L1 CAPITAL

DAILY CLASS

Australian Equities Fund

Monthly Report | MARCH 2021

INCEPTION DATE: 23 AUGUST 2007 | UNIT PRICE: 1.7681[1,2] | FUND NAV: $76M

- **During March, the Fund returned 0.2% (net), underperforming the S&P/ASX 200 Accumulation Index by 2.3%.**
- **Over the past year, the Fund has had a very strong period of performance, returning 49.1% (net), outperforming the index by 11.6%.**
- **Since inception, the Fund has outperformed the index by 3.0% p.a. (net).**
- **We have started to see the early stages of a rotation to cyclical and value stocks over the past five months. As global GDP growth accelerates through 2021, we expect the rotation will gain further traction, which the Fund is well positioned to benefit from.**

Global equity markets rose during March on renewed confidence of a strong economic recovery and confirmation that vaccines were proving effective in curbing the spread of COVID-19. The S&P/ASX 200 Accumulation Index returned 2.4% in March, underperforming global markets due to a decline in commodity prices, which impacted mining and energy stocks. The strongest sectors were Consumer Discretionary (+7.0%), Utilities (+6.8%) and Property (+6.6%) while Materials (-3.0%), Information Technology (-2.9%) and Energy (0.0%) lagged.

After a very strong month of performance in February, the portfolio was marginally positive in March primarily due to weakness in mining and energy stocks which had been strong performers in prior months. We believe this is a short term impact, with supply side constraints, increasing inflation expectations and record stimulus/infrastructure spending likely to support commodity prices going forward.

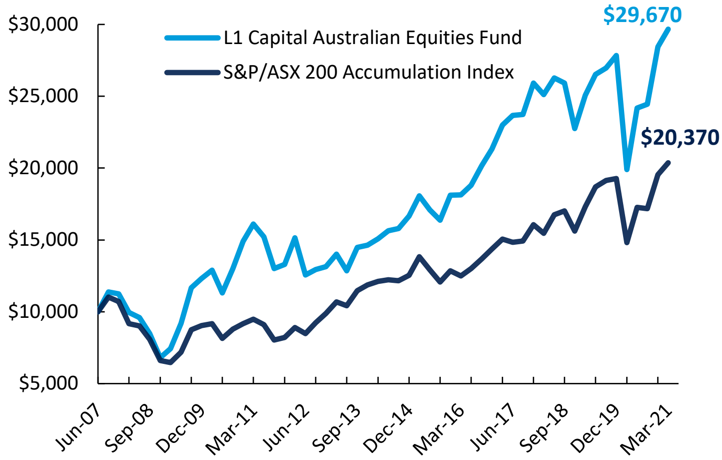
We believe the tailwinds from extreme monetary and fiscal stimulus, strong corporate earnings, rising M&A activity and the vaccine rollout will continue to support equity markets. After a year that has been dominated by the pandemic and "top-down" trends, we believe 2021 will be a more favourable environment for "bottom-up" stock-pickers, with our depth of research enabling us to take full advantage of these opportunities.

Performance Summary (Net) (%)

	Fund*	Index*	Alpha*
One month	0.2	2.4	-2.3
Three months	4.3	4.3	+0.1
One Year	49.1	37.5	+11.6
Three Years (p.a.)	5.7	9.7	-3.9
Five Years (p.a.)	10.3	10.2	+0.1
Ten Years (p.a.)	6.3	8.0	-1.7
Since inception (p.a.)	8.3	5.4	+3.0
Since inception (cumulative)	196.7	103.7	+93.0

Fund Performance vs S&P/ASX 200 Accumulation Index

Growth of $10,000 invested since inception (after fees)



** The Index is the S&P/ASX 200 Accumulation Index. Fund performance and alpha are quoted net of fees. All performance numbers prior to 15 Oct 2017 relate to the L1 Capital Australian Equities Fund wholesale class of units. The L1 Capital Australian Equities Fund PDS and RG (first issued 5 Oct 2017, last updated 19 Mar 2019) are a daily class of units. Numbers may not net exactly due to rounding. Past performance is not predictive of future returns.*

Some of the key contributors to portfolio performance in March were:

News Corp shares continued their strong momentum, rising 25% following the release of the company's second quarter results, which were materially ahead of market expectations. A key driver of the result was the Dow Jones division, which grew subscriptions by over 18% versus the prior year. Digital-only subscriptions at the Wall Street Journal grew by over 29% and now comprise over 76% of total Wall Street Journal subscriptions, demonstrating the significant transformation of the business. Even following the recent increase in the News Corp share price, we believe the Dow Jones asset remains significantly undervalued by investors. Applying the same valuation multiple to the Dow Jones segment as is being ascribed to the New York Times would imply a value for the Dow Jones asset alone in excess of ~US$8b, which equates to over half the current News Corp equity value. Furthermore, the recent proposed sale of Simon & Schuster (a key competitor to News Corp's book publishing business) for ~15x EV/EBITDA to Penguin Random House should draw more attention to the latent value embedded in the company's publishing assets. News Corp management is taking progressive steps to better highlight the underlying value of its assets and to simplify its corporate structure, which we expect will continue to unlock value going forward.

