



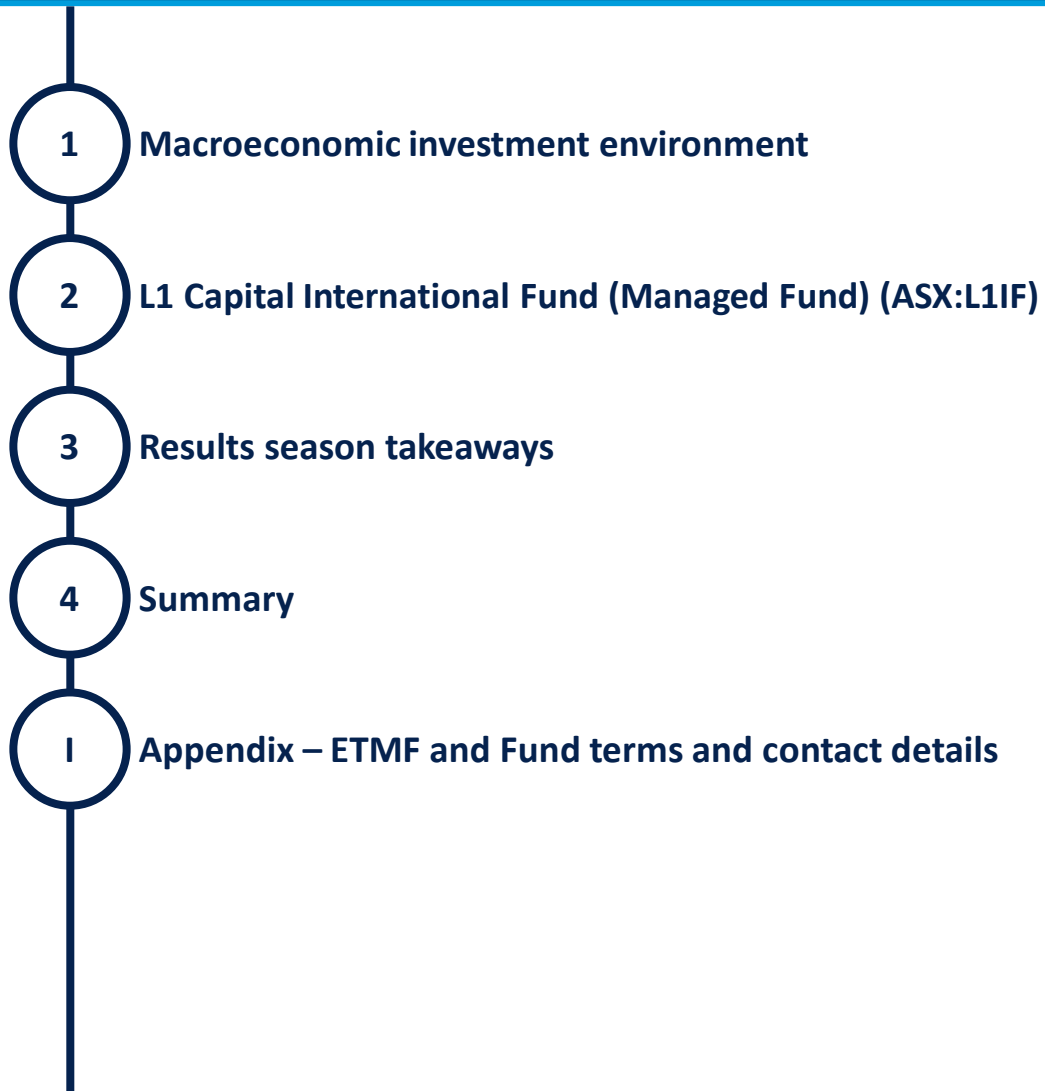
**L1 CAPITAL
INTERNATIONAL**

L1 Capital International Fund

Investment Environment and Portfolio Update

June 2024





1

Macroeconomic investment environment

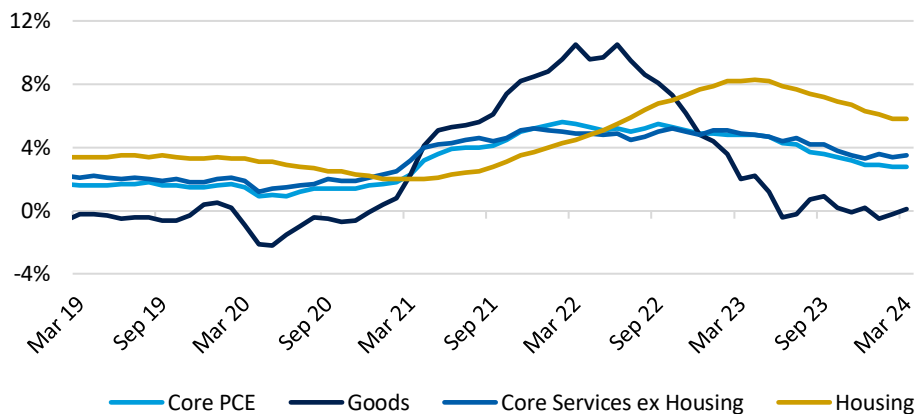


Investment environment

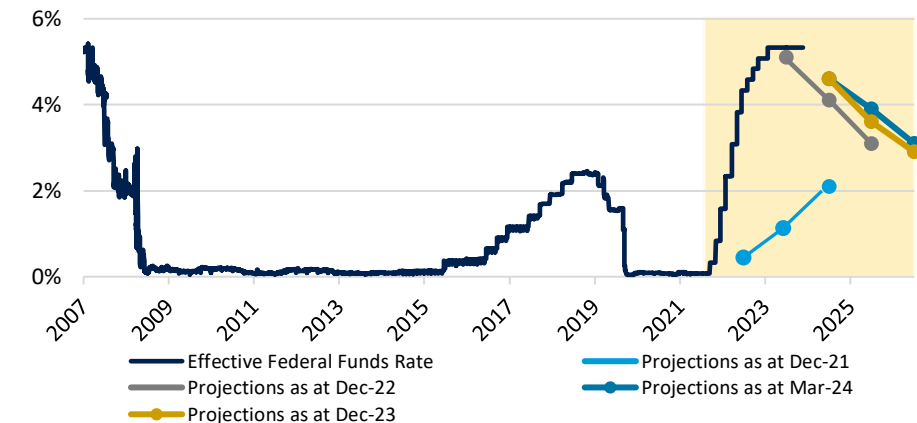
Inflation remains above targeted levels, timing of rate cut expectations continues to be pushed out

- 1 Rate of **inflation** has **stabilised** moderately **above** Central Bank targets
