

# L1 Capital International Strategy

Investment Environment and Portfolio Update

June 2025

# Agenda

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# Investment environment



# President Trump's Tariff announcements have dominated markets followed by the 'One Big Beautiful Bill'

Estimated to increase the U.S. deficit by \$2.8 trillion over 10 years, net of spending cuts

- Modest GDP growth benefits
- Transfer of wealth from the poor to the rich

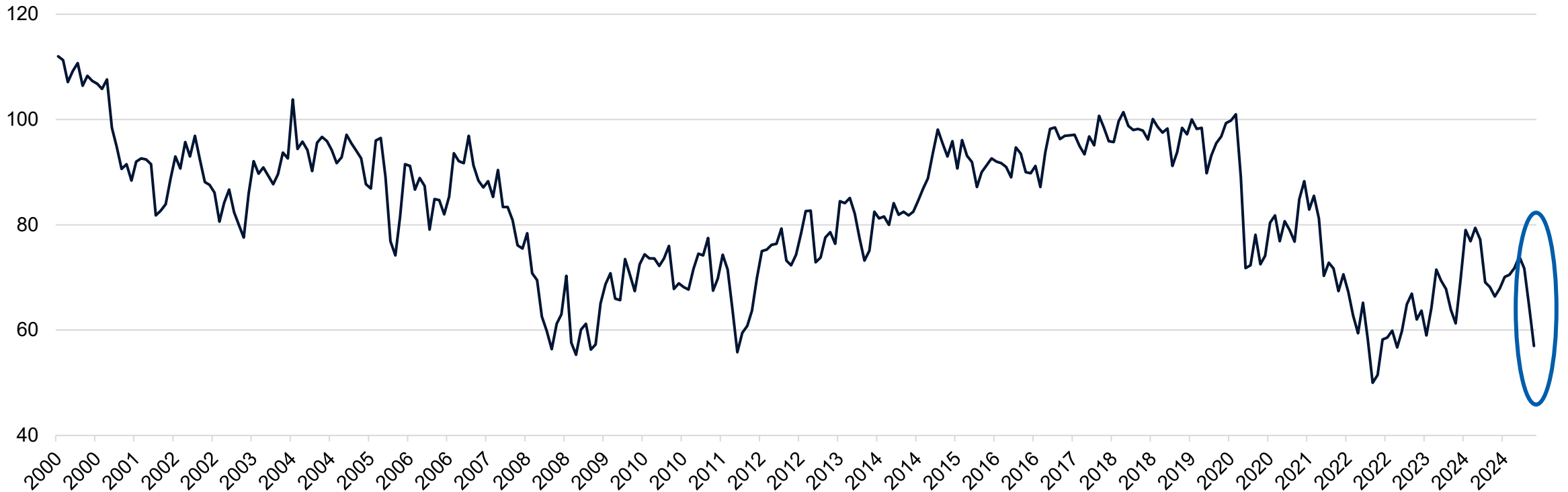
		Change in after tax and transfer income (%)	Average change in after tax and transfer income (\$)
1 <sup>st</sup> quintile	<\$17k	-14.6%	-\$820
2 <sup>nd</sup> quintile	\$17k – \$51k	-0.8%	-\$430
3 <sup>rd</sup> quintile	\$51k – \$93k	+1.2%	+\$840
4 <sup>th</sup> quintile	\$93k – \$174k	+2.1%	+\$3,000
5 <sup>th</sup> quintile	\$174k – \$263k	+2.6%	+\$5,515
	\$263k – \$388k	+2.4%	+\$7,570
	\$388k – \$988k	+3.1%	+\$17,835
	\$988k – \$4.325m	+2.3%	+\$41,000
	>\$4.325m	+3.0%	+\$390,070

Source: University of Pennsylvania Budget Model

# U.S. Consumer Confidence

Consumer confidence has taken a hit, but recent indicators suggest some recovery following recent tariff back-track

U.S. Consumer sentiment index



Source: University of Michigan

# Central Bank rate cutting cycle

Most Central Banks have responded to economic uncertainty by cutting interest rates

Since our last update, short-term rates have been cut further in the E.U., U.K., Australia, Canada and New Zealand

## Central Bank overnight rates

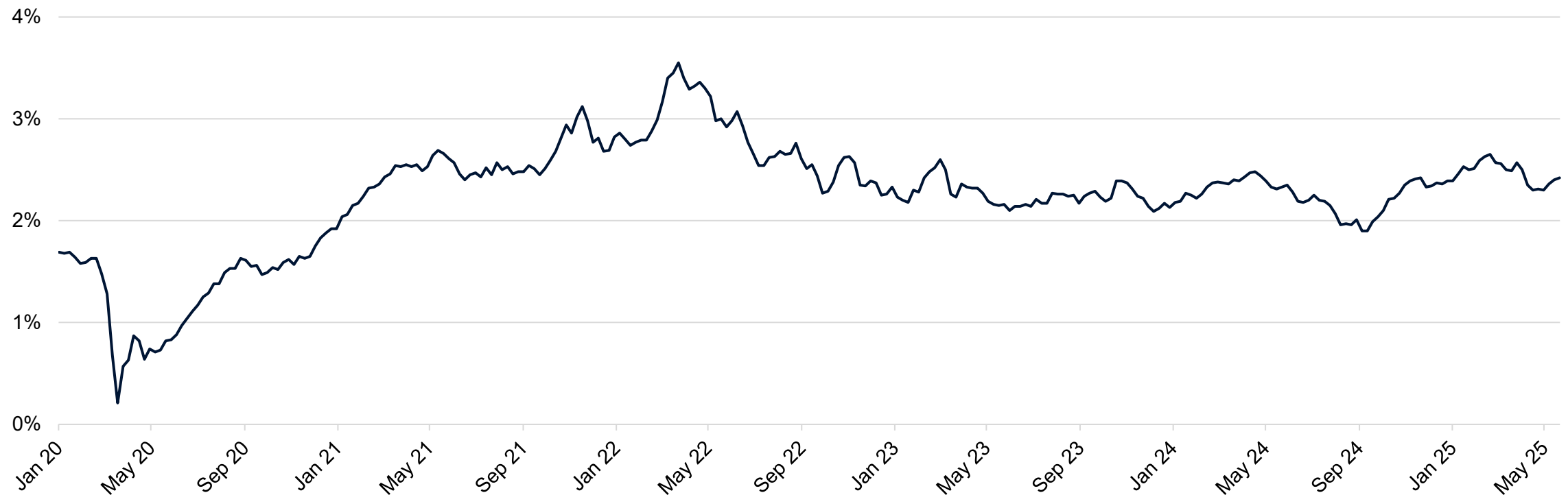
	U.S.	ECB	U.K.	Australia	Canada	N.Z.	China
Overnight Rate – December 2023	5.32	4.00	5.19	4.35	5.00	5.50	2.65
Number of rate cuts	3	7	4	2	7	5	2
Overnight Rate – May 2025	4.33	2.25	4.25	3.85	2.75	3.50	2.35

