L1 CAPITAL

Quarterly Report

L1 Capital International (Unhedged) Active ETF

March 2025

In this Quarterly Report, we have outlined:

- Our assessment of the current investment environment including:
  - Why trade deficits, in isolation, are not a bad thing
  - Why the Trump administration's Reciprocal Tariffs framework is deeply flawed
  - The implications of Liberation Day and the shift in Trump's trade policy on 9 April 2025
- How we are managing the L1 Capital International Fund in this uncertain investment environment
- Our review of the last quarter, including key contributors and detractors to the Fund's performance
- Recent Portfolio adjustments

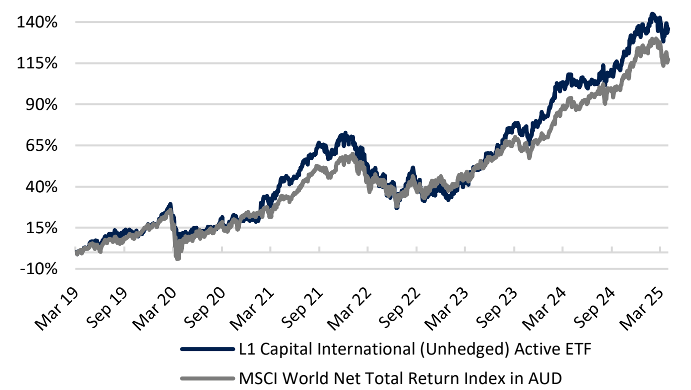
Fund performance (Net) (%)[1]

	Fund	Index[2]	Out-performance
3 months	0.1	(2.4)	+2.6
1 year	13.4	12.1	+1.3
3 years p.a.	17.2	14.5	+2.7
5 years p.a.	16.8	15.7	+1.1
Since Inception* p.a.	15.1	13.6	+1.6
Since Inception* cumulative	136.0	117.2	+18.8

* Unit Trust Inception is 1 March 2019 (returns measured from Index close). ETMF Inception is 22 November 2023.

NAV price as at 31 March 2025	**$6.54**

Fund (Net) and benchmark returns since inception[1,2]

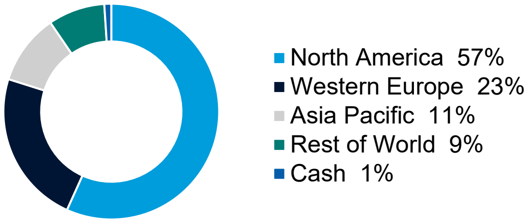


1. All performance numbers are quoted net of fees. Net returns are calculated based on the movement of the underlying investment portfolio. Figures may not sum exactly due to rounding. **Past performance should not be taken as an indicator of future performance. 2.** The Benchmark is the MSCI World Net Total Return Index in A$. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

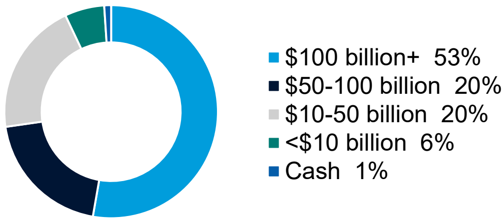
Strategy returns (Net)[3] (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019			0.8	5.8	(2.7)	4.4	2.8	1.5	(0.5)	(0.7)	4.9	(1.4)	**15.4**
2020	6.0	(2.6)	(8.9)	2.0	3.6	(2.5)	1.5	3.8	(0.3)	(1.1)	3.5	(0.3)	**3.8**
2021	6.1	2.9	5.4	5.9	(0.2)	5.5	3.4	4.6	(4.1)	1.1	3.8	1.1	**41.1**
2022	(4.1)	(5.6)	(4.3)	(3.6)	(0.4)	(6.4)	10.2	(4.3)	(5.5)	7.1	1.3	(6.3)	**(21.1)**
2023	5.4	1.4	6.4	1.9	3.0	3.8	2.2	4.6	(3.1)	(1.1)	5.0	2.7	**36.9**
2024	6.1	5.0	2.3	(3.7)	0.4	0.4	5.8	(1.3)	0.2	4.5	5.0	1.5	**29.0**
2025	3.6	(0.6)	(2.8)										**0.1**

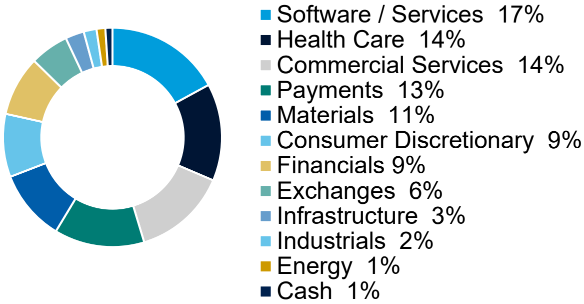
Revenue exposure by region[4]



