



**L1 CAPITAL
INTERNATIONAL**

L1 Capital International Fund

Investment Environment and Portfolio Update

4 March 2025



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 from our website www.L1.com.au 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.

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Investment environment



Investment environment

Complex – Fiscal and Monetary Policy are intertwined with Politics

- 1 Economic conditions** in most **developed regions are mixed**, generally **muted growth**
 - China remains weak
- 2 Inflation declining slowly** overall , but still **above most Central Bank targets**
- 3 United States** remains **‘the best investment house of the street’**
- 4 Trump policies**, including **tariffs, DOGE, immigration** and **international relations** are amplifying uncertainties
- 5 Political overlay** influencing Monetary and Fiscal Policy
 - Mixed impact on growth and inflation

United States economy remains strong overall, but areas of weakness and Trump policies increase uncertainty and volatility

Investment environment (cont.)

‘Choppy’ economic conditions, business performance divergence

- 6 **Consumer spending in aggregate remains sound**
 - **Affluent** remain **well positioned**, **middle** are **O.K.**, **lower socio-economic** remain **pressured**
- 7 **Corporate spending is cautious**
 - Potential **tariffs increase** supply chain and investment **uncertainty**
- 8 **Business performance divergence, sentiment** driving share prices
 - Volatile earnings season, market remains **‘jumpy’**
- 9 **Artificial Intelligence** remains the market’s **key investment theme**
 - Capex gold rush
 - DeepSeek – lower cost vs. increased adoption
- 10 **‘Narrow’** equity markets, driven by the Magnificent 7 and Nvidia in particular
 - Recent share price digestion of elevated capex

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

Central Bank rate cutting cycle

Central Banks are in a rate cutting cycle, but the rate and degree of cuts varies

Central banks are responding to weaker economic conditions by cutting interest rates

- Reserve Bank of Australia increased rates less than some Central Banks, and has been slower to reduce rates

Central Bank overnight rates

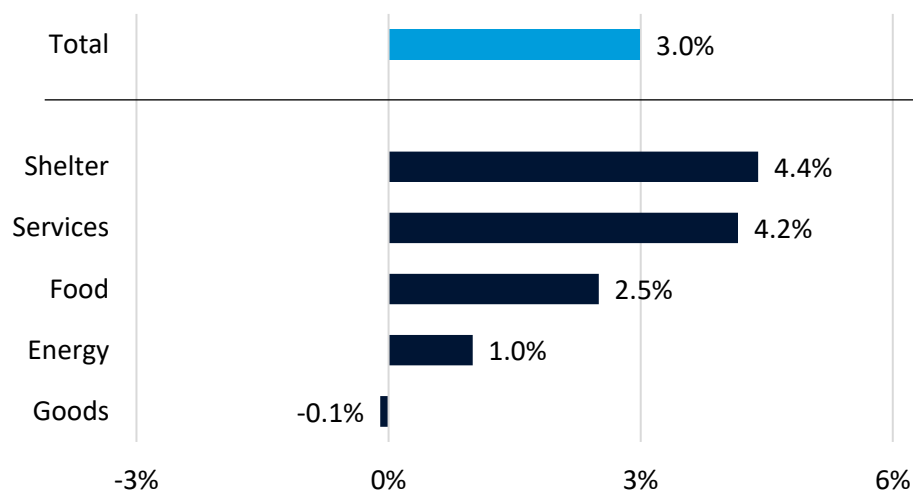
	U.S.	ECB	U.K.	Australia	Canada	N.Z.	China
Overnight Rate – December 2023	5.32	4.00	5.19	4.35	5.00	5.50	2.65
Number of rate cuts	3	5	3	1	6	4	2
Overnight Rate – February 2025	4.33	2.75	4.50	4.10	3.00	3.75	2.35

