

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

Investment Environment and Portfolio Update

May 2026

Agenda

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Investment Environment

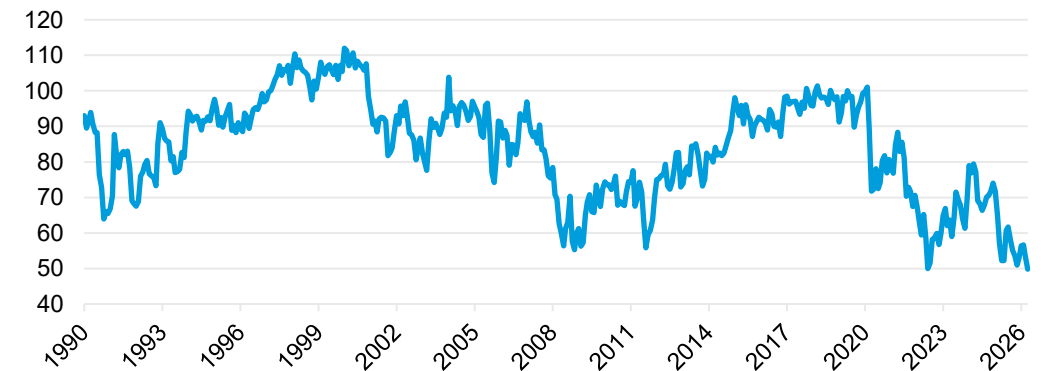


Industrial activity is reasonably strong, while there are increasingly weak consumer signals

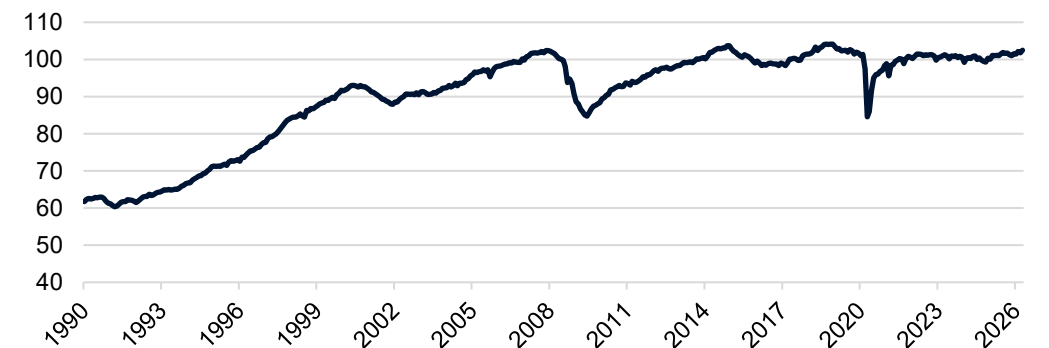
AI capex boom obfuscating areas of weakness

- Market is **looking through geopolitical uncertainty** and **pricing in a resolution** to the Middle East conflict
- **Bifurcation of consumers continues** – affluent strong, lower-socioeconomic weak
- Higher fuel prices, pick-up in inflation and interest rates, AI related job uncertainty translating to **very weak consumer sentiment**
- **Industrial activity** is more **robust**, particularly **AI related** goods/construction and beneficiaries of **onshoring**

U.S. consumer sentiment



U.S. Industrial Production



Source: Top chart: University of Michigan, Bottom chart: Federal Reserve Bank of St Louis.

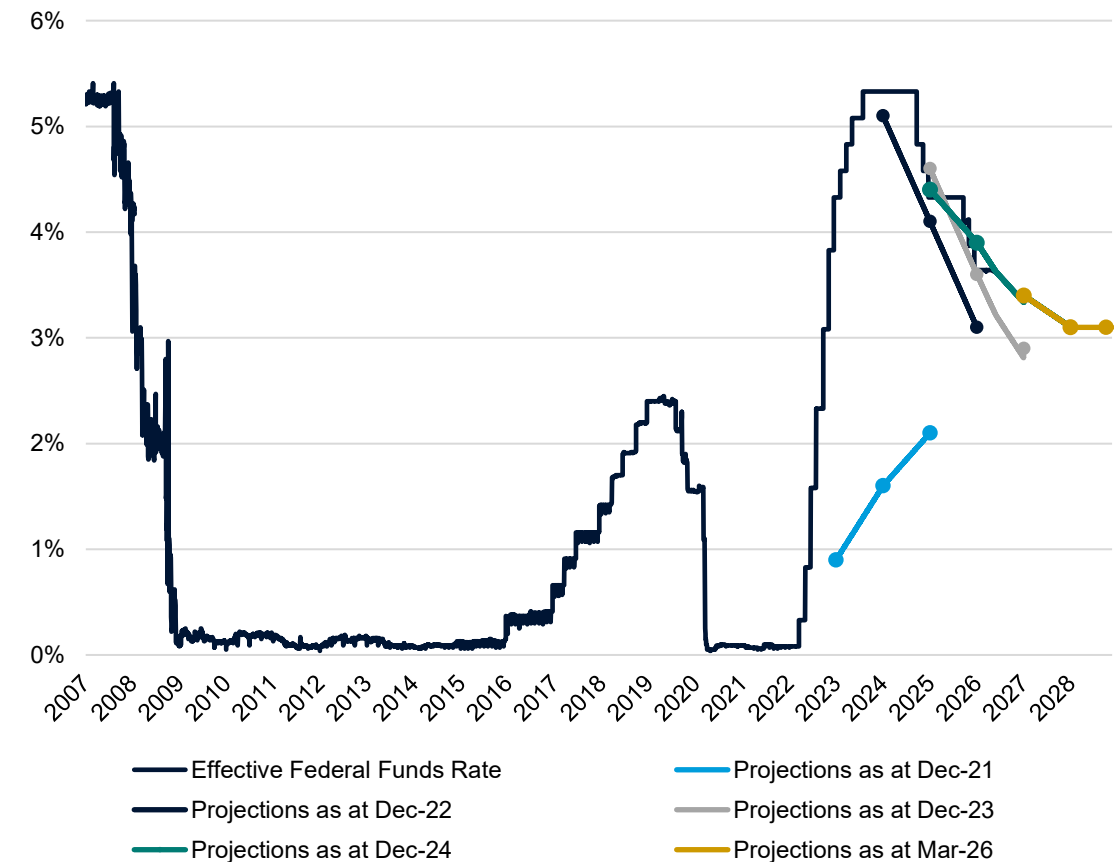


U.S. Fed Funds rate forecast to be steady of increase by end of 2026

Market pricing in Fed Fund rate increases in response to higher inflation

- **Federal Reserve held rates steady in 2026**
- **Kevin Warsh** confirmed as the Federal Reserve Chair
- **Market is pricing in between 0 and 2 rate INCREASES (25 basis points) by end of 2026**, with an 85% chance of 0 or 1 increases

