

L1 Global Long Short Fund Limited (ASX:GLS)

September 2026

- The L1 Global Long Short Fund Limited (GLS) portfolio returned 6.7%¹ in the September quarter (MSCI World 1.9%²).
- The portfolio delivered strong gains, despite a volatile market backdrop, caused by a surge in bond yields and oil prices.
- The portfolio has returned 19.4% since L1 Capital was appointed investment manager on 28 November 2025 (MSCI World 12.7%).
- Since inception in January 2025, the Global Long Short Fund Strategy has returned 52.2%³ p.a. (MSCI World 18.9% p.a.²).

Middle East tensions re-escalated during the September quarter, following the breakdown of the short ceasefire at the start of July. Oil and refined product prices moved sharply higher, reflecting constrained shipping through the Strait of Hormuz and attacks on energy infrastructure in the Middle East and Russia.

Higher energy prices contributed to heightened inflation concerns and more hawkish policy settings from central banks globally. In the U.S., the FOMC raised rates for the first time since 2023, with members projecting another hike by year-end.

These moves, in addition to prolonged fiscal deficits and huge AI-related financing requirements, contributed to a rise in long-term bond yields during the quarter. The U.S. 30-year Treasury yield ended the quarter at 5.60%, its highest level since 2002.

Despite the move higher in long-term bond yields, headline equity indices were resilient, although leadership remained very narrow and hid a major sell-off across much of the market.

Global equity markets rose modestly over the quarter (MSCI World Index +1.9%, S&P500 +2.0%, Nasdaq +2.5%) supported by another quarter of strong earnings growth. Earnings growth and index performance remained heavily concentrated in a narrow cohort of mega-cap AI-related stocks, while the rest of the market suffered an aggressive sell-off (see Figure 5 on page 3).

Portfolio performance was strong over the quarter, despite elevated market volatility and the outsized influence of mega-cap AI-related stocks on index performance. Portfolio gains were broad-based by stock and sector, with 20 stocks each contributing more than 0.5% to returns.

Fund returns (Net)^{1,3} (%)

	GLS Portfolio	MSCI World ²	Out-performance
3 months	6.7	1.9	+4.8
6 months	26.8	15.9	+10.9
GLS Since Inception	19.4	12.7	+6.7
Strategy Since Inception p.a.	52.2	18.9	+33.3

Figures may not sum exactly due to rounding.

Global stock market indices have been relatively flat since May despite a volatile and deteriorating macro backdrop. We believe this backdrop is well suited to active stock pickers (like L1), where strong specific companies can outperform global stock markets.

The increased global stock and sector volatility from higher oil prices, higher bond yields and constant AI sentiment changes is providing us with a better than usual opportunity set of mispriced stocks. The apparent stability of equity indices is misleading and is hiding an enormous sell-off in global equities.

Our portfolio is intentionally positioned more conservatively at present, to enable us to navigate a less predictable macro environment. Despite global indices trading at relatively full valuations, we have built a portfolio of attractively priced companies with major positive inflection points that enable us to deliver attractive returns over the medium term.

All performance numbers are quoted net of fees. Figures may not sum exactly due to rounding. **Past performance is not a reliable indicator of future performance.** 1. GLS (ASX:GLS) returns are calculated based on the movement of the underlying investment portfolio net of all applicable fees and charges. 2. MSCI World Accumulation Index is shown in US\$. Please see important information at the end of this pack regarding MSCI indices. 3. Strategy performance is based on returns achieved by the L1 Capital Global Long Short Fund – Daily Class since inception (1 January 2025). 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 re-escalation of the Iran war and the increase in long-term global bond yields were the two defining themes of the September quarter. The short ceasefire between the U.S. and Iran ended following strikes on oil tankers early in July, which then expanded to include regional energy infrastructure. Constrained shipping through the Strait of Hormuz and attacks on Saudi Arabia's Red Sea export routes contributed to a 42% increase in the Brent crude price during the quarter (see Figure 1).

Meanwhile, global inventories of oil and refined products continued to decline, amplifying inflation concerns. The price of diesel, a critical input into global supply chains, increased even more than crude oil, reflecting reduced Gulf exports, as well as damage to Russian refineries following Ukrainian attacks and Russia's restrictions on diesel exports (see Figure 2).

