L1 CAPITAL
Part of L1 Group

Quarterly report

L1 Long Short Fund Limited (ASX:LSF)

June 2026

- The L1 Long Short Fund (LSF) portfolio returned 12.7%[1] for the June quarter (ASX200AI 4.0%) taking performance for the calendar year to 12.5%[1] (ASX200AI 2.4%).
- Over the past year, the portfolio has returned 45.4%[1] (ASX200AI 6.1%).
- Since inception in 2014, the L1 Capital Long Short Fund has been the best performing long short fund in Australia, returning 20.2% p.a., compared to 8.0% p.a. for the ASX200AI.[2]
- We invite you to watch our latest L1 Capital Long Short Strategies investor video by clicking here.

The Iran war and AI were the two dominant themes for equity markets during the June quarter. The announcement of a ceasefire agreement later in the quarter drove a sharp decline in oil prices and partially reversed the sector trends caused by the conflict. At the same time, AI-related stocks, particularly AI infrastructure beneficiaries, performed strongly, driven by robust reported earnings, rapid growth in AI-related capital expenditure and ongoing shortages across critical parts of the supply chain.

The ASX200AI returned +4.0% over the quarter, lagging global markets given its lower exposure to global AI winners and a more mixed domestic economic backdrop. Consumer Discretionary (+19.0%), Information Technology (+17.0%) and Property (+13.7%) were the strongest performers, while Energy (-16.5%), Utilities (-6.6%) and Healthcare (-6.0%) lagged.

The RBA delivered its third consecutive 25bp hike of the year in May but left rates unchanged in June. Markets interpreted this as a pause rather than the end of tightening, with the RBA emphasising that underlying inflation remains too high amid tight labour markets and wage pressures. Bond yields retraced their earlier rise and ended slightly below March quarter-end levels after softer Australian labour data and some easing of inflation expectations following the Iran ceasefire.

U.S. equities outperformed (S&P500 +15%, Nasdaq +22%), driven by a narrow cohort of AI-related stocks that now represent a rapidly growing proportion of index weights. The FOMC's more hawkish tone at its June meeting contributed to the U.S. rates curve moving sharply higher over the quarter.

The portfolio delivered strong performance over the quarter, with broad-based gains across a range of positions. In total, 13 stocks each contributed more than 0.5% to returns, more than offsetting weakness from our exposure to gold and uranium, which were impacted by the broader downturn across commodities.

Returns (Net)[1,2] (%)

	LSF Portfolio	S&P/ASX 200 AI	Out-performance
3 months	12.7	4.0	+8.7
1 year	45.4	6.1	+39.3
3 years p.a.	20.6	10.6	+9.9
5 years p.a.	16.9	7.8	+9.1
7 years p.a.	20.4	8.0	+12.4
LSF Since Inception p.a.	14.7	9.0	+5.8
LSF Strategy Since Inception[2] p.a.	**20.2**	**8.0**	**+12.2**

Figures may not sum exactly due to rounding.

The global stock market rally in 2026 has been incredibly narrow, with AI-related stocks completely dominating returns. We believe the macro environment remains mixed, but in a short-term sense will benefit from a lower oil price and slightly lower bond yields.

We are using this environment to identify high-quality companies that are trading well below our assessment of fair value, allowing for a wide range of macro environments.

We believe the portfolio looks well placed at present, with our median long position trading on 10x P/E, with double-digit EPS growth and modest debt levels.

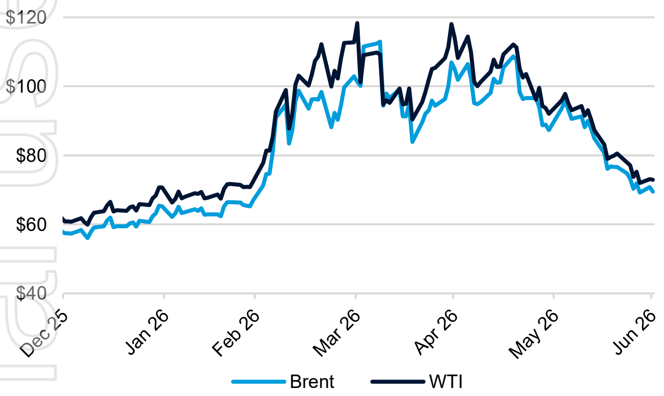
All performance numbers are quoted net of fees. Figures may not sum exactly due to rounding. **Past performance should not be taken as an indicator of future performance. 1.** LSF (ASX:LSF) returns are calculated based on the movement of the underlying investment portfolio net of all applicable fees and charges since inception on 24 April 2018. **2.** LSF Strategy Since Inception returns are for the L1 Capital Long Short Fund – Monthly Class since inception (1 September 2014). Based on Zenith FE funds data as at 30 June 2026. 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.

