L1 CAPITAL

Quarterly Report

L1 Capital International Fund (Managed Fund)

September 2024

In this Quarterly Report, we have outlined:

- Our assessment of the current investment environment including:
  - Mixed macroeconomic data
  - The “Flaw of Averages”
  - Why we expect U.S. interest rates to stay relatively ‘higher for longer’
  - Why the U.S. remains ‘the best house on the investment street’, reinforced by our recent U.S. travels and meetings with the management teams of over 40 companies
- Review of the last quarter, including key contributors and detractors to the Fund’s performance
- Recent Portfolio adjustments
- An overview of the issues to consider when investing in Nvidia, and why we view the current share price as unattractive given the high degree of uncertainty.

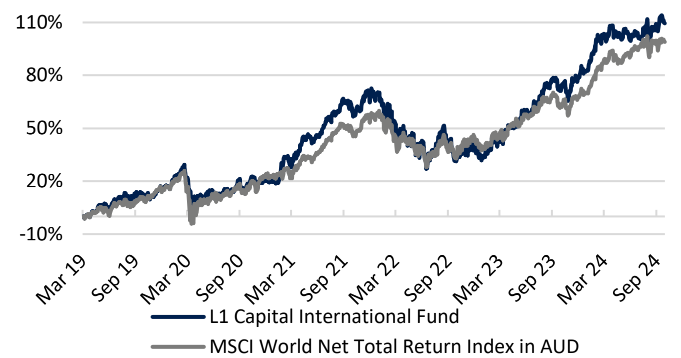
Fund Performance (Net) (%)[1]

	Fund	Index[2]	Alpha
3 months	4.7	2.4	+2.3
1 year	23.5	23.2	+0.3
3 years p.a.	9.9	10.6	(0.7)
5 years p.a.	13.5	12.4	+1.1
Since Inception[1] p.a.	14.3	13.1	+1.2
Since Inception[1] cumulative	111.5	99.0	+12.5

NAV price as at 30 September 2024	**$5.86**

Past performance should not be taken as an indicator of future performance.

Fund (Net) and benchmark returns since inception[1]



On 22 July 2024, the L1 Capital International team launched a new listed, hedged vehicle called **L1 Capital International (Hedged) Active ETF** (ASX: L1HI and APIR: ETL3815AU).

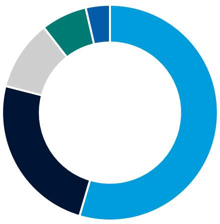
The underlying portfolio of investments is the same as the L1 Capital International Fund (Managed Fund) but with a currency hedge overlay.

Like the L1 Capital International Fund (Managed Fund), it has a ‘dual registry’ structure that allows investors to buy and sell shares both off-market via the registry and on-market via the ASX.

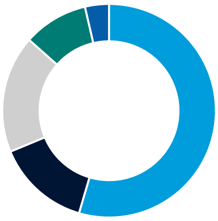
[1] Unit Trust Inception is 1 March 2019 (returns measured from Index close). ETMF Inception is 22 November 2023. Numbers rounded to one decimal place and may not add due to rounding. All performance numbers are quoted net of fees. Net returns are calculated based on the movement of the underlying investment portfolio. Figures may not sum exactly due to rounding. Past performance should not be taken as an indicator of future performance.

[2] MSCI World Net Total Return Index in A$.

Revenue exposure by Region[3]



Market capitalisation Exposure (in US$)



Sector exposure[4]

Top 10 holdings

As at 30 September 2024 (In alphabetical order)	Sector
AerCap Holdings	Financials
Amazon.com	Software / Services / Consumer Discretionary
Booking Holdings	Consumer Discretionary
CRH	Materials
Eagle Materials	Materials
HCA Healthcare	Health Care
Intercontinental Exchange	Exchanges
Mastercard	Payments
Microsoft	Software / Services
Visa	Payments

[3] Revenue by region is internally estimated on a look through basis based on the underlying revenues of the individual companies held in the portfolio.

[4] Sector exposure is defined by L1 Capital International to best describe the nature of the underlying businesses. Past performance should not be taken as an indicator of future performance.

Current investment environment

> **"A statistician can have his head in the oven and his feet in the freezer, and he will say that on average he feels fine."**
>
> *Over-used statistics joke*

Macroeconomic conditions

"The Flaw of Averages" by Sam Savage[5] outlines why making decisions based on assumptions about average conditions often leads to predictive problems and disappointing outcomes. Savage has parlayed his initial article into a wide-ranging book on the same subject[6].

