



**L1 CAPITAL
INTERNATIONAL**

L1 Capital International Fund

Investment Environment and Portfolio Update

November 2024



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).

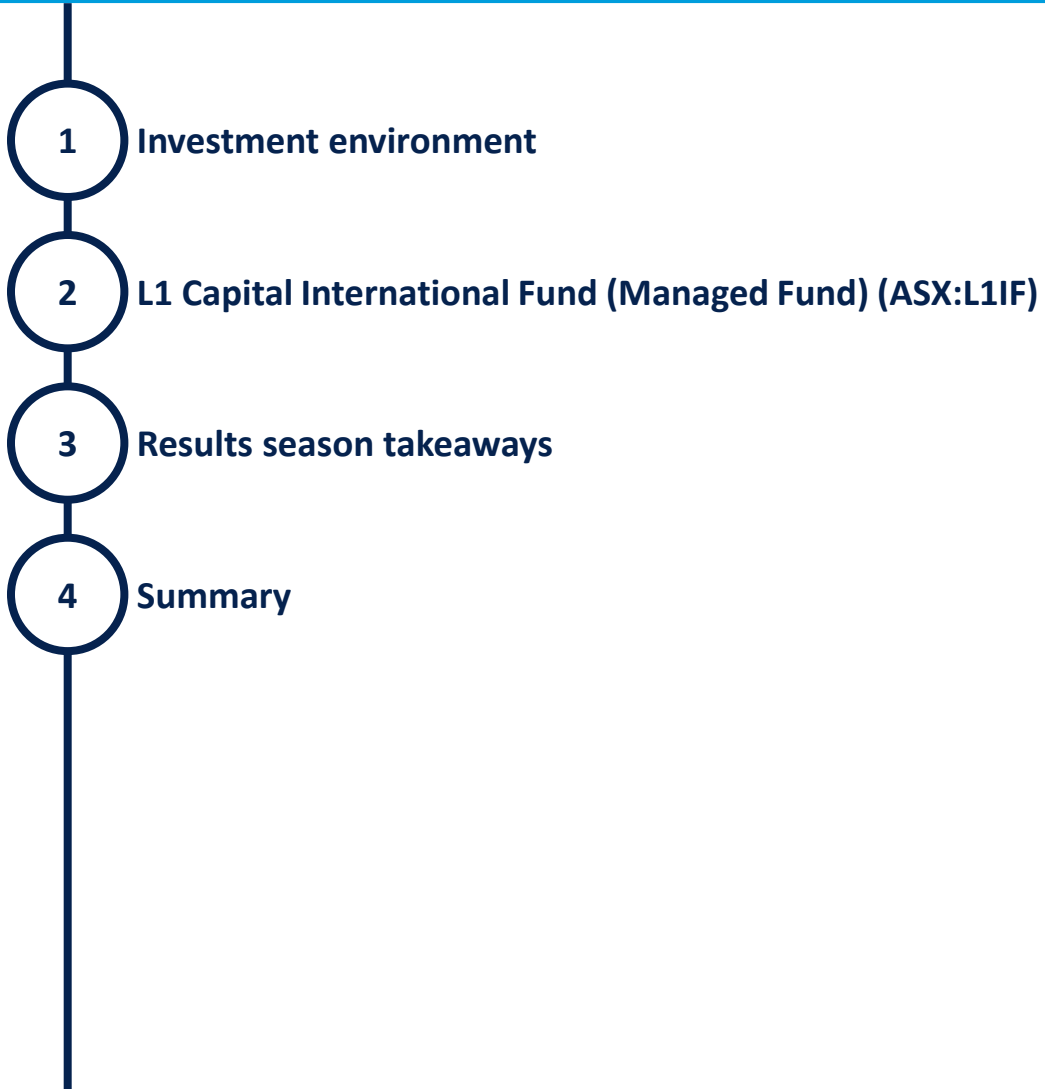
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The L1 Capital International Fund (Managed Fund)’s Target Market Determination is available at <https://l1.capital/3NOi7oB>. A Target Market Determination is a document which was required to be made available from 5 October 2021. It describes who this 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.

