L1 CAPITAL

Quarterly report

L1 Capital Catalyst Fund

September 2025

- The L1 Capital Catalyst Fund returned 10.6%[1] for the September quarter (ASX200AI 4.7%).
- Since inception the L1 Capital Catalyst Fund has returned 9.7%[1] p.a. (ASX200AI 8.8% p.a.).
- The Fund's performance during the September quarter was driven by several favourable portfolio company trading updates and strength in Mineral Resources' share price.
- Please join James Hawkins, Partner & Head of the Catalyst Fund, for the L1 Capital Catalyst Fund Webinar on 16 October at 11am. To register for this event, please click here.

Equity markets rallied in the September quarter, continuing their upward momentum from the previous quarter. The ASX200AI returned 4.7% in the September quarter, whilst the S&P500 Index and the MSCI World Net Total Return Index returned 8.1% and 7.3%, respectively.

In terms of the global market backdrop, markets were driven higher by Fed interest rate cuts, resilient economic data, corporate earnings strength and a continued surge in AI investment. Sentiment was boosted at the beginning of the quarter by easing tariff and trade tensions with confidence growing through the period as 80% of S&P500 companies beat EPS estimates. The primary driver of equity market momentum, however, was interest rate expectations. The Fed cut interest rates by 25bps in September with dovish commentary suggesting an additional 50bps of cuts this year (up from 25bps expected as at June 2025).

In Australia, the ASX200 was buoyed by strength in commodity prices and a 25bps RBA interest rate cut in August. Earnings were, however, not as strong as overseas markets, with 40% of companies missing consensus expectations during the August reporting season, versus the long run average of 30%.

The Australian market ended the quarter a global laggard, as one of only a few markets to deliver negative returns in the month of September, as rate cut expectations were pared back. The RBA left the cash rate unchanged at 3.60% with a more hawkish outlook, citing a slower-than-anticipated fall in underlying inflation alongside stronger consumption growth. Where markets had previously expected two RBA cuts by February 2026, they now have an 80% probability of only one RBA 25bp cut by February 2026.

The strongest sectors in the ASX200AI for the September quarter were Materials (+20.5%), Utilities (+11.4%) and Consumer Discretionary (+10.0%), whilst Healthcare (-9.3%), Consumer Staples (-1.5%) and Energy (-1.5%) lagged.

Returns (Net) (%)[1]

	Catalyst Fund	S&P/ASX 200 AI	Out-performance
3 months	10.6	4.7	+5.9
6 months	14.8	14.7	+0.1
1 year	4.8	10.6	(5.8)
3 years p.a.	10.5	15.2	(4.6)
Since inception* p.a.	**9.7**	**8.8**	**+0.9**
Since inception* cumulative	**48.4**	**43.4**	**+4.9**

Figures may not sum exactly due to rounding.

The L1 Capital Catalyst Fund continues to find value in low P/E stocks with undergeared balance sheets, strong cash flow generation and realisable near-term catalysts. We remain confident in our portfolio and are focused on identifying and enacting catalysts through active engagement with company management and Boards. We continue to believe this engagement will ultimately create better shareholder returns for investors and outcomes for the companies themselves.

1. All performance numbers are quoted net of fees. Figures may not sum exactly due to rounding. Inception date: 1 July 2021. **Past performance should not be taken as an indicator of future performance.** Note: Fund returns and Australian indices are shown in A$. Returns of U.S. indices are shown in US$. Index returns are on a total return (accumulation) basis unless otherwise specified.

Portfolio commentary

The Catalyst Fund performed well for the September quarter (+10.6%), outperforming the ASX200AI (+4.7%), largely due to several favourable portfolio company trading updates and strength in Mineral Resources’ share price.