Equity market observations

The war in Iran continued to be a major driver of markets during the June quarter, following the start of the conflict and related oil supply shock in late February. The effective closure of the Strait of Hormuz had driven a sharp spike in oil prices and increased concerns around inflation, interest rates and consumer sentiment. By quarter-end, the announcement of a ceasefire and the gradual normalisation of oil flows led to a substantial fall in energy prices. As shown in Figure 1, Brent and WTI both declined to around US$70/bbl at the end of June (down ~40% from their peaks in April). The ceasefire also led to a partial reversal of related equity market trends, with many of the energy and defensive stocks that had performed well after the start of the war starting to underperform cyclicals later in the quarter. More recently, renewed U.S.-Iran tensions and fresh concerns over shipping through the Strait of Hormuz have lifted oil prices back above US$80/bbl, highlighting the ongoing volatility and geopolitical risk premium in energy markets.

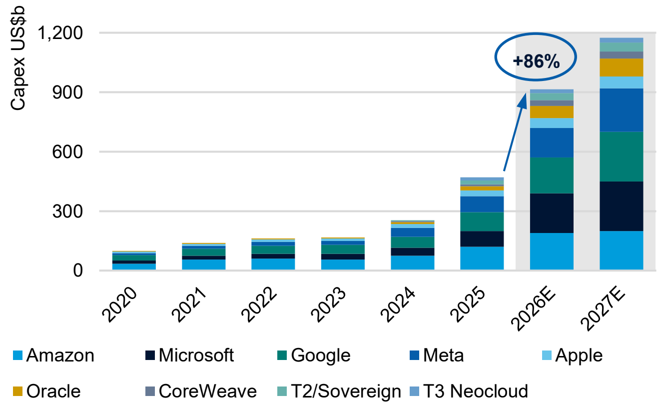
AI-related stocks performed extremely strongly during the quarter, especially AI infrastructure stocks, driven by strong earnings performance and substantial capex forecasts from the major hyperscalers. As shown in Figure 2, hyperscaler cloud capex is projected to exceed US$1 trillion in 2027, a more than **five-fold increase** in only four years.

Figure 1: Movement in oil prices (US$/barrel)



Source: Bloomberg as at 30 June 2026

Figure 2: Hyperscaler Capex forecasts

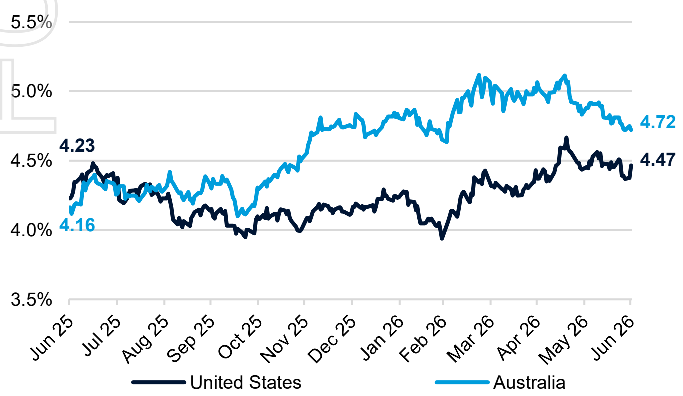


Source: Evercore ISI Research as at 30 June 2026

In Australia, the spike in energy costs contributed to an increase in inflation from what was an already elevated level at the start of 2026. Headline CPI inflation increased to 4.0% in May, compared to 3.8% in January, and remains well-above the RBA's 2-3% target range. This contributed to the RBA increasing the cash rate again in May, for its third rate hike this year. As shown in Figure 3, the Australian 10-year bond yield increased over 50 bps over the past 12 months compared to the U.S. 10-year bond yield which increased ~20 bps over the same period. This in part reflects Australia's greater inflation spike and more hawkish central bank pivot relative to the U.S.