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Agenda



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Investment environment

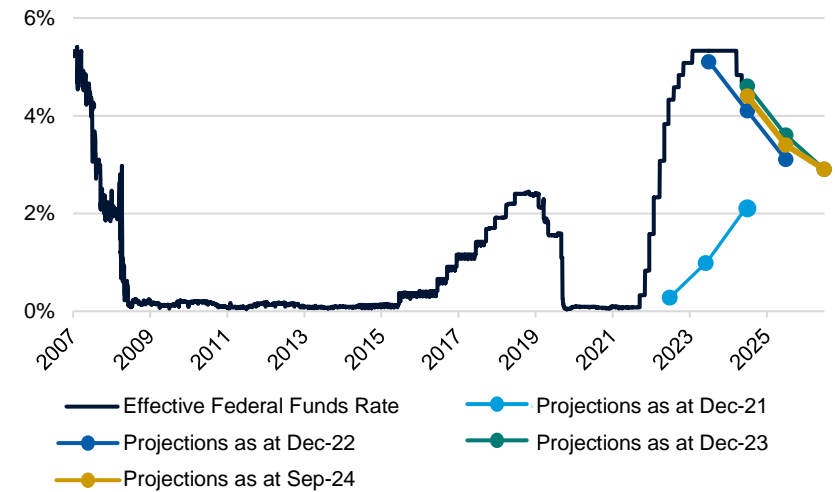


Investment environment

Inflation is under control, Fiscal Policy is becoming increasingly Political

- 1 Inflation** in most **developed countries** continues to **drift lower** and most Central Banks are **cutting rates**
 - Australia is an outlier with underlying inflation above target and the **RBA on hold**
- 2 Employment** conditions continue to **gradually cool**
- 3 Fiscal** spending remain **expansionary**, **taxation** policies varied
- 4 Reduction** in legal and illegal **immigration** pose **risks to growth**
- 5 Geopolitics**, including Trump's **tariffs** have the potential to **cause inflation and disruption**

