



L1 CAPITAL

DAILY CLASS

# L1 Capital Long Short Fund

Quarterly Report | MARCH 2021

UNIT PRICE: 1.4751<sup>1,2</sup>

- The L1 Capital Long Short Fund returned 8.8% (net) in the March quarter (ASX200AI 4.3%).
- Over the past year, the Fund has had an exceptionally strong period of performance, producing a net return of 108.9% (ASX200AI 37.5%).
- Since inception, the Fund has returned 21.6% p.a. (net) (ASX200AI 7.2% p.a.).
- The Fund's robust return over the quarter was driven by strong stock performance during reporting season with further support from the early stages of a rotation towards cyclical and value stocks.
- Performance was broad-based, with 18 individual stock positions contributing 0.5% or more to returns.
- Please join us for an investor briefing at 11am (AEST) on Friday 30 April. Click [here](#) to register for the webinar.

## 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	<b>5.07</b>
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	<b>60.52</b>
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	<b>29.43</b>
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	<b>30.50</b>
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)	<b>(26.60)</b>
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	<b>25.87</b>
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	<b>26.54</b>
2021	(0.14)	9.06	(0.14)										<b>8.75</b>

## Performance (Net)\*

Three months	8.8%
One year	108.9%
Two years (p.a.)	25.6%
Three years (p.a.)	8.9%
Five years (p.a.)	13.9%
Since inception (p.a.)	21.6%
Since inception (cumulative)	262.2%

## 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%

\* All performance numbers are quoted net of fees. All performance prior to 3 Oct 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. Past performance should not be taken as an indicator of future performance.



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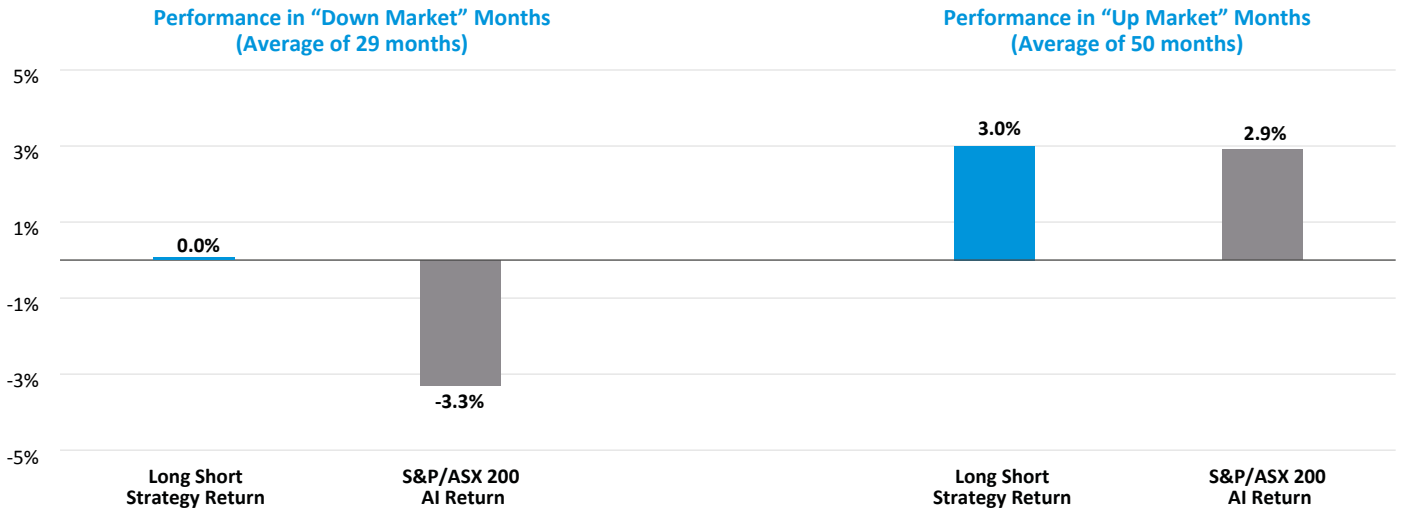
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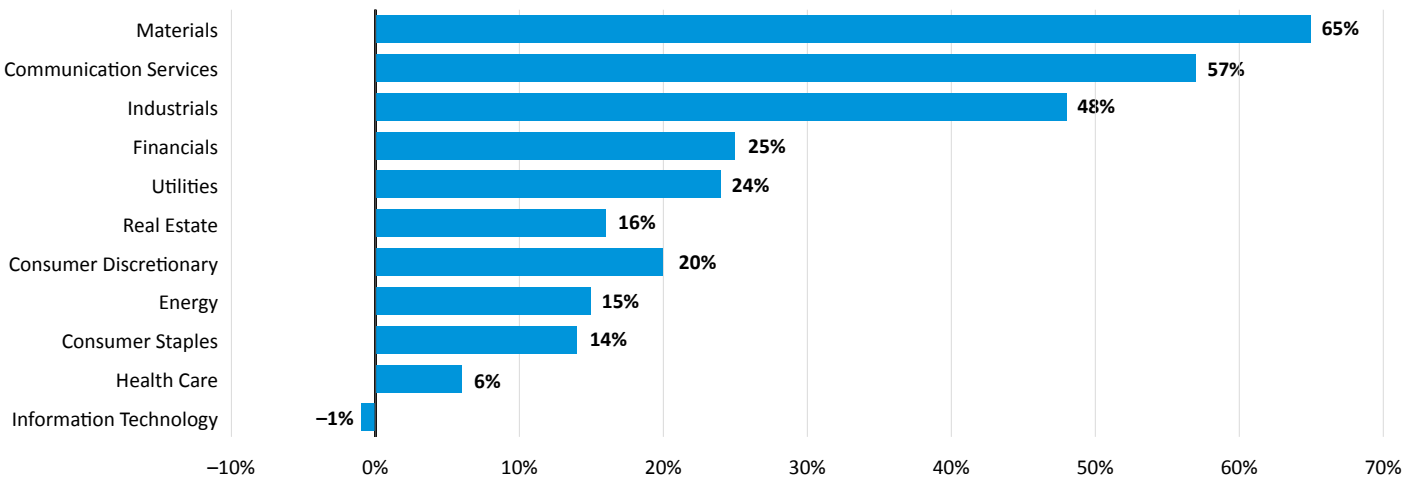
## Significant Outperformance in Falling Markets