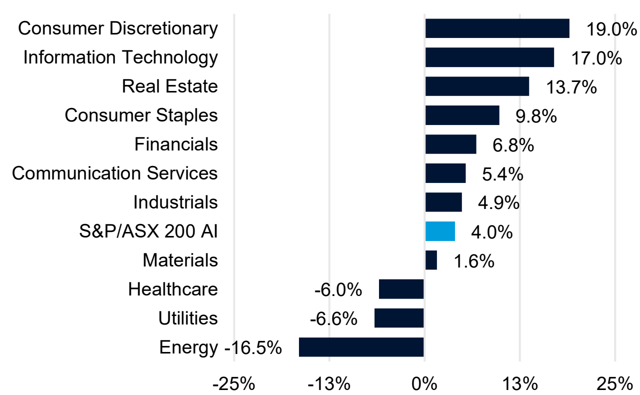
ASX returns were positive for the quarter but lagged most other global equity markets. Unlike other regions, Australia has limited direct exposure to AI investment, other than through selected resources companies that may benefit indirectly from rising demand for data centres and electricity generation. Dispersion in sector performance (refer Figure 4) was very wide, with ASX Technology stocks recovering in line with the software stocks globally, Consumer Discretionary and Property outperforming on lower bond yields, and Energy underperforming significantly as oil prices fell.

Figure 3: 10-year bond yields (%)



Source: Bloomberg as at 30 June 2026

Figure 4: ASX200 sector returns – June quarter 2026



Source: CLSA as at 30 June 2026

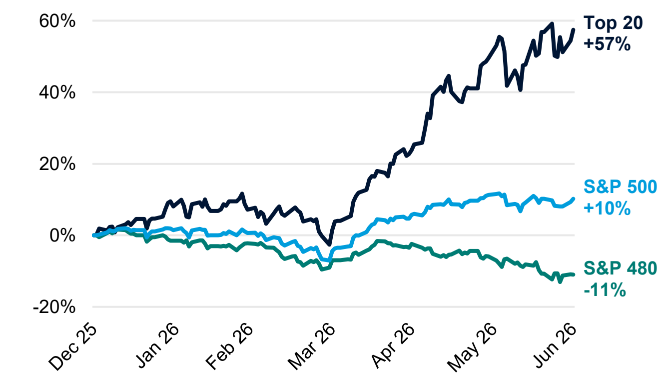
Earnings growth remains subdued across many sectors of the Australian economy. A number of large-cap stocks continue to trade at elevated valuation multiples with limited earnings growth and increasing headwinds from recently announced tax changes in the Federal budget. As a result, we continue to believe that the Australian equity market remains fully valued at an index level, particularly the ASX20. Outside of this area, we continue to find several compelling stock-specific opportunities in the domestic market.

U.S. equity markets performed very strongly over the quarter (S&P500 +15%, Nasdaq +22%). This performance has been almost entirely driven by a narrow group of AI-linked capex beneficiaries. Figure 5 illustrates the sharp spike in semiconductor stock performance, which is nearing one-fifth of the S&P500 index at the end of June. This amounts to a quadrupling in index representation since June 2020. Meanwhile, the performance of non-AI related stocks in the index much more closely reflects other global markets and remains relatively subdued. Figure 6 illustrates the extent of this narrow market leadership: the top 20 performing stocks in the S&P500, which are predominantly AI-related, have delivered very strong year-to-date returns, while the remaining ~480 constituents have collectively declined meaningfully over the same period.