Federal Reserve Funds Rate and expectations



We expect growth to be supported, but at the expense of higher inflation and rates

Investment environment (cont.)

'Choppy' economic conditions, business performance divergence

- 6 **Consumer spending in aggregate remains sound**
 - **Affluent** remain **well positioned**, **middle** is **mixed**, **lower socio-economic** are **pressured**
- 7 **Business spending remains cautious**
 - **Decrease** in pro-cyclical or **semi-discretionary capex**
- 8 Widespread **business performance divergence**
 - Volatile earnings season
- 9 **Sentiment** impacting **share prices**, increasing **divergence from fundamentals**

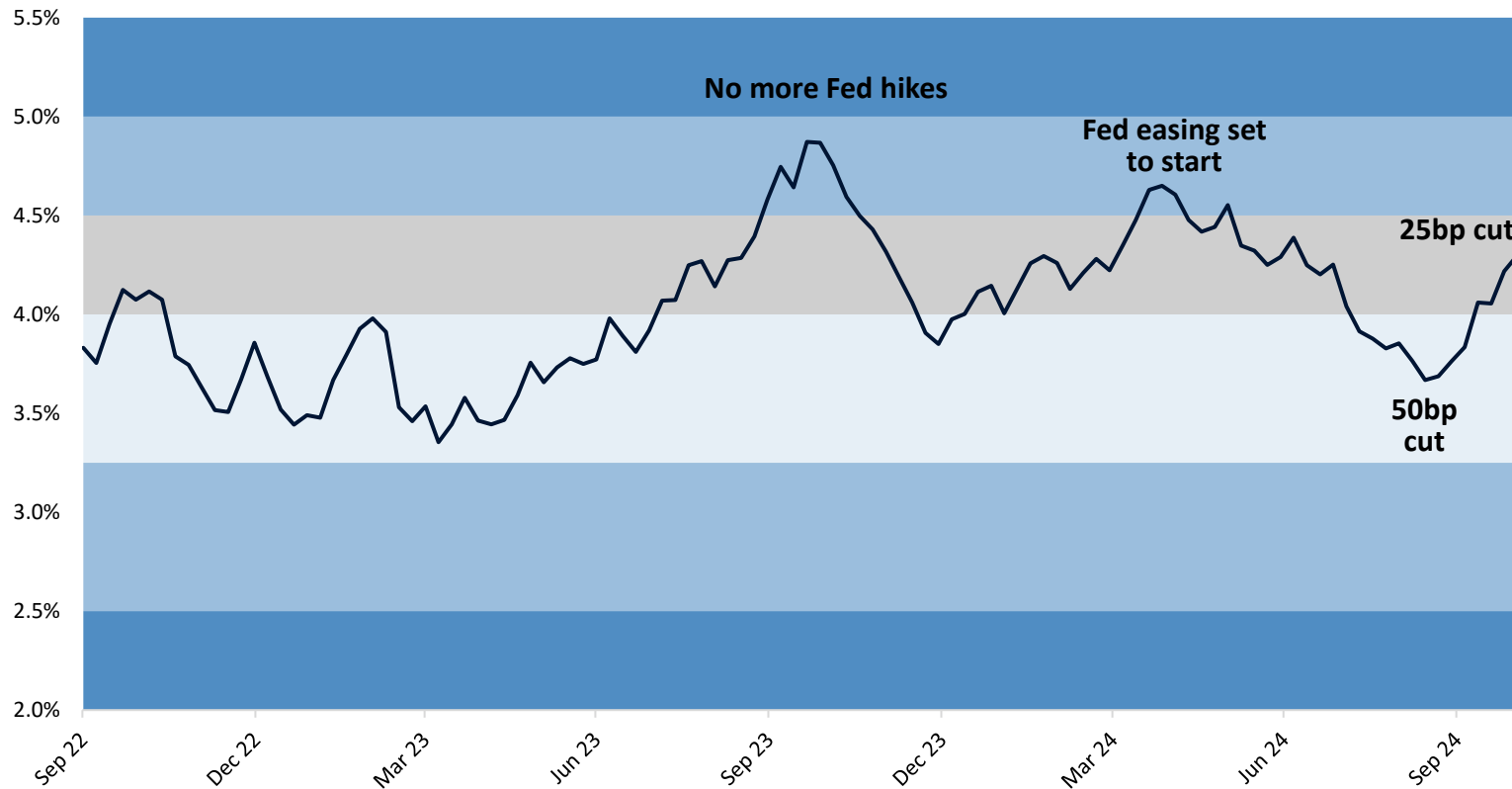
Detailed industry and company knowledge critical.
Opportunity to find Quality in a range of sectors and companies of varying size