Since Inception Performance (Net) of the Long Short Strategy\*



## Positive returns across most sectors

Sector Contribution (Net) Since Inception of the Long Short Strategy\*\*



\* All performance numbers are quoted net of fees. Based on portfolio exposures of the L1 Capital Long Short Fund – Monthly Class (inception 1 Sep 2014). Past performance should not be taken as an indicator of future performance.

\*\* Data presented above refers to underlying security positions in the portfolio. Based on portfolio exposures of the L1 Capital Long Short Fund – Monthly Class (inception 1 Sep 2014). Returns generated from Cash or indices or other similar positions have been excluded from stock attribution.



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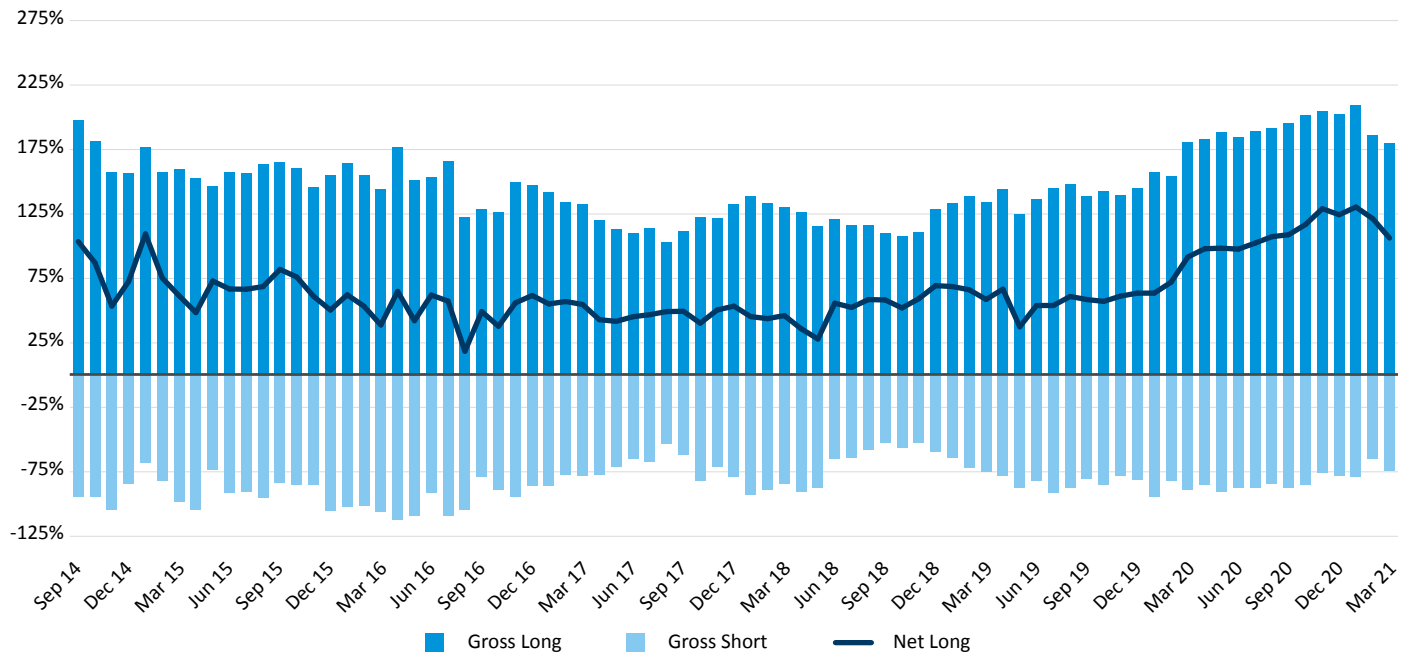
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Portfolio Exposures*	Current	Avg since inception
Number of positions	88	80
Number of long positions	72	54
Number of short positions	16	26
Gross long exposure (%)	180%	149%
Gross short exposure (%)	74%	83%
Gross exposure (%)	254%	232%
Net exposure (%)	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%

## Historical Portfolio Exposures\*



\* All performance numbers are quoted net of fees. Based on portfolio exposures of the L1 Capital Long Short Fund – Monthly Class (inception 1 Sep 2014). Sharpe ratio, sortino ratio, maximum monthly drawdown, annualised standard deviation and annualised downside deviation relate to the monthly class units. Past performance should not be taken as an indicator of future performance.