Market capitalisation exposure (in US$)



Sector exposure[5]



Top 10 holdings

As at 31 March 2025 (In alphabetical order)	**Sector**
AerCap	Financials
Amazon.com	Software / Services / Consumer Discretionary
Booking Holdings	Consumer Discretionary
CRH	Materials
HCA Healthcare	Health Care
Intercontinental Exchange	Exchanges
Marsh & McLennan	Commercial Services
Mastercard	Payments
Microsoft	Software / Services
Visa	Payments

3. 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. 4.** Revenue by region is internally estimated on a look through basis based on the underlying revenues of the individual companies held in the portfolio. **5.** Sector exposure is defined by L1 Capital International to best describe the nature of the underlying businesses.

Current investment environment

> "Forget about our enemies — the enemies you can't talk to so easily. I'd make our allies pay their fair share…We let Japan come in and dump everything into our markets. It's not free trade."
>
> Donald Trump, **1988**

Introduction

Usually, we begin our quarterly reports with an overview of current economic conditions, our outlook expectations and implications for the investment environment. The first three months of 2025 started in line with our expectations, namely positive albeit slowing economic growth in most global regions, and inflation stable but above central bank targets. However, rarely if ever have the past three months been completely overtaken by subsequent events immediately following quarter end.

Normally we don't need to date our quarterly reports. We are generally investing based on a rolling 3 to 5 year investment horizon, and the economic and investment environment usually only moderately changes quarter to quarter. However, **the current investment environment is not normal**.

We were in the process of putting the finishing touches to this Quarterly Report when President Trump posted that most Reciprocal Tariffs would be paused other than a base 10%, and that China tariffs would be further increased.

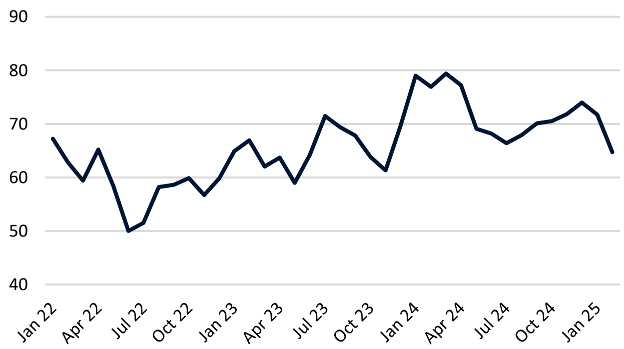
We have been forced to update our commentary in this report. We are beginning to think President Trump does not fully appreciate the implications of his policies. Take this quarterly report to reflect our assessment of the current state of play as of 10 April 2025, Sydney time. Things may change again tomorrow!

Liberation Day – 2 April 2025

President Donald Trump's Liberation Day, 2 April 2025, was well-telegraphed, not just the date, but by preceding policy announcements and White House behaviour. Large tariffs on Canada and Mexico were announced and then put on hold. Industry-specific tariffs on the steel and automotive industries were put into effect. Increased tariffs were threatened to any country which retaliated e.g. 200% tariffs were threatened on E.U. alcohol in response to threatened tariffs on U.S. whiskey.

In the lead up to Liberation Day, consumer confidence indicators were falling, but at a modest pace (see Figure 1). Concerns about the implications of the Department of Government Efficiency (DOGE) reduced social security and higher inflation caused by tariffs were well know issues and were likely having an impact on consumers. Businesses were also in a 'wait and see' mode, unsure how Trump's policies would impact their supply chains, investment decisions and business activity more generally.

Figure 1: U.S. Consumer Sentiment Index – before Liberation Day



Source: University of Michigan

Stock markets had already fallen from recent highs, particularly companies operating in sectors where expectations had become elevated such as Artificial Intelligence (AI) and some companies operating in consumer discretionary and financial sub-segments.

Everyone knew tariffs were a key aspect of the Trump administration's agenda. He has been talking about tariffs publicly for almost 40 years (just google "Trump", "Tariffs", "Oprah", "1988").

