(5.0)	1.5	(3.3)	4.3	(1.4)	(2.9)	(3.8)	**2.0**
2025	0.2	(0.9)											**(0.7)**

Strategy performance in rising and falling markets[4] (Net)



Portfolio positions

Number of total positions	80
Number of long positions	62
Number of short positions	18
Number of international positions	28

Company information as at 28 February 2025[5]

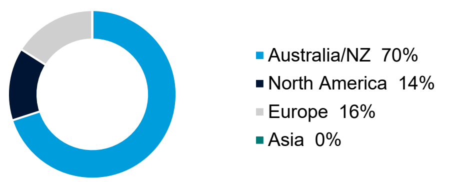
Share Price	$2.66
NTA before tax	$2.92
NTA after tax	$2.89
Shares on issue	625,482,718
Company market cap	$1.66b

Net and gross exposure (%)

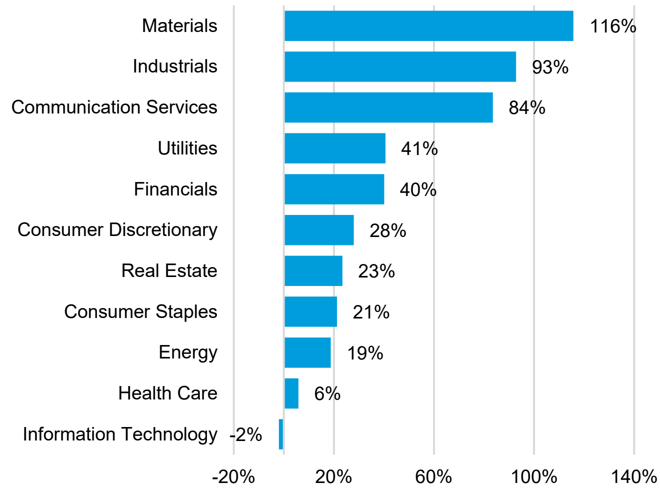
	Gross long	Gross short	Net exposure
Australia/NZ	106	(85)	21
North America	32	(5)	26
Europe	43	-	43
Asia	1		1
Total	**181**	**(90)**	**91**

Figures may not sum exactly due to rounding.

Gross geographic exposure as a % of total exposure[4]



Sector contribution since Strategy inception[4] (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
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.
Performance fee**	20.5% p.a.
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.

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* Fees are quoted inclusive of GST and net of RITC. ** The performance fee is equal to the stated percentage of any increase in the NAV over any Performance Period.

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.