Federal Reserve Funds Rate and market projections



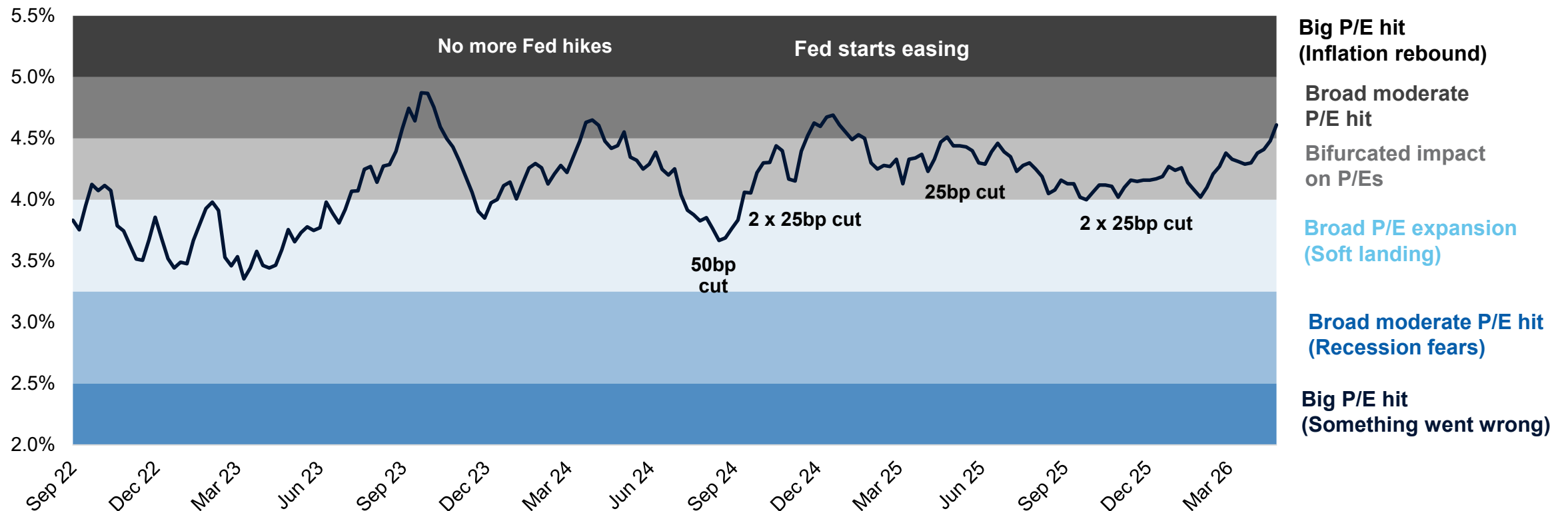
Source: Federal Reserve Economic Projections - Federal Reserve Bank of St Louis.



Long-term interest rates are increasing into the grey zone

Inflation concerns, particularly energy related, building due to Middle East conflict and closure of Strait of Hormuz disrupting supply chains

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



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



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

Global long-term rates have increased moderately, with a substantial increase in Japan

- Middle East instability creates risk to economic conditions, with higher oil prices causing bond yields to drift higher
- Bank of Japan has moved away from controlling long-term interest rates around 0%

10-year bond rates (%)

	U.S.	ECB	U.K.	Australia	Canada	N.Z	China	Japan
2024 Year end	4.57	2.36	4.57	4.36	3.23	4.41	1.67	1.09
Current	4.56	3.04	4.89	4.88	3.53	4.65	1.75	2.70
Change in 2025/2026 YTD	(0.01)	+0.68	+0.32	+0.52	+0.30	+0.24	+0.08	+1.61

Source: Bloomberg.

Staged roll-out of Anthropic's Mythos model due to potential disruptive cybersecurity capabilities

Task duration (for humans)
where logistic regression of our data
predicts the AI has a 50% chance of succeeding

Measurements above 16 hrs are unreliable
with our current task suite

16 hours

8 hours

4 hours

2 hours

1 hour

30 min

0

2020 2021 2022 2023 2024 2025 2026

LLM release date

GPT-2

GPT-3

GPT-3.5

GPT-4

o3

GPT-5

Claude Opus 4.5

GPT-5.2 (high)

Claude Opus 4.6

Claude Mythos Preview (early)

Fix complex bug in ML research codebase

Exploit a vulnerable Ethereum smart contract

Train adversarially robust image model

Exploit a buffer overflow

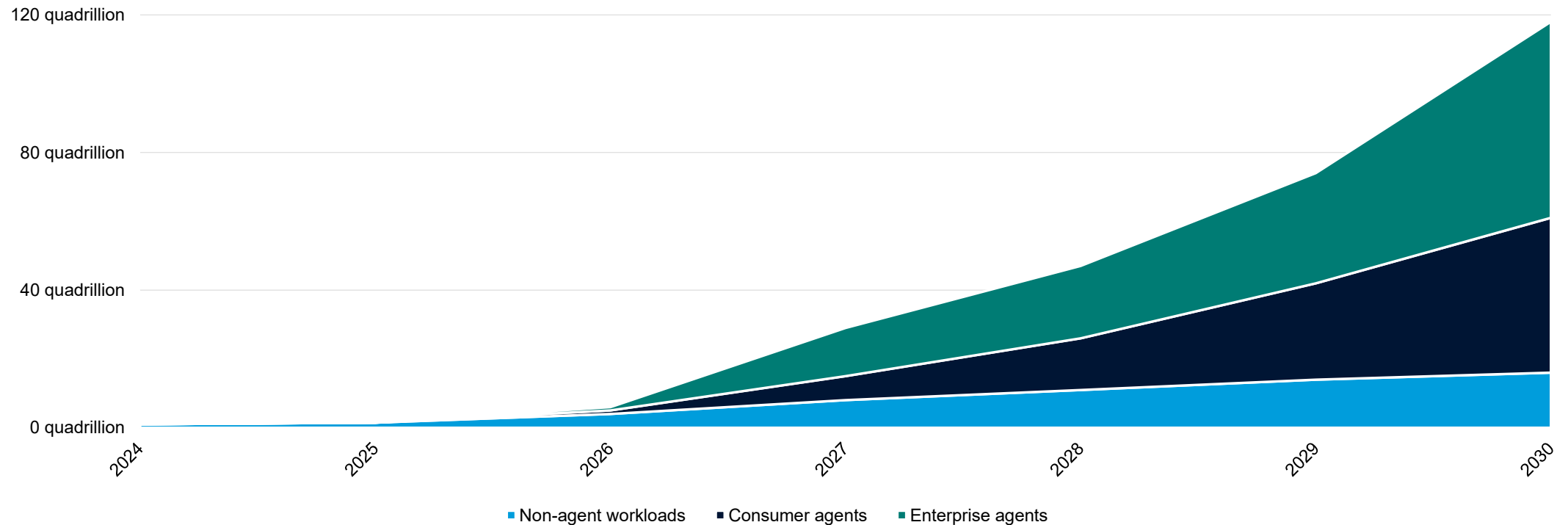
Fix bugs in small Python libraries

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

Artificial Intelligence | Exponential increase in token use by AI agents

Dawn of the AI Agentic Age

Estimated monthly token count for agentic AI applications



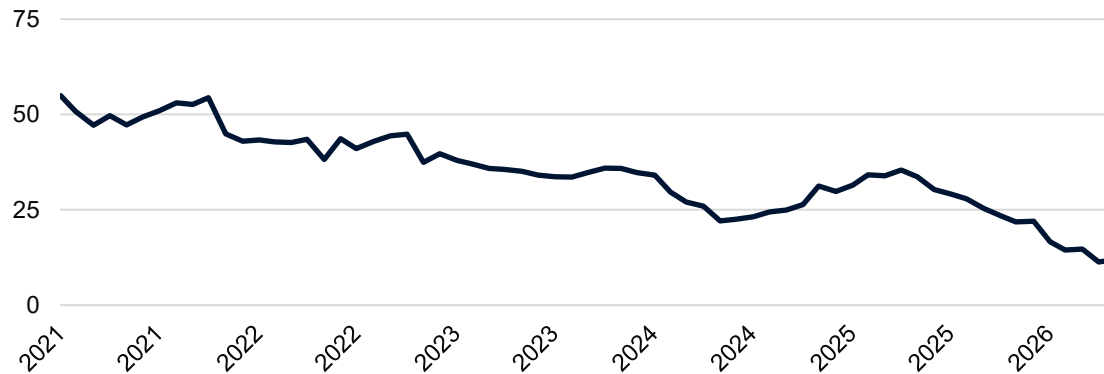
Source: Goldman Sachs Research.