Source: Federal Reserve Bank of New York, European Central Bank, Bank of England, Reserve Bank of Australia, Bank of Canada, Reserve Bank of New Zealand, Bloomberg

# U.S. inflation expectations

**Medium term inflation expectations have remained constrained, despite some short-term inflationary pressures expected from tariffs**

## 5-year U.S. inflation expectations



Source: Federal Reserve Bank of St. Louis

# Federal Fund Rate vs. projections

Despite pressure from Trump, the Federal Reserve has maintained its data dependent Monetary Policy and has not cut rates further in the face of solid employment and potential tariff induced inflation

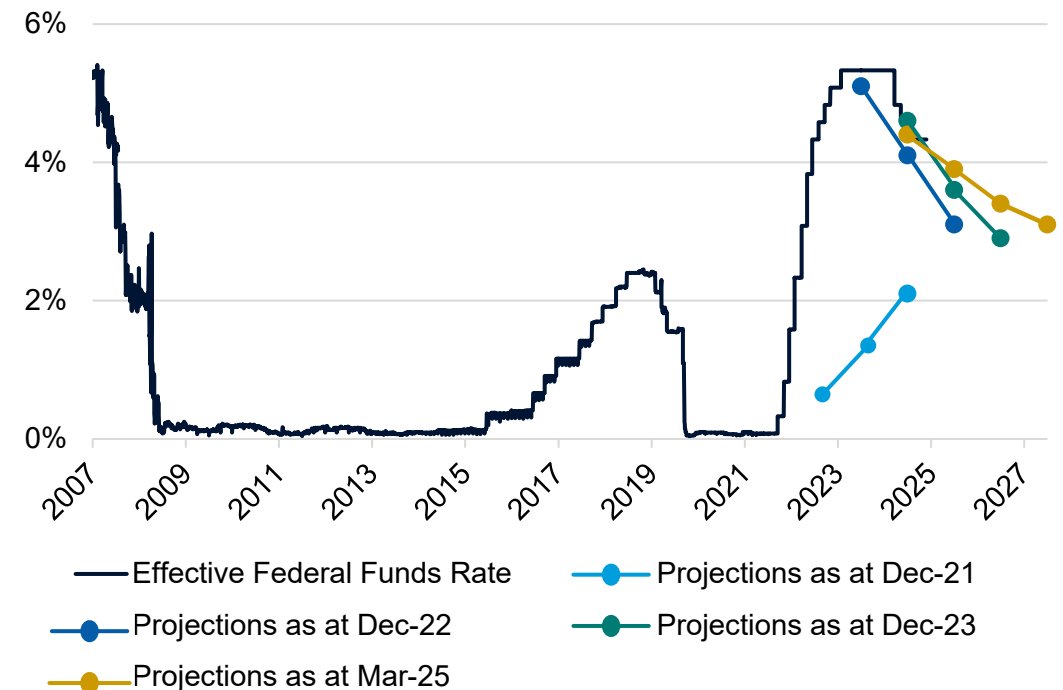
“ If the large increase in tariffs that have been announced are sustained, they are likely to generate a rise in inflation, a slowdown in economic growth, and an increase in unemployment...For the time being, we’re well positioned to wait for greater clarity before considering any adjustments to our policy stance” ”

FED CHAIR JEROME POWELL  
MAY 2025

“ ‘Too Late’ Jerome Powell is a FOOL, who doesn’t have a clue ” ”