- 2 **Labour markets** are **cooling**, slowly
- 3 **Growth** is **too strong** and **inflation too high** for rate cuts in most developed countries
- 4 **Short term interest rates** likely to stay **higher for longer**, long term rates drifting up
- 5 **Bifurcation of consumers** – **wealthy vs lower socio-economic**

Core U.S. PCE growth by category



Federal Reserve Funds Rate and expectations

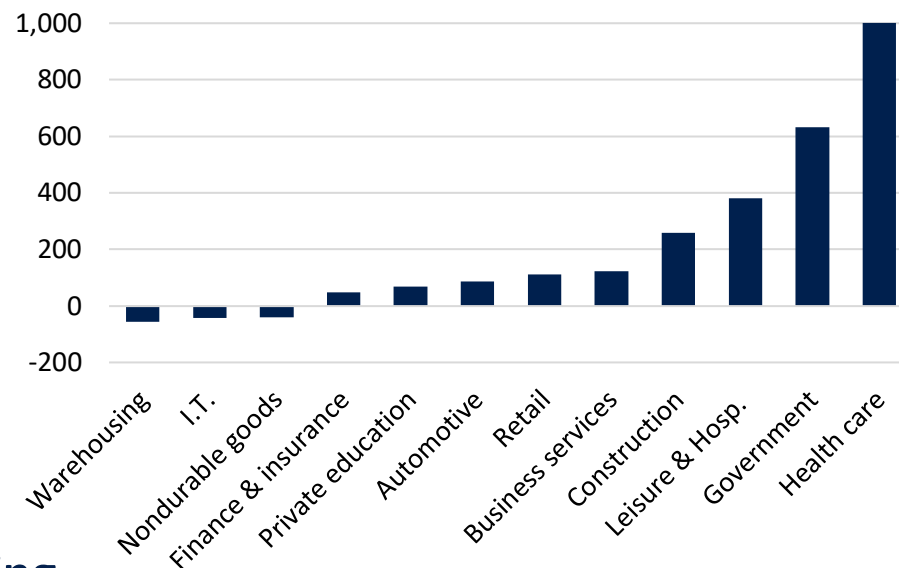


Investment environment (cont.)