Artificial Intelligence | Semiconductor index has gone vertical

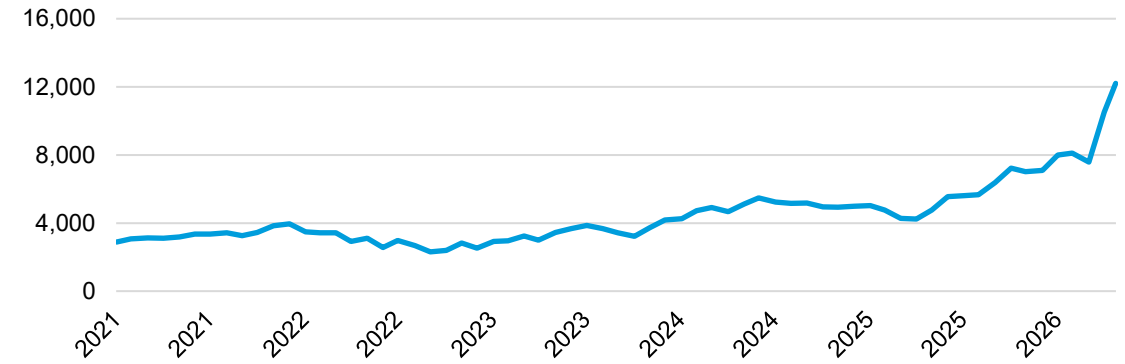
AI capex boom

- Market capitalisation of the companies in the Semiconductor Index has increased from 5% of the S&P500 Index in late 2022 to 22% currently
- The share price of software companies has collapsed relative to the performance of semiconductor companies

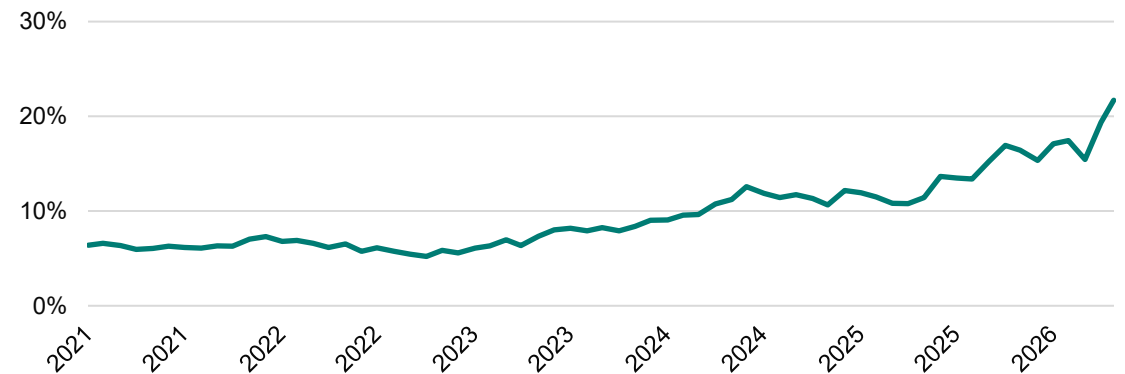
Software vs Semiconductor Index



Semiconductor index



Semiconductor Index market cap / S&P500 Index market cap



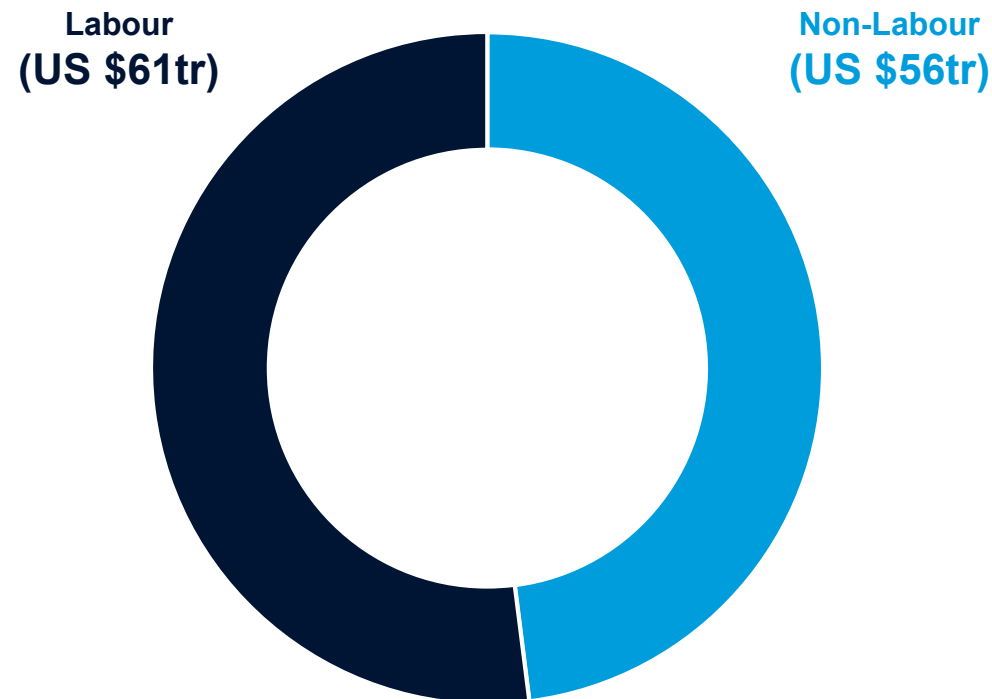
Source: Bloomberg, Morgan Stanley.



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

Artificial Intelligence | Increasing efficiency and displacing labour

Only small reductions in global labour costs are required to justify AI capital expenditures



c.\$61 trillion

Labour income share of GDP

c.\$1 trillion

Total global AI infrastructure spending in 2026

AI spend is just **under 2%** of labour costs

Small labour efficiencies will deliver significant returns on **AI investments** as will additional revenue generating opportunities

Source: IMF, International Labour Organisation, Industry reports



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

Equity markets are being driven by momentum, not valuation

Companies with share price momentum, particularly beneficiaries of AI capex spend, are driving the equity markets higher. Valuation has become a secondary consideration

Morgan Stanley Momentum Index



Source: Bloomberg, Morgan Stanley.



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



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



L1 Capital International (Unhedged) Active ETF

A benchmark-agnostic, high-conviction portfolio
focused on quality and consistent outcomes

Fund performance* (Net, %)	Fund	Benchmark**	Alpha
1 month	2.2	4.4	(2.2)
3 months	(4.6)	0.7	(5.3)
1 year	(0.9)	14.9	(15.9)
3 years p.a.	14.1	16.4	(2.3)
5 years p.a.	9.5	12.9	(3.4)
Since Inception p.a.	12.3	13.3	(1.0)
Since Inception cumulative	129.8	145.3	(15.5)