## Equity Market Observations

Global markets have recovered strongly over the past twelve months as investors gained comfort on the progress and efficacy of vaccines and the concurrent recovery path through COVID-19. Despite this strong improvement, we continue to believe the equity market will remain supported, with numerous compelling stock-specific opportunities.

We have started to see the early signs of a major market rotation that we previously flagged would accompany a strong rebound in economic activity. We believe this is likely to extend further, with an acceleration in global GDP growth likely through 2021 leading to a rotation from:

- Bonds and cash into equities** – Equities continue to look far more attractive than other asset classes, with cash and most investment grade bonds currently yielding less than inflation. We expect tailwinds for equities from monetary and fiscal stimulus, strong corporate earnings, rising M&A activity and the vaccine rollout (which will unleash enormous pent-up demand for a range of services).
- Defensive stocks into cyclical stocks** – Investor positioning remains skewed towards defensive sectors (such as technology, healthcare and supermarket stocks) that have been largely unaffected by COVID-19 shutdowns. With a recovery in global GDP growth and our positive outlook on the path to a “COVID normal” environment, we believe there will be a further shift towards hard hit “COVID losers” as their operating metrics begin to show tangible improvement in the second half of 2021.
- Growth stocks into value stocks** – Value stocks have endured the largest and longest period of underperformance on record as bond yields have collapsed to historic lows, supporting the outperformance of long duration equities. COVID-19 exacerbated this trend, with a further melt-up in high P/E stocks as investors sought safety in “COVID winners”. As Figure 1 illustrates, the recovery in value and cyclical stocks has been modest relative to history. Growth stocks continue to trade at the widest premium to value stocks since the dot-com bubble of the late 1990s (refer Figure 2). This supports our view that there is still further to go to see conditions revert to a more balanced “equilibrium”. We believe the catalyst will be the combination of accelerating operating metrics for many cyclical stocks, along with a rise in long term bond yields, particularly in the U.S. and Australia.

Figure 1: Growth vs. Value – Relative performance

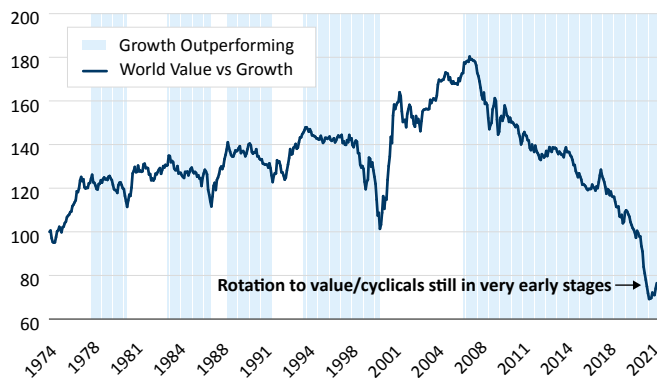
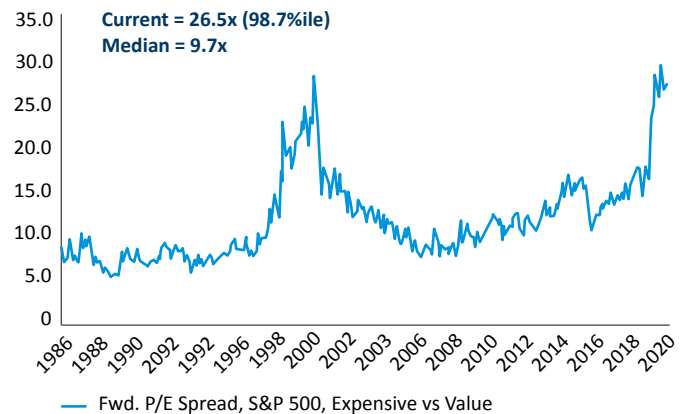


Figure 2: Growth-Value P/E spread



Source: Datastream, Goldman Sachs Global Investment Research, J.P. Morgan U.S. Equity Strategy & Global Quantitative Research



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From a COVID-19 perspective, we continue to be positive on the ability for vaccines to control the pandemic. The contrarian view we expressed from July 2020 onward regarding the higher probability of vaccine success and accelerated timetable for the vaccine rollout has largely played out as we had expected. Our continued confidence in vaccine success is based on three key reasons:

1. Most vaccines have been proven to have significant efficacy against the identified mutant strains;
2. Vaccines will provide some protection against non-mutated parts of the viral spike protein; and
3. Both the U.S. Food and Drug Administration and the European Medicines Agency have signalled that they will consider expedited approvals of minor modifications to better target mutations, which can be rolled out in weeks.