PRESIDENT TRUMP  
MAY 2025

Federal Reserve Funds Rate and market projections



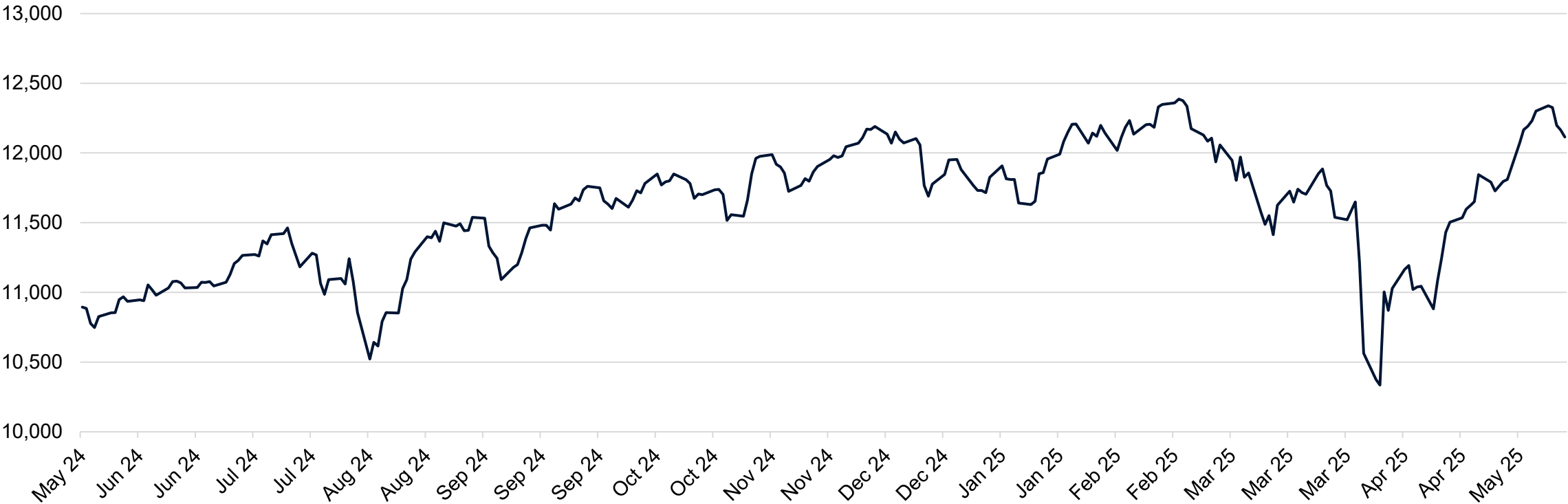
Source: FOMC projections, March 2025, St Louis Federal Reserve



# Equity markets have fully rebounded from the Liberation Day correction

## Fully pricing in the ‘TACO Trade’

MSCI World Net Total Return Index in USD

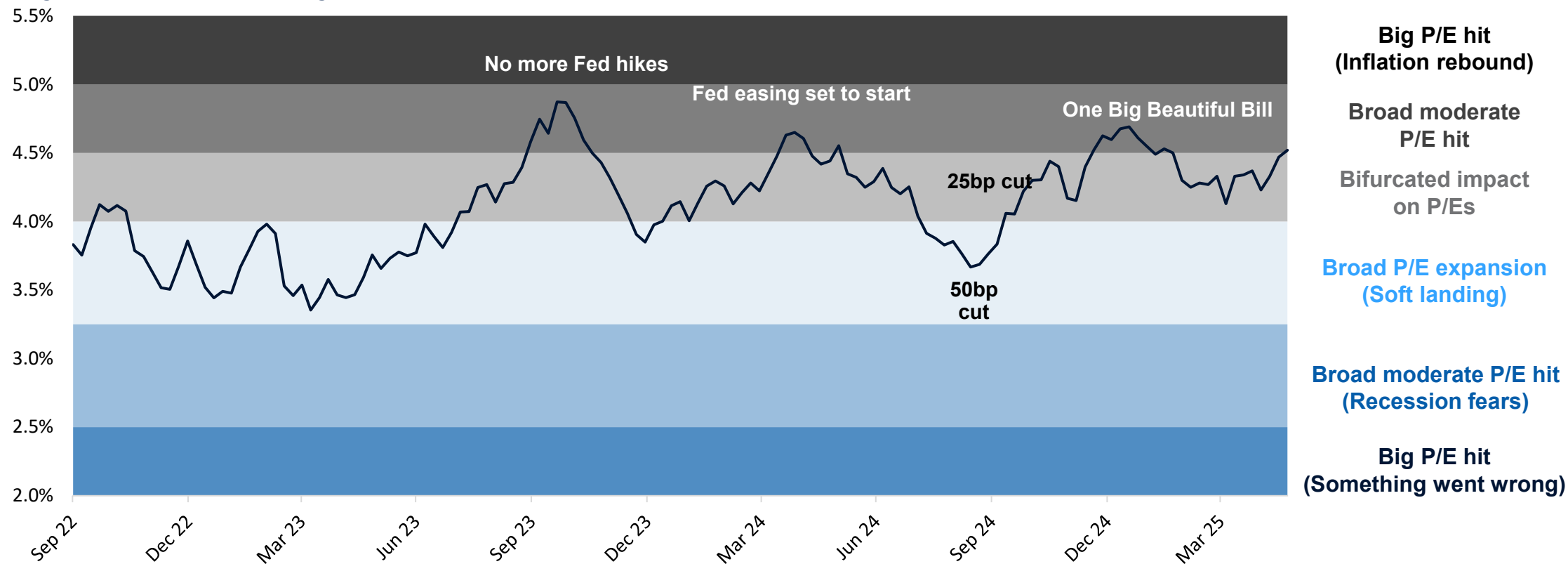


Source: Bloomberg

# Equity markets are currently in a volatile grey zone

Bond markets fail to see the 'beauty' in the Trump Administration's tariff and fiscal policies

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



Source: St Louis Federal Reserve, Piper Sandler, L1 Capital International



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# **L1 Capital International (Unhedged) Active ETF (ASX:L1IF)**



# L1 Capital International (Unhedged) Active ETF

Outperforming the MSCI World Index Benchmark over all time horizons, top quartile returns<sup>^</sup>