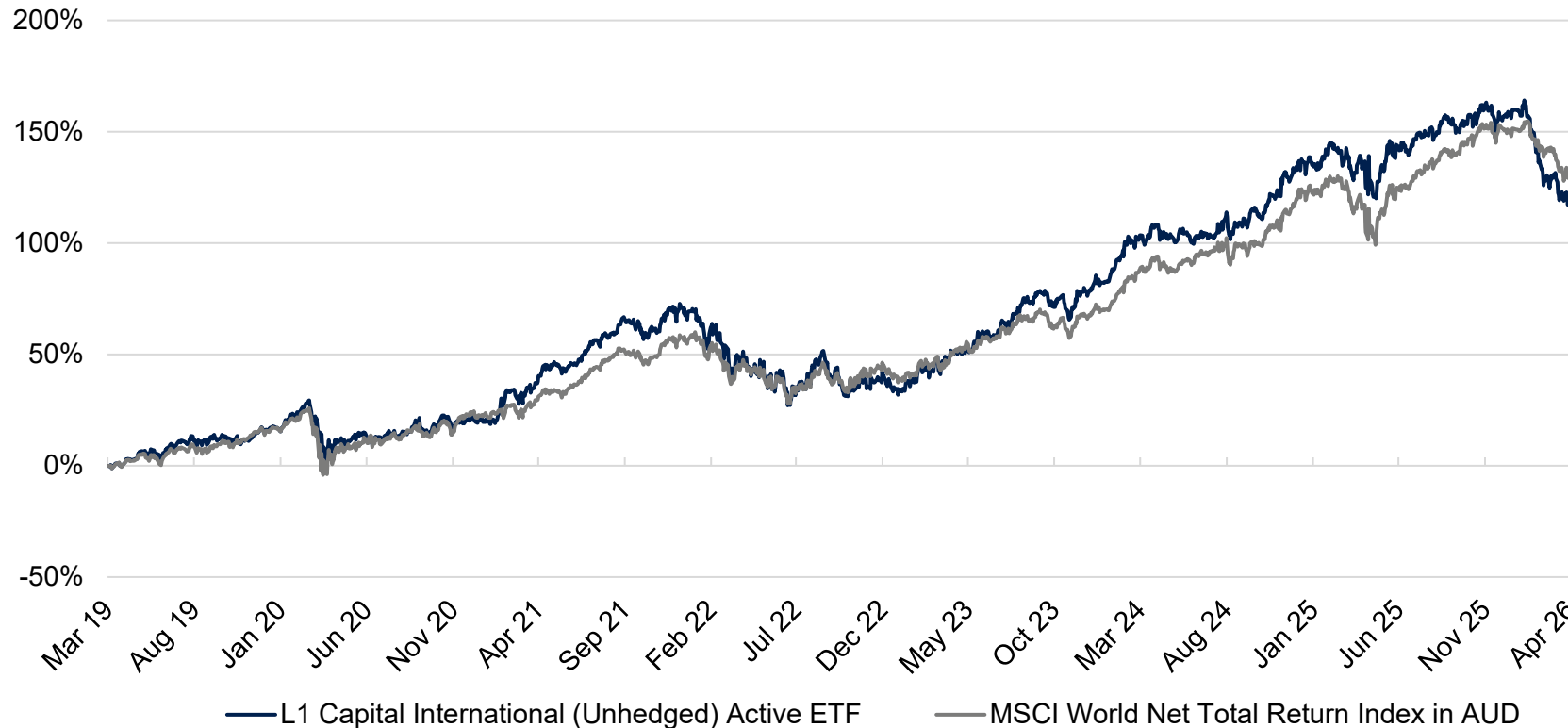
Performance objectives

- ✓ 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 30 April 2026. All performance numbers are quoted net of fees. *Unit Trust Inception is 1 March 2019 (returns measured from Index close). ETMF Inception is 22 November 2023. Numbers may not add due to rounding. ** MSCI World Net Total Return Index in AUD. See important information at the end of this pack regarding MSCI indices. **Investments can go up and down. Past performance is not predictive of future returns.**

L1 Capital International (Unhedged) Active ETF | Performance

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



129.8% return
net of fees,
versus
the Benchmark
return of **145.3%**

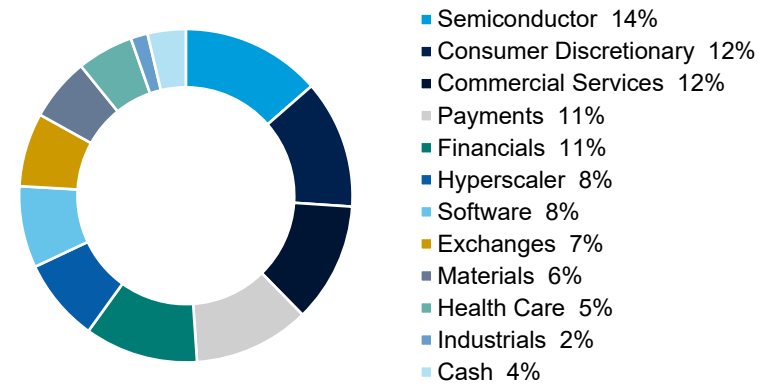
Source: L1 Capital International and MSCI as at 30 April 2026. Unit Trust Inception is 1 March 2019 (returns measured from Index close). ETMF Inception is 22 November 2023. See important information at the end of this pack regarding MSCI indices. Investments can go up and down. Past performance is not predictive of future returns.



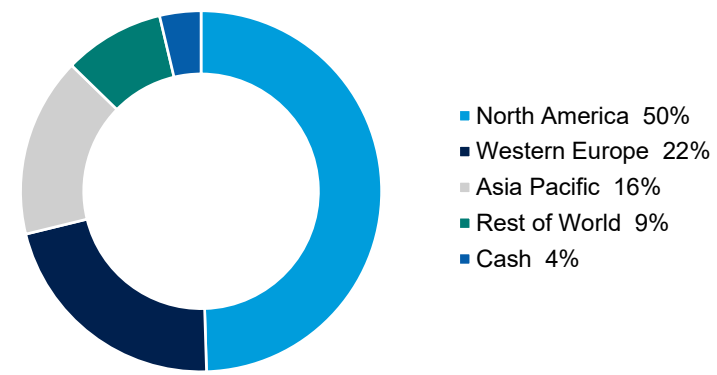
Current portfolio positioning | Diversified by industry, region and company size