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



Source: Bloomberg as at 30 September 2026

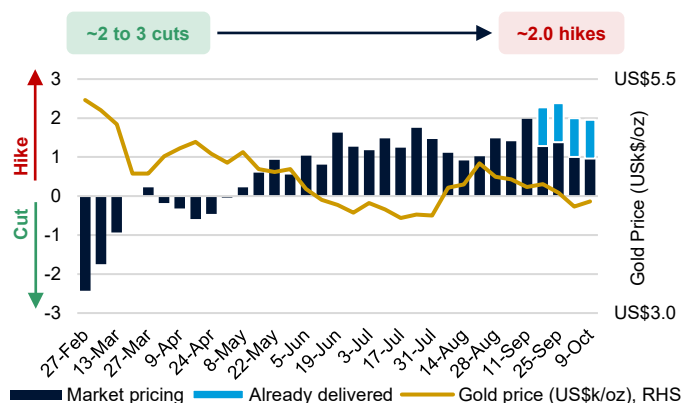
Figure 2: Movement in Diesel benchmark price (US\$/gal)



Source: Factset as at 30 September 2026.

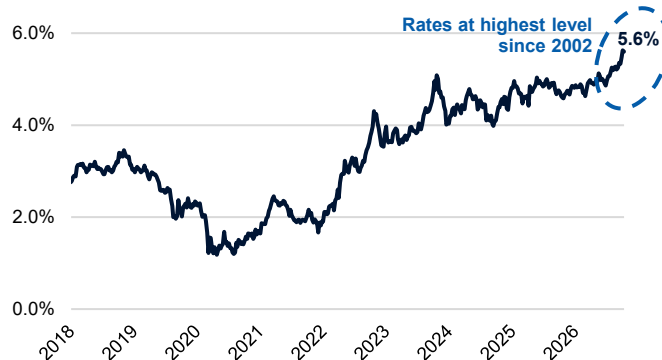
In the U.S., inflation remained above the Federal Reserve's 2% target during the September quarter, with PCE inflation of 3.4% in July and August. As a result, the FOMC unanimously raised rates by 25 bps at its September meeting to a Fed Funds Rate target of 3.75 - 4.0%, its first increase since 2023. Chair Kevin Warsh highlighted resilient spending, strong business investment and a relatively stable labour market. This was alongside commentary suggesting the Fed didn't regard its policy settings as restrictive, consistent with the median FOMC projection for another 25 bps increase by year-end. Markets are in line with this FOMC projection, with a further hike priced in for 2026. As Figure 3 illustrates, we have seen a sharp reversion in rate expectations from two to three rate cuts at the start of the year to two hikes currently.

Figure 3: Fed hikes/(cuts) priced by year end



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

Figure 4: U.S. 30-year Treasury yield (%)



Source: Factset as at 30 September 2026

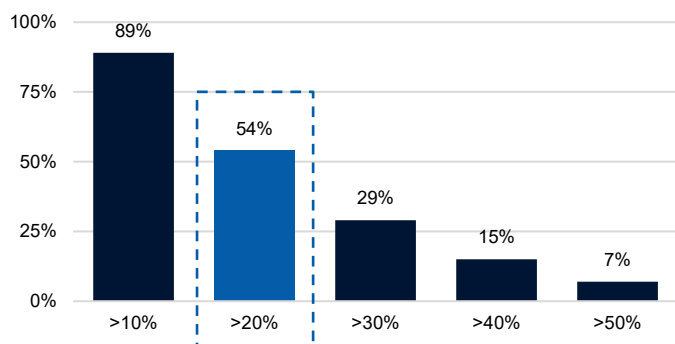
Global long-term bond yields rose sharply during the quarter, reflecting a higher inflation outlook, more hawkish central bank policy settings, prolonged fiscal deficits, and huge AI-related financing requirements. The U.S. 30-year Treasury yield finished September at 5.60% (see Figure 4), its highest closing level in close to 25 years. European bond yields also moved sharply higher during the quarter. In Europe, French and U.K. 30-year government bond yields reached 5.42% (up +98 bps during the quarter), and 5.94% (up 48 bps), respectively.

Despite higher long-term bond yields, the U.S. equity market was able to deliver a modest gain in the September quarter, with the S&P500 up 2.0% and the Nasdaq up 2.5%. However, index performance continued to be dominated by a very narrow group of mega-cap AI-related stocks. Figure 5 shows the level of stock drawdown across the Russell 3000 Index, which tracks the performance of the 3,000 largest publicly traded companies in the U.S., providing a broad view of the U.S. equity market.