Equity markets are currently in a volatile grey zone

'Trump trade' is glossing over key risks

Level of long-term rates, and reasons for movements in rates, critical to equity markets

10-year U.S. Treasury Yield (%)



- Big P/E hit (Inflation rebound)
- Broad moderate P/E hit
- Bifurcated impact on P/Es
- Broad P/E expansion (Soft landing)
- Broad moderate P/E hit (Recession fears)
- Big P/E hit (Something went wrong)

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



L1 Capital International Fund (Managed Fund)

Objectives and performance track record



L1 Capital International Fund (Managed 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 October 2024	Fund	Benchmark**	Alpha
1 month	4.5	3.8	+0.7
3 months	3.4	2.1	+1.3
1 year	30.6	29.2	+1.4
3 years p.a.	11.1	11.4	(0.2)
5 years p.a.	14.7	13.2	+1.5
Since inception p.a.	15.0	13.6	+1.4
Since inception cumulative	121.1	106.6	+14.5

Source: Bloomberg and L1 Capital International. *Unit Trust Inception is 1 Mar 2019 (returns measured from Index close). ETMF Inception is 22 November 2023.

Rounded to one decimal place. Numbers may not add due to rounding. **Past performance should not be taken as an indicator of future performance.**

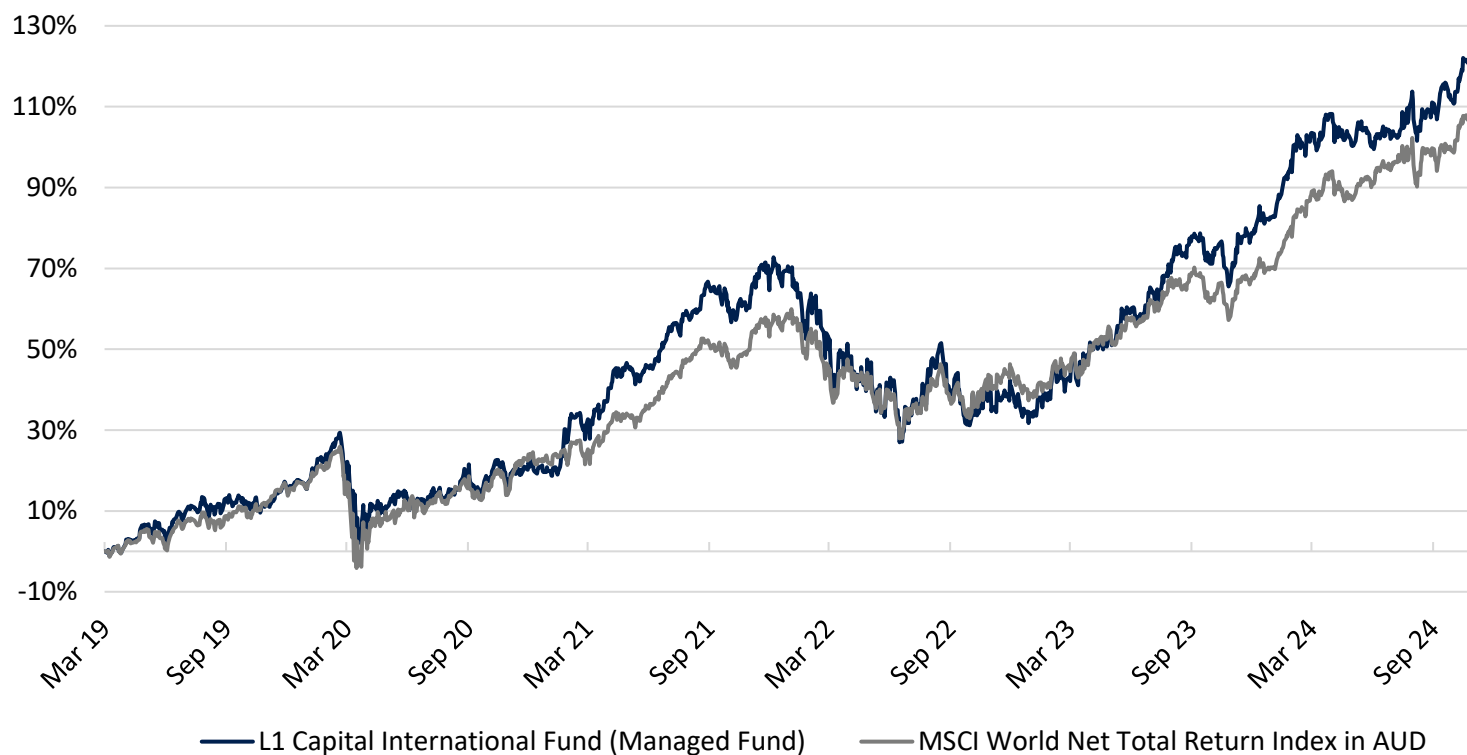
** MSCI World Net Total Return Index in AUD. Returns measured from Index close on 1 Mar 2019.

Performance (net of all fees)

From inception on 1 March 2019 to 31 October 2024



Returns since inception (net)



121.1% return
net of fees,
versus
the Benchmark
return of
106.6%

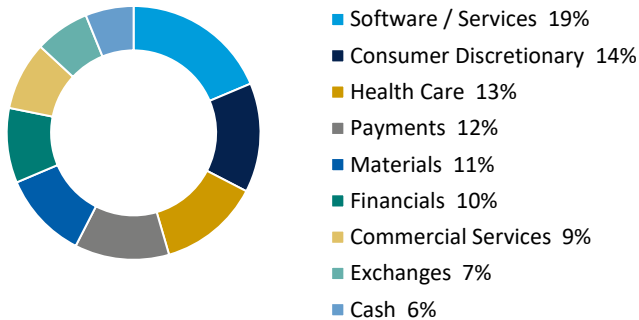
Source: Bloomberg, L1 Capital International and MSCI. Unit Trust Inception is 1 Mar 2019 (returns measured from Index close). ETMF Inception is 22 November 2023. **Past performance should not be taken as an indicator of future performance.** Note: Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

Current portfolio positioning

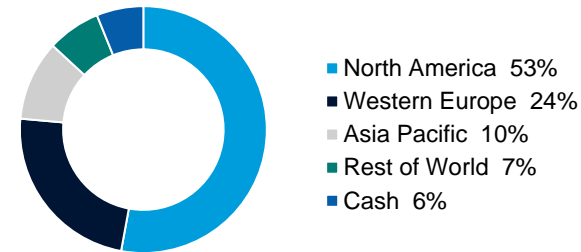
Diversified by industry, region and company size