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

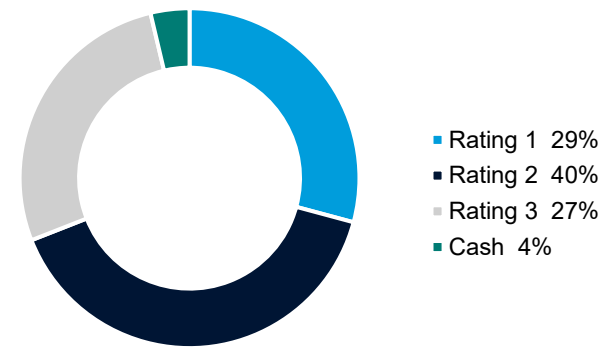
Sector exposure



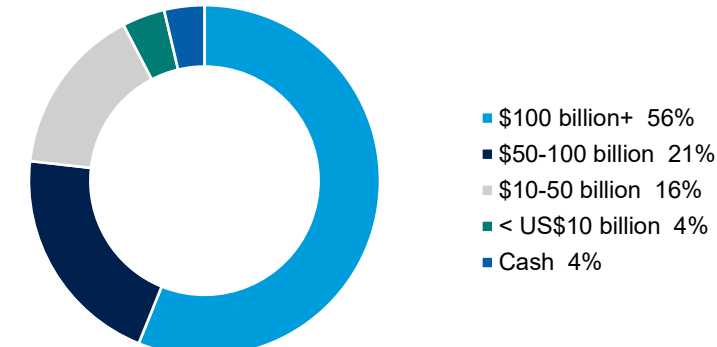
Regional exposure by region¹



L1 Capital International Quality Rating



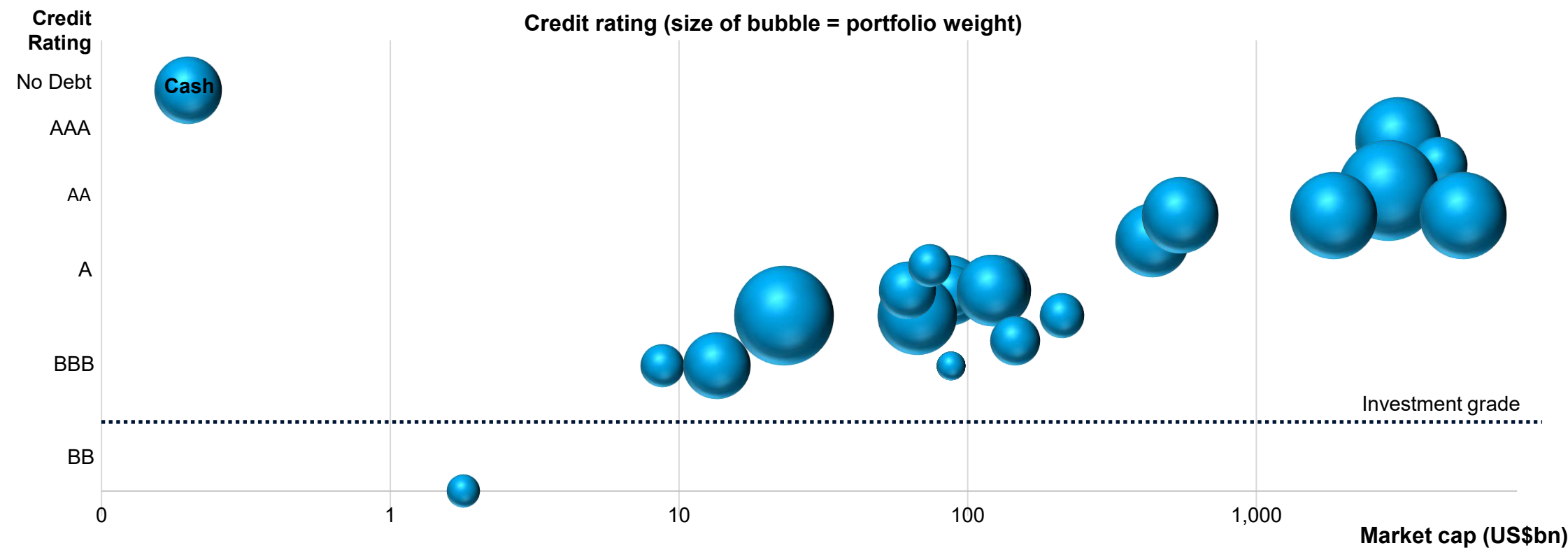
Market capitalisation exposure (in US\$)²



Source: L1 Capital International as at 30 April 2026. 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.

Financial strength

Key investment criteria and reduces risk



Source: L1 Capital International as at 26 May 2026.

Current portfolio metrics

Financial metrics reflect portfolio quality, compelling valuation compared to market average

2025 metrics

	Fund ¹	MSCI World Index ¹	ASX 200 ¹
Revenue growth	16%	2%	0%
Gross margin ²	69%	32%	42%
Operating margin	37%	14%	14%
Cash conversion ³	71%	ND	ND
Net debt to EBITDA	1.2x	1.9x	3.6x
Return on equity	37%	15%	11%

2026 metrics

	Fund ¹	MSCI World Index ¹	ASX 200 ¹
P/E ⁴	21x	21x	18x
Dividend yield	1.0%	1.6%	3.7%

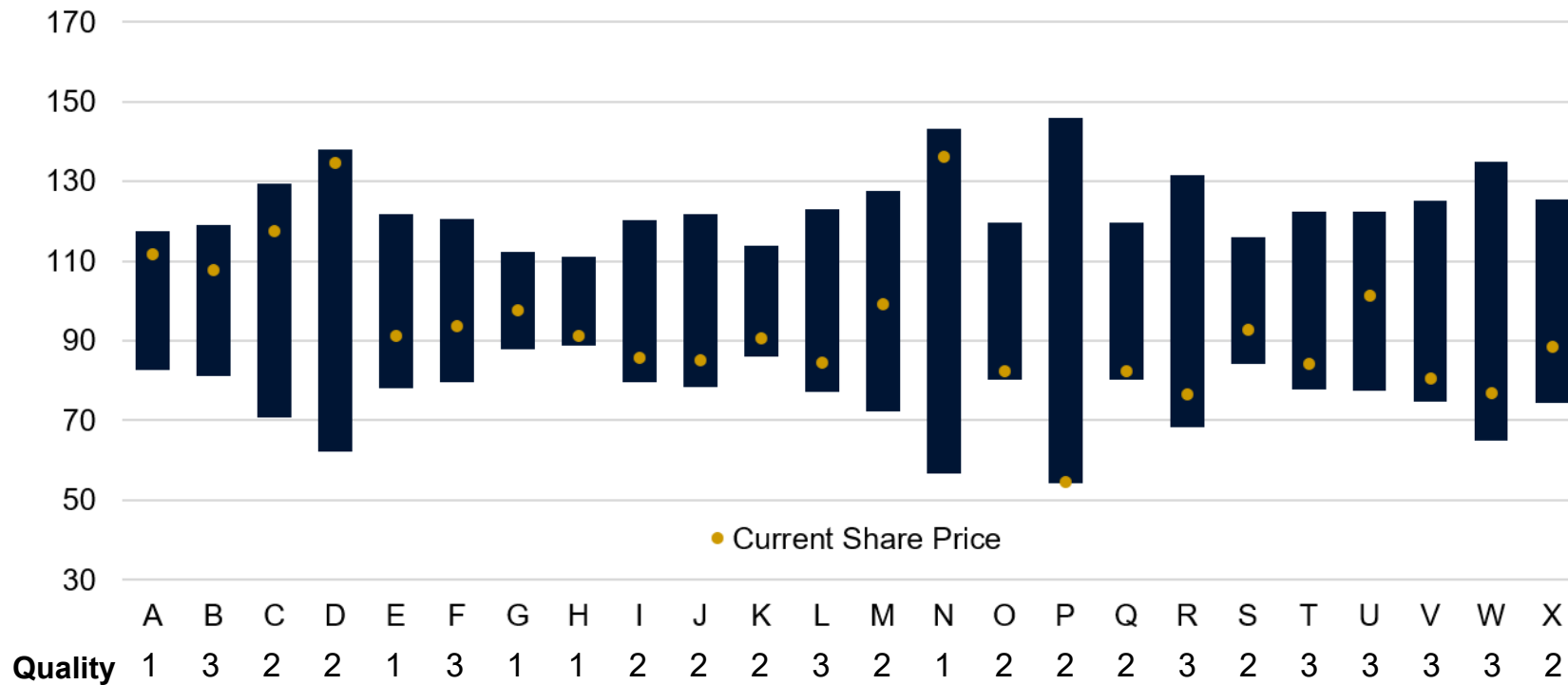
1. Fund metrics are weighted average excluding cash. Fund company metrics excluded where ratios are distorted or unavailable. MSCI World Index and ASX 200 as calculated by Bloomberg (using a weighted average of the constituents). Metrics are as of 26 May 2026. 2. L1 Capital International's estimate when 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.