Telstra shares rose 10% with investors responding positively to its 2021 first half results release as well as the update late in the quarter that the corporate restructuring and the monetisation process for its towers portfolio remains on track. At the 1H result, Telstra re-affirmed guidance for the current year, but also provided an earnings pathway towards its FY23 EBITDA target by flagging that it expects FY22 EBITDA will grow by mid-to-high single digit percentage levels. We see this outlook being underpinned by growth in the mobile segment, where competitive intensity has eased over the last 12 months as operators reverse prior years' pricing strategies that had significantly eroded sector returns. The business should also benefit from declining NBN headwinds and ongoing measures to reduce costs. On the restructuring side, Telstra reaffirmed the process was on track, including plans to monetise its portfolio of over 8,000 towers during calendar year 2021. A number of market transactions continue to reinforce the under-appreciated value of these assets, most recently with the IPO of Vodafone Group's European towers portfolio on an EV/EBITDA multiple of 20x. In addition to the towers process, the corporate restructuring will allow Telstra to unlock further value across infrastructure assets, such as ducts and fibre over time.

Some of the key detractors to portfolio performance in March were:

Resolute Mining shares fell 32% in March due to general weakness in the gold price, compounded by an announcement that the Ghanaian government is terminating their mining lease at the Bibiani gold mine. While Resolute has had the mine on "care and maintenance" for many years, they announced a conditional sale of the mine to a Chinese corporate for US$105m in December 2020. Given the decision by the Ghanaian government, that transaction is now unlikely to proceed on the current terms. Resolute confirmed the Bibiani sale is not required to meet its debt obligations and reaffirmed 2021 guidance with its two operating assets expected to produce solid results for the period. Resolute shares remain dramatically undervalued and we believe the shares will begin performing as it delivers on its 2021 outlook, with further benefits from any potential stabilisation or recovery in the gold price.

Chorus shares declined 14% in March. The stock has been impacted by a punitive determination by the New Zealand Commerce Commission on the allowed rate of return for Chorus's fibre assets. The very low allowed rate of return severely underestimates the real risks investors have taken on in building and operating the fibre network. We are hopeful this will be corrected through a much more commercial approach to the assumptions underlying the asset base and a re-examination of other assumptions through the rest of this year. Failure to do so would send a strong signal that there is huge risk in entering into long term public private partnerships with the New Zealand government and that New Zealand is not a reliable destination for investing in regulated assets. In terms of company fundamentals, Chorus's fibre build has been consuming the majority of cashflow for many years, preventing the company from paying out its true underlying earnings in dividends. With the peak capex period now past, we are hopeful that shareholders will finally begin to see the returns on this 10-year investment program.

The investment team continues to have a positive outlook for the portfolio. Our expectations remain underpinned by the large number of portfolio stocks with significant upside to valuation and the extreme stock dispersion across the market, which provides attractive opportunities for stock picking. We also expect much improved business, consumer and investor confidence as a result of the rollout of vaccines around the world. As people resume a near-normal (pre-COVID-19) way of living, we expect many oversold companies to recover further, along with a continued rotation into value and cyclical stocks, which should be an ongoing tailwind for Fund performance.

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 100% 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. L1 Capital manages money for a range of clients including large superannuation funds, pension funds, financial planning groups, asset consultants, family offices, high net worth individuals and retail investors. L1 Capital uses a fundamental, bottom-up research process to identify investments with the potential to provide attractive risk-adjusted returns. The L1 Capital investment approach is largely style-neutral with modest value and contrarian characteristics.

The firm launched the L1 Capital Long Short Fund in September 2014. The Fund has returned an average of 22.1% p.a. (after fees) since inception.

Fund Information

Name	L1 Capital Australian Equities Fund
Class of Units	Daily
Structure	Unit Trust
Domicile/Currency	Australia/AUD
Inception	23 August 2007
Management Fee	0.77% p.a. inclusive of GST and RITC
Expenses	Maximum of 0.20% p.a.
Performance Fee	15.38% above S&P/ASX200 Acc Index*
High Watermark	Yes
APIR/ARSN	LCP0001AU/621 183 195
Minimum Investment	A$25,000
Subscription Frequency	Daily
Redemption Frequency	Daily

Service Providers

Responsible Entity	Equity Trustees Limited
Fund Administrator	Mainstream Fund Services
Fund Auditor	EY
Fund Custodian	Mainstream Fund Services
Legal Advisor	Hall & Wilcox

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* All performance numbers in this update are quoted after fees. All performance numbers prior to 15 September 2017 relate to the L1 Capital Australian Equities Fund wholesale class of units. The L1 Capital Australian Equities Fund PDS and RG (first issued 5 September 2017, last updated 19 March 2019) are a daily class of units. 1. The value of the Fund's assets less the liabilities of the Fund net of fees, costs and taxes. 2. The unit price is calculated by decreasing the NAV price by the sell spread (currently 0.25%). The NAV price is the NAV divided by the units on issue. Past performance is not predictive of future returns.