DAILY CLASS

Australian Equities Fund

Monthly Report | JUNE 2021

L1 CAPITAL

INCEPTION DATE: 23 AUGUST 2007 | UNIT PRICE: 1.8444[1,2] | FUND NAV: $80M

- **The Fund returned 0.3% (net) in June, underperforming the S&P/ASX 200 Accumulation Index by 1.9%.**
- **Over the past year, the Fund returned 28.0% (net), outperforming the index by 0.2%.**
- **Since inception, the Fund has outperformed the index by 2.6% p.a. (net).**

Global equity markets rose modestly in June led by the continued improvement in economic data and a strong recovery in growth names. The US Federal Reserve turned more hawkish in June, accelerating the pace of expected policy tightening amid optimism about the rate of the economic recovery. This led to a flattening of the yield curve causing growth and defensive stocks to strongly outperform value and cyclical stocks.

The S&P/ASX 200 Accumulation Index returned 2.3% in June. The strongest sectors in Australia were Information Technology (+13.4%), Communication Services (+5.5%) and Property (+5.5%) while Financials (-0.2%), Materials (+0.3%) and Healthcare (+2.2%) lagged.

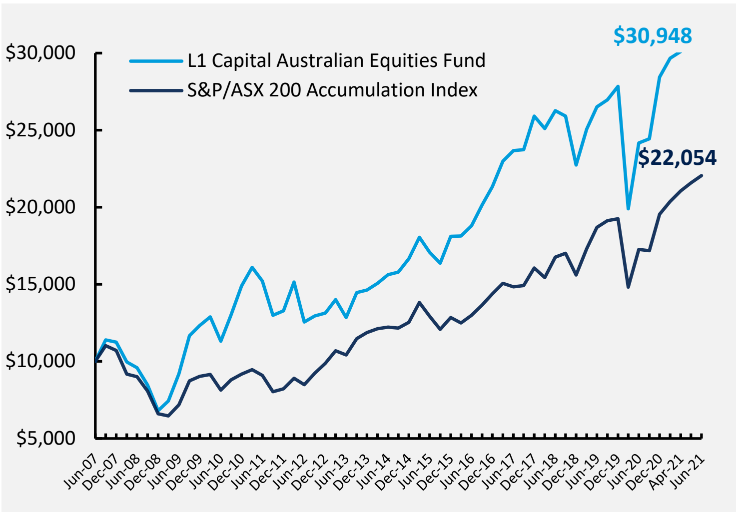
We believe equity markets will remain supported in the near term, with strong GDP growth and reflation likely to support the renewal of the rotation to value and cyclical stocks. As such, we continue to position the portfolio to benefit from ongoing inflationary pressure throughout 2021. This should lead to a de-rating in high multiple concept stocks while at the same time supporting sectors such as Mining & Energy.

Performance Summary (Net) (%)

	Fund[3]	Index[3]	Out-performance
One month	0.3	2.3	-1.9
Three months	4.3	8.3	-4.0
One Year	28.0	27.8	+0.2
Two years p.a.	8.0	8.6	-0.6
Three Years p.a.	5.6	9.6	-4.0
Five Years p.a.	10.5	11.2	-0.7
Ten Years p.a.	7.4	9.3	-1.9
Since inception p.a.	8.5	5.9	+2.6
Since inception cumulative	**209.5**	**120.5**	**+88.9**

Fund Performance vs S&P/ASX 200 Accumulation Index

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



[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. [3] The Index is the S&P/ASX 200 Accumulation Index. 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. Strategy performance is for the Daily Class of units of the L1 Capital Australian Equities Fund since inception on 5 Oct 2017 (being the date that the first Daily Class units were issued). Prior to this date, data is that of the L1 Capital Australian Equities Fund Wholesale Class of units since inception (22 Aug 2007) which is subject to a different fee structure.

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

Worley shares rallied 13% after its investor day where the company confirmed it was on track to deliver an improved second half performance and also further outlined the significant energy transition related opportunities available and Worley's unique positioning to capture this growth. The oil and gas market has been impacted by two major downturns in the last five years and a number of Worley's major competitors are facing bankruptcy or scaling back their operations. This has allowed Worley to become the clear global leader in engineering consultancy in its key segments and has contributed to incremental market share gains as a greater proportion of work moves to a lower risk, reimbursable cost model. We believe FY21 will be the trough in earnings for Worley due to the transitory impact of the pandemic, with a slow but steady recovery in conventional oil and gas capex supporting earnings growth going forward. On a medium term basis, we expect "green" energy opportunities to become a much greater proportion of Worley's sales mix as the energy transition accelerates.