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

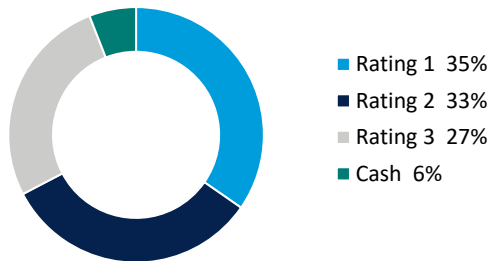
Sector exposure



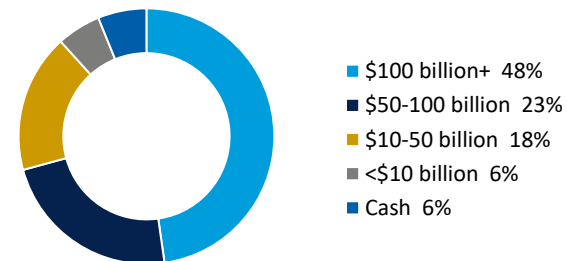
Revenues exposure by region¹



L1 Capital International Quality Rating



Market capitalisation exposure (in US\$)²

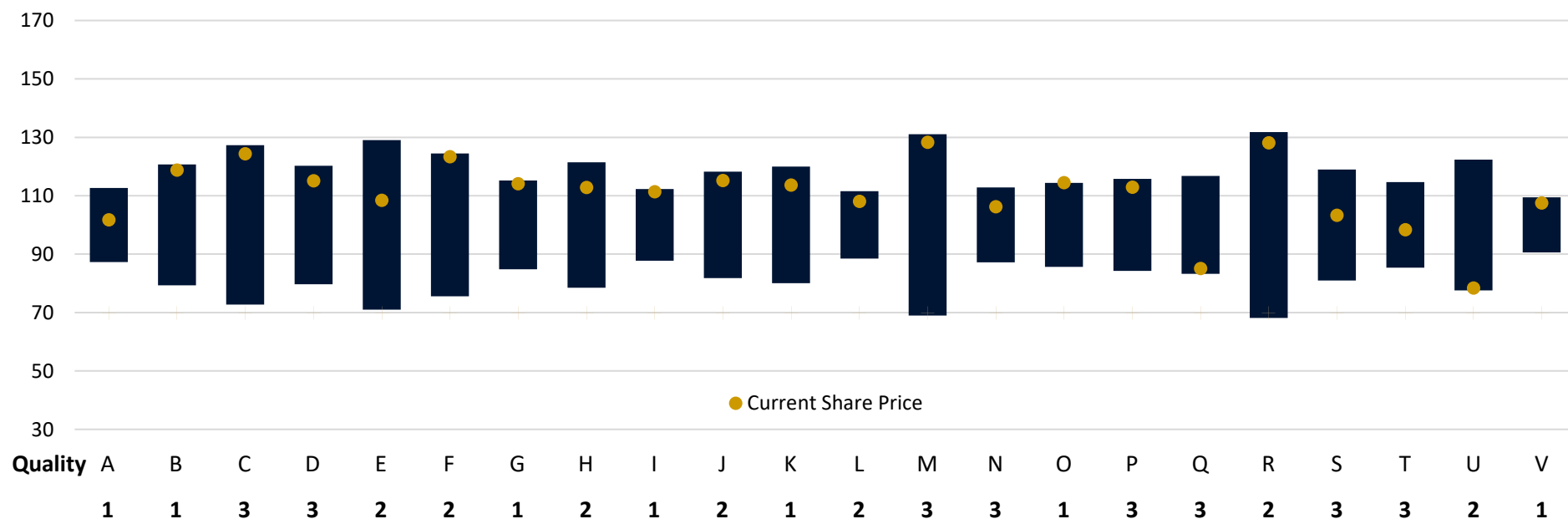


Portfolio valuation compared to 12 month trading range

Recent Portfolio returns have been strong

- Portfolio has traded on average around 20% from mid-point of 12 month trading range
- With a few exceptions, Portfolio currently trading towards upper end of 12 month trading range
- Share price of out of favour companies has drifted due to a challenging near-term operating outlook

Portfolio investments – Share price compared to 12 month trading range (rebased)