However, on 2 April 2025, President Donald Trump's Liberation Day, sweeping tariffs were announced. This is not a situation where people were ignoring the 'elephant in the room'. **Everyone knew increased tariffs would be announced. However, the scale, breadth and formula for calculating the tariffs has surprised many people, including ourselves, dramatically increasing economic uncertainty.**

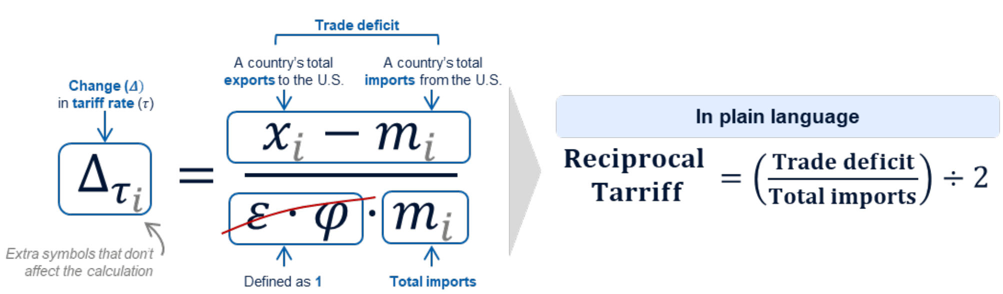
Unfortunately, so far, the only thing that was liberated was significant global wealth, with the share market falling sharply as the Liberation Day policies unfolded.

Reciprocal Tariffs

When President Trump announced his '**Reciprocal Tariffs**' his chart included an annotation that the calculation of the tariffs charged by countries to the U.S. included 'currency manipulation and trade barriers'. He then went on to say that the U.S. Reciprocal Tariff on each country would be half of this amount, or in President's Trump's language "We will charge them approximately half of what they are and have been charging us."

However, the White House subsequently released a formula for how the Reciprocal Tariff on each country was calculated (Figure 2). **Rather than being based on actual tariffs imposed by countries on the U.S., or even loosely referenced 'currency manipulation and trade barriers', the formula simply calculated the trade deficit for the U.S. in goods with a particular country, divided by the total goods imported from that country. That value is then dividend by two to calculate the Reciprocal Tariff.**

Figure 2: Trump administration formula for Reciprocal Tariffs



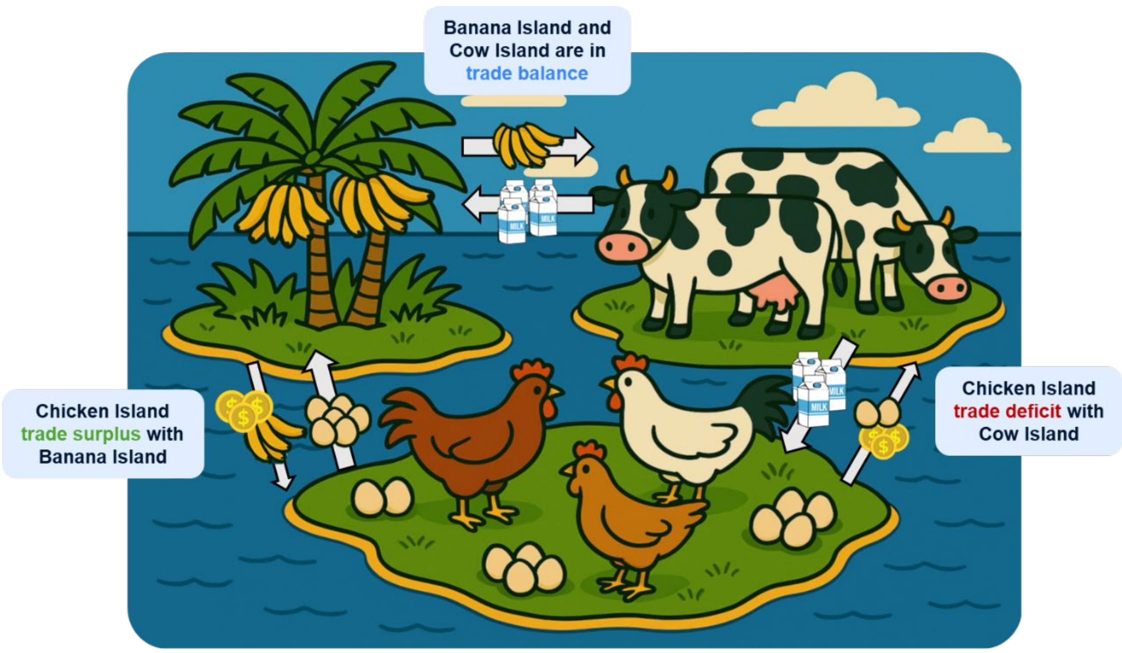
Source: Axiom, L1 Capital International

Many commentors, including ourselves, have been shocked by the **simplicity and inappropriateness of this calculation and the embedded assumptions**, with the read-through being a **lack of strategic thinking** on the implications of this policy and how it will be implemented. **The Reciprocal Tariffs are not based on tariffs or unfair trade practices at all but are rather a policy response intended to remove or reduce U.S. trade deficits with its trading partners.**

Even Fox News, which is highly aligned with President Trump, has reached the point of calling a spade a spade, stating on 8 April 2025 that "The Trump administration has **centred its tariff strategy around the elimination of trade deficits**."