Telstra shares rose 7% during June after the company announced the sale of a 49% stake in its Tower portfolio for $2.8b to a consortium of infrastructure investors including the Future Fund, CSC and Sunsuper. The transaction multiple of 28x EV/EBITDA was materially higher than analyst expectations and recent comparable transactions, reflecting the quality of the Telstra portfolio and the ongoing demand for high quality telecommunications infrastructure assets. While the sell-down had been flagged as part of the company's T22 strategy, the timing of the sale was a surprise with Telstra previously flagging a process that would complete in early 2022. Telstra expects to return 50% of net proceeds to shareholders, which will make the transaction modestly earnings accretive. The outcome of this sale is likely to increase the market's focus on the much larger opportunity for value realisation from Telstra's other infrastructure assets, including its ducts, fibre and NBN recurring revenue streams (in aggregate these assets generate around 7x the earnings of the tower portfolio). From an operational perspective, another positive for Telstra during the month was further improvement in competitive dynamics with Optus and Vodafone both lifting pricing on key post-paid plans. This highlights the continuation of mobile market 'repair', which bodes well for future Mobile segment ARPU and EBITDA growth.

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

Resolute Mining shares declined 17% in June primarily due to an ~8% decline in the gold price leading to the general underperformance of small-cap gold equities over the month. The company continued to bolster their balance sheet with the voluntary early repayment of ~US$20m in debt in early June. Resolute also recently announced the appointment of a new, well-regarded CFO – Doug Warden to strengthen the senior management team. We believe Resolute remains dramatically undervalued and the shares should begin performing as it delivers on its 2021 outlook, with further benefits from any potential stabilisation or recovery in the gold price.

Star Entertainment shares declined 9% with the announcement of new COVID-related restrictions at its NSW casino. We continue to believe Star has an attractive outlook given the scarcity value of its casino licenses and the transformative impact of the Queen's Wharf development in Brisbane. In our view, Star's market cap of ~$3.6b hugely undervalues the asset base, licenses and likely cashflow generation of the company. While the market is very focused on the short-term risks around COVID-19 disruption, we believe the medium-term outlook for Star looks very attractive.

The investment team's positive outlook for the portfolio remains 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 expect the ongoing global vaccine rollout, extreme monetary and fiscal stimulus and an acceleration in economic growth to provide a tailwind for corporate earnings and portfolio performance.

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Fund Information – Daily Class

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[4]
High Watermark	Yes
APIR/ARSN	LCP0001AU/621 183 195
Minimum Investment	A$25,000
Subscription Frequency	Daily
Redemption Frequency	Daily
Platform Availability	Hub24, Macquarie Wrap, Mason Stevens, Netwealth, Powerwrap, Praemium, uXchange

Service Providers

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

L1 CAPITAL

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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 through strategies that include long only Australian equities, long short equities, international equities, activist equities, a global multi-strategy hedge fund and UK residential property. The firm has built a reputation for investment excellence, with all L1 Capital's strategies delivering strong returns since inception versus both benchmarks and peers. The team remains dedicated to delivering on that strong reputation through providing market-leading performance via differentiated investment approaches with outstanding client service, transparency and integrity. L1 Capital's clients include large superannuation funds, pension funds, asset consultants, financial planning groups, family offices, high net worth individuals and retail investors.

[4] The performance fee is equal to the stated percentage of the amount by which the Fund's performance exceeds the S&P ASX 200 Accumulation Index (after management expenses but before performance fees) in a Performance Period.

All performance numbers are quoted net of fees. Past performance should not be taken as an indicator of future performance. Strategy performance is for the Daily Class of units of the L1 Capital Australian Equities Fund since inception on 5 Oct 2017 (being the date that the first Daily Class units were issued). Prior to this date, data is that of the L1 Capital Australian Equities Fund Wholesale Class of units since inception (22 Aug 2007) which is subject to a different fee structure. Sources of information in this report are Mainstream Fund Services, Bloomberg and L1 Capital.