During the quarter, the Catalyst Fund’s performance relative to the ASX200AI was positively impacted by:

- **Favourable portfolio company trading updates:** A number of portfolio companies performed well through reporting season and across the quarter, contributing positively to performance. These included:
  - Downer, which delivered stronger than expected margins, guided to continued margin growth in FY26 and announced a $230m buyback.
  - Chorus delivered a solid result and guided to a 4.3% increase in its dividend in FY26.
  - Aurizon won a significant freight contract for BHP's Olympic Dam copper assets.
- **Mineral Resources:** Shares rallied 90% during the quarter as lithium prices continued to move sharply higher (+36%) from muti-year lows, following the closure of a major Chinese operator owned by CATL and speculation around further Chinese supply cuts. In September, Mineral Resources announced that the Onslow Iron Ore Project road upgrades had been completed, removing the final bottleneck for the project running at full capacity. Pleasingly, prior to the road being fully complete, the project had exceeded targeted nameplate iron ore shipments in August and September. At full run-rate and US$100/t iron ore prices, the company anticipates Onslow generating ~$1.3b in EBITDA, contributing significantly to balance sheet de-leveraging. The company also announced the offering and pricing of US$700m 2031 bonds, replacing those of an equal amount maturing in 2027, materially improving the company’s near-term liquidity.

  Mineral Resources continues to make significant progress towards a Board and governance reset with the appointment of a number of new Non-Executive Directors, following Malcolm Bundey commencing his role as Chairman at the start of July. We continue to believe that each of the company’s core segments should see material improvement from current levels over the medium term and we believe the risk-reward at the current share price still remains compelling.

During the September quarter, the Catalyst Fund’s performance relative to the ASX200AI was negatively impacted by:

- **Withdrawal of Santos’ takeover offer**: Santos’ share price declined due to the ADNOC-Carlyle consortium formally withdrawing its indicative takeover offer. After several extensions of the due diligence and exclusivity period (last extended to 19 September), the parties could not agree on several key commercial terms. These included the allocation of risk regarding regulatory approvals and potential tax liabilities, relating to potential capital gains tax exposure on Santos’ Papua New Guinea assets. The indicative proposal had represented a 28% premium (A$8.89/sh) to the share price of Santos prior to the offer.

  After a multi-year period of elevated investment, the company is now approaching an important earnings inflection point. Over the next 12 months, Santos will see a material uplift in earnings alongside a significant step-down in capital expenditure. This creates the capacity for a much healthier capital return and dividend profile going forward, which from our perspective should support a meaningful re-rate in the share price. With its high-quality LNG portfolio and clearer capital allocation framework, Santos is well placed to deliver attractive returns versus the broader market and its peer group.

Webinar Registration | 16 October 2025

Please join James Hawkins, Partner and Head of Catalyst Fund, for an update on the L1 Capital Catalyst Fund.

To register for the event, please click here.

Stock Spotlight | Aurizon

Aurizon (ASX:AZJ) is Australia's largest rail freight operator. While Aurizon's performance has been disappointing in recent periods, we are optimistic on the outlook given the intrinsic value in its assets, and the potential for this to be unlocked in the coming years.

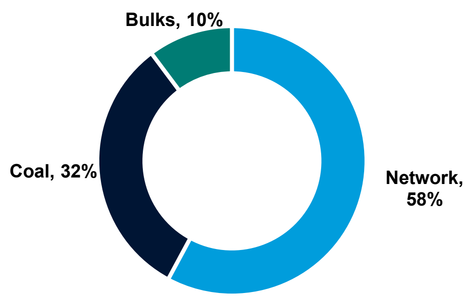
Aurizon operates across four key segments:

1. **Network:** Aurizon manages and operates over 5,100 kms of rail track in Queensland, South Australia and the Northern Territory. This includes the regulated Central Queensland Coal Network (CQCN), which is Australia's largest rail supply chain for export coal (primarily Met coal), linking over 50 coal mines to five export terminals located at three ports, and representing approximately 60% of Aurizon's EBITDA in FY25.
2. **Coal:** Aurizon is the largest hauler of Coal freight in Australia, with operations connecting mines across Queensland and New South Wales with domestic customers and export terminals.
3. **Bulks:** The Bulks business supports a large number of customers nationally for bulk materials and commodities (such as copper concentrates and iron ore), mining and industrial inputs, as well as grain and agricultural products. Aurizon acquired the OneRail business in 2021 for $1.4b (post the divestiture of East Coast Rail) to boost the Bulk segment. While the investment has not met the market's expectations, the asset continues to provide upside optionality going forward.
4. **Containerised Freight and Other:** Aurizon is in the early stages of building out a Containerised Freight operation nationally, leveraging its existing rail assets as well as a foundation contract with leading freight forwarder Team Global Express (TGE).