A simple example will illustrate why trade deficits are normal and not necessarily bad and why trying to eliminate all trade deficits through large tariffs is unsound policy.

Figure 3: A simple trade flow example



Source: ChatGPT, L1 Capital International

Let's imagine two islands. On Banana Island, only bananas grow. On Cow Island, there are only cows. Banana Island trades bananas with Cow Island and receives milk in return. They are in perfect **trade balance**.

Chicken Island also starts trading. Demand for eggs from people on Banana Island exceeds demand for bananas from people on Chicken Island. Banana Island trades bananas and island currency with Chicken Island and receives eggs. Banana Island has a **trade deficit** with Chicken Island and Chicken Island has a **trade surplus** with Banana Island.

Demand for milk from people on Chicken Island exceeds demand for eggs from people on Cow Island. Chicken Island trades eggs and island currency with Cow Island and receives milk. Chicken Island has a **trade deficit** with Cow Island and Cow Island has a **trade surplus** with Chicken Island. Everyone in Island World is happy.

One day, the people of Chicken Island elect a new Government. The President of Chicken Island does not like trade deficits. He imposes a tariff equal to 50% of the trade deficit between Chicken Island and Cow Island on the price of milk imported from Cow Island. The price of milk goes up, demand for milk on Chicken Island goes down.

Even though Chicken Island has a trade surplus with Banana Island, the President thinks tariffs are beautiful and imposes a 10% tariff on bananas imported from Banana Island (under Trump's Reciprocal Tariffs policy, for countries which have a trade deficit with the U.S. such as Australia, the Reciprocal Tariff has been set at 10%).

The price of bananas goes up and demand for bananas on Chicken Island goes down. People on Banana Island have less island currency because demand for their bananas has reduced, so they buy fewer eggs from Chicken Island. People on Chicken Island receive less island currency selling eggs so they buy less milk and the people on Cow Island also have less island currency.

The net result in our overly simplified world is that global trade reduces, everyone has less island currency and the price of bananas and milk for people on Chicken Island increases. In our simple example, reduction in Island trade may or may not change trade surpluses and deficits depending on how supply and demand rebalances.

We are not expecting a Nobel Prize in Economics for our example of global trade (although we are quite pleased with our AI generated image – it took quite a while for the engine to understand that a request for a picture with three islands meant we only wanted three islands, not four, and for the cows to have four legs and the chickens to have heads).

This is Economics *insert expletive* 101.

Jamie Dimon, Chairman and CEO of JPMorgan Chase wrote in his Shareholder Letter dated 7 April 2025 under the heading "What's the truth about trade deficits" that "**Trade deficits, by their nature, are not necessarily good or bad**. Even if our country had no net trade deficit, it would likely be running deficits with some countries and surpluses with others."

It has taken a few paragraphs to describe a hyper-simplified example of global trade. In our incredibly complex world of inter-connected and inter-dependent global trade of intermediate and final goods as well as services there are a myriad of other factors to consider including domestic and international politics, the World Trade Organisation, free-trade agreements, international tax law, international currency and capital flows, intellectual property rights, wars, religion and Taylor Swift, to name a few considerations.

Second and third order implications of the trade policies are likely to follow.

We are not suggesting all international trade is fair, or there is no role for properly constructed and communicated tariff policy. There are sound arguments to protect domestic industries from unfair import competition and encourage investment in domestic industries and job creation.

However, going back to our simplified example, maybe bananas cannot grow on Chicken Island, and placing a tariff on such goods makes no sense.

In our view the Trump administration's Reciprocal Tariffs policy is deeply flawed. It is easy to see how a blanket, universally and unilaterally imposed policy to try to address trade deficits with extremely highly levels of tariffs with minimal implementation period or regulatory framework has the potential to cause significant economic disruption and damage globally, including to the U.S., and to exacerbate geopolitical tensions.

How we are managing the L1 Capital International Fund in this environment

In our December 2024 Quarterly Report we wrote:

> "We are often asked what Trump's presidency will mean for the world and equity markets. It is an important question, but one no-one can answer with any degree of certainty. We do expect 'interesting' headlines and policy with 'America First' intentions, but mixed outcomes for America and the rest of the world. However, on balance, Trump and the Republican party are capitalists and Trump repeatedly demonstrated in his first presidency that he considers the performance of equity markets to be a key indicator of his performance (and within his control). That said, we have been careful to limit our exposure to businesses that could be materially impacted by changes in Government policy."