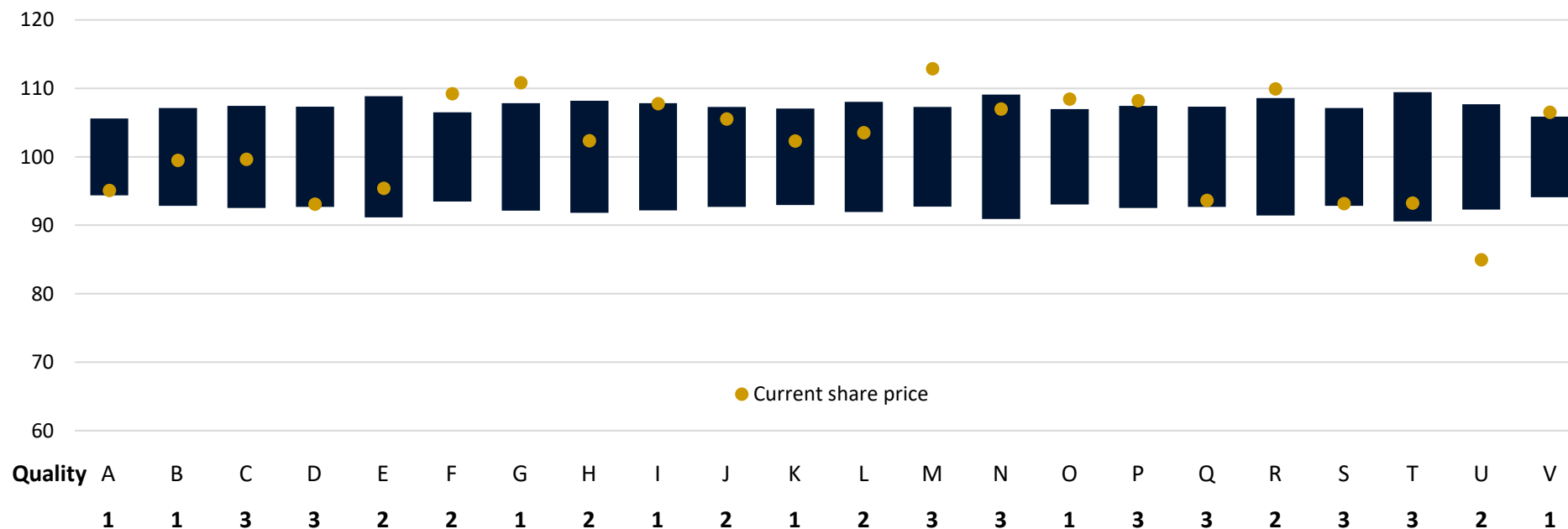


Portfolio valuation compared to share price

Portfolio broadly fairly valued, pockets of compelling value identified

- **High conviction in largest positions** – top 10 around 65% of total portfolio
- **Trimmed Booking Holdings and Eagle Materials** due to **share price vs. valuation**
- **Divested NRP** following strong unit price performance
- **Added** to a number of holdings at valuations at or below the bottom end of assessed fair value

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













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Results season takeaways



Top 10 holdings – Performance and outlook

Performance in line or ahead of our base case, high market expectations generally met

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

Booking Holdings

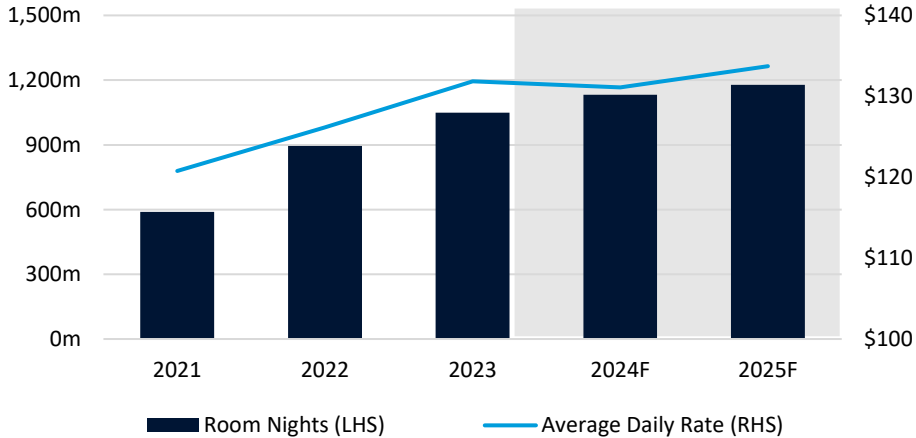
Europe's dominant online accommodation booking platform