U.S. inflation

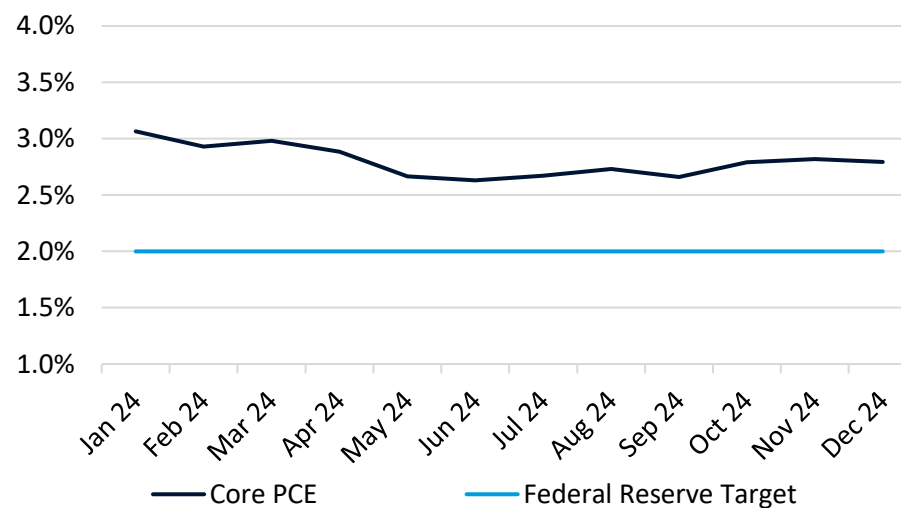
Stabilised above the Federal Reserve target

- **Inflationary pressures in the U.S. are mixed**, with Goods still deflationary, while inflation for many Services as well as Housing remaining 'sticky'
- **U.S. core inflation remained very stable in 2024** at around 2.5% to 3%, above the Federal Reserve's target of 2%

U.S. CPI components



U.S. core inflation in 2024



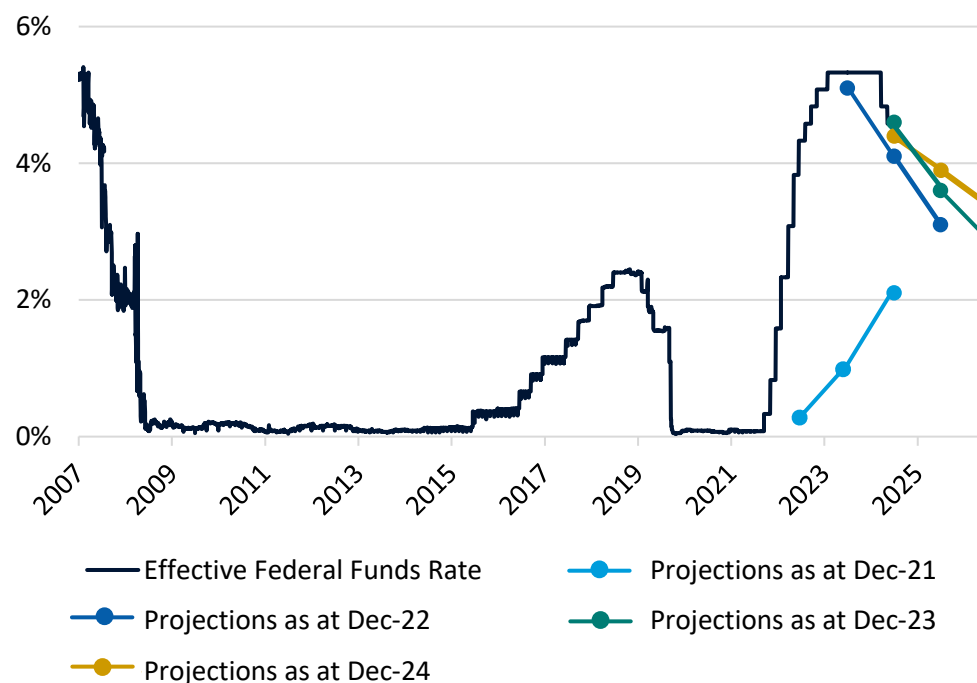
Federal Fund Rate vs. projections

Short-term interest rates staying 'higher for longer', in line with our expectations

"If the economy remains strong and inflation does not continue to move sustainably toward 2%, we can maintain policy restraint for longer."