Figure 5: Weight of semiconductor stocks in the S&P500

Source: Goldman Sachs Investment Research as at 30 June 2026

Figure 6: S&P500 YTD performance

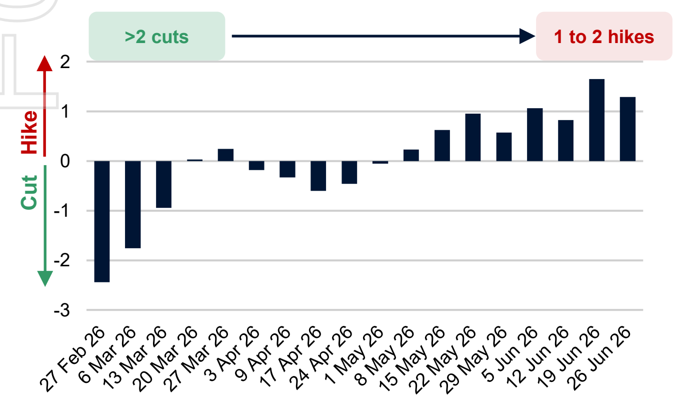


Source: Goldman Sachs Investment Research as at 30 June 2026

Recent U.S. economic data has been mixed. Inflation increased during the quarter, driven by higher energy costs, while the labour market remained resilient despite some signs of slower hiring activity. The most significant change has been the shift in U.S. interest rate expectations. At Kevin Warsh's first meeting as Fed Chair in June, the FOMC left rates unchanged but struck a more hawkish tone, reinforcing a higher-for-longer stance and pushing the U.S. rates curve higher. Markets have shifted nearly 100bps higher since the start of the year, from pricing in over two rate cuts in February to between one and two rate hikes currently (see Figure 7).

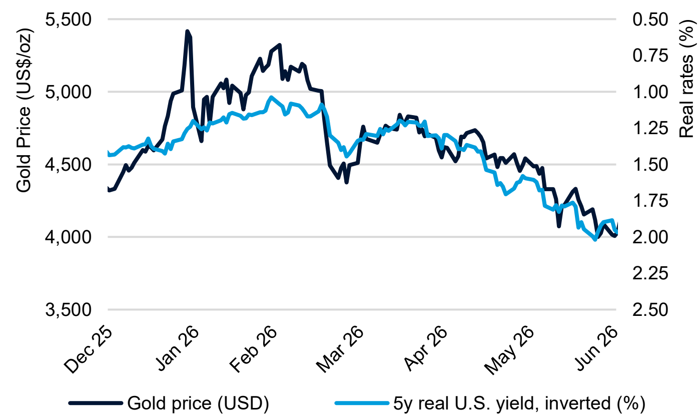
We have seen the impact of this rate movement on gold, where the price pulled back sharply over the quarter despite elevated geopolitical risks. As shown in Figure 8, the gold price has moved lower as real interest rate expectations have increased. This reflects the higher opportunity cost of holding gold, which pays no income, as well as the support that higher rates have provided to the U.S. dollar. Investor demand also softened, with physical gold ETFs seeing significant outflows, particularly in North America, as capital rotated towards AI-related equities and other areas of market leadership. The weakness was further exacerbated by one-off policy responses from oil-importing countries, including gold reserve sales by Turkey and higher Indian import taxes. While these factors weighed on short-term sentiment, we believe the longer-term drivers of gold – central bank accumulation, persistent fiscal deficits and elevated geopolitical risk – remain intact.

Figure 7: Fed hikes/(cuts) priced by year end



Source: Morgan Stanley, one cut/hike assumes 25bp move

Figure 8: Gold price versus real interest rates



Source: Bloomberg as at 30 June 2026

Portfolio positioning

The portfolio performed strongly over the quarter, with a broad set of significant contributors. 13 stocks each contributed more than 0.5% to overall returns. Return drivers spanned a wide range of sectors, with notable strength from Qantas, BlueScope, James Hardie, Hudbay Minerals and Goodman Group (refer page 5 for further detail).

Following subdued returns in the March quarter, when performance was impacted by the escalation of the war in Iran, returns rebounded strongly in the June quarter as Middle East tensions eased. This was an encouraging outcome, particularly given global equity market returns have been heavily concentrated in AI-related capital expenditure beneficiaries, an area where the portfolio has had limited direct exposure.

As discussed in our recent investor webinar (L1 Capital Long Short Strategies video update), we used the late March/early April market sell-off to add to areas where share prices had fallen despite improving medium-term fundamentals, including copper, construction materials, travel and gold equities. These additions were partly funded by trimming selected infrastructure holdings following strong relative performance despite the headwind from higher bond yields, and by materially reducing oil & gas exposure after a sharp rally, where we viewed the medium-term risk/reward as less attractive. These portfolio changes contributed positively to performance over the quarter, as several of the sectors most affected during the late March/early April sell-off recovered.

