

L1 Capital Long Short (Offshore Feeder) Fund

May 2025

- The L1 Capital Long Short Fund (LSF) returned 6.5%¹ in May (ASX200AI 4.2%, MSCI World 5.9%).
- Over the past 5 years, the Fund has returned 20.6%¹ p.a. (ASX200AI 12.1% p.a., MSCI World 14.2% p.a.).
- Portfolio performance benefitted from strong stock performance across the Industrials, Energy, Travel and Gold sectors.

Global equity markets rallied in May as investor sentiment rose due to easing trade and tariff tensions, robust consumer data releases and a pick-up in M&A activity. Risk-on sentiment drove Growth stocks to outperform Value both domestically and offshore.

After months of escalation, the U.S. and China agreed to a significant reduction in tariffs for 90 days to allow for ongoing negotiations. The U.S. dropped tariffs from 145% to 30% on Chinese goods and China dropped tariffs from 125% to 10% on U.S. goods with immediate effect.

The Federal Reserve left the cash rate unchanged in May, the third consecutive meeting of steady rates, adopting a cautious tone that cited the uncertain outlook on growth and inflation. Concerns over the U.S. fiscal position drove U.S. bond yields higher, with 30-year Treasuries ending the month at 4.92% (up 25bps). In contrast, the RBA cut interest rates by 25bp in May and signalled an openness to further cuts if warranted.

The ASX200AI returned 4.2% during the month, with the Australian market now 18% above its early April low. Earnings revisions for the ASX200 were negative during the period (-1.1%), with share price gains entirely driven by P/E expansion. At 18.8x, the ASX200 P/E ratio is now back at the highs seen after Trump's election victory in November 2024.

Returns (Net)¹ (%)

	L1 Capital Long Short Fund	S&P/ASX 200 AI	MSCI World
1 month	6.5	4.2	5.9
3 months	7.9	4.3	2.1
1 year	(3.4)	13.4	13.7
3 years p.a.	5.2	9.6	13.2
5 years p.a.	20.6	12.1	14.2
7 years p.a.	12.6	9.1	10.9
10 years p.a.	17.4	8.1	9.9
Since Inception p.a.	18.5	8.1	9.5

Figures may not sum exactly due to rounding.

Returns since inception (Net)¹ (%)

	Cumulative return	Annualised return p.a.
L1 Capital Long Short Fund	519.3	18.5
S&P/ASX 200 Accumulation Index	131.8	8.1
MSCI World Net Total Return Index (USD)	166.2	9.5

We expect ongoing equity market volatility, driven by elevated policy uncertainty, rising geopolitical tensions and the absence of a clear central bank backstop. In this environment, we see compelling opportunities across a range of low P/E stocks – where valuations appear highly attractive both in a historical context and relative to large-cap and momentum-driven names, many of which are trading at extremely stretched levels. Our clear focus has been 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, travel 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 10.7x, ~8% FCF yield and double-digit EPS growth, providing a compelling medium-term return profile in spite of a slowing macro backdrop.

¹ All performance numbers are quoted net of fees. Figures may not sum exactly due to rounding. See important information at the end of this report regarding MSCI indices. **Past performance should not be taken as an indicator of future performance.** Based on returns achieved by the L1 Capital Long Short (Offshore Feeder) Fund since inception on 4 January 2017 (being the date that the first Offshore Feeder Fund shares were issued). Prior to this date, data is that of the L1 Capital Long Short Fund – Monthly Class since inception (1 September 2014) which is subject to a different fee structure. This is representative of the investment strategy employed by the L1 Capital Long Short (Offshore Feeder) Fund. NOTE: Offshore Fund returns are shown in US\$ 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.

ASX gains in May were strongest in Information Technology (+19.8%) Energy (+8.6%) and Communications Services (+5.5%), while Utilities (+0.3%), Consumer Staples (+1.2%) and Healthcare (+1.6%) lagged.