*Fed Chair Jerome Powell
February 2025*

Federal Reserve Funds Rate and market projections



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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

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

Fund Performance (Net)* (%)	Fund	Benchmark**	Alpha
1 month	3.6	2.8	+0.8
3 months	10.4	10.7	(0.3)
1 year	25.9	28.7	(2.7)
2 years p.a.	31.7	26.7	+5.1
3 years p.a.	14.6	14.1	+0.5
5 years p.a.	14.8	13.7	+1.1
Since inception p.a.	16.3	15.0	+1.3
Since inception cumulative	144.1	128.7	+15.4

Top quartile returns over 2, 3, 5 years and since inception[^]

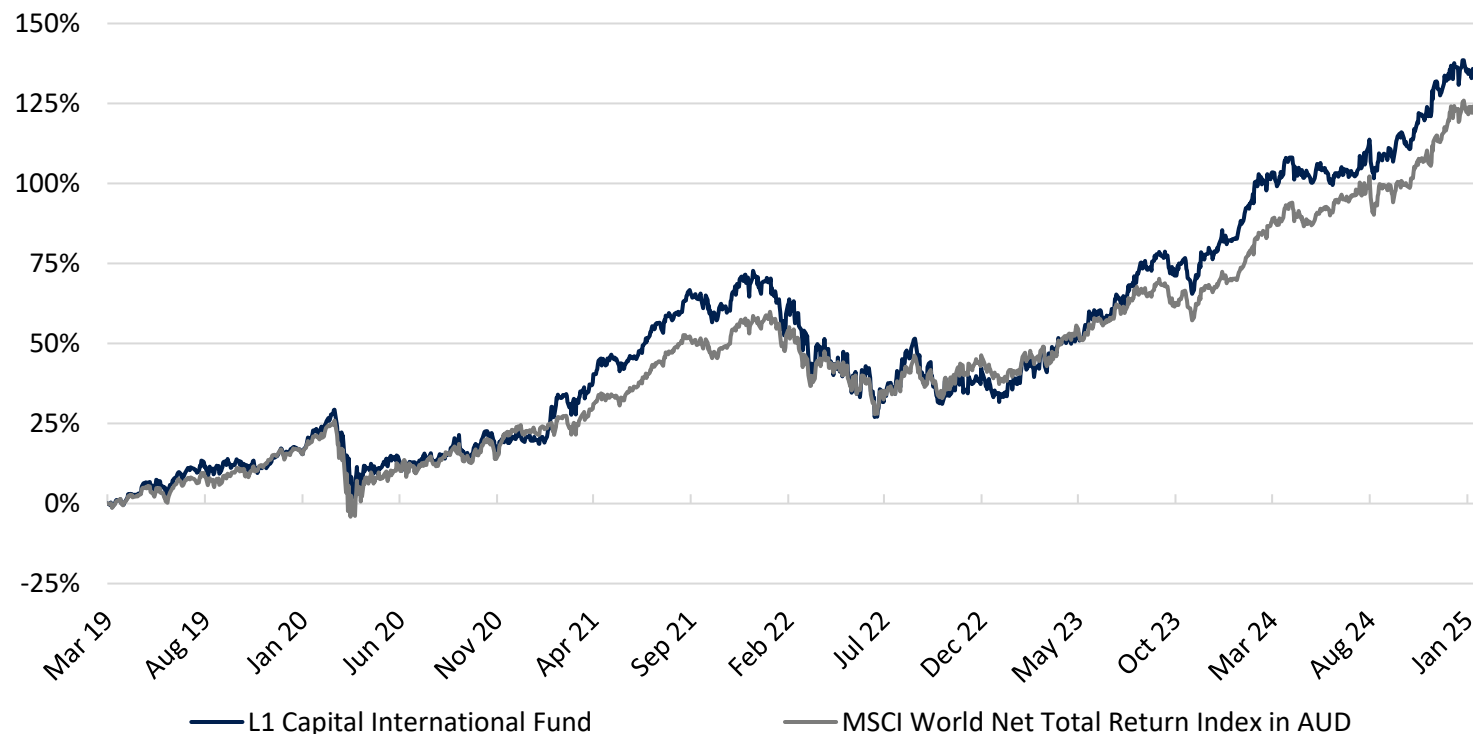
Source: L1 Capital International and MSCI as at 31 January 2025. All performance numbers are quoted net of fees. *Unit Trust Inception is 1 Mar 2019 (returns measured from Index close). ETMF Inception is 22 November 2023. Numbers may not add due to rounding. **Past performance should not be taken as an indicator of future performance.** ** MSCI World Net Total Return Index in AUD. See important information at the end of this pack regarding MSCI indices. [^] Ranking in Morningstar Direct peer group "Australia – Equity World Large Blend" as at 31 December 2024.