Our positive views on the recovery path are supported by data in countries that are at the forefront of the vaccination roll-out. Israel is the most advanced country globally, with ~60% of its population having received at least one dose of the vaccine. Since the vaccine rollout began in Israel, COVID-19 cases are down 98%, critically ill down 93%, deaths down 87% (Figure 3). The U.S. and U.K. have significantly stepped up their vaccine roll-out over the quarter and expect to have half of their populations vaccinated by the end of June this year. As the U.S. has stepped up its vaccination drive, which began in mid-January (it is currently administering around 3m doses per day), the death rate from COVID-19 has fallen by 70% (refer Figure 4 below) and is now at levels not seen since October.

Figure 3: Israel COVID-19 vaccinations and death rates

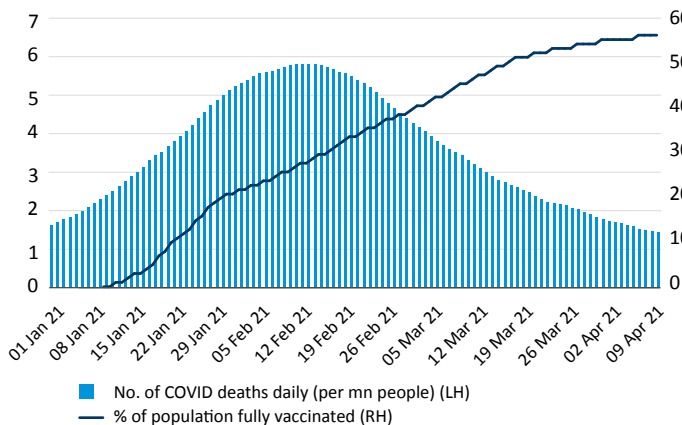
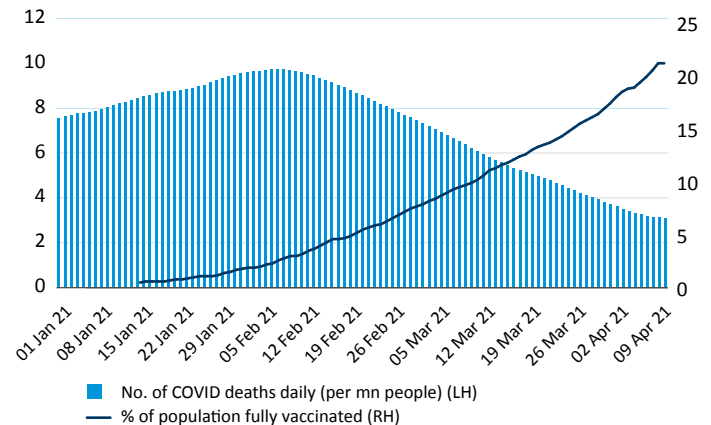


Figure 4: U.S. COVID-19 vaccinations and death rates



Source: Our World in Data, Segal Lab (Weizmann Institute)

While we remain positive on our outlook for equities in general, a key risk that we have been monitoring for several months now is inflation, where our analysis suggests rising inflationary pressures in 2021, as companies face a surge in input prices. The ISM Prices Paid Index is at record levels and the Producer Prices Index (PPI) registered its largest gain in ~10 years (4.4% YoY in March). From the dozens of company meetings we have held in recent months across many sectors, we have observed countless anecdotes of rising input costs for companies – retailers are grappling with freight costs that have surged 100-500%, copper prices are up ~50%, steel prices have nearly doubled, U.S. lumber costs are up ~200% and numerous soft commodities (e.g. corn, wheat, soy beans, cotton and palm oil) have risen between 30-50% since June 2020. In Figure 5, we note the surge in both ‘Input Prices’ and ‘Prices Charged’ in the U.S. Services PMI. Price increases in general have been driven by a stronger than expected rebound in consumer demand and bottlenecks and shortages in supply due to COVID-19 disruptions.

With personal savings rates at records highs and highly accommodative fiscal and monetary policy, we expect consumption to remain very strong in the second half of the year, which will place further upward pressure on inflation and may lead to an overshoot relative to central bank expectations. The significant step up in bond yields we saw over the quarter with a ~84% increase in the Australian 10 year (from 0.97% to 1.79%) and ~90% increase in the U.S. 10 year (from 0.92% to 1.74%) reflects the market placing a much higher probability on both real GDP growth and inflation. While most of the factors driving inflation appear transitory, we are monitoring wage rates, energy markets and capacity utilisation to determine how persistent any rise will be. We are positioned to mitigate some of the risks from an increase in inflation with our bias towards short duration (value and cyclical) stocks, long positions in energy, gold and financials and short positions in some ultra-high P/E growth stocks (that should de-rate if inflation/bond yields increase).