Looking forward, we are pleased with how the portfolio is positioned, with exposure concentrated in areas where we see attractive medium-term upside, supported by compelling valuations, solid earnings growth and strong cash flow generation. Key areas of focus remain gold, copper, construction materials, infrastructure and select financials, where recent market volatility has created opportunities to add to high-conviction positions at more attractive prices.

The portfolio continues to have a pronounced tilt towards quality value stocks, with our median long position trading on 10x P/E, with double-digit EPS growth and modest debt levels.

Stock contributors/detractors

Key stock contributors for the June quarter were:

Qantas (+27%) strengthened during the June quarter as jet fuel prices retraced sharply (-50%) following the easing of Middle East tensions, leaving fuel costs still around 20% above pre-war levels, but materially below the peak. Oil refining margins remain Qantas' key residual headwind, sitting at roughly double pre-war levels, despite falling from extremes. The company's share price was further supported by the investor trip to the Airbus factory in Toulouse, France, where management reiterated the $400m EBIT opportunity from Project Sunrise ahead of the planned Sydney–London service launch scheduled for October 2027. Overall, while the Middle East conflict has created near-term earnings volatility, we see Qantas' strong underlying competitive positioning and medium-term outlook as unchanged.

BlueScope (Long +24%) shares rallied over the quarter, supported by elevated U.S. steel spreads of ~US$750/t (+27% calendar year-to-date). The resulting earnings uplift from BlueScope's North American assets, together with the lagged benefits of stronger Asian steel spreads, drove substantial consensus earnings upgrades for the first half of FY27. Following several prior approaches, in February the SGH/Steel Dynamics consortium made a 'best and final' offer of A$32.35/sh ($34.00/sh including the dividends) – a 47% adjusted premium, to which BlueScope responded with a willingness to engage but only on improved offer terms. No revised proposal was publicly disclosed during the quarter. L1 continues to maintain a dialogue with BlueScope on strategic initiatives to maximise value.

James Hardie (+46%) shares recovered over the quarter following easing Middle East tensions and on management's release of a constructive FY27 outlook, which included a pathway to return the core North American fibre cement business to volume growth, despite a subdued U.S. housing market. We expect this volume recovery to be supported by normalisation of channel inventory following the 2025 destocking period, improving execution in repair & remodel / smaller-builder channels, the Trim-Over installation method, competitor exits and continued material conversion from vinyl and wood.

In our view, the market is still applying a discounted multiple to James Hardie to reflect recent execution, governance and housing-cycle concerns. As these issues are progressively addressed, we believe there is scope for both earnings growth and recovery in the valuation multiple over time.

Hudbay Minerals (Long +15%) shares rose over the quarter alongside a 9.7% rise in the copper price, supported by powerful growth drivers from demand for electrification, AI and defence. Despite stronger prices, copper supply remains constrained, with weak Chilean production, mine disruptions in Indonesia and the DRC, and higher sulfuric acid costs related to the Middle East conflict.

During the quarter, Hudbay completed its all-share acquisition of Arizona Sonoran, where L1 had been a large shareholder. Post the transaction, Hudbay will own one of the largest growing copper districts in North America, a highly strategic asset base. Continued global supply tightness in copper underpins our positive medium-term sector outlook, which we believe the company is well placed to benefit from.

Goodman Group (+22%) performed well during the June quarter due to a growing investor focus on its expanding data centre opportunity and the scarcity value of its powered land bank. In April, the company advanced its data centre strategy with the announcement of a 50/50 joint venture with DataBank for a 32MW co-location facility in Los Angeles, and in its May update, reaffirmed FY26 operating EPS guidance of "at least 9%" and flagged WIP growth from $14.5b to ~$18b by June.

Goodman also continued to consolidate strategic industrial land through the Brickworks Industrial JV buyout (primarily via GAIP), and recycled capital via the sale of its Moorabbin Airport holding. Against a backdrop of constrained supply, the group remains well positioned to capitalise on the boom in AI investment, although further leasing progress at key data centres will be important for building investor confidence in the strategy over the balance of the year.