Fund performance* (Net, %)	Fund	Benchmark**	Alpha
1 month	5.1	5.3	(0.2)
3 months	0.5	(1.3)	+1.8
1 year	21.1	17.5	+3.6
3 years p.a.	20.1	17.4	+2.8
5 years p.a.	16.3	14.9	+1.4
Since inception p.a.	15.3	13.8	+1.5
Since inception cumulative	143.8	124.7	+19.1

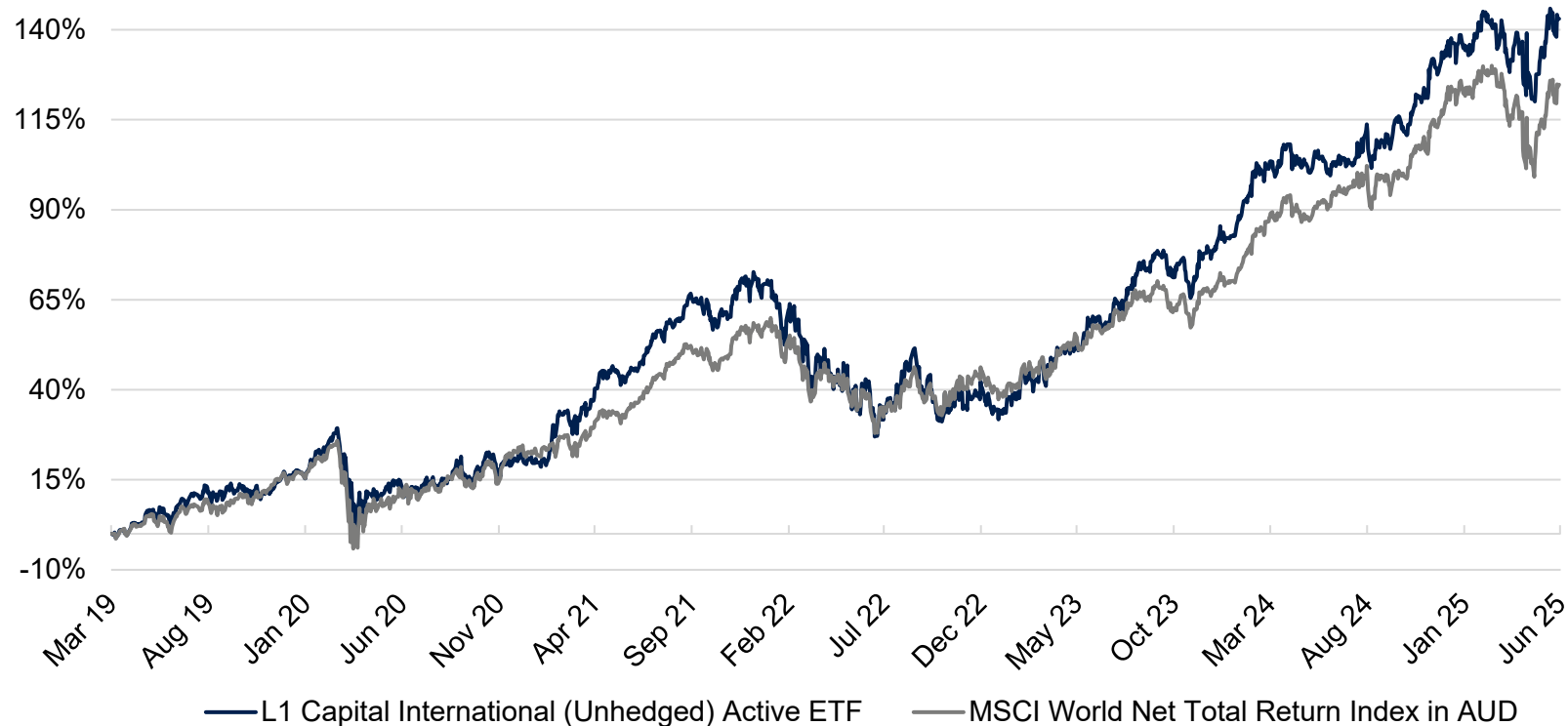
## Performance objectives

- 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)

Source: L1 Capital International and MSCI as at 31 May 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 peer group "Australia – Equity World Large Blend" as at 30 April 2025 for 2, 3 and 5 years and since Inception.

# L1 Capital International (Unhedged) Active ETF: Performance

Returns since inception on 1 March 2019 (Net, %)



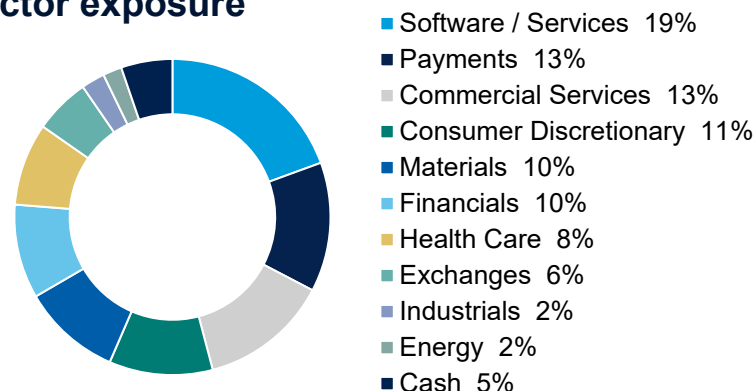
**143.8% return**  
net of fees,  
versus  
the Benchmark  
return of **124.7%**

Source: L1 Capital International and MSCI as at 31 May 2025. 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. See important information at the end of this pack regarding MSCI indices.