Currently, we believe the macroeconomic environment is 'mixed' or 'choppy'. Focusing on '**averages**' can be misleading. Economic data varies, and individual statistics such as the current inflation rate or unemployment rate (leaving aside complexities of measurement and composition) are averages. **On average**, in most major economies globally, inflation is under control, and, **on average**, unemployment is low. Economic conditions, **on average**, are pretty good, particularly in the U.S. However, as outlined by Savage, average conditions can be misleading.

In the U.S. (and most regions globally), from a macroeconomic perspective, not much has changed over the past three months.

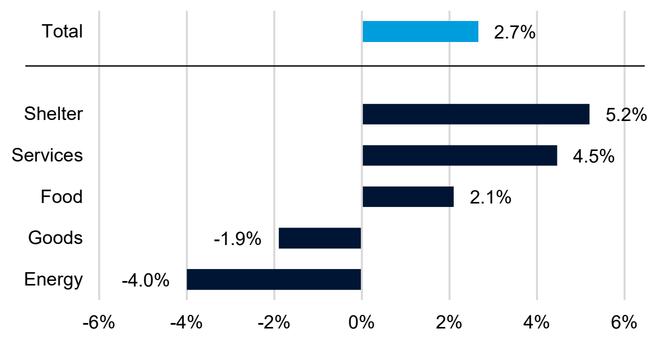
Inflation continues to trend down, slowly. However as can be seen below, while core PCE growth continues to trend down slightly and is now sub 3%, contributors to inflation remain varied, with Goods and Energy inflation negative, while Services and Housing inflation broadly remains in the 4% to 5% range. Within these broad categories there is even more variation – not all goods are deflationary and not all services are inflationary, again highlighting the **limitations of averages**.

On average, unemployment remains low, with the most recent employment statistics in the U.S. surprising to the upside, as the U.S. economy added 254,000 jobs in September 2024, and the unemployment rate fell to 4.1%.

However, again, **averages** can be misleading. At the sector level there have been no jobs created in 'goods-centric' segments such as Warehousing, Non-durable goods and the Automotive sectors. The I.T. sector, despite the boom in all things related to Artificial Intelligence (AI), has also seen flat employment. The vast majority of employment growth has been concentrated in three sectors – Healthcare, Government and Leisure and Hospitality.

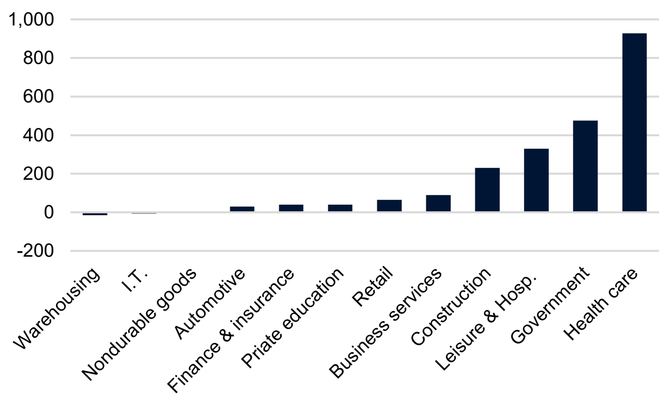
We have much sympathy for central bankers having to make broad monetary policy decisions using blunt instruments such as short-term interest rates in response to economic data based on averages in order to manage broad average indicators for inflation and unemployment. **On average**, we think they are doing a pretty good job.

Figure 1: U.S. CPI components



Source: U.S. Bureau of Labor Statistics

Figure 2: Change in jobs by sector – last 12 months (000s)



Source: Source: U.S. Bureau of Labor Statistics

[5] Harvard Business Review, November 2002.

[6] "The Flaw of Averages: Why we Underestimate Risk in the Face of Uncertainty" by Sam L. Savage.