The first part of this paragraph was our diplomatic way of saying we expected some poor policy which would hurt the U.S. and global economy. However, **we did not expect such extreme and unsound policy as announced on Liberation Day.**

Prior to 9 April 2025, we had written that

- It was too early to say how Trump's Reciprocal Tariff Policy will be implemented, how countries will respond, what 'Deals' will be done, or what will be the economic and implications including for growth and inflation, but it is hard to see the economic positives, either for the U.S. or the rest of the world.
- At this stage President Trump has not responded to deteriorating equity markets. U.S. Treasury Secretary Scott Bessent said in the aftermath of Liberation Day that the Trump administration is focused on 'Main Street' not 'Wall Street'. In our view it is inevitable that the concerns of Wall Street are reflected in Main Street, including inflationary pressures, reduced demand for both imports and exports, and job losses.

American business response to the Reciprocal Tariff policy is building. For example:

"Damage to the U.S. economy will increase the longer the tariffs are in place and may be exacerbated by retaliatory measures",
Business Roundtable (association of more than 200 leading U.S. company CEOs), 2 April 2025

"What we have heard from businesses of all sizes, across all industries, from around the country is that these broad tariffs are a tax increase which will raise prices for American consumers and hurt the economy",
U.S. Chamber of Commerce, 2 April 2025

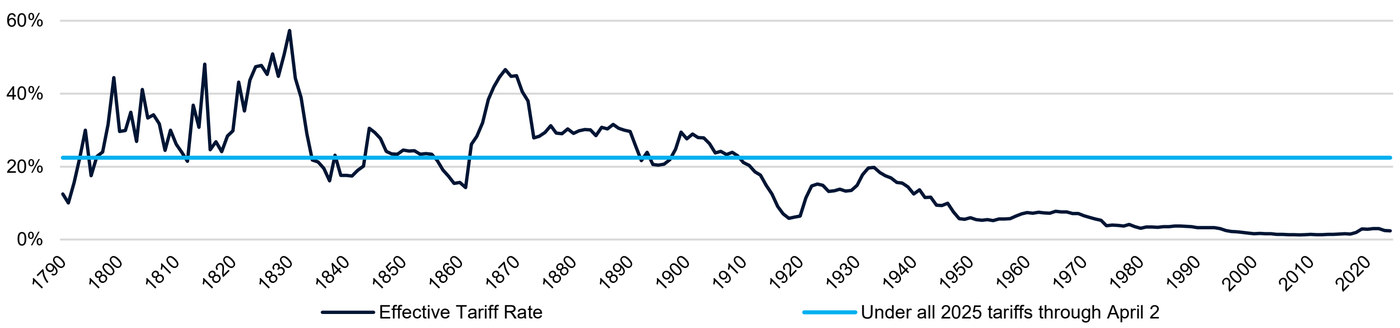
"We face a highly uncertain outlook with elevated risks of both higher unemployment and higher inflation. The new administration is in the process of implementing substantial policy changes in four distinct areas: trade, immigration, fiscal policy, and regulation",
Jerome Powell, Federal Reserve Chair, 4 April 2025

Peter Navarro [Senior Counsellor to the President for Trade and Manufacturing] is "dumber than a sack of bricks" and "truly a moron",
Elon Musk, 8 April 2025

Our simplified Chicken Island example illustrated that it is not hard to see why U.S. business and an increasing diverse array of billionaires are outspoken in saying Main Street will suffer from the Trump administration's tariff policies.

The Reciprocal Tariffs framework has been estimated to increase average tariffs on goods imported into the U.S. from around 2% to over 20%, drawing comparisons with the Smoot-Hawley tariffs of 1930 that deepened the Great Depression. Once again, history is rhyming.

Figure 4: U.S. Average Effective Tariff Rate Since 1790 – Customs duty revenue as a percentage of goods imports



Source: Budget Lab, Yale

The Budget Lab, a non-partisan policy research centre at Yale has estimated that the impact of all 2025 tariffs would cause prices to increase by 2.3% in the short run, the equivalent of an average U.S. household consumer losing $3,800, with annual losses for households at the bottom of the income distribution losing $1,700. And then there are the international effects and second order impacts.

At this stage business leaders do not want to make themselves a target by publicly opposing President Trump. This will likely change, and we also expect political pressure from some Republicans to increase too.

We had also written pre-9 April that as for Trump's concern about Wall Street, in our experience leopards rarely, if ever, change their spots. President Trump said many times during his first Term that a rising stock market reflected his policies and Presidency. He has surrounded himself by businesspeople who have a lot of their personal wealth tied to the stock market. We, along with everyone else, do think Trump cares about the stock market. While he surely does believe his policies will "Make America Great Again", the weight of a crashing stock market will build.