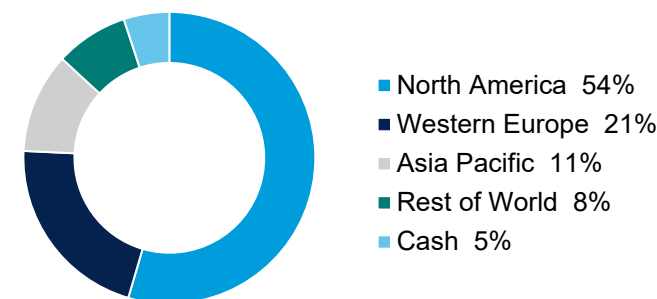
# Current portfolio positioning: Diversified by industry, region and company size

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

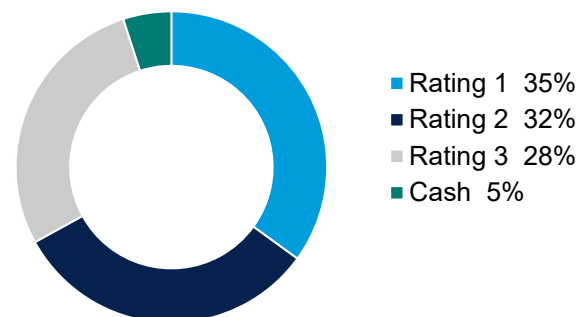
Sector exposure



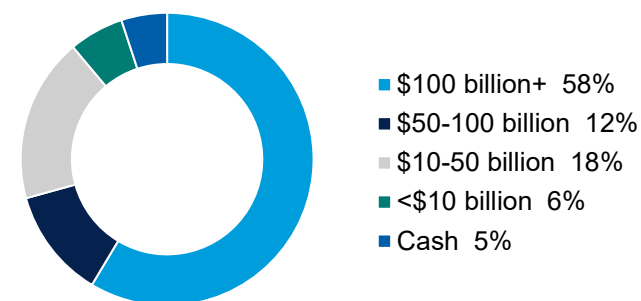
Regional exposure by region<sup>1</sup>



L1 Capital International Quality Rating



Market capitalisation exposure (in US\$)<sup>2</sup>



Source: L1 Capital International as at 26 May 2025. 1. Revenue by region is internally estimated on a look through basis based on the underlying revenues of the individual companies held in the portfolio. 2. Sector exposure is defined by L1 Capital International to best describe the nature of the underlying businesses.

# Current portfolio metrics

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

### 2024 metrics

	Fund <sup>1</sup>	MSCI World Index <sup>1</sup>	ASX 200 <sup>1</sup>
Revenue growth	10%	5%	2%
Gross margin <sup>2</sup>	58%	31%	40%
Operating margin	29%	13%	14%
Cash conversion <sup>3</sup>	85%	ND	ND
Net debt to EBITDA	1.0x	1.7x	3.4x
Return on equity	39%	14%	9%

### 2025 metrics

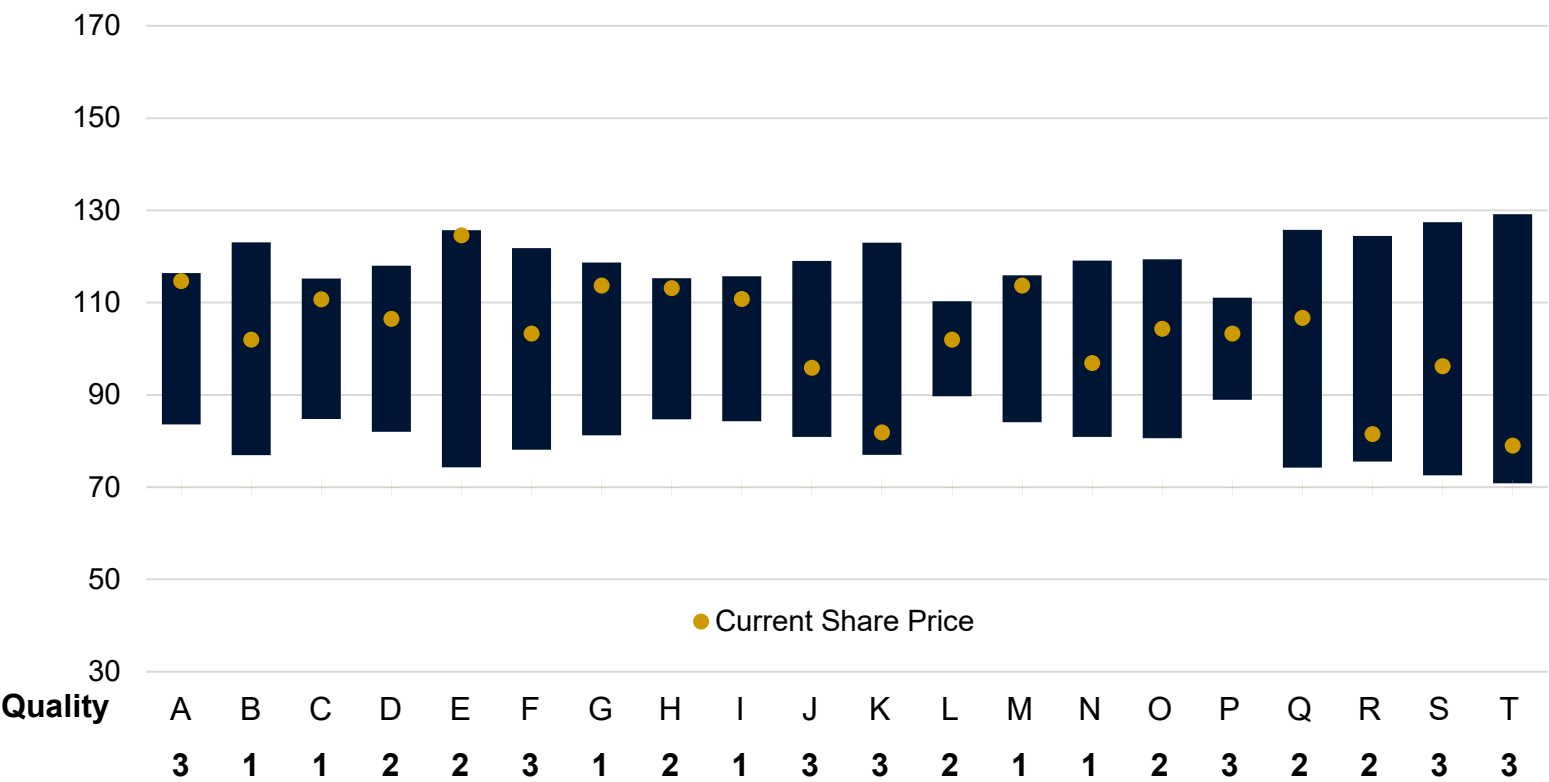
	Fund <sup>1</sup>	MSCI World Index <sup>1</sup>	ASX 200 <sup>1</sup>
P/E <sup>4</sup>	24x	21x	19x
Dividend yield	1.0%	1.9%	4.0%