Economic environment still trending towards a 'soft landing' particularly the U.S., expect business divergence

- 6 Fewer companies with **genuine pricing power**
- 7 We expect **substantial divergence between industries**, and by companies within industries
- 8 A **soft landing** remains our **base case** – **U.S. best placed**
- 9 **AI is not a fad** and will massively influence most industries – **finding attractive investment exposure is challenging**
- 10 **Geopolitical risks** remain **intense, unpredictable** and are unlikely to go away

Change in U.S. jobs by sector – 12m to 30 Apr 24 ('000)



2

L1 Capital International Fund (Managed Fund) (ASX:L1IF)



L1 Capital International Fund

Fund is meeting its performance objectives



L1 Capital International Fund performance objectives

- Deliver attractive risk-adjusted returns over a medium- to long-term investment horizon whilst lowering the risk of a permanent loss of capital
- To outperform the benchmark over rolling 5-year periods (net of all fees and expenses, before tax)

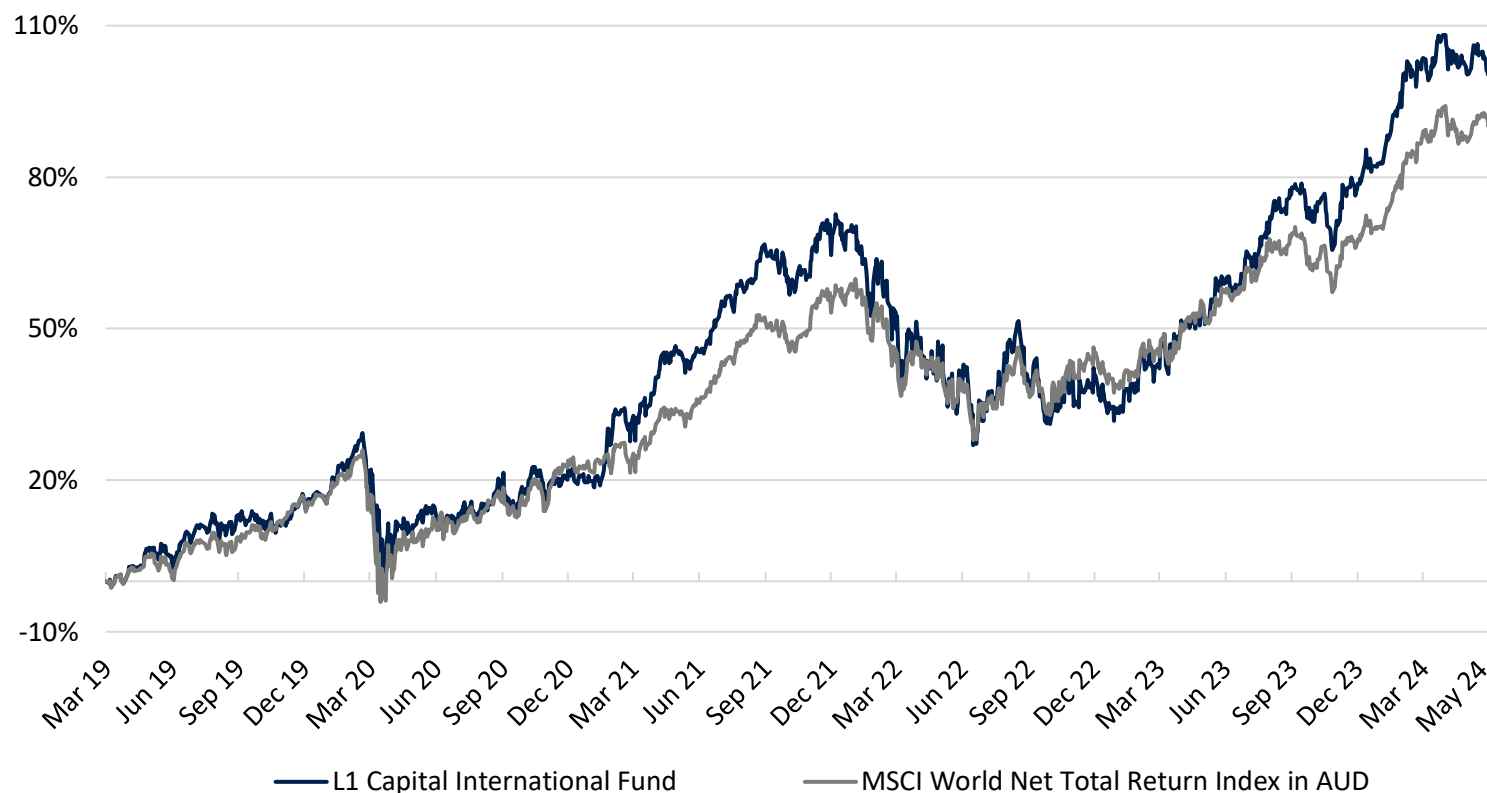
Fund Performance (Net)* (%)