Current share price compared to 12-month trading range

Wide variance in share price performance depending on market perception of AI exposure

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



- Portfolio has traded on average around 25% from mid-point of 12-month trading range
- Portfolio has companies trading towards both 12-month highs and 12-month lows
- Share prices of **perceived AI losers** have **fallen significantly**

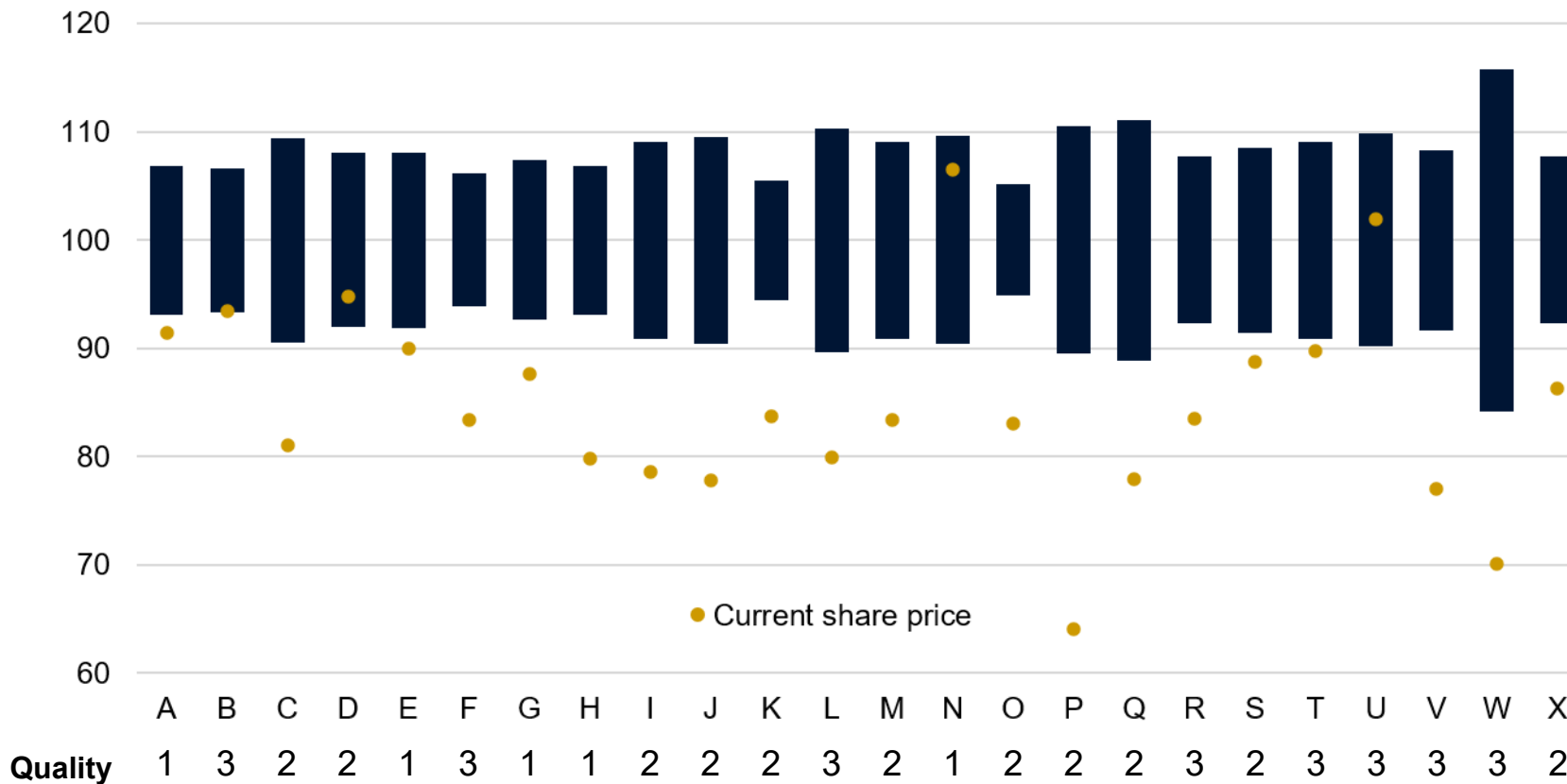
Source: Bloomberg and L1 Capital as at 26 May 2026.



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

Portfolio valuation compared to share price

Significant value in high quality businesses that are out of market favour



Source: Bloomberg and L1 Capital as at 26 May 2026.



- **Top 10** around **62%** of total portfolio
- **Nvidia** investment **increased**, now a top 5 holding
- Increased investment in **Danaher**
- **Salesforce** divested
- **Two new positions** initiated
- **Cash** currently c. 3%



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Portfolio Considerations



Portfolio overview

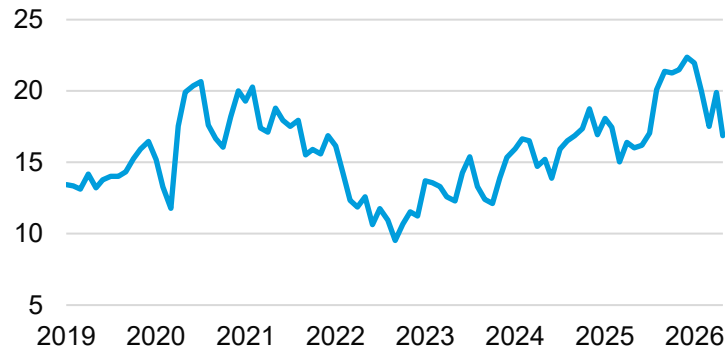
Compelling value in high quality businesses, material upside if perceived AI losers address market concerns over time

AI infrastructure beneficiaries	 
Hyperscalers	  
Quality & highly attractive value	       
White-collar employment	  
Perceived tech-centric AI losers	   

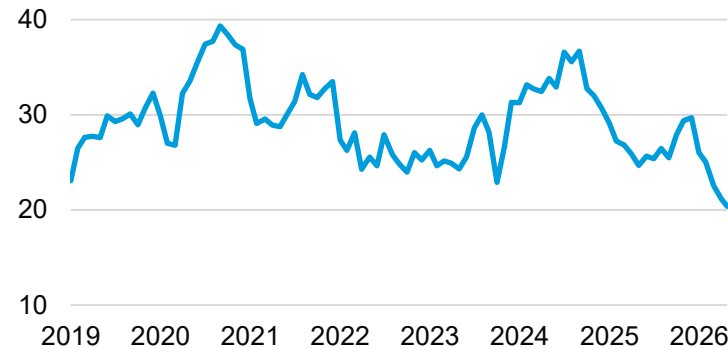
High quality businesses meeting expectations and trading at attractive valuations

Companies are not AI sensitive, but have been derated – accounts for c. 40% of the Portfolio