So, while we did still see a **'Trump put'**, the 'strike price' was a lot lower than we previously thought. Or, to step away from financial market jargon, Trump does care about the stock market, but his dogmatism for trade deficits was 'trumping' all other considerations.

Pressures on the stock and bond markets were building, and our assessment was partially vindicated on 9 April 2025 when President Trump:

- Paused Reciprocal Tariffs on all countries (except China), excluding a 10% Reciprocal Tariff which applies to all countries (except China).
- Increased Reciprocal Tariffs on China to absurd levels which are not paused, with China responding with massive tariffs on U.S. goods.
- Said he will negotiate with countries to do 'Deals'.

In response the U.S. stock market bounced around 10%, with the share price of some heavily impacted companies increasing much larger percentages, and the number of sycophantic comments about President Trump's deal-making capabilities also rapidly rising.

We are now in a similar position to what we expected going into Liberation Day, namely an increase in tariffs but at a manageable level and an expectation for further negotiations at the country and industry level, and that there is indeed a 'Trump put'. We note three very important exceptions to our pre-Liberation Day assessment:

- Tensions and current trade barriers between the U.S. and China are at unprecedented levels.
- The Trump Administration's trade policies are more haphazard and fluid than we had expected.
- Real damage has been done to the U.S. global standing, and real economic damage is also increasing.

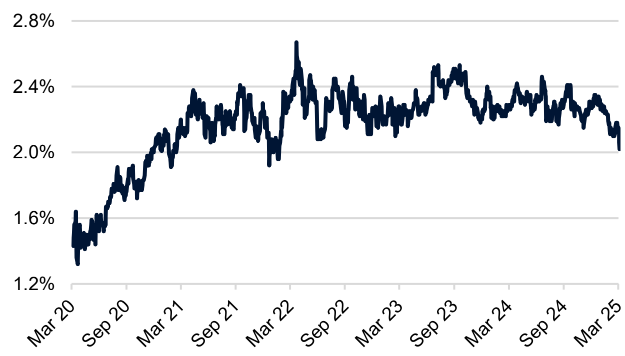
Reciprocal Tariffs haven't been finalised and 'Deals' still need to be done. Supply chains remain impacted. Business decisions continue to be deferred. Consumer confidence remains under pressure. We are yet to see which industries and businesses seek to pass on the increased costs, and where businesses largely absorb the additional costs, pressuring their margins.

It is interesting to observe that at this stage, medium-term inflation expectations have modestly reduced, with the short-term inflationary impact from tariffs outweighed by the pressures of lower demand and potential recessionary economic conditions.

Through all this chaos, the **Federal Reserve is taking a 'wait and see' approach**, despite pressure from President Trump to cut interest rates. We do expect the Federal Reserve to cut rates in time, at which point President Trump will surely tweet that he told Powell to do so ages ago and he is behind the curve.

At a micro or company-specific level, we have tried to limit our exposure to businesses that will be acutely impacted by tariff policy, although some exposure is unavoidable when investing in global businesses and almost no business will be spared from the implications of Liberation Day policies as currently drafted (to be determined what is actually implemented).

Figure 5: 5-year forward inflation expectations



Source: Federal Reserve Bank of St. Louis

Policies aimed at addressing specific industries such as auto and steel industries were expected. We have no direct exposure to these industries.

Most of our businesses are services oriented. For companies in our portfolio that manufacture goods, they are predominantly operating domestically in the U.S. and may, in the first instance, benefit from tariffs increasing the cost of imported goods that compete with their domestic manufacturing. However, we do expect these first order benefits will be outweighed by the negative impacts of lower demand and lower economic growth.

All of the businesses in the L1 Capital International Fund have leading positions in well-structured industries, with long-term sustainable growth drivers, despite any near-term economic pressures.

All of the businesses we hold are financially strong, highly profitable and generate substantial free cashflow. At the end of the March 2025 quarter, 99% of the Portfolio was invested in companies with an investment grade credit rating.

Most importantly, our businesses are led by highly experienced, capable and aligned management teams who will respond to, and take advantage of, today's uncertainties.

Post 9 April announcements we are hopefully past the period of **maximum uncertainty.** President Trump has demonstrated he will respond to market volatility. **However, the environment is still extremely highly uncertain**. It feels somewhat like the early days of COVID. We will leave it to others to comment on whether COVID was a natural or man-made disaster, but we surely know the origins of the current situation. The current trade policy situation has gone off the rails, with China's emphatic response to President Trump escalating tension. Stock markets are moving trillions of dollars in value based on speculation and headlines, fake and real, not fundamental business analysis.