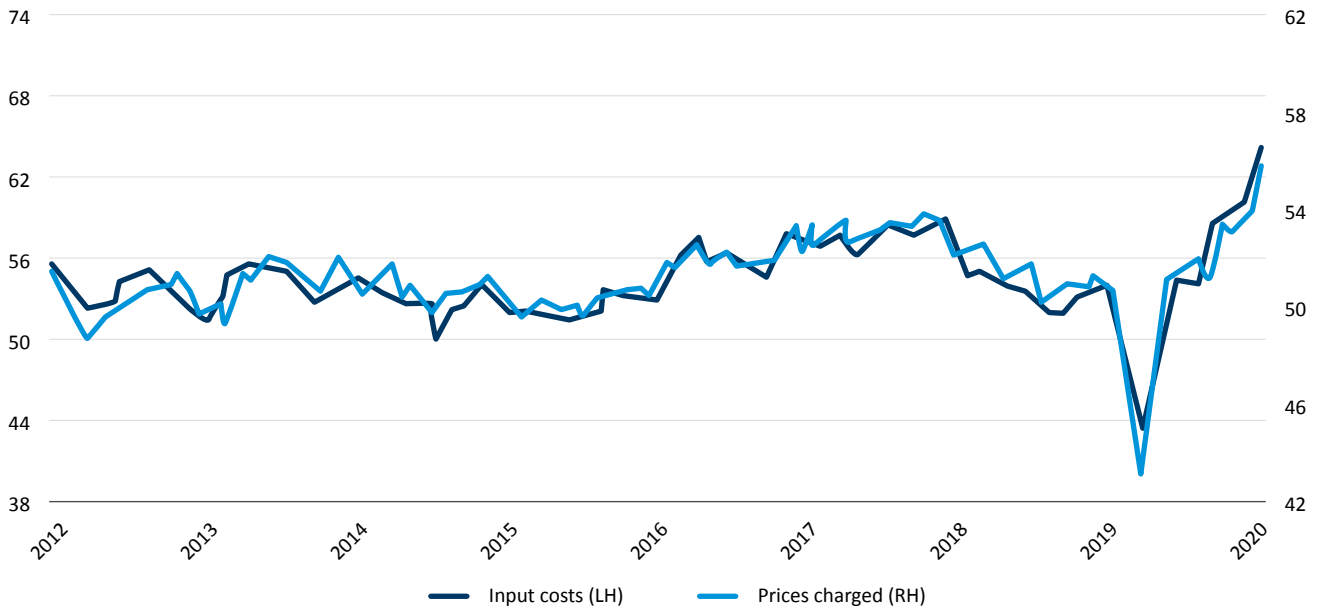
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Figure 5: U.S. input costs and selling prices

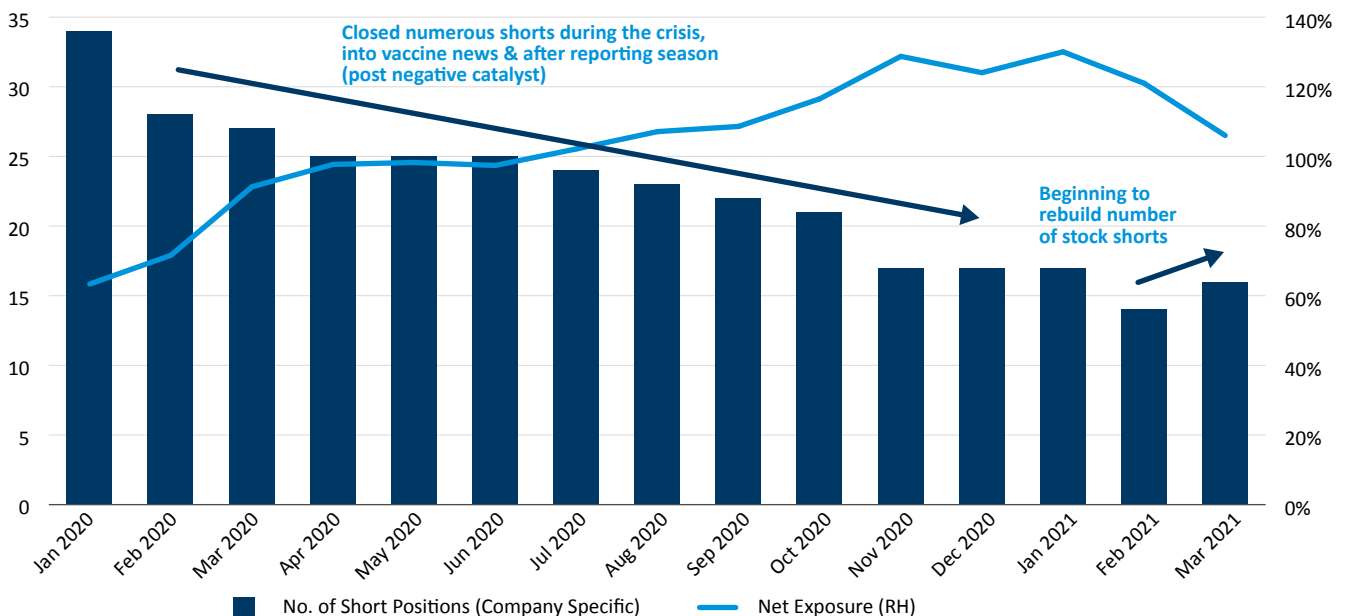


Source: PMI, IHS Markit and JP Morgan

## Portfolio Positioning

Reflecting on our positioning since the start of the pandemic, Figure 6 provides a snapshot of the evolution of our net long position and number of company-specific shorts from the beginning of 2020. We continuously adjust our net long exposure and short book to reflect our macroeconomic outlook and our assessment of market risk factors.