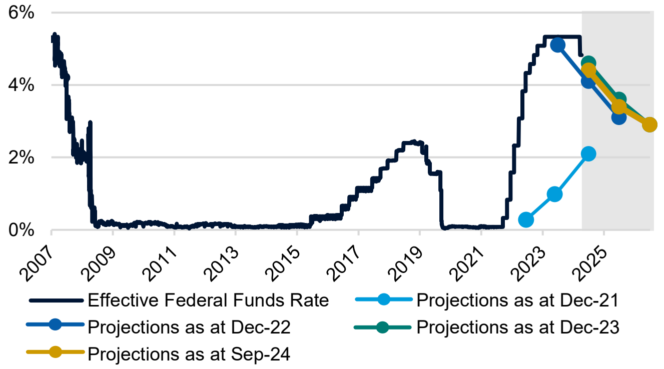
In September, the Federal Funds rate was cut by 0.5% to a range of 4.75% to 5%, following Monetary Policy easing in many other jurisdictions. The Reserve Bank of Australia remains an outlier, keeping the cash rate steady. It is worth noting that cash rates in Australia did not increase to the extent they did in the U.S. with the current rate of 4.35% still below the current U.S. Federal Funds rate.

Continuing a theme that has persisted for the past two years, market expectations for short-term interest rates continue to be 'pushed out to the right'. In other words, the **Federal Funds rate is staying higher for longer. We expect this trend to continue.** Currently market participants are speculating on whether the Fed will cut rates by 0.25% or keep rates steady at the upcoming November 2024 Fed Meeting. According to the CME FedWatch, the market was assessing a 65% probability of a 0.25% cut as of 30 September with the probability of a 0.50% cut assessed at 35%. However, after the strong jobs number and slightly higher inflation data, the probability of a 0.25% cut is 91%, the probability of no rate cut is 9% while the probability of a 0.50% rate cut is now zero.

Our view remains that it is meaningless to comment on Monetary Policy in isolation, without the context of the macroeconomic data. The **reason why we expect U.S. interest rates to stay relatively higher for longer** is because, **on average, most U.S. economic data remains reasonably strong**, inflation remains modestly above the Federal Reserve's target of 2%, and unemployment remains benign. Importantly, not only is unemployment low, but wages growth remains well ahead of inflation. Again, **on average, U.S. consumers are doing O.K. with wages growth exceeding inflation**. Consumer spending is still growing at a solid rate, **on average**, with affluent consumers much better positioned than less affluent consumers.

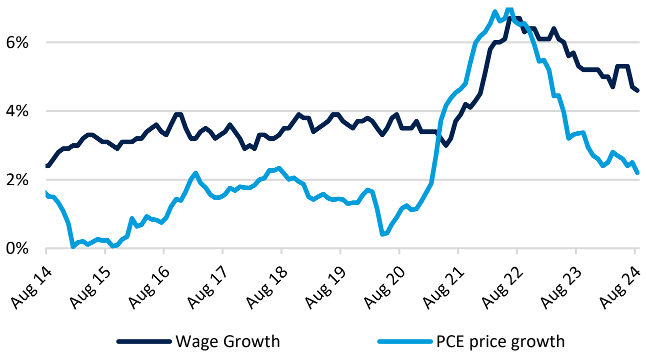
These views were reinforced by our recent investment travels in the U.S. where we met with management teams from over 40 companies across a range of industries. If we were to summarise a 100 pages of meeting notes in a couple of lines, it would be that the companies we spoke to talked about mixed operating conditions, but still had confidence they could actively manage their business to deliver growth in earnings and cashflow. **In our view the U.S. is far from a recession**, a 'hard economic landing' is unlikely and it is quite possible there is 'no landing', i.e. a modest slowing in overall economic growth, again, **on average**.

Figure 3: Federal Reserve Funds Rate and expectations



Source: FOMC projections, September 2024. St Louis Federal Reserve

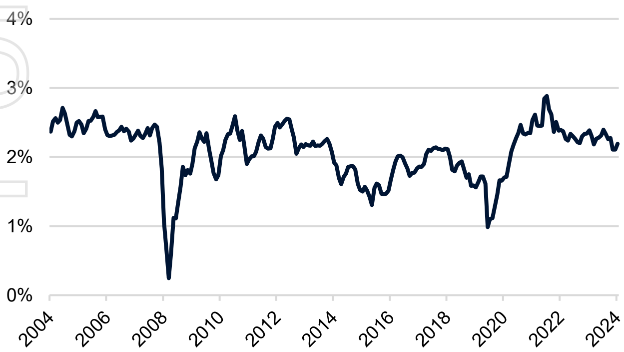
Figure 4: U.S. wages growth vs. PCE price growth