As at 31 May 2024	Fund	Index**	Alpha
1 month	0.4	2.0	(1.6)
3 months	(1.1)	1.6	(2.7)
1 year	26.4	21.6	+4.8
3 years p.a.	11.4	12.2	(0.8)
5 years p.a.	14.2	13.7	+0.5
Since inception p.a.	14.2	13.1	+1.1
Since inception cumulative	101.3	91.2	+10.1

Performance (net of all fees)

From inception on 1 March 2019 to 31 May 2024

Returns since inception (net)



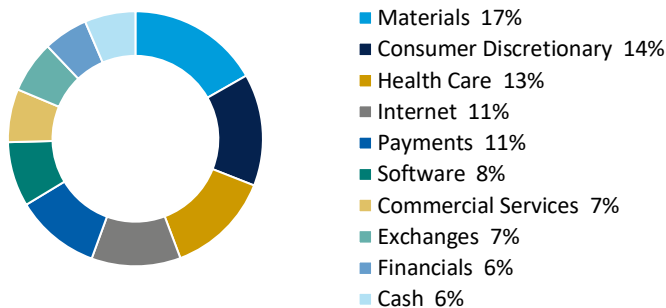
101.3% return
net of fees,
versus
the Benchmark
return of 91.2%

Current portfolio positioning

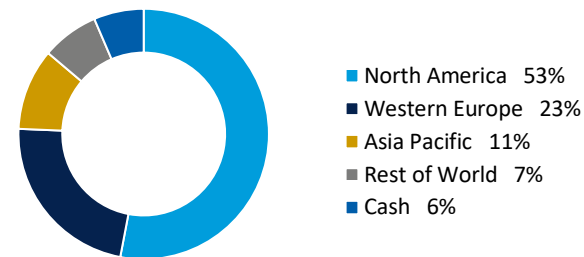
Diversified by industry, region and company size

Portfolio focused on high quality companies in developed markets in a range of generally capital light, well structured and growing industries