Performance (net of all fees)

From inception on 1 March 2019 to 31 January 2025



Returns since inception (net)



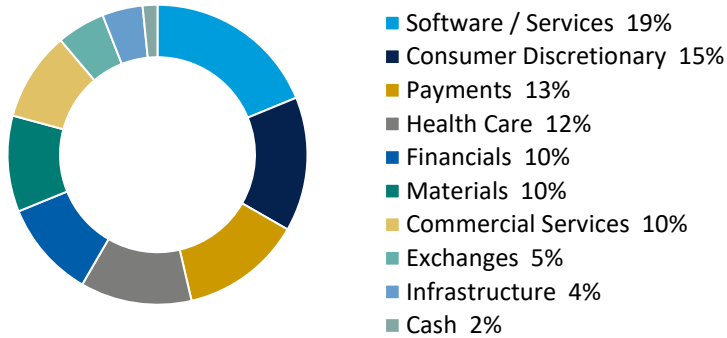
144.1% return
net of fees,
versus
the Benchmark
return of
128.7%

Current portfolio positioning

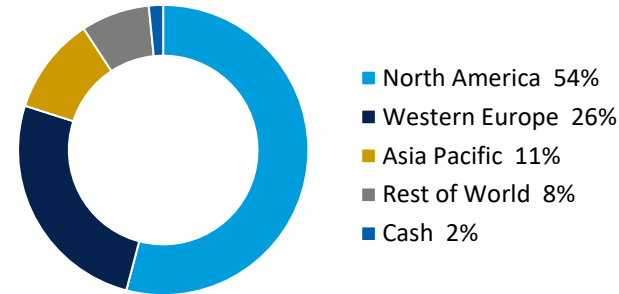
Diversified by industry, region and company size

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

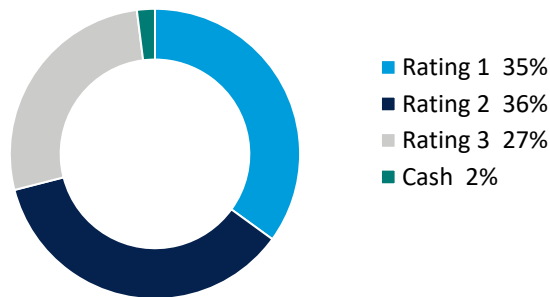
Sector exposure



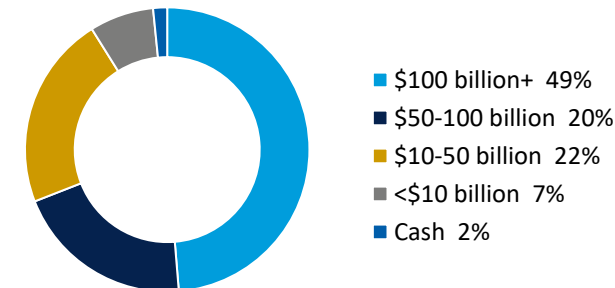
Revenues exposure by region¹



L1 Capital International Quality Rating



Market capitalisation exposure (in US\$)²



Current portfolio metrics

Portfolio compared to the MSCI World Index and ASX 200 – financial metrics reflecting portfolio quality