Everyone is trying to extrapolate from the Trump administration policy of the day which is in a state of flux. U.S. Trade Representative Jamieson Greer was defending President Trump's trade policies in a House hearing when the 90-day pause was announced and said he had not been informed until after it was announced. This is **not normal**.

Again, prior to 9 April 2025 we had written our portfolio of businesses is meaningfully undervalued should Trump administration policy reach a more normal albeit strained level. If some degree of normalisation occurs, in our view stock markets will bounce strongly and immediately. However, should tensions continue to escalate and policy continue to be a tit-for-tat increase in tariffs, we believe there will likely be further stock market pressure and real damage to the global economy as well as to America's international standing.

We saw this play out on 9 April 2025 with the S&P 500 Index closing up almost 10%. There has been 'some degree of normalisation', but conditions are still **not normal**. Enormous tariffs remain in place between U.S. and Chinese goods. Vice-President Vance's 'Chinese peasants' comments are inflaming tensions. The spectre of Reciprocal Tariffs remains in the air during the current 90-day pause.

Upside and downside risk remains, although hopefully post 9 April 2025 downside risks are more contained. Despite the bounce in share prices on 9 April 2025, we continue to view our Portfolio investments to be materially undervalued in most economic scenarios.

March 2025 quarterly review

Performance

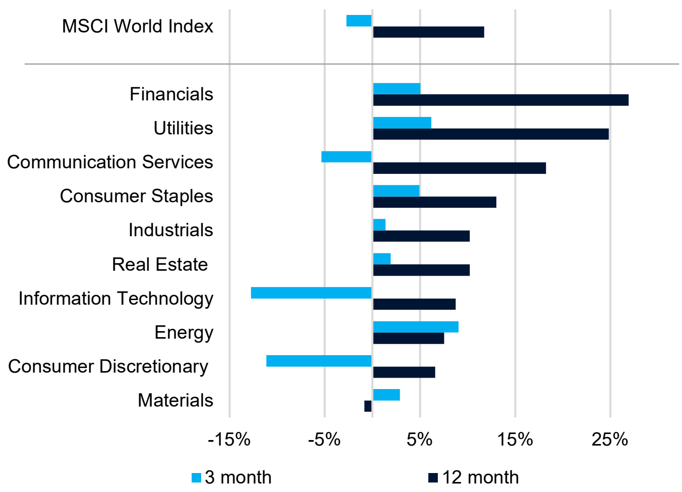
In the March 2025 quarter, the Fund returned 0.1% (net of fees), outperforming the Benchmark return by 2.6% (all in Australian dollars). The Australian dollar appreciated 1.0% against the U.S. dollar and depreciated 3.4% against the Euro.

Key contributors and detractors

Market performance by sector during the March 2025 quarter was very mixed. Measured in Australian dollars, the Information Technology and Consumer Discretionary sectors declined double digits, while the Communication Services sector declined over 5%. The decline of these sectors reflected pressure on the share prices of the Magnificent 7, as well other technology and some consumer centric businesses. Increased publicity around the Chinese AI Model DeepSeek, potential implications for increased AI competition and reduced capex requirements, and potentially lower returns on the capital invested by the leading cloud service providers caused some of the AI froth and elevated industry expectations to dissipate. All other sectors delivered positive returns (in Australian dollars), with the Utilities sector leading the way, benefitting from drifting interest rates and increasing risk aversion.

At the end of the March 2025 Quarter, the Fund had investments in 22 companies and the top 10 holdings accounted for 65% of the Portfolio.

Figure 6: MSCI World Index (in A$) – Sector Performance



Source: Bloomberg

We continued to see mixed equity market conditions being reflected in mixed share price performance of the companies in the Fund. During the March 2025 quarter, 12 companies each made a positive contribution to the Fund's performance (in Australian dollars), while 15 companies each detracted from the Fund's returns.