Source: Federal Reserve Bank of Atlanta, U.S. Bureau of Economic Analysis

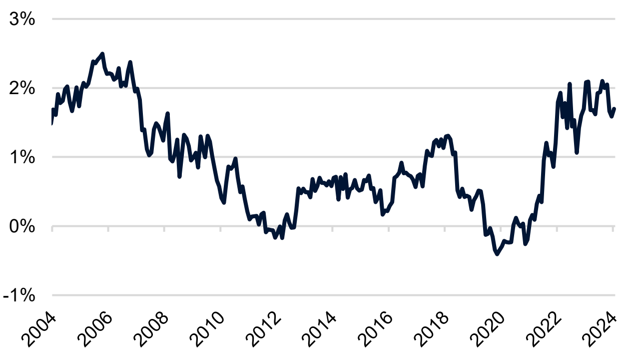
Importantly, longer-term inflation expectations remain range-bound and real interest rates remain 'normal' and conducive to value appreciation of quality assets over time.

Figure 5: U.S. 10 year inflation expectations



Source: Federal Reserve, L1 Capital International

Figure 6: U.S. 10 year real interest rates



Source: Federal Reserve, L1 Capital International

Globally, macroeconomic data is also mixed. Economic growth in Europe remains subdued with structural headwinds including demographics as well as E.U. politics and associated distortions. China remains challenged, with recent stimulatory policy providing a sugar-hit to equity markets, but long-term economic implications remaining less clear. **We remain very cautious about investing in businesses with meaningful China exposure.** Australia remains 'the lucky country' for most, but not all, with the **Reserve Bank of Australia remaining behind the curve for interest rate cuts.**

Unfortunately, geopolitical tensions continue to be acute, and we are seeing tangible evidence of increases in taxation and regulatory uncertainty, both of which we expected to happen, and we expect will continue.

All things considered, **on average, our central view remains that economic growth is slowing, not crashing, and the U.S. remains the 'best house on the investment street'** from a macroeconomic perspective, despite some election uncertainties.

Equity market implications

Our June 2024 Quarterly Report began with a quote from Arthur Zeikel noting that **from an investor's perspective, what matters is** not whether conditions are good or bad (to the extent they can even be measured), but **whether conditions are changing for the better or worse relative to expectations**.

On average, we consider **economic conditions over the past three months have improved relative to investor expectations** – big picture inflationary pressures are trending down, employment conditions remain robust, Fiscal Policy remains expansionary and Monetary Policy is easing.

Given better-than-expected economic conditions, particularly in the U.S., it is not surprising to us that equity markets continue to drift higher. However, from an equity market perspective, we are also presented with 'averages' in the form of equity market indices. Like economic data, **equity index averages can also be misleading**.

Despite recent modest under-performance, the **Magnificent Seven** (Alphabet, Amazon.com. Apple, Meta, Microsoft, Nvidia and Tesla) continue to be key contributors to overall index performance, particularly **Nvidia**, with its share price increasing 145% year to date. **For 2024 calendar year to date, the Magnificent Seven have accounted for almost 50% of the S&P500 Index returns, with Nvidia alone accounting for 20% of the gain in the S&P500.** We discuss our views on Nvidia in detail in this report, starting on page 7. The short summary is that while we believe Nvidia has developed exceptional technical capabilities and is by far and away the best placed company today to provide the 'picks and shovels' to the burgeoning growth in AI applications, with a market capitalisation of over $3.2 trillion, the market is already pricing in substantial growth looking many years into an **uncertain and unpredictable future**.

We have deliberately repeated the words **'on average**', throughout this report to make a point. We are aware of the limitations of averages, particularly when assessing global economic conditions.

Mixed environments, where averages can be misleading, often present selective, attractive investment opportunities. **While we are seeing pockets of the equity market where valuations look stretched, we are also identifying compelling valuation opportunities across a range of industries and businesses.**

It is why our investment philosophy is driven 'bottom-up' – identifying high quality businesses with long-term favourable business drivers, well-structured industries and aligned management that are trading at or below fair value and will continue to build shareholder value in a range of economic conditions. Portfolio performance and adjustments are discussed from page 5 of this report.

We believe our unique definition of Quality, prudently and cautiously applied, results in a diversified portfolio of businesses of varying size that will position us to deliver strong risk adjusted returns over time, despite current mixed macroeconomic and equity market conditions.