Figure 6: Portfolio net exposure and short positioning



Source: L1 Capital



We increased our average net long exposure from ~65% in January 2020 to around 100% in March/April 2020 as we believed the market had been dramatically over-sold and the pandemic had provided us a “once in a decade” investment opportunity. As we built confidence in vaccine success, we further increased our net long to 120-130% from August to November 2020, as we believed the risk-reward had become even more asymmetric. We maintained that positioning into the February 2021 reporting season, where we believed earnings and outlooks were likely to be far stronger than consensus expectations (February reporting season subsequently delivered the highest number of earnings beats in the history of the ASX). In recent weeks, we have begun to normalise our net long, bringing it down to around ~105%, reflecting the fact that markets have rallied considerably and investors in general share our positive outlook for equities. We remain positive on equities given robust corporate and household balance sheets, massive monetary and fiscal stimulus, rising M&A activity and the looming benefits of the global vaccine rollout.

We have steadily taken profits in certain sectors that have seen a strong share price recovery. We have either exited or reduced positions in several stocks across the travel, property, retail and infrastructure sectors where stocks have reached our valuation. We expect our net long to reduce further as markets rally or if the market outlook becomes less favourable.

As shown in Figure 6, we also exited a number of company-specific short positions during the crisis, into vaccine news and after reporting season (post negative catalysts playing out). We have also steadily increased our weighting to index short positions over the last few quarters as a hedge against our long book. In an environment that has been exceptionally difficult for shorting, markets rallying strongly, share prices dominated by themes and momentum rather than valuations and retail traders causing extreme price moves and numerous short squeezes, our stock shorts have still performed positively, contributing ~15% to our performance since January 2020 and ~2% over the last quarter. We are extremely pleased with that performance considering many of the world’s top hedge fund managers have experienced massive losses on their short book over the same period. We expect to selectively add to our short book as market conditions normalise.

**While we are monitoring a number of potential market risks, we continue to be optimistic as we believe we have built a portfolio of many mispriced stocks, with clear upcoming catalysts and strong valuation and balance sheet support. Those factors provide the portfolio with strong upside potential along with downside protection in the event of a deterioration in market conditions.**

## M&A and Corporate Restructuring

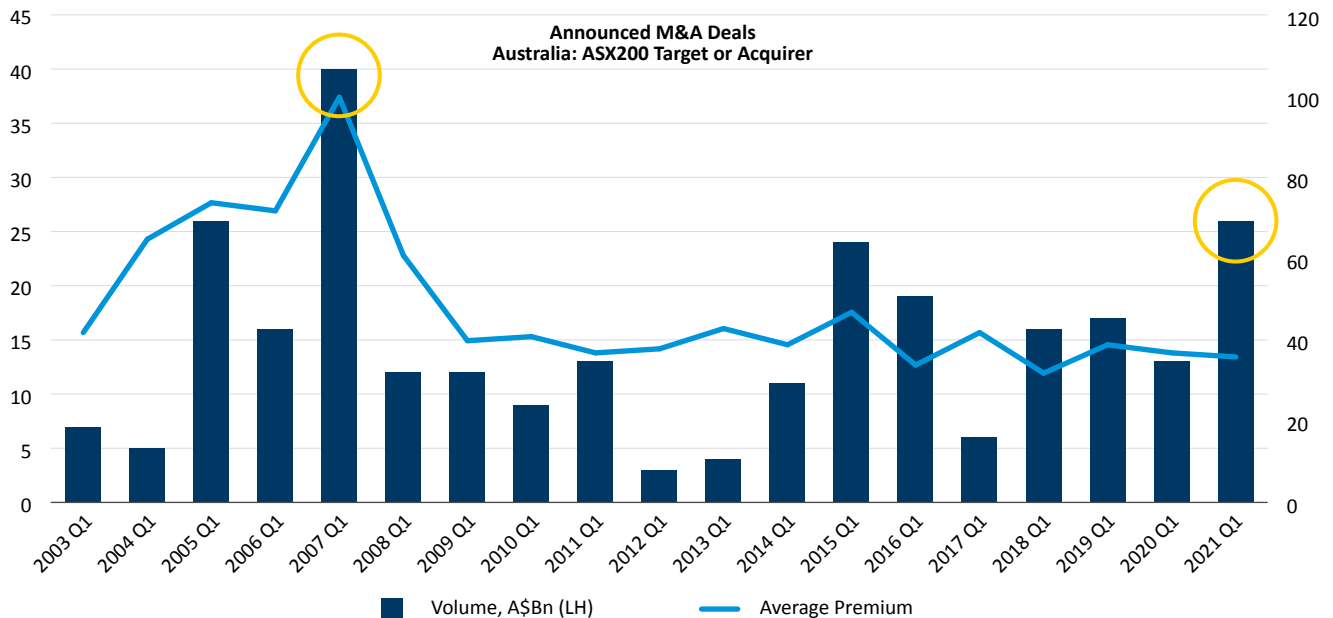
In previous quarters we have written that we think we are on the cusp of a major increase in mergers and acquisitions (M&A) and corporate restructuring activity which will further bolster market performance. We expect five key factors to drive the upturn in activity:

1. **Surging business confidence** – Strong earnings and economic growth forecasts and increasing confidence of a post-pandemic recovery have reinforced the appetite of senior executives to explore strategic deals.
2. **Acceleration in corporate transformation/consolidation** – COVID-19 has pressured some sectors and re-shaped the way they operate, bringing forward decisions on corporate strategy and industry consolidation.
3. **Massive capital pool** – Private equity fund raisings and the listing of numerous SPACs (Special Purpose Acquisition Companies) in the U.S. have created a massive pool of money which must be deployed in the near term. Industry super funds have also become much larger and are taking a more direct role in takeovers, thereby adding to the pool of potential acquirers.
4. **Significant pent-up demand** – We had started to see the early signs of M&A accelerating in 2019, however, the pandemic interrupted the cycle and paused many deals. We expect a catch-up of these transactions over the next 12-18 months.
5. **Favourable debt and equity markets** – Interest rates remain at very low levels with credit terms loosening towards pre-COVID levels and covenant-lite loans on offer once again. Equity markets remain easily accessible.

M&A activity in Australia has already surged so far in 2021 and is on track for the strongest year since 2007 in terms of deal volumes (Figure 7). Even with this strong start, Australia continues to lag the U.S. and Europe, where deal volumes in Q1 have been tracking at a much faster pace fuelled to a greater degree by SPAC and private equity activity.



Figure 7: 1Q 2021 M&amp;A activity in Australia is on track to reach a decade-high



Source: Bloomberg and Goldman Sachs Global Investment Research.

The portfolio is well positioned to benefit from rising M&A and restructuring activity, given our skew to undervalued companies with strategic appeal. Some of the stock specific positions that may benefit from this tailwind are outlined below:

- **Telstra** is in the process of implementing a corporate restructure to separate its core telecom infrastructure assets from the rest of the company. Globally, mobile towers portfolios and fixed network assets have recently transacted at multiples north of 20x EV/EBITDA, reflecting the attractive cashflow profile and demand outlook in increasingly digital economies. With Telstra currently trading on an EV/EBITDA multiple of only 7.5x, we see strong upside potential as the share price adjusts to better reflect the true value of its high-quality infrastructure assets.
- **News Corporation** has pursued a number of initiatives recently to help unlock latent value within its portfolio of assets. During 2020, the break-out of the Dow Jones segment financials has helped highlight the value of that asset to investors, although we remain of the view that the implied US\$8b+ valuation for Dow Jones is not being fully recognised in the current share price. In addition, News Corp has been active in its restructuring efforts, by exiting unprofitable operations and through strategic acquisitions, including HMH Books for US\$349m, Investor's Business Daily for US\$275m as well as REA's proposed US\$244m takeover offer for Mortgage Choice. Given the latent value of the portfolio, we believe News Corp could realise further value for shareholders through additional restructuring initiatives and value-accretive M&A going forward.
- **Link** is an outsourced administrative services provider primarily to super funds, asset managers and trustees. Link also holds a 44% interest in PEXA, the primary provider of digital property settlements in Australia. Link received a non-binding takeover offer from Pacific Equity Partners ("PEP") and Carlyle in October 2020 at ~\$5.40 per share which valued its PEXA interest at ~\$1.60 share. We established a position in the company at ~\$4.80 per share as we believed the offer for PEXA was too low and there was upside through Link running a formal sale process for the asset. Link subsequently announced the commencement of a dual-track IPO and trade sale process for PEXA in February 2021. We believe PEXA is worth considerably more than the non-binding offer level, with multiple upside paths either through a separate sale of the asset or an improved offer for the whole Group.
- **Tabcorp** received two indicative bids for its wagering business with the Board having commenced a strategic review to determine the optimal path forward. The review is set to conclude by June 2021. We believe a sale or demerger of this business will unlock significant value for shareholders as it will both catalyse interest in the wagering business and enable a re-rating for the lotteries business, which we think is well-deserved given its high-quality, infrastructure like characteristics.

In addition to the above, we have several portfolio positions across the media, oil & gas, industrials, healthcare, consumer discretionary and resources segments which we regard as potential takeover targets. While this is not the central part of our investment thesis, the supportive M&A and restructuring environment provides free upside optionality across the portfolio.





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## Key Stock Contributors for the Quarter

**Bed Bath & Beyond (BBBY) (Long +64%)** shares rallied strongly as the company was one of a handful of heavily shorted stocks that were aggressively bought by retail investors early in the quarter. The sharp increase in the share price led to a “short squeeze” as some hedge funds were forced to liquidate their short positions through buying stock on market, further exacerbating the spike in the share price. We took advantage of the share price surge to sell-down our holding in January and fully exited our position near the intra-month high of ~US\$52 per share (average sell price of US\$45.31, compared to our entry price in June 2020 of around US\$9.00).