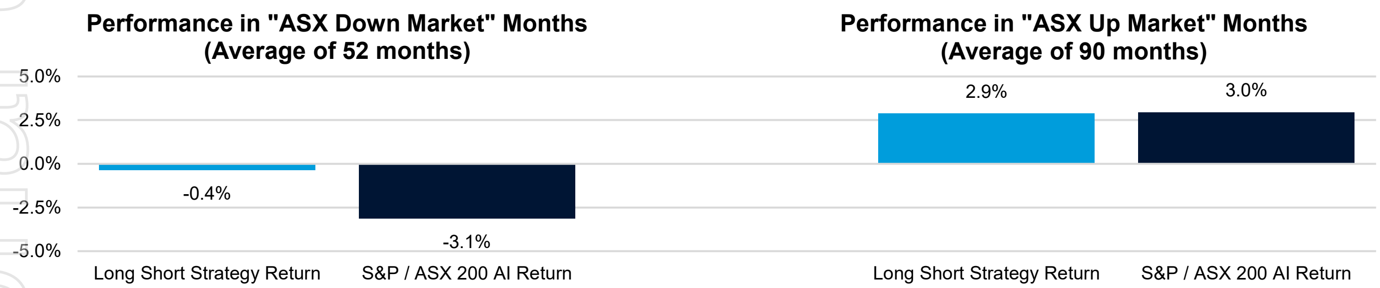
A key stock detractor for the June quarter was:

NexGen Energy (Long -17%) declined alongside the broad uranium complex, driven by general risk-off sentiment in the commodities space. Despite the equity volatility, spot uranium prices increased modestly (+1.5%). NexGen is preparing to develop the world's largest undeveloped uranium deposit, Arrow, located in Saskatchewan, Canada, which will be a new major strategic Western source of uranium to address the looming market deficit. The company received final regulatory approvals in March 2026 and is preparing to commence full-scale project construction, with an estimated 4-year construction timeline. Once developed, Arrow has the potential to generate ~C$2.8b of EBITDA annually, assuming a US$80/lb uranium price (below current spot prices). We believe this is a highly compelling proposition given NexGen's current market cap of only ~C$8.8b.

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)	(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)	2.0	(0.7)	6.9	5.8	4.3	6.1	4.3	2.3	7.5	3.7	**46.8**
2026	9.3	(0.9)	(7.8)	6.2	7.0	(0.7)							**12.5**

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



Portfolio positions

Number of total positions	75
Number of long positions	57
Number of short positions	18
Number of international positions	22

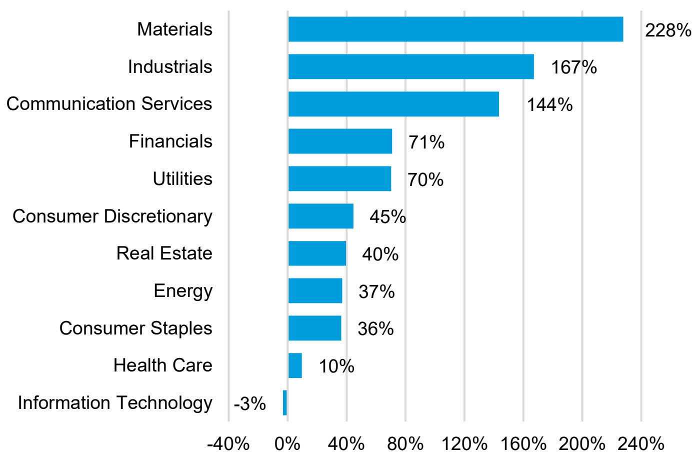
Company information as at 30 June 2026[6]

Share Price	$4.72
NTA before tax	$4.32
NTA after tax	$3.95
Shares on issue	634,669,420
Company market cap	$3.00b

Net and gross exposure[5] (%)

	Gross long	Gross short	Net exposure
Australia/NZ	89	(81)	8
North America	33	(1)	32
Europe	36	-	36
Asia	3	-	3
Other	-	(20)	(20)
Total	**161**	**(102)**	**59**

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	MUFG Corporate Markets
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 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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* 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.