2024 Metrics	Fund ¹	MSCI World Index ¹	ASX 200 ¹
Revenue growth	9%	5%	5%
Gross margin ²	60%	31%	42%
Operating margin	30%	13%	17%
Cash conversion ³	76%	ND	ND
Net debt to EBITDA	1.3x	1.7x	3.1x
Return on equity	39%	14%	10%

2025 Metrics	Fund ¹	MSCI World Index ¹	ASX 200 ¹
P/E ⁴	22x	21x	19x
Dividend yield	1.1%	1.8%	3.5%

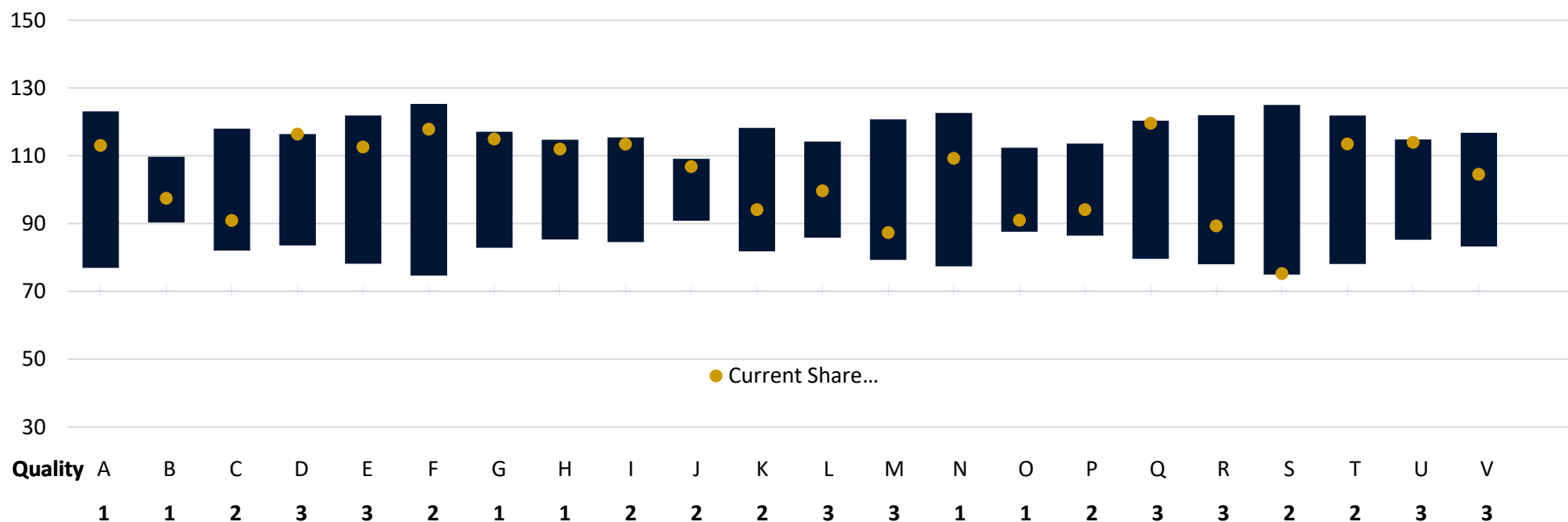
1. Fund metrics are weighted average excluding cash. Fund company metrics excluded where ratios are distorted or unavailable. MSCI World Index and ASX 200 as calculated by Bloomberg (using a weighted average of the constituents). Metrics are as of 31 January 2025
2. L1 Capital International's estimate when not disclosed by the company.
3. Operating cash flow minus capex divided by net income. Cash conversion for the fund is adjusted to remove the benefit of stock-based compensation from operating cash flow. Cash conversion for the index is not disclosed.
4. Fund P/E is based on L1 Capital International's assessment of economic EPS (which includes stock-based compensation as an expense) – conservative compared to Index calculation