Figure 1: Aurizon key characteristics

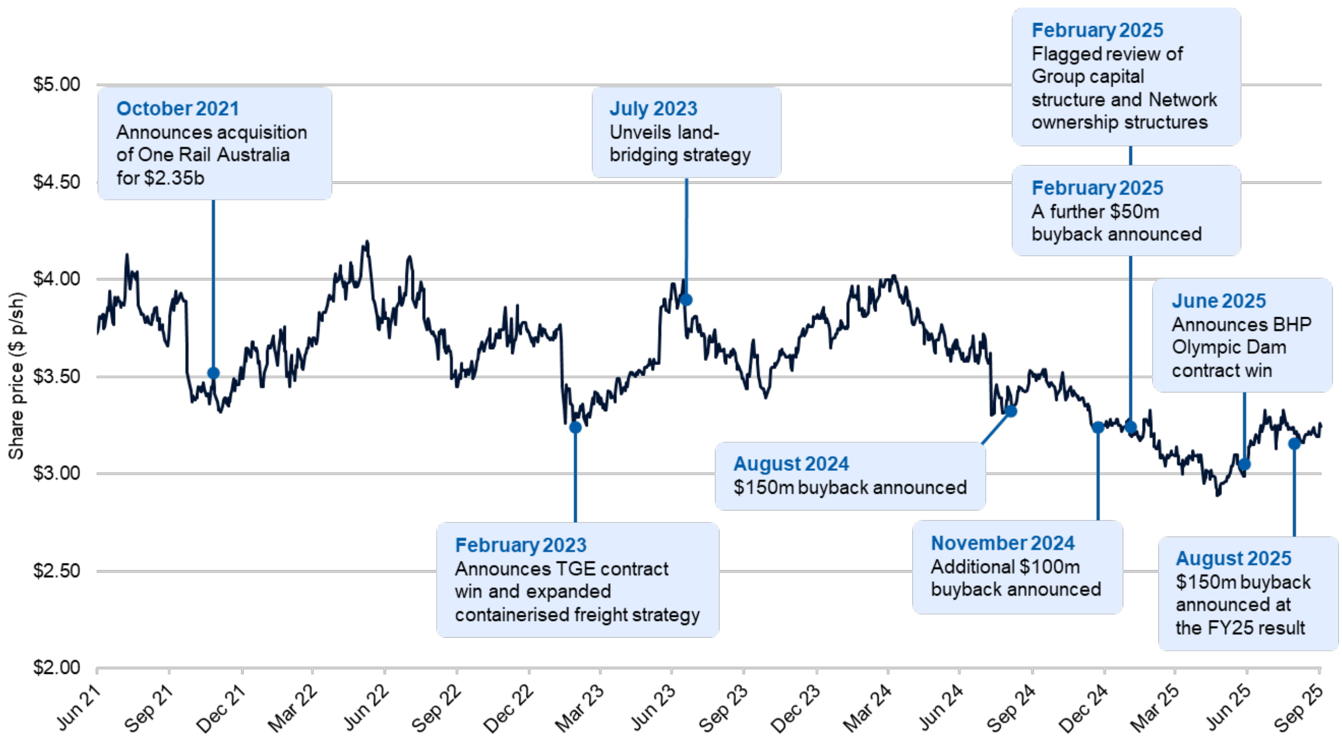
Market cap (30 September 2025)	$5.6b
Last reported net debt	$5.2b
Enterprise Value (EV)	$10.8b
FY26F EBITDA	$1.5b
FY26F EV/EBITDA	6.6x
FY26F P/E	13.4x