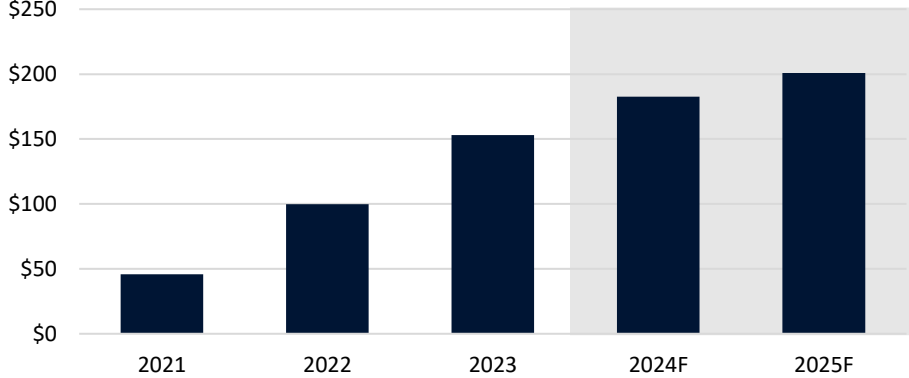
Dominant European platform well positioned for long-term growth in travel spend

- **Growing competitive advantages** from investments in connected trip capabilities, alternative accommodation, direct customer mix and generative AI
- Operating leverage delivering **margin expansion**
- **Capital light** model allows for **substantial buybacks** with the share count down 6% year over year

Booking – Room Nights and Average Daily Rate



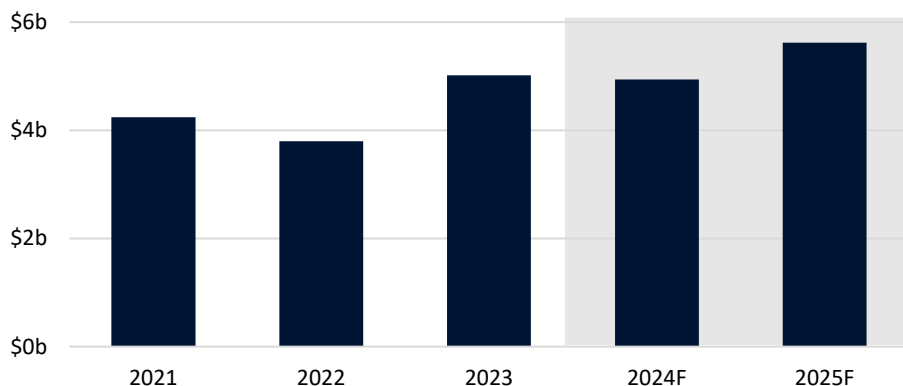
Booking – Earnings Per Share



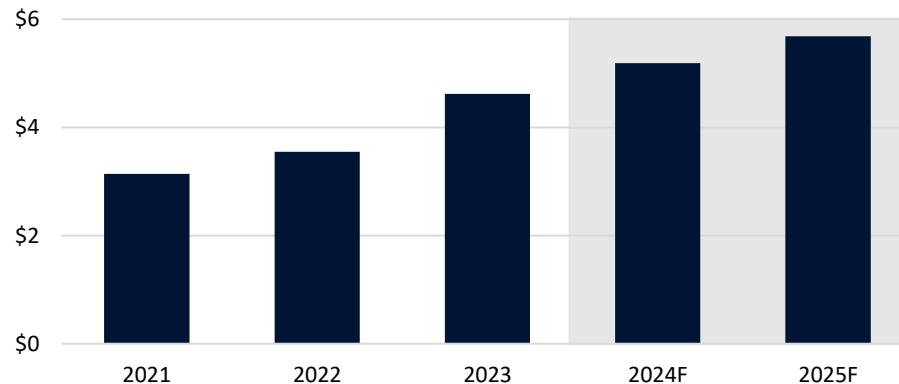
Bipartisan support for \$1 trillion + infrastructure spending

- Demand driven by infrastructure spending across the United States as well as steady demand from commercial and residential sectors
- **Pricing power** delivering margin expansion
- \$5 billion operating cashflow supporting reinvestment in the business and synergistic acquisitions
- Consistent strong **EPS and dividend growth**