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
- **Recent share price performance mixed**
- Mega Tech share prices are digesting elevated capex
- 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

Pockets of compelling value developing

- **High conviction and good value in largest positions** – top 10 around 67% of total portfolio
- **Reduced Alphabet, sold CME** and recently **CCEP** due to **share price vs. valuation**
- **Two new initial positions** and modestly **added** to a few 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
 AERCAP	To report	To report
 amazon	AWS: ✓ eCommerce: ✓	AWS: = eCommerce: ✓
 Booking.com	Slight ✓	Slight ✓
 CRH	To report	To report
 HCA Healthcare®	=	=
 ICE	Slight ✓	Slight ✓
 mastercard	Slight ✓	Slight ✓
 MarshMcLennan	Slight ✓	=
 Microsoft	=	Slight -
 VISA	Slight ✓	Slight ✓

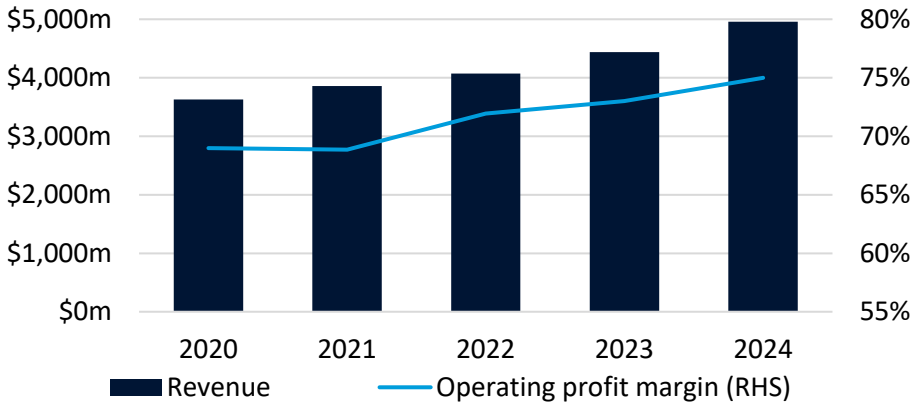
Intercontinental Exchange



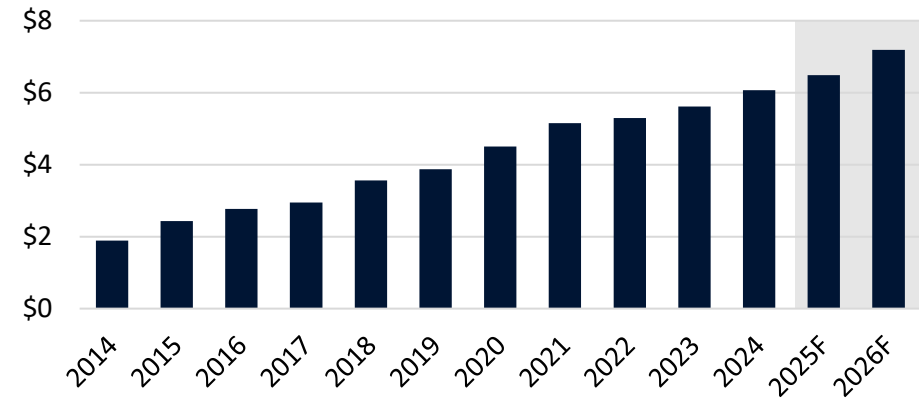
Leading Exchanges, must have proprietary data and analytics, industry transforming mortgage technology

- **Jeff Sprecher** built Intercontinental Exchange over 25 years from nothing to be an industry leader with a \$100 billion market capitalisation
- **‘All weather’ portfolio of businesses delivers consistent earnings growth**
- **Exchanges** division (70% of Group profit) – \$5 billion revenue at 75% operating profit margin
- **Mortgage technology** division provides cyclical upside if mortgage rates fall