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 26 May 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 Source: L1 Capital International and MSCI. See important information at the end of this pack regarding MSCI indices.

# Portfolio valuation compared to 12-month trading range

## Strong bounce in most share prices following Liberation Day sell-off

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



- Portfolio has traded on average around 20% from mid-point of 12-month trading range
- Share prices have generally recovered from Liberation Day sell-off
- Sentiment continues to be a key driver of share prices over the short term
- Share price of any business with near term challenges has languished

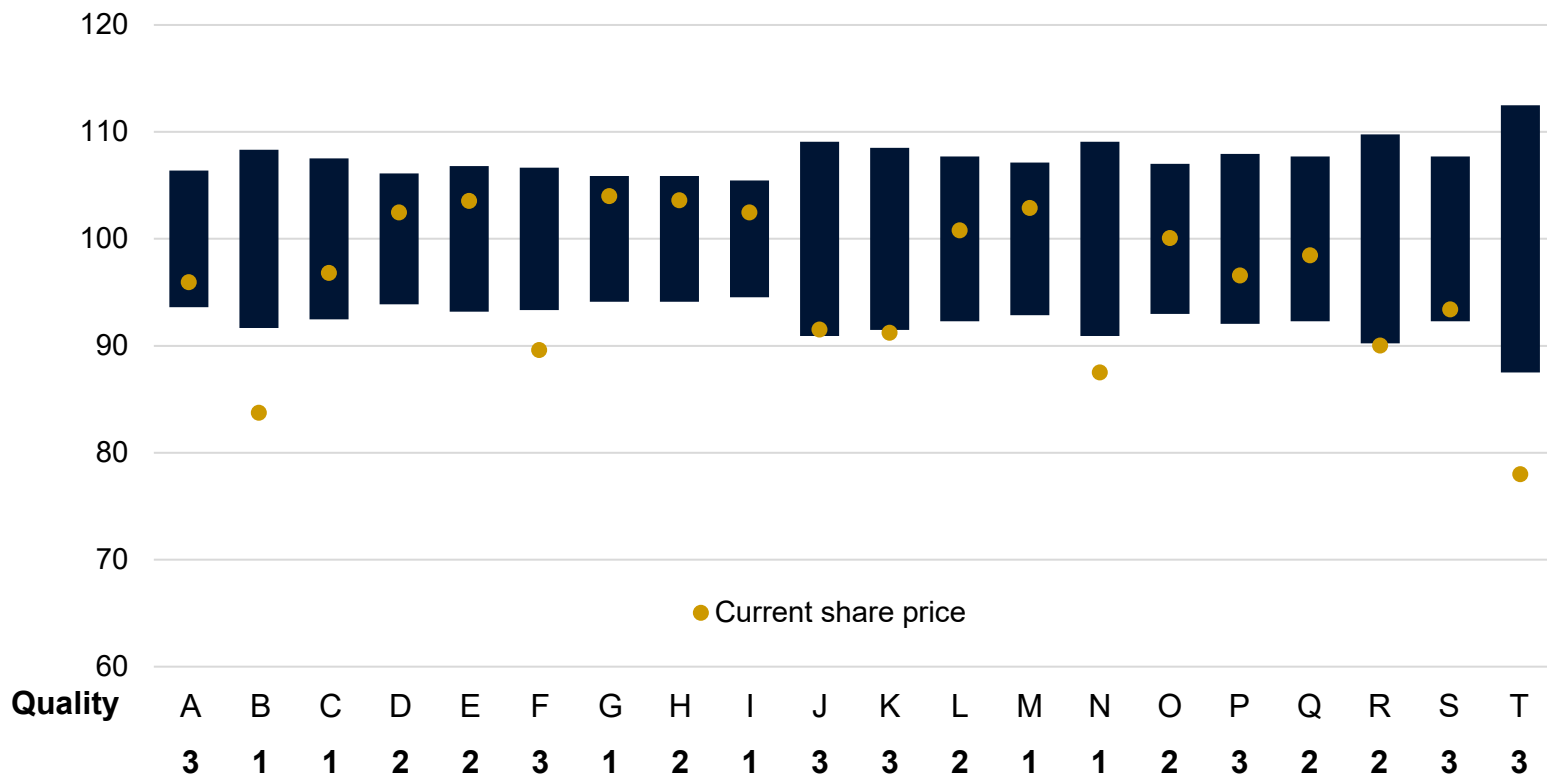
Source: Bloomberg and L1 Capital as at 26 May 2025