September 2024 quarterly review

Performance

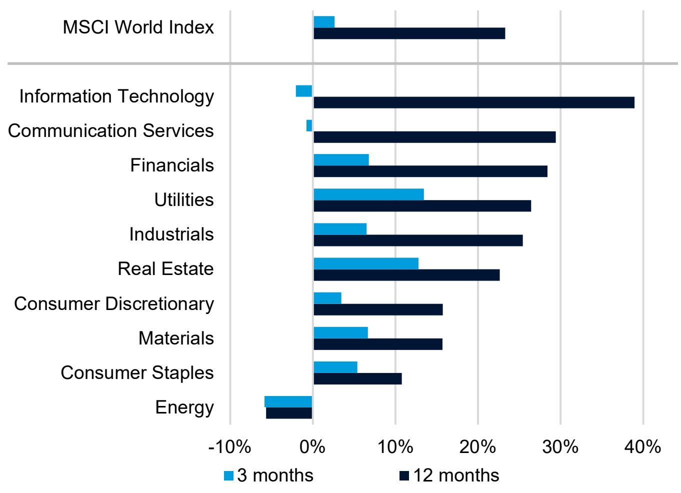
In the September 2024 quarter, the Fund returned 4.7% (net of fees), outperforming the Benchmark return by 2.3% (all in Australian dollars). The Australian dollar appreciated 3.6% against the U.S. dollar and appreciated 3.9% against the Euro, decreasing the Fund and Benchmark Australian dollar reported quarterly returns.

Key contributors and detractors

Most sectors (see Figure 7) delivered positive returns in the September 2024 quarter (measured in Australian dollars), led by Utilities and Real Estate where valuations benefitted from falling interest rates. Information Technology and Communications Services (the sector classifications for most of the large technology and online businesses) underperformed during the quarter but are still the leading sectors over the past 12 months. Energy had a difficult quarter.

Mixed equity market conditions were reflected in mixed share price performance of the companies in the Fund during the September 2024 quarter. That said, measured in local currency, the share price of 19 out of 23 companies held by the Fund increased during the quarter. Three companies (**HCA Healthcare, CRH and Eagle Materials**) each positively contributed over 1.0% to the Fund's performance during the September 2024 quarter, and a further three companies (**Intercontinental Exchange, Natural Resource Partners and UnitedHealth Group**) each positively contributed over 0.5%.

Figure 7: MSCI World Index (in A$) – Sector Performance



Source: Bloomberg

Despite strong share price appreciation during calendar 2024, large cap tech underperformed the market during the September 2024 quarter, with both **Amazon.com** and **Microsoft** detracting from the Fund's performance by more than 0.5%.

We reiterate that in our view, **measuring the performance of investments over short time horizons such as three months is meaningless**. Companies such as CRH and Eagle Materials were key contributors to the Fund's performance this quarter and since Inception of the Fund over five years ago yet were called out as detractors from the Fund's returns during the June 2024 quarter. Likewise, while Amazon.com and Microsoft detracted from the Fund's performance this quarter, **since Inception of the Fund over five years ago, Microsoft has been the leading contributor to the Fund's returns** and Amazon.com has also positively contributed.

Portfolio adjustments

While it seems a long time ago and we are currently looking forward to the upcoming results season, the most recent **quarterly results and management commentary on the business outlook for portfolio holdings ranged from 'in line' to 'ahead of' our expectations**. In these choppy economic times, the quality of the businesses we have invested in really shines through, including their management teams which are adept at responding to changes in the operating environment.

Regulation remains a key issue for many of the companies we have invested in such as **Alphabet**, **Mastercard** and **Visa**. This is at least in part due to their business success, scale of operations, and leading market positions. We expect regulatory issues to continue, but do not expect regulation to cause fundamental changes to business activities or to have substantial valuation impacts.

Increased taxation is also likely a recurring issue, with France announcing 'temporary' increases in taxation for large businesses. Globally, Governments have been big spenders and have strained budgets following extensive Covid fiscal support. We expect the fiscal burden on large businesses to increase over time, either through direct taxation increases, fines or other forms of regulation.

Portfolio changes were once again modest during the September 2024 quarter. As a reminder, **we generally invest on the basis of a rolling 3 to 5 year investment horizon, we are not traders, and we do not make portfolio changes lightly**. That said we do not believe any business can be bought and held forever without regard to valuation.