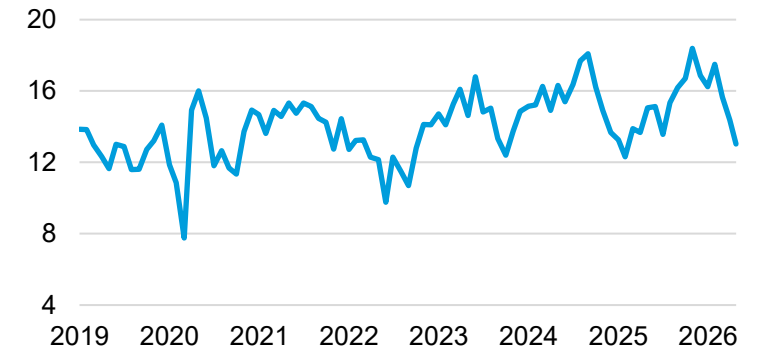
CRH – Forward PE ratio



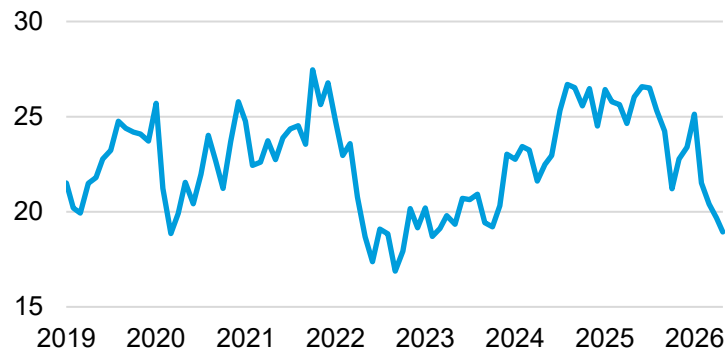
Danaher – Forward PE ratio



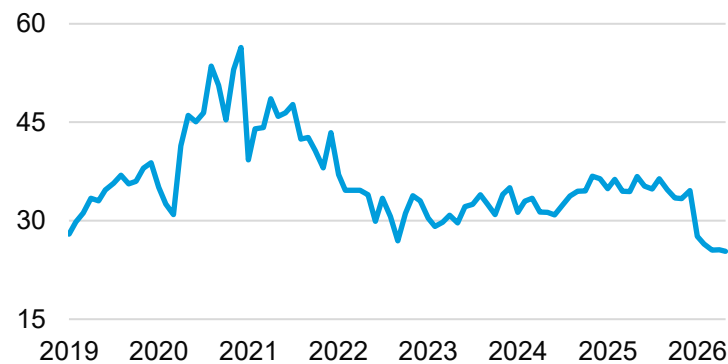
HCA Healthcare – Forward PE ratio



Intercontinental Exchange – Forward PE ratio



Mastercard – Forward PE ratio



Visa – Forward PE ratio

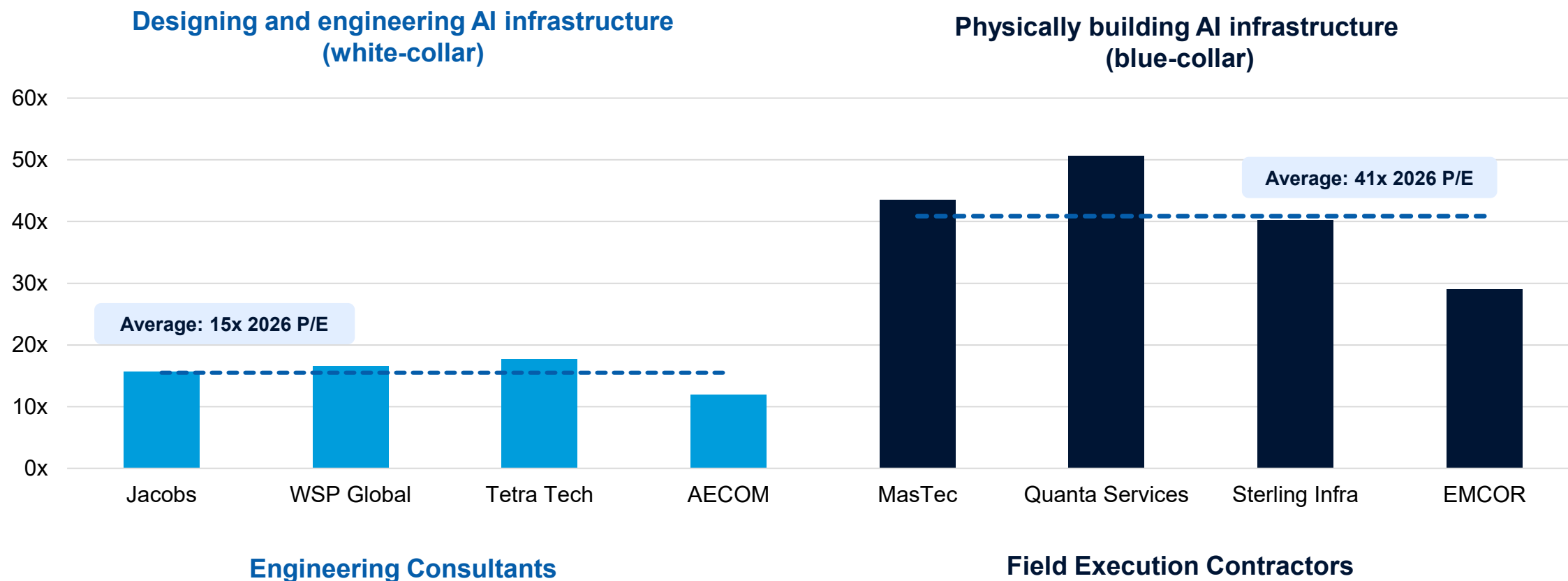


Source: FactSet.



Designing and building AI infrastructure

Contractors building AI infrastructure trade at a significant premium to engineering consultants...

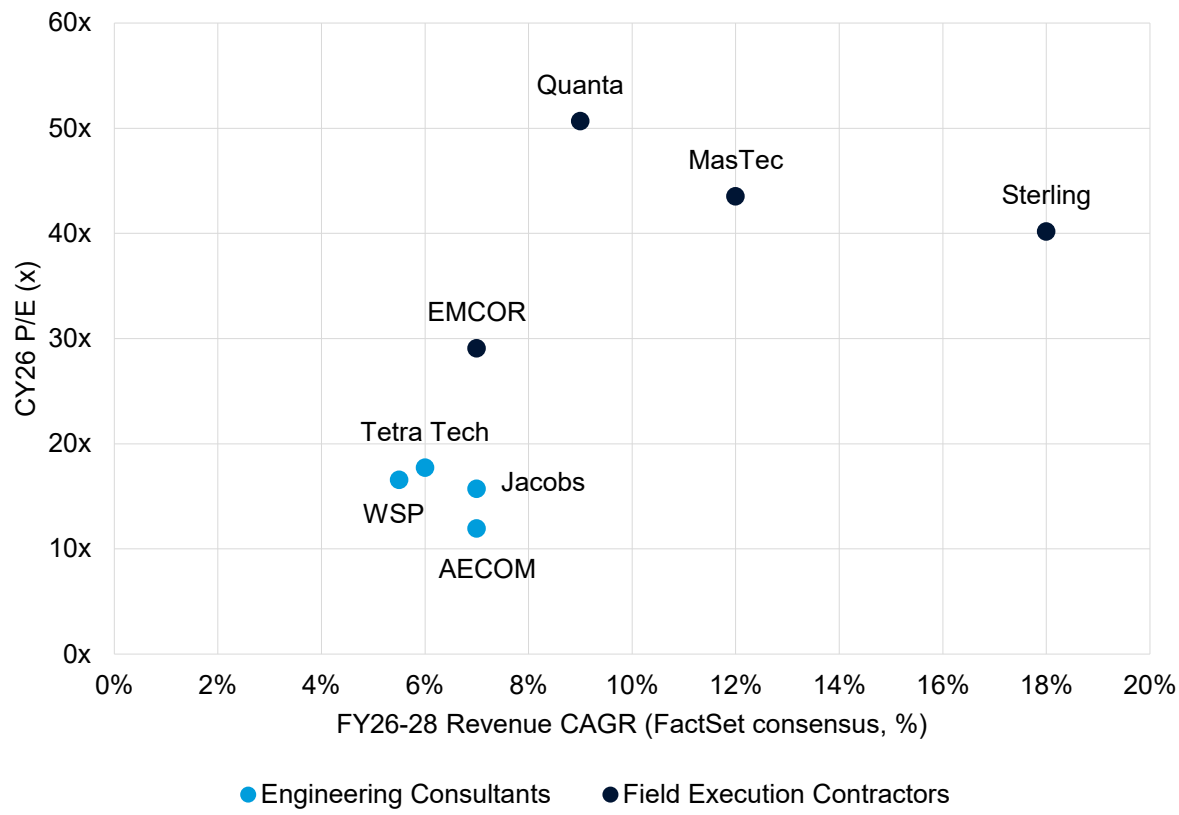


Source: Consensus estimates as of 21 May 2026.