The portfolio performed strongly over the month, driven by a broad range of contributors across Industrials, Travel, Energy and mid-cap Gold stocks. Our gold positions performed strongly despite the gold price being flat, driven by strong Q1 results, positive major project updates and growing investor confidence in sustainably higher gold prices amid macro/geopolitical volatility

Key contributors to portfolio performance in May were:

NexGen Energy (Long +17%) moved higher as spot uranium prices increased 6% during May to close at US\$72/lb. This move largely recovered the Q1 2025 spot uranium price decline that had been driven by low volumes and heightened uncertainty associated with U.S. tariff policy. This occurred even as uranium 'term' prices (the agreed contracted price representing almost all commercial uranium demand) held largely steady over the last six months. Sentiment notably improved during the month as President Trump signed several executive orders aimed at accelerating U.S. nuclear investment, including a target to quadruple U.S. nuclear capacity from ~100GW today to 400GW by 2050.

NexGen is preparing to develop the world's largest undeveloped uranium deposit, Arrow, located in Saskatchewan, Canada. This will be a major, new, strategic Western source to address the looming uranium market deficit. The company is about to enter the final stage of Federal approval with a commission hearing expected to conclude in H1 26, following which it can commence full scale project construction. Once developed, Arrow has the potential to generate more than C\$2b of cash flow annually, assuming conservative uranium price assumptions. We believe this is a compelling proposition given NexGen's current market cap of only ~C\$5b.

Hudbay Minerals (Long +22%) shares rallied over the month driven by rising copper and gold prices, in addition to strong first quarter results. During Q1 25 Hudbay delivered robust operating performance across both its major assets, exceeding consensus expectations. Most notably, gold production from Manitoba was higher than expected on strong mill performance and higher than anticipated gold grades. Stronger gold production combined with higher gold prices delivered a ~35% beat on consensus expectations for Q1 25 EBITDA.

Hudbay is a mid-tier mining company primarily producing copper, along with gold and zinc, with its key assets located in Canada and Peru. We are attracted to Hudbay due to our positive medium-term outlook for copper and the company's strong cash flow generation. This cash generation potential will allow the company to de-lever and recycle capital back into its highly prospective exploration program and major growth projects, most notably its fully permitted Copper World project in Arizona which will increase Hudbay's copper production by more than 50%.

Qantas (Long +20%) continued its strong share price performance during the month as robust and favourable trading conditions persisted and the oil price remained at weaker levels. Qantas shares have now more than doubled from the lows in October 2023, reflecting continued strong earnings delivery, management and board changes, and the removal of many 'pain points' for customers. After month end, Virgin committed to its much-anticipated IPO. As a listed stock, Virgin will face increased scrutiny of its financial performance, which should encourage rational competitive dynamics going forward.

We believe Qantas remains very well placed over the medium term. It has two well-positioned brands in Qantas and Jetstar that serve their relevant markets strongly. In addition, it operates Australia's best loyalty business which is expected to double earnings over the next 5-7 years. Finally, Qantas has a raft of brand new, more fuel-efficient aircraft to be delivered, along with Project Sunrise, which will enable direct flights from Melbourne/Sydney to London and New York from 2026.

Despite the large share price rally, Qantas trades on a FY26 P/E of only 8.8x. This compares to leading international airlines trading at 10-14x P/E. We believe the Qantas multiple fails to fully reflect its leading industry position, structural growth in Asia-Pacific travel demand and the high growth, capital-light loyalty business.

Webinar Registration | 13 June 2025

Please join L1 Capital's Mark Landau, Joint Managing Director and Co-CIO, and Amar Naik, Head of Research, for an update on the L1 Capital Long Short Portfolio.

To register for the event, please click [here](#).

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	1.6 ²	1.1	3.3	0.8	4.1	1.7	2.8	1.5	1.8	2.5	0.5	3.6	28.4
2018	0.6	(0.5)	(1.6)	1.5	(3.8)	(6.1)	0.8	(6.0)	(2.2)	(4.0)	(2.6)	(5.9)	(26.3)
2019	4.3	4.9	0.2	2.9	(2.8)	3.9	1.1	0.5	2.7	3.4	0.4	2.3	26.3
2020	(7.6)	(6.8)	(21.4)	23.6	11.0	(1.5)	(1.9)	10.0	0.5	(2.5)	31.6	4.2	32.6
2021	(0.1)	9.3	(0.1)	5.1	4.3	0.0	1.4	5.3	4.9	2.5	(7.0)	3.6	32.4
2022	3.0	7.1	1.4	3.3	0.3	(13.3)	(3.3)	5.4	(7.5)	5.2	8.0	4.5	12.4
2023	3.9	(1.9)	1.1	1.7	(3.3)	1.9	5.5	(4.7)	1.0	(2.9)	2.4	3.9	8.3
2024	0.3	(0.7)	8.4	3.4	2.8	(5.1)	1.7	(3.5)	4.5	(1.3)	(2.7)	(3.4)	3.5
2025	0.2	(0.8)	2.0	(0.6)	6.5								7.2