Exchanges Division – Revenue and Operating Profit



Intercontinental Exchange – Earnings Per Share



Mega Tech – Capital Expenditure

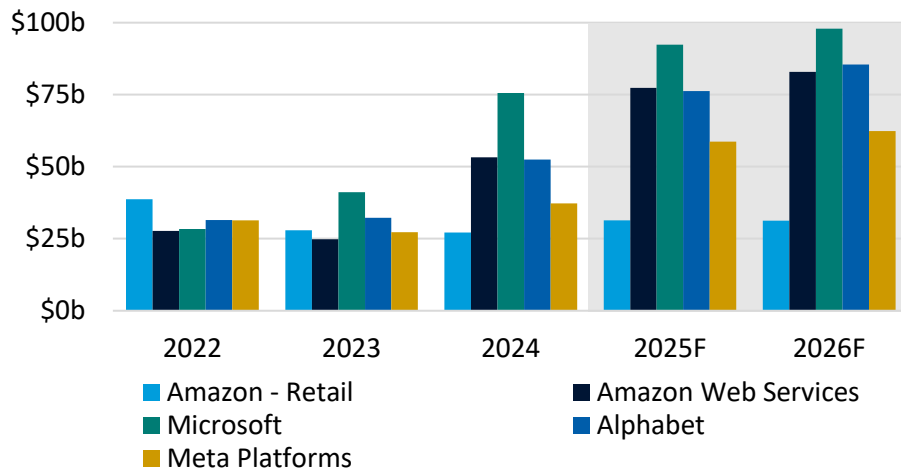
Massive step up in capital expenditure to support Artificial Intelligence and Cloud services

“AI represents, for sure, the biggest opportunity since cloud and probably the biggest technology shift and opportunity in business since the Internet. And so...our business, our customers and shareholders will be happy medium to long term that we’re pursuing the capital opportunity and the business opportunity in AI.”

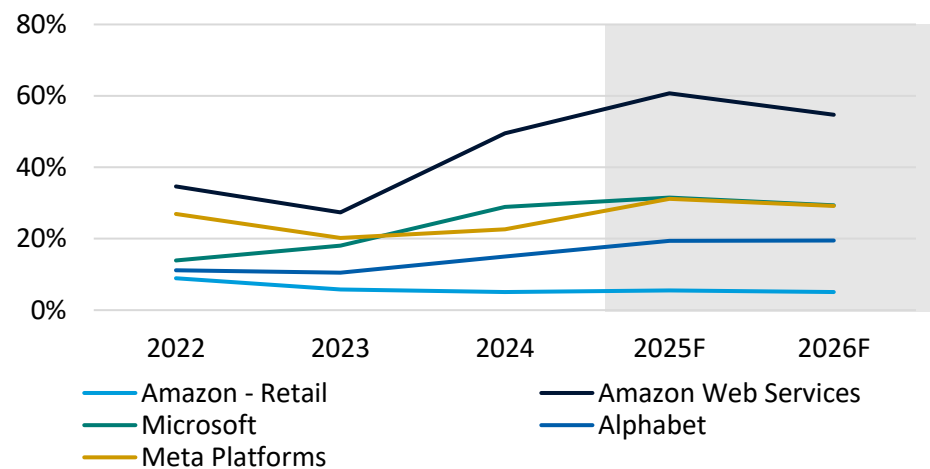
Andrew Jassy, February 2025

- **Mega Tech** are generating massive cashflow which is **reinvested in Cloud and AI infrastructure**
- **Market concerned** Mega Tech is **over-investing**, but also **extrapolating long-term growth for Nvidia**