CRH – Operating cashflow



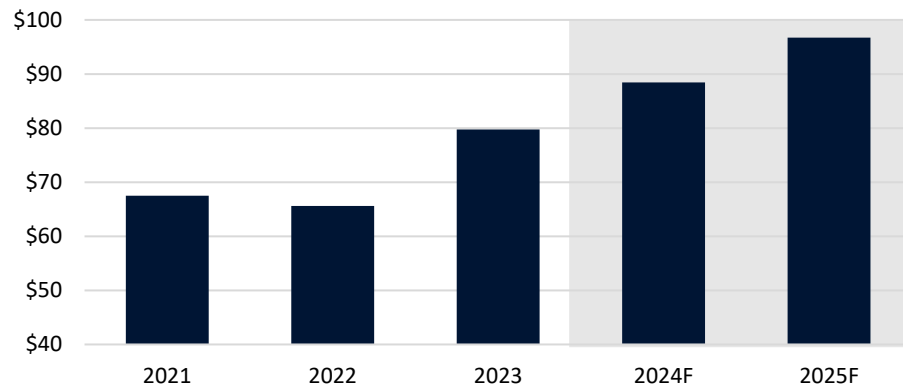
CRH – Earnings Per Share



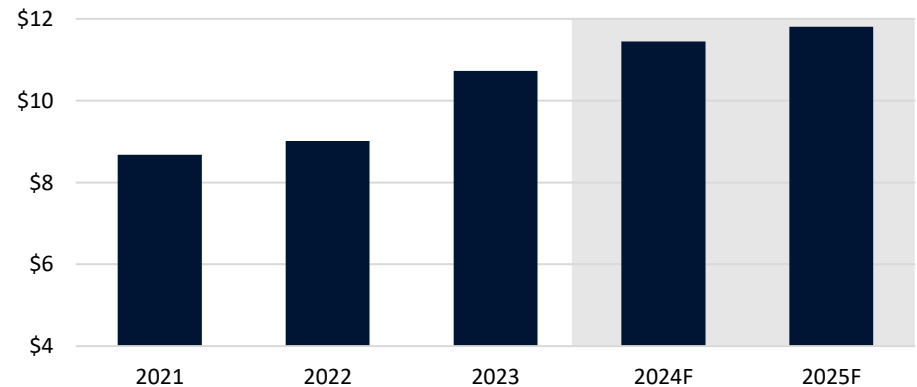
Structural shortage in aircraft, strong recovery in aircraft demand

- Aircraft leasing rates increasing due to **structural shortage of aircraft**
- **Selling older aircraft at 2x equity book value**
- **8x 2024F PE, 1x conservative tangible book value**

AerCap – Tangible Book Value



AerCap – Earnings Per Share



Large cap Tech capex vs. Nvidia revenue

Capital expenditure today, return on invested capital tomorrow



Big tech has massively increased investment in infrastructure to support AI growth

- **Capex** investment in 2024 forecasts for 2025 capex have both **material increased**
- **Nvidia** is a **key beneficiary** of this investment with a step change in revenue and profitability
- **Market** expressing some **concerns on whether Big Tech is over-investing**, but also **extrapolating further long-term growth for Nvidia**

Big Tech capital expenditure forecasts (\$bn)

Company	2024			
	Start of 2024 ¹	Current	Increase ²	
Amazon.com ³	59.2	76.9	17.8	30%
Microsoft ³	58.9	73.9	15.0	25%
Alphabet ³	37.1	51.3	14.2	38%
Meta ⁴	33.3	38.0	4.7	14%
Oracle ⁴	8.6	10.1	1.5	17%
Total	197.0	250.1	53.1	27%
Nvidia revenue⁵	93.3	125.8	32.5	35%

Company	2025			
	Start of 2024 ¹	Current	Increase ²	
Amazon.com ³	59.6	88.5	28.9	49%
Microsoft ³	62.4	90.9	28.5	46%
Alphabet ³	40.5	61.4	21.0	52%
Meta ⁴	36.4	48.5	12.0	33%
Oracle ⁴	9.4	14.0	4.6	49%
Total	208.3	303.3	95.0	46%
Nvidia revenue⁵	109.0	181.1	72.1	66%

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Summary



Summary

Economic conditions are 'choppy', Political risks are high

- 1 **Inflation** in most developed countries continues to **drift lower** and most Central Banks are **cutting rates**
- 2 **Employment conditions** continue to **gradually cool**
- 3 Consumers in aggregate are doing O.K., but wide variance
- 4 **Business spending** remains **cautious**
- 5 **Fiscal** and other **Government policy** is becoming increasingly **Political**
- 6 **Trump** likely to try and **support higher growth**, but at the expense of **higher inflation** and **higher interest rates**

Summary (cont.)

Business selection critical. Diversified portfolio with a range of long-term drivers of business growth



- 7 **Divergence in business performance** expected to continue
- 8 **Quality** matters – not **'Growth'** vs. **'Value'** or **'Large-cap'** vs. **'Small-cap'**
- 9 **Portfolio performing strongly**, meeting or exceeding base case expectations
- 10 **Actively managing the Portfolio** in response to **investment conditions** and **volatile share prices**

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