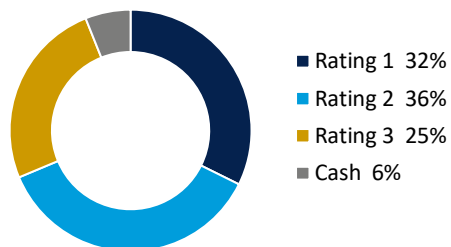
Sector Exposure



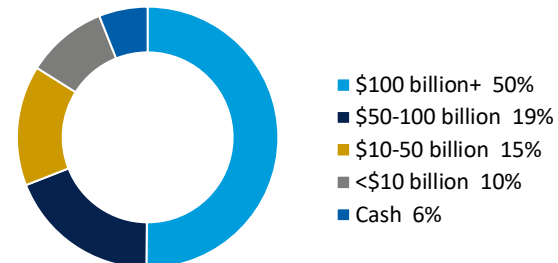
Revenues Exposure by Region¹



L1 Capital International Quality Rating



Market Capitalisation Exposure (in US\$)²

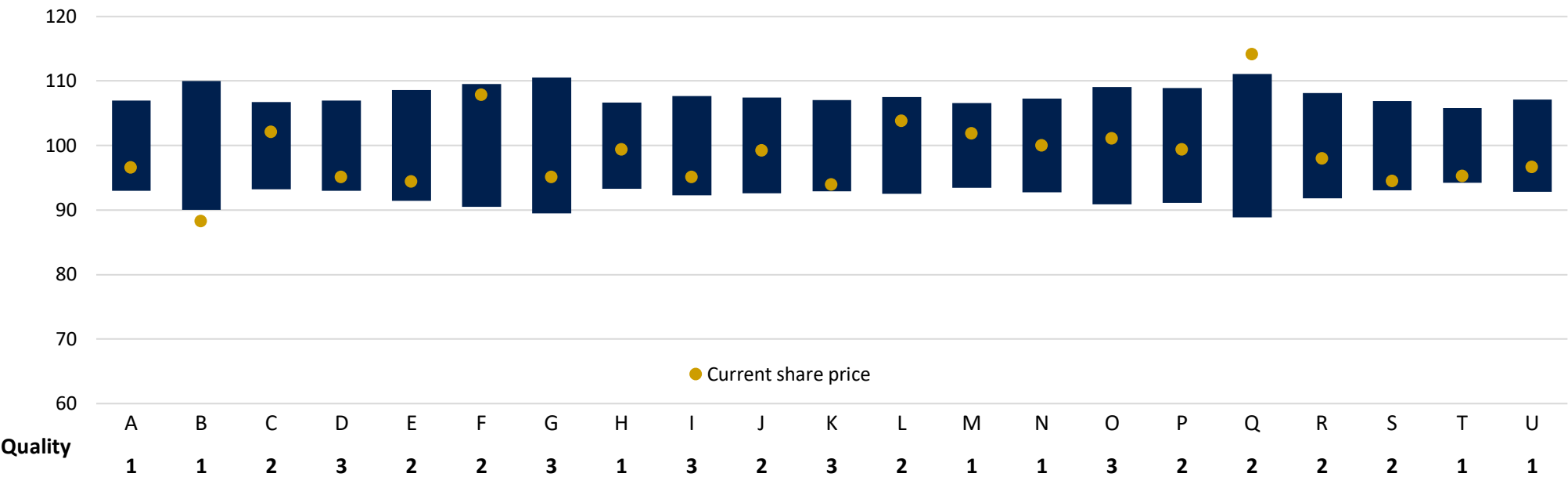


Portfolio valuation compared to share price

Attractive base case returns across the Portfolio

- **High conviction in largest positions – top 10 over 60% of total portfolio**
- Portfolio fairly valued, more attractive base case returns following recent share price fluctuations
- Modest changes to Portfolio since last update – 1 new top 10 holding

Portfolio investments – Share price compared to valuation range (rebased)














3

Results season takeaways



Top 11 holdings – Performance and outlook

Solid start to 2024 with most companies meeting or exceeding our base case expectations, steady outlook

	Quarter results	2024 Outlook
	✓	✓
	AWS: ✓✓ eCommerce: ✓	AWS: ✓ eCommerce: =
	✓	=
	✓	=
	Slight -	=
	✓	=
	=	=
	✓	✓
	=	=
	=	Slight -
	=	=