We divested our holding in **Natural Resource Partners (NRP)**. During the quarter we had the opportunity to meet with the entire management team of NRP at their Houston head office. We have high regard for the NRP management team and consider they are fully aligned with NRP unitholders and are implementing a consistent and sensible strategy to use NRP's strong free cashflow to repay debt in advance of materially increasing distributions. However, the outlook for soda ash and metallurgical coal, the key commodities which generate NRP's cashflows, has deteriorated in conjunction with NRP's unit price remaining stable. Investing in NRP from Australia has certain taxation disadvantages. When we initially invested in NRP we considered these taxation disadvantages to be outweighed by the compelling valuation opportunity, and NRP has been a very successful investment for the Fund. All factors considered, including the low liquidity of NRP, we decided to divest our holding.

We modestly increased our investment in a number of existing portfolio holdings, including **AerCap**, **Alphabet** and **HCA**, while trimming **UnitedHealth**. There were no new additions to the Fund, with the Portfolio consisting of 22 holdings at quarter end.

Cash weighting remained stable at around 4%. Cash is an outcome of our investment process, not a target. Over time the Fund is expected to be broadly fully invested.

The rise of Nvidia

The speed and scale at which Nvidia has transformed and commercialised its leadership in Graphics Processing Units (GPUs) to enable developments in AI is unprecedented. Back in the olden days of 2022 (technically Nvidia's financial year ends in January i.e. January 2023 in this case), Nvidia (in U.S. dollars) generated $15 billion revenue in its Data Center division and $27 billion in total revenue. For their calendar 2025 year, the market is expecting Nvidia to generate well over $150 billion in Data Center revenue, and over $175 billion total revenue. Net profit is forecast to increase from $4 billion in 2022, towards $100 billion in 2025.

In less than two years, Nvidia's share price has increased over 900% and Nvidia's market capitalisation has increased to over $3.2 trillion, making Nvidia the second largest company in the world by market value (after Apple), and being valued at 1.5 times the market capitalisation of every company listed on the Australian Stock Exchange. Nvidia's weighting in the S&P500 Index is now over 6% and over 8% in the Nasdaq 100 Index.

As outlined earlier, Nvidia is moving indices and distorting investment returns. Many professionals are investing in Nvidia not based on financial analysis and business diligence, but because they cannot risk underperformance against their benchmark. Amplifying the situation, passive funds continue to flow into Nvidia in a self-perpetuating process (which works both on the way up and down), not to mention every taxi driver and share market punter.

Where to next?

We have previously acknowledged that we materially underestimated the speed and scale at which Nvidia has been able to monetise its technology leadership including its integrated software and advantaged position in data center hardware and networking to support the growth in AI.

However, we have not had our head in the sand. **The Fund has meaningful exposure to AI through our large-cap technology holdings**, we have previously invested in AMD, a key challenger to Nvidia, and we have remained acutely focused on Nvidia's progress and general AI industry developments.

We have revisited the investment thesis for Nvidia, and reforecast our expectations for the business, unsurprisingly materially increasing our financial forecasts. **In our view, 'What You Need To Believe' to invest in Nvidia around the current share price makes for an unattractive risk adjusted return in our central base case scenarios.**

There are a range of issues to consider when investing in Nvidia, and we have touched on some of them in this report. They are all interconnected. To succinctly summarise, **investing in Nvidia today requires being comfortable with very high expectations in the face of very high uncertainty.**

We are in the land-grab stage of the 'AI gold rush'

OpenAI and ChatGPT were the 'gold discoveries' that heralded the commercial arrival of generative AI. The leaders of the largest tech businesses in the world have all been clear that they view AI as transformative, and the next major platform for compute. They have also been clear that the risk of over-investing is far outweighed by the risk of under-investing and letting a competitor gain a lead:

> **"The risk of under-investing is dramatically greater than the risk of over-investing for us here, even in scenarios where it turns out that we are over-investing."**
>
> *Sundar Pichai, Alphabet CEO, July 2024*

Currently, Nvidia is virtually the only seller of picks and shovels to the AI miners who are rapidly staking their claims in the hope of striking AI gold. The pockets of these miners are not just deep, they are near bottomless.

In this state of frenzy and with only modest competition, Nvidia is selling all it can produce. Nvidia is printing money and has been the primary AI industry beneficiary, capturing the majority of industry profits. **What makes the current situation even more exciting and promising is that generative AI is not just 'gold,' it is a new 'element' with potentially unprecedented applications.** We are not concerned about Nvidia's short-term prospects. If anything, near-term earnings are likely to exceed the market's expectations. We are concerned, however, with a range of **uncertainties** – the duration of the rush stage, the amount of time before competition to Nvidia increases, the time until meaningful AI applications are commercialised at scale, how regulation will unfold, and last but not least, the amount of AI gold to be found – i.e. what will the returns on the capital invested in AI infrastructure actually be.

