



L1 CAPITAL

DAILY CLASS

# Australian Equities Fund

Monthly Report | SEPTEMBER 2021

INCEPTION DATE: 23 AUGUST 2007 | UNIT PRICE: 1.8324<sup>1,2</sup> | FUND NAV: \$78M

The Fund returned 0.8% (net) in September, outperforming the S&P/ASX 200 Accumulation Index by 2.7%.

Over the past 12 months, the Fund returned 34.3% (net), outperforming the index by 3.8%.

Since inception, the Fund has outperformed the index by 2.9% p.a. (net).

Global equity markets fell in September (NASDAQ -5.7%, S&P500 -4.7%, MSCI World -4.2%), with investor sentiment impacted by ongoing fears around high inflation, the potential default of Evergrande (one of China's largest property developers) and more hawkish commentary from the U.S. Federal Reserve. These factors contributed to a sharp rise in bond yields with the US 10-year rising 24bps to 1.52% and the Australian 10-year rising 33bps to 1.49%.

The S&P/ASX 200 Accumulation Index returned -1.9% in September. The strongest sectors were Energy (+16.7%), Utilities (+2.5%), Financials (+1.6%), while Materials (-9.3%), Health Care (-4.9%) and Information Technology (-3.9%) lagged.

The portfolio performed strongly over the month due to numerous positive company updates, along with portfolio positioning designed to benefit from the reopening trade and higher inflation.

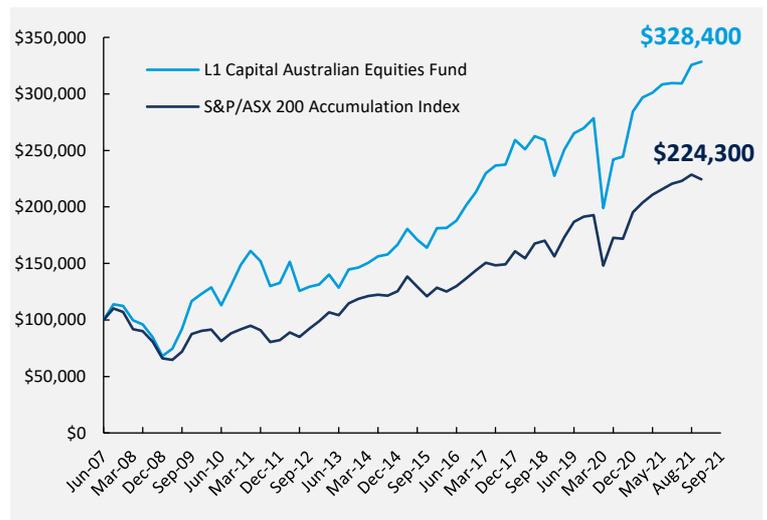
We continue to have a positive outlook for the Fund. Our expectations remain underpinned by the large number of portfolio stocks with significant upside to valuation and the extreme stock dispersion across the market, which provides attractive opportunities for stock picking.

## Performance Summary (Net) (%)

	Fund <sup>3</sup>	Index <sup>3</sup>	Out-performance
One month	0.8	-1.9	+2.7
Three months	6.1	1.7	+4.4
One Year	34.3	30.6	+3.8
Two years p.a.	10.3	8.3	+2.1
Three Years p.a.	8.2	9.7	-1.4
Five Years p.a.	10.3	10.4	-0.2
Ten Years p.a.	9.7	10.8	-1.1
Since inception p.a.	8.8	5.9	+2.9
Since inception cumulative	228.4	124.3	+104.1

## Fund Performance vs S&P/ASX 200 Accumulation Index

Growth of \$100,000 invested since inception (after fees)



<sup>1</sup> The value of the Fund's assets less the liabilities of the Fund net of fees, costs and taxes. <sup>2</sup> 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. <sup>3</sup> 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.



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

**Oil Search** rallied 17% this month due to a ~10% increase in oil prices. Oil Search is one of the highest quality energy stocks listed in Australia, with its low cost of production, long life assets, attractive growth options and partnership with a high-quality operator (Exxon Mobil). Oil Search also has a large stake in two very substantial growth projects in Papua New Guinea and Alaska. The Oil Search board recently approved entering into a scheme or arrangement for an all scrip merger with Santos at a modest premium to the pre-deal Oil Search price. We believe the combined Santos/Oil Search business led by the highly credentialed Santos management team is well-positioned to re-rate as the market reflects on the substantial synergies available, excellent producing asset base and strong suite of growth assets across the portfolio.

**Qantas** shares increased by 11% as investor sentiment significantly improved for the 'reopening trade'. Vaccination rates across Australia accelerated in September, while case numbers in NSW peaked, providing improved confidence that Australia was on track to reopen for both domestic and international travel. Qantas brought forward the re-start of its key Sydney-Melbourne route to early November and also its recommencement of international travel from mid-November. While it will take some time for Qantas' flight activity to return to 2019 levels (given lingering quarantining restrictions and some states remaining closed to interstate travel), we believe the outlook for Qantas on a medium-term view is extremely positive. We believe Qantas will re-emerge from the pandemic even stronger than before, given its \$1b cost out program, improved market position and the massive pent-up demand for leisure travel.

**News Corp** shares rose 8% in September with the company announcing a US\$1b share buy-back program. This reflects increasing optimism on the outlook for its core operations, an improving free cash flow profile and a view from the News Corp board and management on the underlying value of the company. News Corp's latest result highlighted the strong operating momentum for the Group, which is being driven by its three core segments of Digital Real Estate, Dow Jones and Book Publishing. Complementing strong organic growth trends, News Corp has undertaken selective M&A to further bolster the operating outlook for these segments in coming years. Also during the month, News Corp held a Foxtel Investor Day. Presentations from management highlighted the substantial progress made to transition this business from a legacy, linear pay-TV model that was in decline, to a capital-lite, streaming-led operation that is well-positioned to deliver revenue growth and materially higher cash flow generation going forward. The success of this turnaround creates optionality for News Corp to pursue an IPO of Foxtel as a measure to unlock value for shareholders. Such a move – which we would encourage – would be consistent with News Corp management's recent efforts to better highlight the underlying value of its assets via portfolio rationalisation, cost initiatives, improved shareholder disclosures and the recently announced share buyback program.



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## Fund Information – Daily Class

<b>Name</b>	L1 Capital Australian Equities Fund
<b>Class of Units</b>	Daily
<b>Structure</b>	Unit Trust
<b>Domicile/Currency</b>	Australia/AUD
<b>Inception</b>	23 August 2007
<b>Management Fee</b>	0.77% p.a. inclusive of GST and RITC
<b>Expenses</b>	Maximum of 0.20% p.a.
<b>Performance Fee</b>	15.38% above S&P/ASX200 Acc Index <sup>4</sup>
<b>High Watermark</b>	Yes
<b>APIR/ARSN</b>	LCP0001AU/621 183 195
<b>Minimum Investment</b>	A\$25,000
<b>Subscription Frequency</b>	Daily
<b>Redemption Frequency</b>	Daily
<b>Platform Availability</b>	Hub24, Macquarie Wrap, Mason Stevens, Netwealth, Powerwrap, Praemium, uXchange

## Service Providers

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



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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 U.K. 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.

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<sup>4</sup> 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.

### Information contained in this publication

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