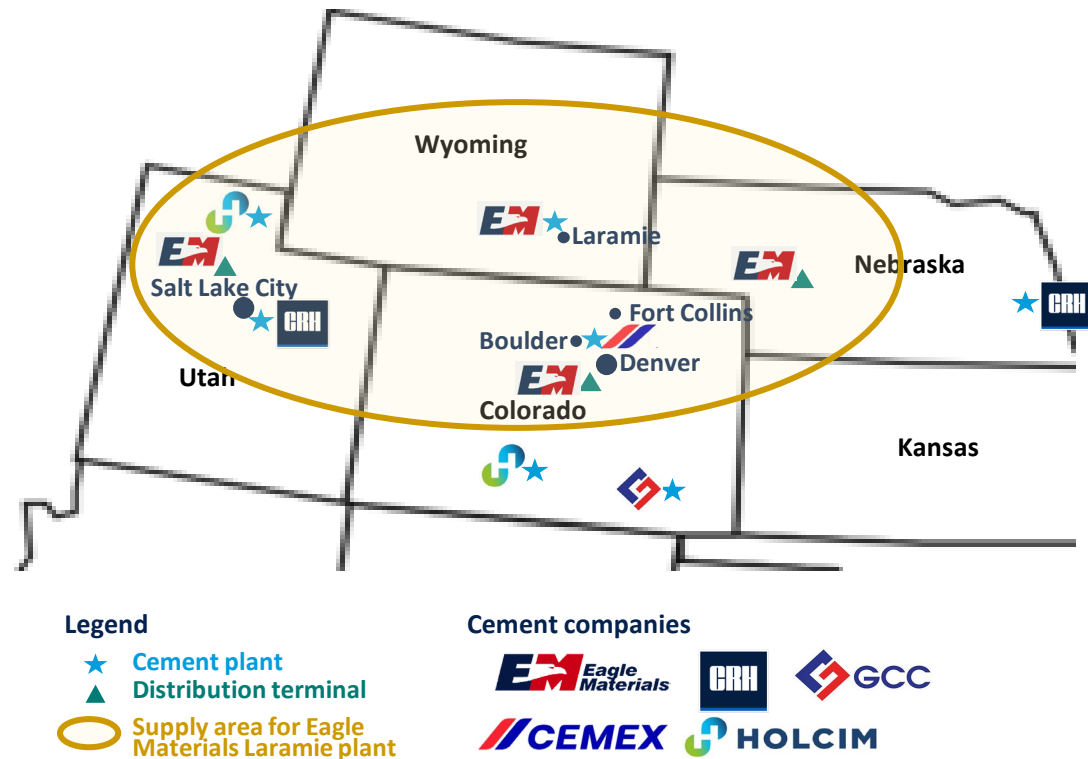
Eagle Materials – detailed industry understanding

Eagle's Laramie, Wyoming cement plant is being modernised and expanded at a cost of \$430 million

Cement is a highly regionalised industry, the detail matters

- Eagle's **management** run the company with an **ownership mentality** (paid a percentage of company earnings)
- **Strategically positioning Eagle for decades**, not quarters
- Due to **unique circumstances** which have been developing over years, Eagle's Laramie investment will position the company to **dominate the growing Northern Colorado cement market**

Cement plants and distribution centre locations



Proprietary L1 Capital International research and analysis and industry knowledge built up over many years, no company disclosure of competitive issues, no sell-side analysis



Laramie, Wyoming

- May 2024, \$430 million investment to modernize and expand the Laramie, Wyoming cement plant and expand distribution facilities in Denver, Colorado after **multi-year permitting process**
- **50% increase in cement capacity**, to be completed end 2026
- Modern kiln using alternative fuels and natural gas instead of solid fuels
- **Reduce CO2** intensity by 20%
- **Reduce** manufacturing **costs** by 25%

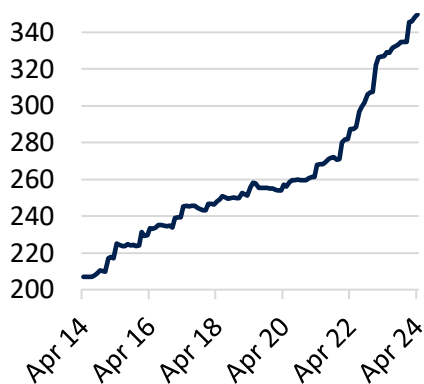


Lyons, Colorado

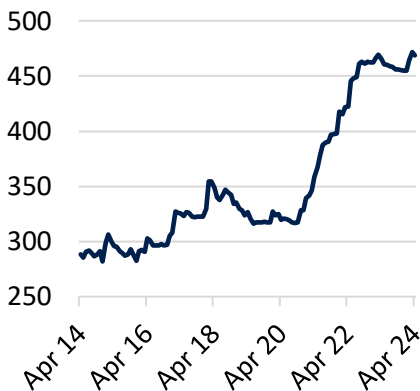
- 2022: Onsite quarry ceases production. Cemex proposes new licence in return for **agreeing to close the plant in 12 years**. Licence not granted
- 2023: Cemex increases trucking of quarry material from regional areas
- April 2024: Boulder County **terminates Cemex's right to operate** the plant due to increased truck movements
- May 2024: Cemex appeals the Boulder County decision

- **Not all commodities are “commodities”**
- **Shortage of fly ash** and alternative cementitious materials impacting both wallboard and cement industries
- Infrastructure spending, manufacturing, data centres and other commercial construction and solid single-family housing construction providing **demand support**
- Industry discipline
- **Result = sustained increase in price of cement and wallboard**