It illustrates that since the start of June, over half of Russell 3000 constituents have experienced a share price drawdown of more than 20%, while nearly 90% of constituents have had a maximum drawdown of more than 10%.

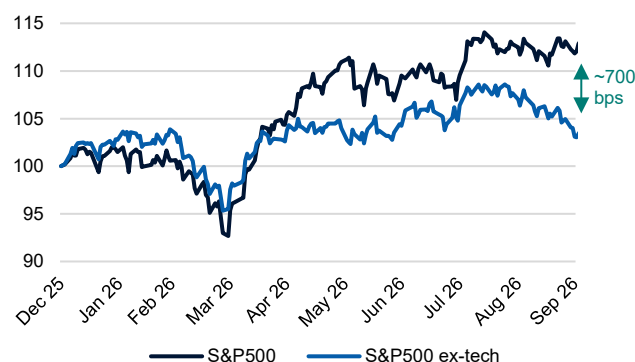
As shown in Figure 6, there was a stark divergence between the performance of technology stocks and non-technology stocks during the September quarter, with the S&P500 Ex-Technology Index now underperforming the S&P500 Index by approximately 700 basis points year-to-date.

Figure 5: Percentage of Russell 3000 with maximum drawdown since 1 June 2026



Source: Morgan Stanley

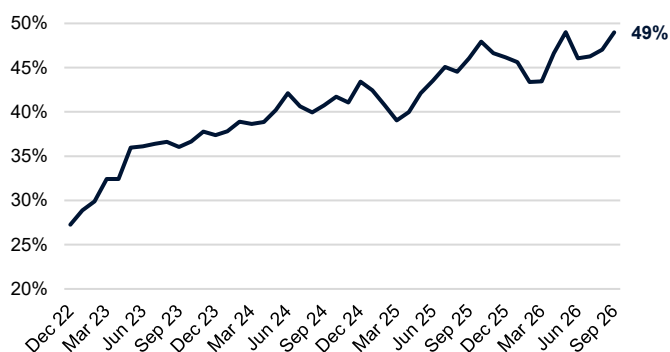
Figure 6: S&P500 Index vs. S&P500 Ex-Technology Index performance year-to-date (indexed)



Source: Bloomberg as at 30 September 2026

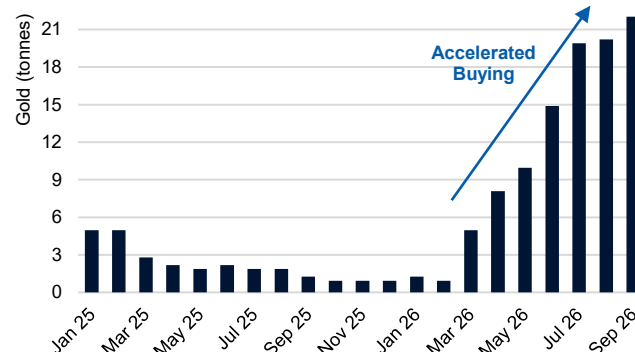
This relative performance has resulted in the continued concentration of a small group of AI-related stocks in the S&P500 Index. As shown in Figure 7, a group of only 42 stocks now makes up approximately half of the S&P500 by market cap, and index performance is increasingly being driven by the AI thematic. Meanwhile, during the quarter safety-related concerns and ongoing uncertainty around returns on AI investment highlighted the vulnerability of headline indices to any slowdown in this spending cycle.

Figure 7: Concentration of AI-related stocks in the S&P500



Source: Bloomberg, JP Morgan as at 30 September 2026. AI-related stocks include 42 selected stocks across technology, utilities and capital equipment.

Figure 8: China central bank gold buying



Source: World Gold Council

Resources performance was mixed beneath the surface. Energy stocks were supported by the sharp rise in crude oil prices. Gold stocks initially benefited from a rally in the gold price in August, although higher bond yields and U.S. dollar strength unwound much of this move later in the quarter. Central bank reserve accumulation, particularly from China, has accelerated as an underlying driver of gold demand (see Figure 8). Rhetoric from U.S. policymakers continues to support a global shift away from U.S. dollar reserves in favour of a higher weighting in gold reserves. Copper prices were strong and continued to rise, supported by U.S. stockpiling ahead of potential tariffs and weather-related supply disruptions, with copper now up approximately 40% over the past 12 months. However, lithium was weak, with spot spodumene prices down approximately 24% during the quarter, driven by concerns around Chinese battery demand and anticipated supply growth.

