L1 CAPITAL

Daily Class

L1 Capital Long Short Fund

Monthly Newsletter| MARCH 2021

Unit Price: 1.4751[1,2] | Fund NAV: $632m

Monthly Performance (Net) (%)

PERIOD	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2014	–	–	–	–	–	–	–	–	(2.42)	3.03	2.85	1.61	**5.07**
2015	0.59	9.14	2.42	1.71	3.73	(0.86)	3.30	2.06	5.51	8.49	8.11	4.61	**60.52**
2016	5.81	0.59	5.47	2.46	2.78	(0.89)	3.22	3.92	0.46	(0.18)*	0.55	2.13	**29.43**
2017	2.48	1.79	2.83	1.01	4.14	1.68	2.61	1.67	1.91	2.50	0.86	3.50	**30.50**
2018	0.54	(0.49)	(1.68)	1.59	(3.77)	(6.31)	0.79	(5.93)	(2.13)	(4.01)	(2.62)	(6.07)	**(26.60)**
2019	4.33	5.14	0.19	2.82	(2.80)	3.84	1.16	0.41	2.59	3.34	0.30	2.19	**25.87**
2020	(7.83)	(7.11)	(23.04)	22.93	10.95	(2.21)	(1.96)	9.97	0.50	(2.64)	30.80	4.33	**26.54**
2021	(0.14)	9.06	(0.14)										**8.75**

Past performance should not be taken as an indicator of future performance.

Market and Fund Review

The L1 Capital Long Short Fund returned -0.1% in March (ASX200AI +2.4%).

Over the past year, the Fund has had an exceptionally strong period of performance, returning 108.9% (ASX200AI 37.5%).

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.

Mark Landau will give an update on the investment strategy and portfolio positioning on Friday 30 April at 11am (AEST). Please click here to register for the webinar.

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 close to flat 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.

Since Inception (Net)	Cumulative Return	Annualised Return (p.a.)
L1 Capital Long Short Fund	262.2%	21.6%
S&P ASX 200 Accumulation Index	58.5%	7.2%
MSCI World Index Total Return (USD)	60.8%	7.5%
HFRX Global Hedge Fund Index	11.9%	1.7%

Performance (Net)	
One year	108.9%
Three years (p.a.)	8.9%
Five years (p.a.)	13.9%
Since inception (p.a.)	21.6%
Since inception (cumulative)	262.2%

Portfolio Exposures	Current	Avg Since Inception
Number of positions	88	80
Number of long positions	72	54
Number of short positions	16	26
Gross long exposure (%)	180%	149%
Gross short exposure (%)	74%	83%
Gross exposure (%)	254%	232%
Net exposure (%)	106%	66%

Portfolio Metrics	
Percentage of positive months	72%
Sharpe ratio	1.0
Sortino ratio	2.0
Annualised standard deviation	21.5%
Annualised downside deviation	11.3%

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 and ability to position long and short enabling us to take full advantage of these opportunities.

Some of the key contributors to portfolio performance during the month of March were:

Telstra (Long +10%) shares rose 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.

Tabcorp (Long +5%) shares rallied based on a combination of very strong half-yearly results showing both lotteries and wagering ahead of consensus estimates, as well as corporate interest in its wagering business. Tabcorp provides gambling and entertainment services through a range of brands across three segments: lotteries & keno, wagering & media, and gaming services. Lotteries had a particularly strong period with an uplift in digital sales, a significant increase in keno (reflecting excellent operational execution) and higher long term margins. In the second half of the financial year, lotteries are expected to benefit from a more normal jackpot sequence and a change in lottery game design, while wagering should benefit from retail venues reopening and the launch of new wagering products. Following multiple approaches from a range of corporate and financial buyers, the Board is currently considering the future of the wagering business with the review hopefully concluding by June 2021. We have actively engaged with the Board and management to highlight the benefits of pursuing a demerger and will continue to advocate for unlocking the hidden value in Tabcorp's asset base.