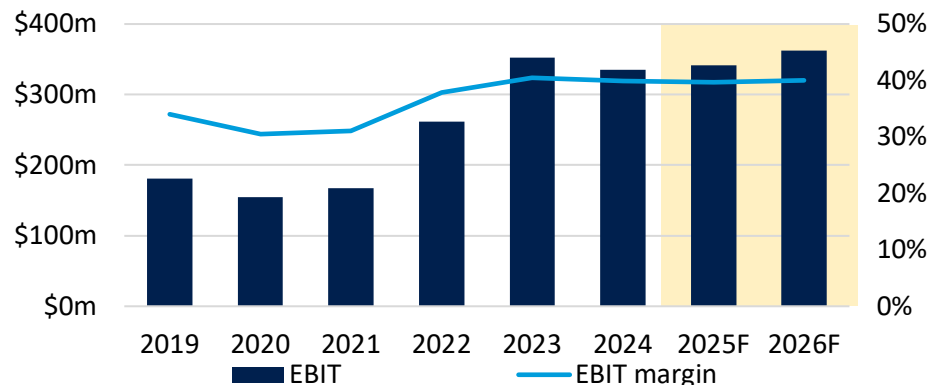
Cement price index



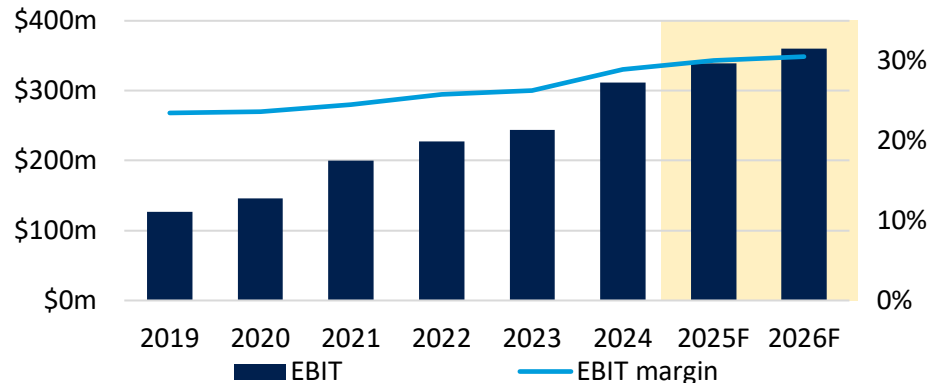
Wallboard price index



Eagle Materials – wallboard earnings and margin



Eagle Materials – cement earnings and margin



Eagle Materials

Eagle Materials is currently trading within our view of fair value following a modest pullback in the share price

- Eagle Material's share price has increased 3x since L1 Capital International's initial investment 4 years ago
- Position size has fluctuated around 5%
- Currently trading within fair value range
 - 13x EV/EBITA, 15x PE
- **Double digit base case return expectations** from current share price

Eagle Materials share price history (\$ per share)



4

Summary



Summary

Economic environment slowing but not crashing, outlook not homogeneous, business selection critical

- 1 **Inflation** remains **above** Central Banks' 2% target
- 2 **Growth** is **slowing**, but **economic conditions remain broadly resilient**
- 3 Market expectations for rate cuts were premature, **higher for longer** short-term interest rates likely, **long-term rates** a key focus issue
- 4 **Consumer income and wealth divergence**, weaker demand environment
- 5 **Soft economic landing expected**, particularly in the U.S.

Summary (cont.)

Diversified portfolio with a range of long-term drivers of business growth

- 6 **Geopolitical risks** remain **intense, unpredictable** and are unlikely to go away
- 7 **Divergence in business performance**, including within industries, expected to continue
- 8 **AI** will drive significant change and growth, but finding attractive investment opportunities is challenging
- 9 **Quality** matters – not **‘Growth’** vs. **‘Value’** or **‘Large-cap’** vs. **‘Small-cap’**
- 10 **Portfolio performing strongly**, meeting or exceeding base case expectations

I

Appendix ETMF and Fund terms and contact details



L1 Capital International Fund (Managed Fund) (ASX:L1IF)

Increased investment flexibility



On 22 November 2023, the Fund became available as an Exchange Traded Managed Fund (ETMF)