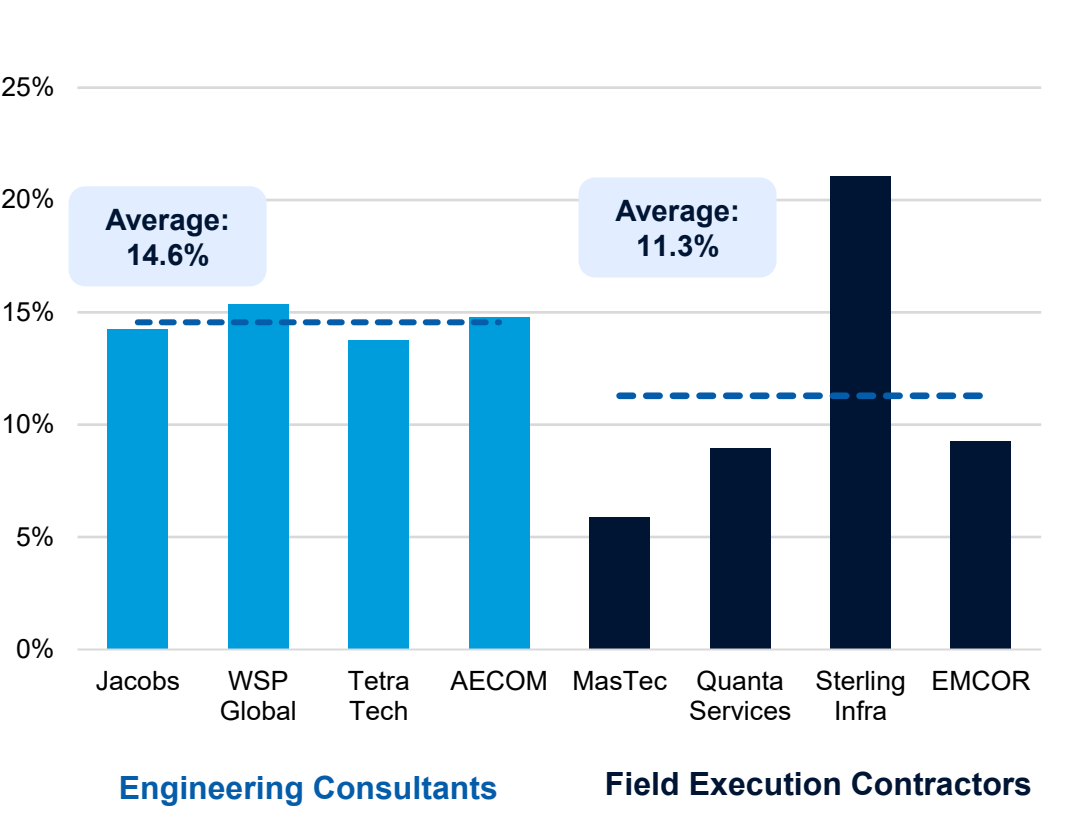
Designing and building AI infrastructure

....pricing in faster growth expectations despite lower margins and greater execution risk

Valuation vs. Growth



F26 Adj. Operating Margins



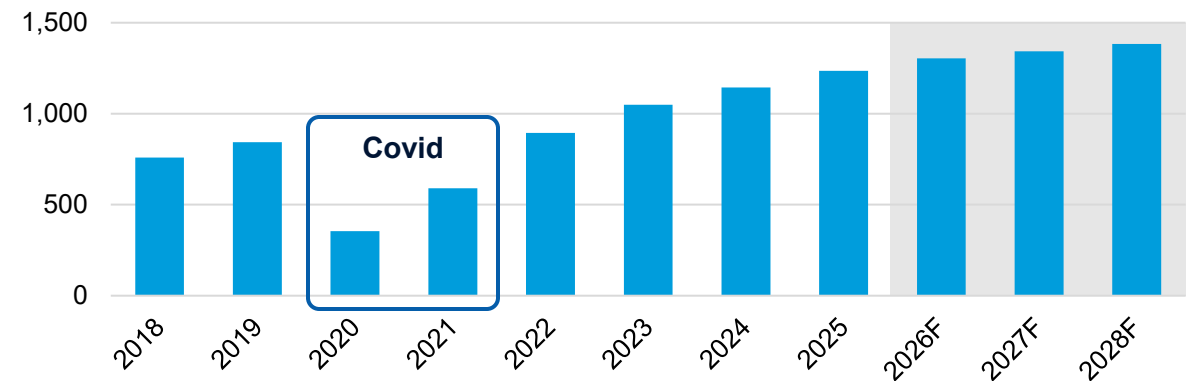
Source: Consensus estimates as of 21 May 2026.

Perceived AI losers | Booking Holdings

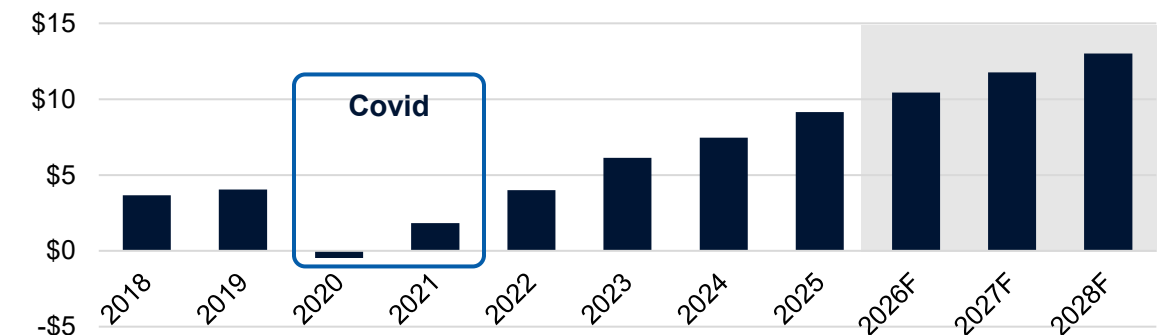
Investing in AI and product capabilities and partnering with leading LLMs. AI disruption concerns and Middle East conflict resulting in a compelling investment opportunity

- **Global travel spend consistently outpaces global GDP growth over time**
 - **Middle East conflict** currently disruptive
- **Market concerned** people will use AI interfaces to research and book travel services
- **Last mile** of travel is **highly complex** and **fragmented**
- **Booking is investing in AI capabilities, product development and loyalty**
- **Strong financial performance, low debt**
- **13x 2027 P/E ratio**

Room nights booked (million)



Earnings per share



Source: Booking Holdings and L1 Capital International.





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Summary



Summary

Market is assuming the Middle East conflict is resolved soon and any inflation/supply chain pressures are transitory. AI remains the dominant market theme, AI beneficiaries and momentum are outweighing valuation, even for high quality businesses.

1 **K-shaped economy'** continues – Affluent consumers are doing well, lower socio-economic groups are struggling

2 **Very weak consumer sentiment, industrial activity solid**, particularly AI centric capex

3 **Middle East conflict** causing inflationary pressures to build

4 **Longer-term interest rates** are drifting upwards, equity markets entering a 'darker grey zone'

5 **AI is not a bubble**, but is **swamping** all other investment considerations, including **valuation**

6 **Market** being **driven** by **momentum**

7 **High quality businesses** continue to **grow earnings** and **cashflow** and **buyback shares below fair value**

8 **Compelling opportunities** for longer term investors



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Appendix



L1 Capital International Strategy

Fund terms

Type of investments	Listed securities
Benchmark	MSCI World Net Total Return Index in AUD
Time horizon	5+ years
Investment objective	• 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)

Please see Investment Memorandum for full details.



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)

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

For further information *please contact* the Unit Registry Office

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

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



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 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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