**News Corp (Long +36%)** shares continued their strong momentum 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 market capitalisation. 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 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.

**Tabcorp (Long +20%)** 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.

**Entain (Long +34%)** is a global sports-betting and gaming group headquartered in the U.K. The company owns the Ladbrokes and Neds brands in Australia and is a leading player in the nascent U.S. sport betting and iGaming market through its joint venture with MGM Resorts (BetMGM). We initially invested in Entain in August 2020 at an average entry price of ~£8.00 when the company was trading on only ~7x EV/EBITDA on consensus estimates, despite the potential for many years of double-digit growth from the company’s core online business as well as exponential growth from its U.S. joint venture. The shares have nearly doubled since then as Entain upgraded December FY20 EBITDA guidance twice driven by the outperformance of its online business and also demonstrated very strong early market share from its U.S. joint venture. BetMGM is now the largest iGaming player in the U.S. and a top 3 player across sports betting/iGaming with an ~18% market share in states where it operates. Despite the recent share price appreciation, we believe Entain still has material upside from current levels. The company continues to trade at a discount to its global gaming peers despite its strong execution to date and its exceptional growth profile. We believe its core online business could double over the next 3-4 years and we expect continued momentum in the U.S. as more states legalise online betting and gaming. There also remains optionality on corporate interest in the company, with a takeover bid made in early January by MGM Resorts that was rejected by Entain’s board on valuation grounds.



**Telstra (Long +14%)** shares rose during the March quarter 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.

**Lyft (Long +29%)** has continued to perform well as business volumes improve in line with the relaxation of COVID-19 restrictions across the U.S. and with the company providing greater certainty on the transition to profitability by the second half of 2021. Lyft is a ride-sharing company in the U.S. that competes with Uber. Since its IPO in 2019, the company has suffered from regulatory uncertainty (from California's push to reclassify drivers as employees) and question marks over its ability to compete effectively with Uber. Together with the COVID-19 pandemic curtailing demand, the stock had declined over 60% when we initiated a position in October 2020 at around US\$24 per share. Our thesis was that with Uber and Lyft both prioritising profitability and no new competitors emerging, market share would remain relatively stable while demand would recover rapidly post-COVID. The November vaccine news and the passing of the Prop 22 ballot (which enshrined drivers' contractor status) have resulted in the shares more than doubling since we first invested. While we still have faith the business will continue to perform strongly, we believe there are now better risk-adjusted opportunities elsewhere in the market and we fully exited our position in March at around US\$64 per share.

**CK Hutchison (Long +15%)** shares rose 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%.

### Key Stock Detractors for the Quarter

**Resolute Mining (Long -45%)** shares fell in the March quarter 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 (this decision was reversed in April). 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 has been terminated. 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.

**SES (Long -12%)** is a French satellite network provider that supplies data and video connectivity to broadcasters, telecommunications companies, governments and airlines globally. SES also owns a 45% economic interest in C-Band spectrum that is critical to the development of 5G services in the U.S. SES was impacted in the March quarter by fears of rising COVID-19 case numbers in Europe, concerns of mutant virus strains and the increase in market volatility. We believe SES remains extremely undervalued and we took advantage of the pullback to further add to our position. The market currently ascribes limited value to the company's C-Band spectrum, which is set to deliver ~US\$3.2b in cash payments (after tax) over the next 3 years, amounting to ~80% of the current market cap. We also believe there is opportunity to monetise SES's spectrum position in Canada and Brazil, as well as receive further payments from the early clearing of its U.S. spectrum.



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## 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 its flagship L1 Capital Australian Equities Fund in August 2007.

Since inception, the L1 Capital Australian Equities Fund has been one of the best performing large cap, long only funds in Australia, outperforming the S&P/ASX200 Accumulation Index by 3.0% p.a. (net of fees).

## Fund Information – Daily Class

<b>Class Name</b>	L1 Capital Long Short Fund Daily Class
<b>Structure/Currency</b>	Australian Unit Trust/AUD
<b>Class Inception</b>	3 October 2016
<b>Management Fee</b>	1.54% p.a. inclusive of GST and RITC
<b>Performance Fee</b>	20.50% inclusive of GST and RITC*
<b>High Watermark</b>	Yes
<b>Buy/Sell Spread</b>	25bps/25bps
<b>APIR/ISIN</b>	ETL0490AU/AU60ETL04909
<b>Minimum Investment</b>	A\$25,000
<b>Subscription/Redemption Frequency</b>	Daily
<b>Platform Availability</b>	Asgard, BT Wrap, CFS FirstWrap, HUB24, IOOF, Mason Stevens, MLC, Macquarie Manager/Consolidator, Netwealth, North, Powerwrap, uXchange

## Service Providers

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



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\* The performance fee is equal to the stated percentage (inclusive of GST and net of RITC) of any increase in the NAV over any Performance Period (adjusted for applications and redemptions and before the payment of any distribution after the payment of the management fee and expenses) above the high-water mark.

All performance numbers are quoted net of fees. All performance prior to 3 Oct 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. 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.

### Information contained in this publication

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