- Investors can now buy and sell units on the ASX (**L1IF**) in addition to trading via the unit registry
- Manager pays the costs of listing and maintaining the Fund on the ASX

A 3:1 conversion of existing units in the Fund occurred on 17 Nov 23

- Unitholders allotted a Securityholder Reference Number (SRN)
- Revised unitholding confirmed
- The conversion was not a trade
- There is no taxation event associated with this consolidation
- The fund investment value was unaffected

For further information please contact the Unit Registry Office

- Ph: 1300 133 451
- Email: L1@ApexGroup.com

L1 Capital International Fund (Managed Fund)

Fund terms



Fund terms

Type of investments	Listed securities
Benchmark	MSCI World Net Total Return Index in AUD
Time horizon	5+ years
Investment objective	<ul style="list-style-type: none">▪ To outperform the benchmark over rolling 5-year periods (net of all fees and expenses before tax)▪ To deliver attractive risk-adjusted returns over a medium to long term investment horizon whilst lowering the risk of a permanent loss of capital
Management fees	1.2% p.a. of the net asset value of the Fund (including GST and RITC)
Performance fees	15% over benchmark, subject to any underperformance being recouped and there must be positive absolute performance (adjusted for distributions) in the Performance Period (otherwise positive relative performance is carried forward to the next Performance Period)

L1 Capital International Fund (Managed Fund)

Key parameters



Guidelines

Number of positions (typical)	20 to 40 positions
Target investment universe (typical)	High quality global listed equities (L1 Capital International rating 1, 2, or 3)
Target geography (typical)	Developed markets: North America, Europe, Asia, Aust/NZ
Minimum position size (typical)	2%
Position sizes (typical)	3% to 7%
Maximum position size	Maximum 10% (at time of initial investment)
Cash levels	0 – 25%, typically <5%
Leverage	No
Shorting	No
Applications/redemptions	Dual registry structure available via daily dealing Australian Unit Trust and ETMF (ASX:L1IF)

Contact Us



**Chris
Clayton**

Head of Distribution
+61 (3) 9286 7021
cclayton@L1.com.au



**Aman
Kashyap**

Deputy Head of Distribution
+61 (0) 477 341 403
akashyap@L1.com.au



**Lisa
Salamon**

Investment Specialist
+61 (0) 406 585 322
lsalamon@L1.com.au



**Bryce
Leyden**

Investment Specialist
+61 (0) 407 876 532
bleyden@L1.com.au



**Alejandro
Espina**

Investment Specialist
+61 (0) 423 111 531
aespina@L1.com.au



**Hugo
Brettingham-
Moore**

Investment Specialist
+61 (0) 408 371 473
hb-m@L1.com.au



**Alexander
Ordon**

Investment Specialist
+61 (0) 413 615 224
aordon@L1.com.au



**Jeffrey
Lau**

Investor Services Manager
+61 (0) 403 194 728
jlau@L1.com.au

Find out more online

www.L1.com.au



**L1 CAPITAL
INTERNATIONAL**

Important information

L1 Capital International Pty Limited



Information contained in this publication

Equity Trustees Limited (“Equity Trustees”) (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the L1 Capital International Fund (Managed Fund) ARSN 631 094 141 (ASX:L1IF). Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT).

This publication has been prepared by L1 Capital International Pty Limited (ACN 628 068 717), an authorised representative (no. 1273764) of L1 Capital Pty Ltd (ACN 125 378 145, AFSL 314 302)) and its officers and employees (collectively “L1 International”), to provide you with general information only. In preparing it, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither L1 International, Equity Trustees nor any of its related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. All performance numbers are quoted after fees. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product.

The L1 Capital International Fund (Managed Fund)’s Target Market Determination is available at <https://l1.capital/3NOi7oB>. A Target Market Determination is a document which was required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

Copyright

Copyright in this publication is owned by L1 International. You may use this information in this publication for your own personal use, but you must not (without L1 International’s consent) alter, reproduce or distribute any part of this publication, transmit it to any other person or incorporate the information into any other document.



**L1 CAPITAL
INTERNATIONAL**

ABN 21 125 378 145 | AFSL 314302

Level 32, 1 Farrer Place, Governor Phillip Tower
Sydney NSW 2000

Phone +61 2 8067 7090

Web L1international.com