Mega Tech – Capital Expenditure



Mega Tech – Capital Expenditure to Sales

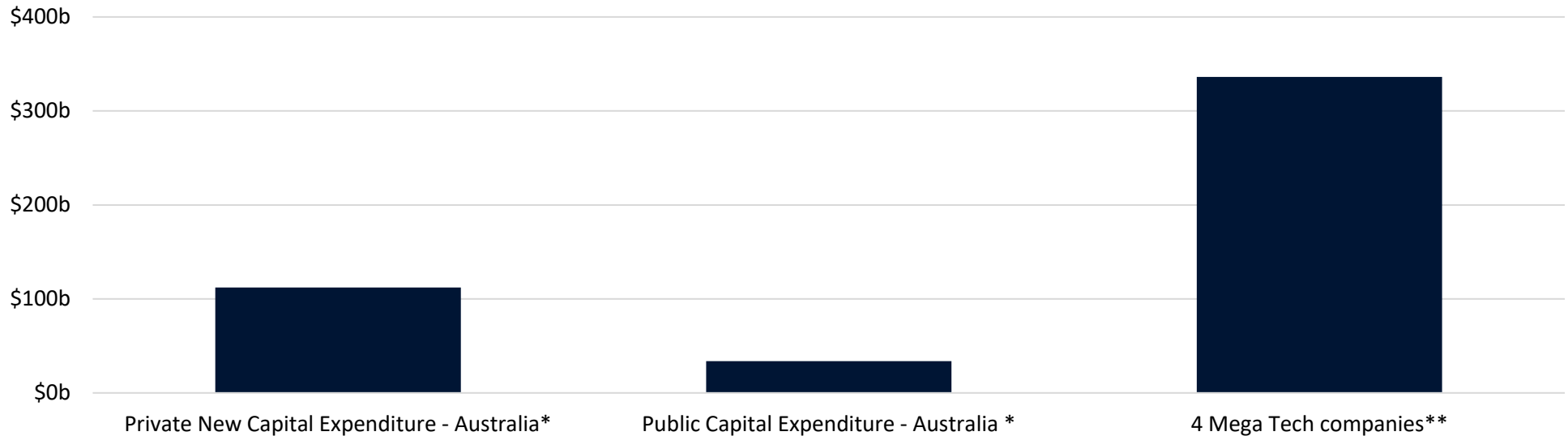


Australian Private and Public Capex vs. Mega Tech Capex

Mega Tech capex dwarfs total Australian Private and Public sector capex

- **Mega Tech capex** in 2025 will be around **3x total Australian Private sector capex** and **more than double** combined **Australian Private and Public sector capex**
- Around 30% of Australian Private sector capex is on mining

Australian Private and Public capital expenditure vs. Mega Tech capital expenditure



4

Summary



Summary

Economic conditions are mixed and Trump policies are increasing uncertainty

- 1 Economic conditions** in most **developed regions are mixed**, generally **muted growth**
 - China weak
- 2 Inflation declining slowly**
 - Central Banks are in a rate cutting cycle, Federal Reserve currently ‘on hold’
- 3 United States** remains ‘the best investment house on the street’
 - Trump policies are increasing uncertainty
 - Mixed impact on growth and inflation
- 4 Consumers** in aggregate are **doing O.K.**, but **wide variance**

Summary (cont.)

Business selection critical. Portfolio performing strongly supported by numerous long-term drivers of business growth



- 5 **Business performance divergence**, sentiment driving share prices
- 6 **'Narrow' equity market**, index returns led by the Magnificent 7 and Nvidia in particular, but recent pullback by some Mega Tech due to step-up in AI related capex
- 7 **L1 Capital International Portfolio performing strongly**, meeting or exceeding base case expectations
- 8 **Actively managing the Portfolio** in response to investment conditions and volatile share prices

I

Appendix ETMF and Fund terms and contact details



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) (ASX:L1HI)



Same Portfolio, currency hedge overlay

In July 2024, a new Fund was launched as an Exchange Traded Managed Fund (ETMF) – Hedged

- Same portfolio as L1 Capital International Fund but with a currency hedge overlay
- Investors can buy and sell units on the ASX (**L1HI**) in addition to trading via the unit registry
- Manager pays the costs of listing and maintaining the Fund on the ASX

For further information please contact the Unit Registry Office

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

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 Strategy

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 (unhedged strategy ASX:L1IF and hedged strategy ASX:L1HI)



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