Portfolio positioning

Portfolio performance was strong over the quarter (+6.7%), particularly given the volatile market backdrop and the continued concentration of market leadership in a narrow group of AI-related stocks. Key contributors included K92 Mining, BP, Finning, Piraeus Bank and select short positions in over-hyped tech stocks, while more interest rate and oil-sensitive names like CRH and Fraport were key detractors (see page 5 for further detail).

We remain mindful of the concentration risk embedded in global equity indices. Around half of the S&P500 Index is now exposed to AI-related stocks, meaning that approximately 50 cents of every dollar invested in the index is effectively tied to this theme. With U.S. equities comprising more than 70% of the MSCI World Index, you can easily see how correlated both U.S. and global equity indices are to one theme (AI), geography (U.S.) and sector (Technology), significantly reducing the apparent diversification of index funds.

The sharp increase in market dispersion over the quarter created several attractive opportunities for the Fund, particularly where share prices fell due to broad market positioning rather than a deterioration in underlying company fundamentals. In a number of cases, we believe the sell-off has been indiscriminate and has created an attractive opportunity for us to increase our position, where the medium-term earnings outlook remains well supported.

As an example, in construction materials, we have seen a similar sell-off in companies whose exposure is mostly to infrastructure, alongside peers that are more housing-sensitive. While residential markets are likely to soften in a higher rate environment, the infrastructure side remains robust. We have used this dislocation to add selectively to high-conviction positions trading at near-trough valuation multiples on already subdued earnings. We believe this offers an attractive risk-adjusted entry point, supported by more resilient end markets and company-specific self-help initiatives, with additional upside should interest rates fall or broader demand recover.

We remain positive on the European banking sector, which has been a strong contributor to performance year-to-date, although we have trimmed exposure modestly following the strong rally in share prices. We continue to see select opportunities, where individual banks have been sold off on higher bond yields and political concerns that we believe are disproportionate to the underlying earnings and balance sheet outlook.

In commodities, we reduced copper exposure recently after strong share price performance across several holdings. We remain positive on copper's medium-term fundamentals, supported by electrification, grid investment, AI-related power demand and constrained supply. However, after the strong rally, the market is now pricing many of these stocks closer to the positive outlook we have held for some time. Gold remains a key exposure for the portfolio. While gold equities were volatile during the quarter, our mid-cap gold holdings continue to generate strong cash flow at current spot prices. We remain constructive on the medium-term drivers of the sector, including emerging market central bank buying, fiscal pressure and ongoing geopolitical uncertainty.

Overall, the portfolio remains focused on high-quality companies trading below our assessment of fair value, with our key long exposures across gold, construction materials, infrastructure and banking. The portfolio retains a pronounced quality-value tilt, with the median long position trading on ~11x P/E, supported by double-digit EPS growth, strong cash generation and conservative debt levels.

Key stock contributors for the September quarter were:

K92 Mining (Long +27%) was among the many gold equities that materially outperformed over the quarter, with producers across the sector benefiting from operating leverage and record cash flow. K92 continues to grow its base production profile from ~175koz in 2025 to >400koz over the next 3 years, while also significantly advancing its exploration program with a maiden resource expected at its Arakompa deposit within the next 6 months.

BP (Long +18%) performed strongly as oil prices (+42% in the quarter) and refining margins increased, supported by ongoing Middle East/Ukraine military activity and concerns over global energy infrastructure transport channels. After a multi-year period of operational underperformance and strategic missteps, BP is on track for rapid balance sheet de-leveraging and simplification under new management which can support a re-rating towards its global oil and gas supermajor peer group.

Finning (Long +9%) shares rallied on stronger confidence in the outlook for the company's mining and construction opportunities, along with improved investor sentiment towards backup and primary power demand for data centres. Finning is the largest Caterpillar dealer globally, with its operations focused on Canada, South America, the U.K. and Ireland. Earnings growth is underpinned by a strong mining and construction cycle in Canada and Chile, along with early tailwinds from Argentina where several large mining projects are nearing FID. On a medium-term basis, the company has upside opportunities in primary data-centre power demand in Western Canada which could create a significant new revenue stream for Finning towards the end of this decade.

Piraeus Bank (Long +21%) continued to rally as its Q2 26 result beat expectations, leading management to increase earnings and capital return guidance. Greek banks benefitted from several index upgrades from emerging to developed market status that became effective in September. We expect Piraeus' earnings growth to remain robust as strong corporate loan growth continues with further upside potential from margin expansion on the back of higher ECB cash rates.