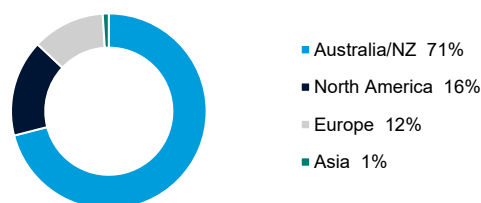
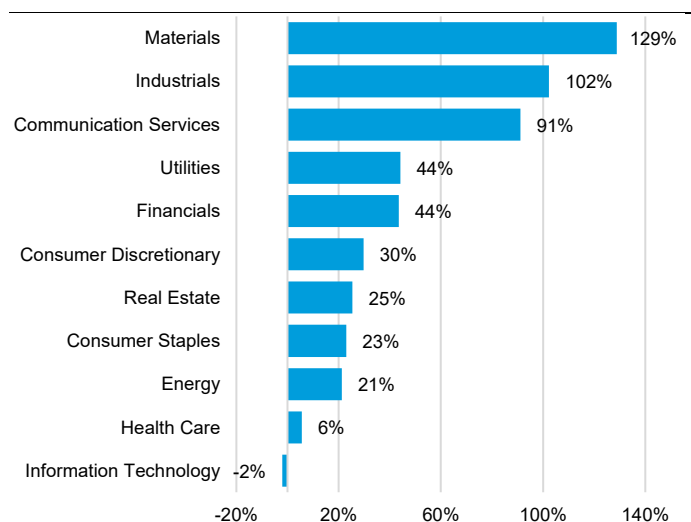
Strategy performance in rising and falling markets³ (Net)

Portfolio positions

	Current	Avg. since inception
Number of total positions	80	81
Number of long positions	57	57
Number of short positions	23	24
Number of international positions	30	25

Net and gross exposure³ (%)

	Gross long	Gross short	Net exposure
Australia/NZ	102	(94)	8
North America	40	(4)	35
Europe	32	-	32
Asia	3	-	3
Total ⁴	176	(98)	77

Gross geographic exposure as a % of total exposure³Sector contribution since Strategy inception³ (Net)

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 (Offshore Feeder) Fund since inception on 4 January 2017 (being the date that the first Offshore Feeder Fund shares were issued). Prior to this date, data is that of the L1 Capital Long Short Fund – Monthly Class since inception (1 September 2014) which is subject to a different fee structure. This is representative of the investment strategy employed by the L1 Capital Long Short (Offshore Feeder) Fund. 3. Exposure and contribution are that of the L1 Capital Long Short Fund – Monthly Class since inception (1 September 2014). 4. Figures may not sum exactly due to rounding. Excludes exposures to instruments not associated with a specific geography.

Fund information – Offshore Feeder

Class Name	L1 Capital Long Short (Offshore Feeder) Fund
Structure	Master – Feeder
Domicile / Currency	Cayman Islands / USD
Inception	4 January 2017
Management Fee*	1.25% p.a.
Performance Fee**	20.0%
High Watermark	Yes
APIR / ISIN	KYG555391039 / G55539103
Minimum Investment	USD\$250,000
Subscription / Redemption Frequency	Monthly

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: Prime Brokers – Morgan Stanley, Merrill Lynch and Goldman Sachs, Fund Administrator – Apex Fund Services Ltd, Fund Auditor – EY, Legal Advisor – Norton Rose Fulbright. 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 of the increase in the Net Asset Value per Participating Share for the Performance Fee Calculation Period above the Base Net Asset Value of that Participating Share.

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