Early days for commercialisation of AI

To continue with our AI gold discovery analogy, some big nuggets have been found, and the ground for further discovery looks very promising. AI could conceivably impact most industries.

Early applications of AI include code generation and programming where indications are that productivity of programmers can improve by 20% to 50% in some cases by automating and speeding up tasks. Nevertheless, well-trained, skilled programmers are still required.

However, broad based adoption of generative AI is still very early. We have all heard about how the leading Large Language Models (LLMs) tend to make mistakes, or in industry parlance 'hallucinate'. Things are developing quickly though, and generative AI will become more accurate. We expect the commercial applications of AI to expand rapidly, but this will require both time and increasing compute which raises **technical uncertainty and investment uncertainty.**

Return on investment

Alphabet, Amazon.com, Microsoft, Meta and others are spending tens of billions of dollars investing in their AI capabilities, with many of these dollars flowing to Nvidia. These companies are building out their capabilities and infrastructure today but will ultimately need to generate a satisfactory return on their invested capital or will cut back on their investments.

Customers of the big tech companies are also in their own land-grab stage, fearful of falling behind their competitors in the adoption of AI to develop enhanced products and services, as well as to extract operating efficiencies. The management of almost every business we speak to highlights initiatives they are taking in the world of AI. Yet very few can point to tangible commercial products or benefits at this stage. Some of our portfolio companies are making tangible progress in commercialisation, such as Microsoft's various Copilot software and Intuit's AI-driven software for business accounting and tax return preparation, but they are genuinely at the industry forefront.

Anyone who tells you they know how big the opportunity is for commercialisation of AI applications and what that means for returns on investment in AI capabilities is making up numbers. Markets inevitably find a balance between investment and returns. Where that balance lies is **uncertain**.

Technology leadership

To invest in a business, we need to genuinely understand it. This sounds trite, but in our view many market participants view companies as a share price, not a business. At the heart of Nvidia is its technology which we have assessed in detail and continue to monitor closely.

To maintain its dominant market share and premium valuation, **Nvidia has to maintain its technological leadership**. Not just for the next two years, but for the next decade.

What follows gets a little technical, but the short summary is we believe Nvidia maintaining technical dominance to the extent it has today is (you guessed it) **uncertain**.

Tracking the performance improvements from the Nvidia Volta (2017) to Nvidia's latest GPU, Blackwell (2024/2025), a few things become evident:

- Using FP16 (half-precision floating point calculations) as the metric for consistency, Nvidia has improved performance over the years by nearly 40x.
- The transistor count on the GPUs has grown by around 10x, and power (watts) has grown by around 3x. If you combine those 10 x 3 = 30x. That accounts for most of the performance improvement.

Figure 8: Nvidia technology

Nvidia Generation	Release	TSMC Node	Transistors (mn)	Die Size (mm sq)	Power (watts)	FP16 Compute (TFLOPS)
Tesla Volta	2017	12nm	21,000	800	300	125
Ampere	2020	7nm	54,000	800	400	600
Hopper	2023	4nm	80,000	800	700	2,000
Blackwell	2025	4nm	208,000	2 x 800	1,000	4,500

Source: Nvidia Tesla V100 GPU Architecture (whitepaper), Nvidia A100 Tensor Core GPU Architecture (whitepaper), Nvidia H100 Tensor Core GPU Architecture (whitepaper), Nvidia Blackwell Architecture Technical Brief.

What do we take from this? Nvidia has significantly improved GPU performance over time by increasing transistor count and increasing power consumption.

Going forward, we believe it will be increasingly difficult to pull these levers. Node shrinks (increasing transistor density) at TSMC (the manufacturer of Nvidia's GPUs) are becoming increasingly expensive and power consumption and cooling at advanced data centres is becoming more of a gating factor both from a thermal perspective and from a cost perspective.

An Nvidia optimist would argue that diminishing returns on the 'traditional' methods to improve GPU performance – namely node shrinks and power consumption – would benefit the incumbent because now in order to improve performance, Nvidia has to rely on more advanced architectures and system level designs. This benefits Nvidia as the incumbent with far more resources than its upstart competitors.

The bearish argument is that diminishing returns on traditional scaling leaves the door open for competitors with novel architectures and approaches to AI acceleration.