# Portfolio valuation compared to share price

Portfolio broadly fairly valued with pockets of value, particularly where near term is more challenged

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



- **High conviction in largest positions** – top 10 around 65% of total portfolio
- **Moderate adjustments** during tariff policy induced volatility. Sold defensive businesses, initial position in **TSMC** and increased other holdings with **Jacobs Solutions** now top 10
- **UnitedHealth Group** major disappointment and has been divested

Source: Bloomberg and L1 Capital as at 26 May 2025













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# Results season takeaways



# Top 10 holdings – Performance and outlook

Performance in line or ahead of our base case

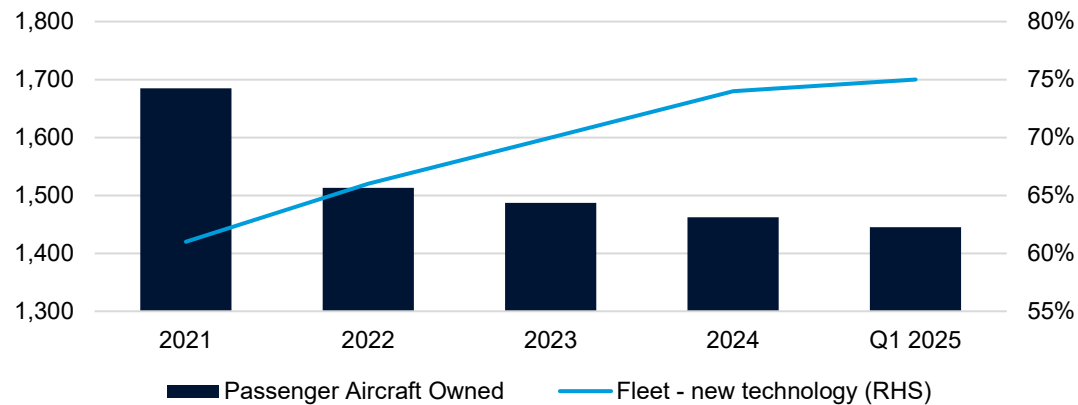
	Quarter Results		Outlook	
	Slight ✓		=	
	AWS: =	eCommerce: =	AWS: =	eCommerce: =
	Slight ✓		=	
	=		=	
	Slight ✓		Slight ✓	
	Slight ✓		=	
	=		=	
	=		=	
	✓		✓	
	=		=	

# Example: AerCap

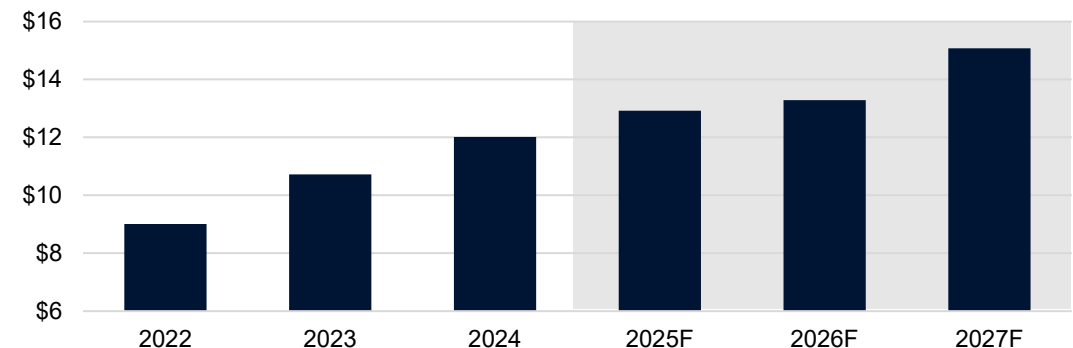
## Structural shortage of aircraft driving up asset values and lease rates

- **Aircraft demand** has fully recovered post COVID
- **Boeing** and **Airbus** continue to have supply chain and production issues
- **AerCap is selling older aircraft** at substantial premium to book value, increasing the residual fleet quality
- **8.5x PE, 1.1x conservative tangible book value**

AerCap – Fleet composition



AerCap – Earnings Per Share



Source: AerCap, L1 Capital International

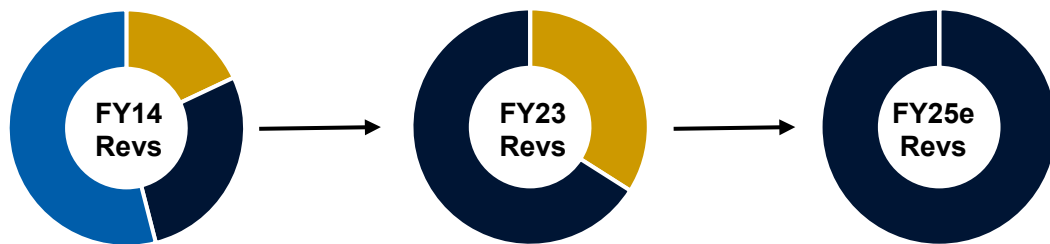
# Example: Jacobs Solutions

# Jacobs

## #1 engineering consulting firm with defensive and secularly growing end markets

- **Portfolio dramatically reshaped** after divesting cyclical Energy and Resources and slower growing, lower margin Government Services businesses
- **Today Jacobs Solutions is a capital light professional services firm** with defensive and secularly growing markets benefiting from tailwinds in water, infrastructure, transportation and reshoring
- **Significant margin expansion potential** driven by a right-sized cost base, offshoring, automation and improving mix