HCA Healthcare's share price partially rebounded in the March 2025 Quarter, and was the only company to positively contribute over 1% to the Fund's quarterly returns. We outlined in the December 2024 Quarterly Report that HCA's share price had over-reacted to concerns that healthcare policy under the Trump administration would be materially adverse for HCA. We took advantage of the market concerns to add to our investment in HCA at a share price well below our assessment of fair value, and it was pleasing to see a partial recovery in the share price during the March 2025 quarter. Six other companies each positively contributed 0.5% or greater to the Fund's returns, across a diverse range of industries. **We believe our unique approach to assessing quality businesses of varying size across a number of diversified sectors provides the opportunity to deliver strong risk adjusted returns in a range of market conditions.**

The Fund has investments in three of the Magnificent 7: **Amazon.com**, **Microsoft**, and a smaller position size in **Alphabet**. As noted, the market remains concerned about elevated capital expenditure, the returns the leading Cloud and AI service providers will earn on these immense levels of capex and, more recently, concerns on overall cloud and AI services demand as well as increasing general economic weakness. There are also increasing concerns that Alphabet's competitive position in Search will not be as strong in an AI-centric world. More recently, trade policy concerns are pressuring all companies, and there have been huge equity market flows from short term investors derisking their portfolios as well as likely passive investor selling pressure. While operating conditions have weakened to some extent, **at current share prices, all three businesses are trading well below our base case fair value range and offer highly attractive risk adjusted returns for investors with a longer-term investment horizon.**

Portfolio adjustments

We generally invest based on a rolling 3 to 5 year investment horizon, we are not traders, and we do not make portfolio changes lightly. Our quality and fair value range assessment for a business changes much less than share prices. The current market volatility and increased risk environment has presented opportunities to actively manage the Fund investments. In calendar 2025 year-to-date we have made changes to over 15% of the Fund's holdings.

Earlier in calendar 2025 we trimmed investments in companies such as **Alphabet** when the share price increased to around the top end of our assessment of fair value. We fully divested smaller positions in companies such as **CME** and **Coca-Cola Europacific Partners**, again on valuation grounds. These companies have moved to our Bench and may present more attractive risk adjusted returns in the future.

As mentioned earlier, we added to **HCA** when its share price was below our assessment of fair value. With HCA's share price increasing substantially, both absolute and relative to market movements, we have recently trimmed the holding. HCA remains one of the Fund's larger investments.

In our December 2024 Quarterly Report we noted that we had trimmed our investment in **Eagle Materials** during the 'Trump rally' following the U.S. election. Subsequently the share price fell due to rising interest rates and pressure on U.S. new residential housing activity. We noted we would look to increase our shareholding in Eagle Materials should this share price pressure continue. We have taken advantage of the recent fall in the share price to modestly add to our investment, with Eagle Materials currently on the edge of the Fund's top 10 holdings.

We initiated positions in a couple of new businesses, including **Veolia Environnement (Veolia)**.

Veolia is one of the world's leading providers of solutions to the water, waste and energy management sectors. Listed in France, Veolia operates globally, including around 60% of revenue generated across Europe, as well as sizeable businesses in the U.S. and Australia. Leading market positions in macro insensitive industries management (an estimated ~85% of Veolia's businesses are macro immune), over 90% contract renewal rates, and ownership or management of essential infrastructure combine to deliver defensiveness in a range of economic conditions. Currently trading on a forward PE ratio of around 15x and a dividend yield of over 5%, we believe the company provides an attractive risk adjusted return in today's volatile economic conditions.

Cash weighting decreased to 1% at March 2025 quarter end.

During the recent period of heightened market volatility post Liberation Day, we have made modest, targeted changes. We did not panic and sell high quality businesses below fair value. Rather, we have trimmed investments in a couple of businesses which have materially outperformed in the initial period following Liberation Day and were trading within our assessment of their fair value range. **Cash weighting is currently 4%. Over time the Fund is expected to be broadly fully invested.**

Fund Information

Name	L1 Capital International (Unhedged) Active ETF
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	$25,000
Hedging	Unhedged
Structure	Dual Registry
Inception	Unit Trust: 1 March 2019. ETMF: 22 November 2023
Domicile/currency	Australia/$
Management fee*	1.20% p.a.
Expenses	Nil (included in Management Fee)
Benchmark	MSCI World Net Total Return Index in $
Performance fee**	15% over 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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Contact us

Level 32, 1 Farrer Place
Governor Phillip Tower
Sydney, NSW 2000
Email info@L1.com.au

www.L1International.com

Invest now

Head of Distribution	Chris Clayton	cclayton@L1.com.au	+61 3 9286 7021
Researchers	Aman Kashyap	akashyap@L1.com.au	+61 477 341 403
Advisors	Allan Evans	aevans@L1.com.au	+61 400 993 597
	Bryce Leyden	bleyden@L1.com.au	+61 407 876 532
	Clifford Fernandes	cfernandes@L1.com.au	+61 411 667 096
	David Redford-Bell	drb@L1.com.au	+61 417 148 075
Brokers	Alejandro Espina	aespina@L1.com.au	+61 423 111 531
Private wealth	Hugo Brettingham-Moore	hb-m@L1.com.au	+61 408 371 473
Investor Services	Jeffrey Lau	jlau@L1.com.au	+61 403 194 728

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