One such competitor, AMD, is applying the chiplet approach it used to dethrone Intel in the CPU market and is applying similar techniques in the GPU market. While early days, AMD has gone from almost no AI GPU revenues last year to around $5 billion forecast for this year and will likely nearly double AI-related revenue next year. Small market share compared to Nvidia today, but their chiplet approach allows them to circumvent some of the scaling issues that Nvidia is beginning to confront and may materially change the competitive dynamics tomorrow.

In addition, Nvidia's major customers are investing in their own GPU designs. There is precedent here, with the major cloud computing companies such as Azure (Microsoft), Amazon Web Services (Amazon.com) and Google Cloud Computing (Alphabet) investing in their own CPUs, taking wallet share away from incumbents Intel and AMD. **Currently, the big tech companies are far too dependent on Nvidia for their liking.** We expect they will continue to invest in both internal capabilities in the form of their own proprietary accelerators and external capabilities in the form of emerging large and small competitors to Nvidia to promote more competition and bring down costs and improve their long-term returns on investment.

Summary

AI is the new frontier of computing. Bill Gates has been calling AI transformative at world scale for years. We agree. However, that does not necessarily mean Nvidia is a good investment, particularly when the market is valuing the business at over $3.2 trillion. There is a myriad of opportunities, and a myriad of uncertainties. We don't yet know how the technology underpinning AI will continue to scale and develop, how real work issues such as power consumption will be addressed, how quickly and to what extent commercial applications for AI will develop, how regulation will develop, what return companies will earn on their investment in Nvidia GPUs and associated AI infrastructure, or how the technical competitive landscape will evolve. No-one does.

At the height of Covid, it would have felt very good to invest in the vaccine manufacturers such as Pfizer or the stay-at-home businesses such as Peloton or Zoom. Since their peaks, the share prices of Pfizer, Peloton and Zoom are down 50%, 97% and 88%, respectively.

We are not saying AI or Nvidia is a bubble. The growth prospects are real, strong and sustainable. However, we are saying that market expectations, reflected in Nvidia's current valuation, are very high.

Anyone who tells you they know how AI and the GPU market is going to play out over the next five to ten years is guessing. We approach these **inherent uncertainties** by assessing Nvidia under a range of scenarios. Currently, in our assessment **'What You Need to Believe'** to generate an attractive return from investing in Nvidia at today's share price **is simply too much**.

We continue to actively assess Nvidia and the industry, patiently waiting for a more attractive base case risk adjusted return.

Fund Information

Name	L1 Capital International Fund (Managed Fund)
Portfolio Manager	David Steinthal, Chief Investment Officer
Types of investments	Listed securities globally. Developed market focus. No shorting, no leverage.
Number of investments	20 to 40
Cash weighting	0% to 25%
Minimum initial investment	$25,000
Hedging	Unhedged
Structure	Dual Registry
Domicile/currency	Australia/$
Inception	Unit Trust: 1 March 2019. ETMF: 22 November 2023
Management fee*	1.20% p.a.
Expenses	Nil (included in Management Fee)
Benchmark	MSCI World Net Total Return Index in $
Performance fee**	15% of return above Benchmark
High watermark	Yes
APIR / ISIN / ASX Ticker	ETL1954AU / AU0000302960 / L1IF
Platform Availability	Asgard, Australian Money Market, BT Panorama, CFS Firstwrap, Hub24, Macquarie Wrap, Mason Stevens, Netwealth, North, Powerwrap, Praemium, Xpand

L1 Capital International overview

L1 Capital International is an independent active manager of global equities. We apply a detailed investment process built on a fundamental assessment of quality and value. We aim to deliver attractive risk-adjusted returns by investing in high quality companies that have favourable cashflow-based valuations in well-structured industries. Capital preservation over the investment horizon is central to our investment philosophy and process. We view risk as the potential for a permanent loss of capital as opposed to volatility in share prices. Additional information on L1 Capital International is available at www.L1International.com.

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Key service providers for the Fund are: Responsible Entity – Equity Trustees Limited, Fund Administrator and Fund Custodian – Apex Group, Fund Auditor – EY, Legal Advisor – Hall & Wilcox. There have been no changes to key service providers since the last report.

* All fees are quoted inclusive of GST and net of RITC. ** Inclusive of GST and net of RITC. There must be positive absolute performance (adjusted for distributions) in the performance period. Otherwise, positive relative performance carries forward to next Period.

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