Short positions in over-hyped technology companies contributed positively as investors reassessed stretched valuations, heavy funding requirements and uncertain paths to profitability. Many of these stocks had rallied sharply on AI-related enthusiasm but sold off as the market's focus shifted back to a lack of earnings, cash flow and execution risk.

Key stock detractors for the September quarter were:

CRH (Long -23%) shares fell as rising bond yields weighed on the building products sector globally and as the company flagged a more difficult price/cost environment with diesel prices continuing to spike (up more than 50% in the September quarter). The share price has de-rated in line with the global sector, despite ~70% of CRH's revenue exposure relating to infrastructure spending. While near-term margin pressure is likely given the cost environment, CRH will likely implement price changes in early 2027 to help restore margins to historic levels. We continue to believe robust U.S. infrastructure spending and CRH's leading market positions provide a supportive medium-term earnings backdrop.

Fraport (Long -15%) shares declined with investor sentiment weakening as sustained higher jet fuel prices drove capacity cuts by airlines, including its largest customer at Frankfurt airport, Lufthansa. Overall, consensus expectations for 2026 traffic growth at Frankfurt airport have reduced from +3.2% earlier in the year to a -0.5% decline. Against that backdrop, the company is benefiting from the opening of the new T3 terminal in April, along with solid momentum in a number of its international assets.

Combined with efficiency measures, Fraport has been able to maintain its earnings and free cash flow guidance for 2026, which highlights the resilience of the business. Despite the current unfavourable landscape for the airline and airport industry, we continue to expect Fraport to deliver strong growth in operating earnings, cash flows and dividends in coming years.

Returns (Net)^{4,5} (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2025	3.0	(0.1)	1.1	8.3	6.1	4.0	0.7	7.0	5.6	2.7	15.3	1.2	69.6
2026	5.8	3.3	(14.9)	8.2	6.9	2.7	5.2	8.0	(6.2)				17.9

Portfolio positions

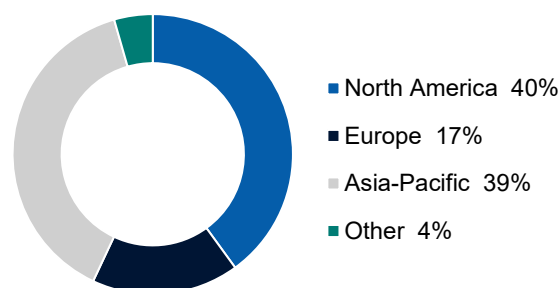
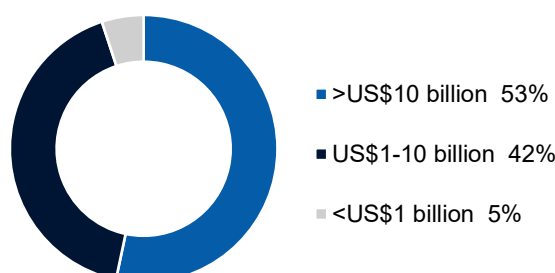
Number of total positions	118
Number of long positions	65
Number of short positions	53

Net and gross exposure⁶ (%)

	Gross long	Gross short	Net exposure
North America	61	(67)	(6)
Europe	52	(3)	48
Asia-Pacific	74	(50)	25
Other	-	(14)	(14)
Total	187	(134)	53

Company information as at 30 September 2026⁷

Share Price	\$2.01
NTA before tax	\$1.78
NTA after tax	\$1.81
Shares on issue	548,522,277
Company market cap	\$1.10b

Gross geographic exposure as a % of total exposure⁶**Gross market cap exposure as a % of total exposure**

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Key personnel

Rachel Grimes	Chair and Non-Executive Director
Douglas Farrell	Independent Non-Executive Director
David Gray	Independent Non-Executive Director
Katrina Glendinning	Independent Non-Executive Director
Julian Russell	Non-Independent Non-Executive Director
Olivia Byron	Company Secretary
Registry	MUFG Corporate Markets
Company website	http://www.l1.com.au/GLS

Company information – GLS

Name	L1 Global Long Short Fund Limited
Structure	Listed Investment Company (ASX:GLS)
Inception	28 November 2025
Management fee*	1.44% p.a.
Performance fee**	20.5%
High watermark	Yes

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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Invest now



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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 Global Long Short Fund Limited, managed by L1 Capital Pty Ltd, has been established to invest in a portfolio of 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.

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