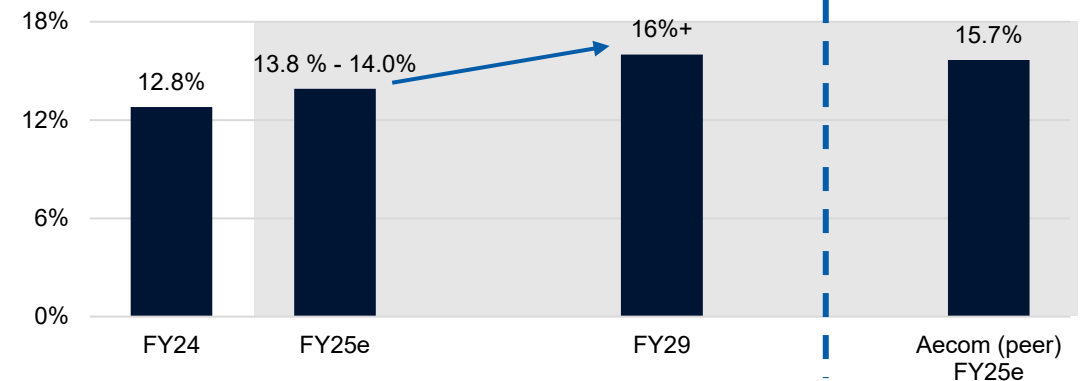
### Jacobs Solutions – Revenue by Market Segment



■ Government Services ■ Infrastructure Engineering and Consulting ■ Energy and Resources

Source: Jacobs Solutions and L1 Capital International

### Jacobs Solutions – EBITDA margin targets






# Example: Intuit



## TurboTax Live: commercialisation of AI in a real-world application

- TurboTax software is used to file **28% of U.S. tax returns** but only has **15% revenue share**
- TurboTax Live is **disrupting the assisted tax filing** category
  - Assisted **total addressable market is more than 4x** the DIY category
  - TurboTax Live generating **\$2b revenue**, 5-year **revenue CAGR of 40%**

### TurboTax filing options

	INCLUDES EXPERT REVIEW	
 File your own taxes	 Assisted File taxes with expert help	 Full Service Let an expert file your taxes
\$0*- \$139 <small>State additional for paid products</small>	\$79- \$209 <small>State additional</small>	\$129+ <small>Price includes W-2 and 1040. State additional</small>
<b>Start for free</b> Pay only when you file	<b>Start for free</b> Pay only when you file	<b>Start for free</b> Pay only when you file
★★★★★ 4.5   157,956 reviews	★★★★★ 4.6   93,393 reviews	★★★★★ 4.9   67,278 reviews

Source: Intuit



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# Summary





# Summary

## Economic conditions are mixed, and Trump policies are increasing uncertainty

- 1 **Consumers** in aggregate are **doing O.K.**, **lower socio-economic** continues to **struggle**
- 2 **Economic conditions** in most developed regions are **slowing**, **Trump** Administration policies add **uncertainty**
- 3 **Inflation under control**, despite potential tariff induced inflation in the U.S.
- 4 **Central Banks** are in a **rate cutting cycle**, Federal Reserve currently 'on hold'
- 5 **U.S. longer-term interest rates drifting up**, key indicator to watch
- 6 **Markets have rebounded strongly** from Liberation Day sell-off, but **wide variation** in company and share price performance below the surface





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# Appendix – Fund terms and contact details



# L1 Capital International Active ETFs (ASX:L1IF & ASX:L1HI)

## Providing investors with increased investment flexibility

- In November 2023, the original, unhedged Fund became available as an Exchange Traded Managed Fund (ETMF) as [ASX:L1IF](#)
- In July 2024, the Manager launched an ETMF offering a hedge version of the strategy [ASX:L1HI](#)
  - Same portfolio as L1 Capital International (Unhedged) Active ETF but with a currency hedge overlay

## Features of the ETMF structure

- Investors can buy and sell units in the Funds on the ASX in addition to trading via the unit registry
- The 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](mailto:L1@ApexGroup.com)

# L1 Capital International Strategy

## Fund terms

<b>Type of investments</b>	Listed securities
<b>Benchmark</b>	MSCI World Net Total Return Index in AUD
<b>Time horizon</b>	5+ years
<b>Investment objective</b>	<ul style="list-style-type: none"><li>• To outperform the Benchmark over rolling 5-year periods (net of all fees and expenses before tax)</li><li>• To deliver attractive risk-adjusted returns over a medium to long term investment horizon whilst lowering the risk of a permanent loss of capital</li></ul>
<b>Management fees</b>	1.2% p.a. of the net asset value of the Fund (including GST and RITC)
<b>Performance fees</b>	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)

Please see Investment Memorandum for full details.

# L1 Capital International Strategy: Key parameters

## Guidelines

<b>Number of positions (typical)</b>	20 to 40 positions
<b>Target investment universe (typical)</b>	High quality global listed equities (L1 Capital International rating 1, 2, or 3)
<b>Target geography (typical)</b>	Developed markets: North America, Europe, Asia, Aust/NZ
<b>Minimum position size (typical)</b>	2%
<b>Position sizes (typical)</b>	3% to 7%
<b>Maximum position size</b>	Maximum 10% (at time of initial investment)
<b>Cash levels</b>	0 – 25%, typically <5%
<b>Leverage</b>	No
<b>Shorting</b>	No
<b>Applications/redemptions</b>	Dual registry structure available via daily dealing Australian Unit Trust and ETMF (unhedged strategy ASX:L1IF and hedged strategy ASX:L1HI)

# Important information

## L1 Capital International Pty Ltd

### 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 (Unhedged) Active ETF 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](http://www.L1.com.au) before making a decision about whether to invest in this product.

The L1 Capital International (Unhedged) Active ETF’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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