CK Hutchison (Long +6%) shares rose during the month due to renewed optimism around a global economic recovery post COVID-19. CK Hutchison is a diversified conglomerate with European and Australian infrastructure and telecom assets comprising the majority of its value. We believe CK Hutchison will deliver a much stronger operating performance in 2021 as the company's ports, retail division and energy operations recover strongly, while the core telecom and infrastructure businesses continue to be highly resilient. Additionally, the company's recent sale of its telecom towers business for ~€10b provides scope for meaningful share buybacks throughout this year. We continue to see strong upside in CK Hutchison with the shares trading on a P/E of less than 7x FY21 (consensus earnings), with a 5% dividend yield and a free cash flow yield of over 17%.

Volkswagen ("VW") (Long +38%) shares rallied strongly over the month after its Power Day and FY20 results release provided the market with greater confidence in its ability to capture a meaningful share of the battery electric vehicle ("BEV") market. VW is the second largest car manufacturer in the world (after Toyota) and has the iconic Porsche and Audi brands within its stable. Post the U.S. "dieselgate" emissions scandal in 2015, VW invested earlier and much more aggressively in its BEV platform than its key peers. We believe this investment will enable the company to capture a leading share of the BEV market with the company having the most extensive product range coming to market over the next 5 years. VW has achieved early success with its BEV model releases to date and we expect momentum to build further as emissions regulations lead to BEVs becoming more widely adopted in its key markets.

Some of the key detractors to portfolio performance during the month of March were:

Resolute Mining (Long -32%) shares fell 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 (Long -14%) shares declined 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.

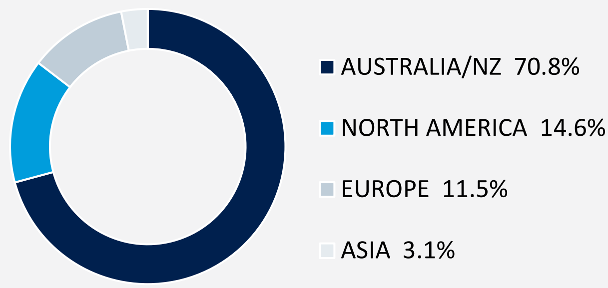
The investment team continued to add to its position in LSF in March, reconfirming our continued positive outlook for the portfolio. Our expectations remain underpinned by the large number of portfolio stocks with significant upside to valuation and the extreme stock dispersion across the market, which 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.

Net and Gross Exposure by Region*

Geography	Gross long	Gross short	Net Exp.
Australia / NZ	114%	66%	48%
North America	29%	8%	21%
Europe	29%	0%	29%
Asia	8%	0%	8%
Total	**180%**	**74%**	**106%**

** Percentages have been rounded to the nearest whole number.*

Gross Exposure as a % of Total Exposure



Fund Information

Class Name	L1 Capital Long Short Fund Daily Class
Structure / Currency	Australian Unit Trust / AUD
Inception	1 September 2014
Management Fee	1.54%
Performance Fee	20.50%
High Watermark	Yes
Buy / Sell Spread	25bps / 25bps
APIR / ISIN	ETL0490AU / AU60ETL04909
Minimum Investment	A$25,000
Subscription / Redemption Frequency	Daily
Platform Availability	Asgard, BT Wrap, CFS FirstWrap, HUB24, IOOF, Mason Stevens, MLC, Macquarie Manager / Consolidator, Netwealth,North, Powerwrap, uXchange

Service Providers

Responsible Entity	Equity Trustees Limited
Prime Brokers	Morgan Stanley, Credit Suisse
Fund Administrator	Mainstream Fund Services
Fund Auditor	EY
Legal Advisor	Hall & Wilcox

There have been no changes to key service providers since the last monthly report.

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* All performance numbers are quoted after fees. All performance in this update prior to 3 October 2016 (being the date that the first Daily class units were issued) relate to the monthly class units which are subject to a different fee structure. Sharpe ratio, sortino ratio, maximum monthly drawdown, annualised standard deviation and annualised downside deviation relate to the monthly class 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.