Figure 2: FY25 EBITDA by division (ex corporate costs and Containerised Freight losses)



Source: Aurizon, 2025

Figure 3: Aurizon share price and key events



Source: Bloomberg and L1 Capital as at 30 September 2025

Multiple potential share price drivers going forward

In recent years, Network and Coal segments have delivered strong and resilient earnings outcomes for investors, and have continued to generate strong cash flows. However, since the OneRail acquisition – which gave Aurizon control over the rail network through central Australia that links Darwin to Tarcoola (700km North of Adelaide) - returns in the expanded Bulks division have not met expectations, reflecting customer losses, as well as a soft pipeline of new contracts. Illustrative of the shift in confidence around the outlook for Bulks, long-term Bulk segment earnings estimates have reduced by more than half over the last two years[1]. In addition to the core Bulks segment, Aurizon's follow-on strategic initiatives in Containerised Freight and Land-Bridging have contributed to higher capex, while also negatively impacting earnings early in their life cycle.

Despite these issues, we are positive on both the long-term outlook for Aurizon, as well as the prospect of improved share price performance going forward. We see five key drivers to a higher Aurizon share price:

Figure 4: Aurizon's rail Network is a unique and irreplaceable set of assets

Source: Aurizon, FY25 result presentation

1. **Network assets are currently under-appreciated:** The Network business segment is a highly desirable regulated infrastructure asset, representing well over half of the company's earnings and current valuation. Assets such as these are scarce within publicly listed companies. Aurizon announced a review of the Network segment ownership structure in February, with an outcome of this review expected within the next six months.

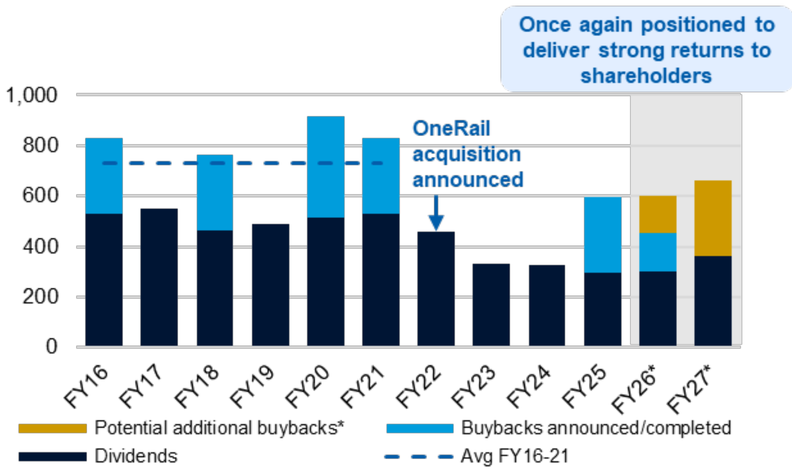
2. **Coal a steady business, with strong cash-generation:** Coal earnings are stable, with long-term haulage contracts under-pinning strong ongoing cash flows from this segment.

3. **Upside to Bulks and Containerised Freight:** The outlook for Bulks and Containerised Freight has disappointed in recent years. However, we are more optimistic about the pathway forward for a number of reasons. First, the ramp-up of haulage operations for BHP Copper's South Australia operations via a new long-term contract that is profitable from next year. Second, we don't expect a recurrence of the doubtful debt provisions taken by Aurizon in FY25 for three customers that went into administration (and we are hopeful the company can re-establish commercial terms as operations re-commence). Finally, EBITDA losses for the Containerised Freight segment peaked in FY25, and we expect improved financials in FY26 and beyond as these operations gain scale.

4. **Growth capex demands likely to subside:** Growth capex exceeded $500m between FY23-25 as the company invested in its Bulks, Containerised Freight and Land-Bridging strategies. While FY26 will see another $100-150m in growth capex (related to BHP Copper, Perth terminal and other growth opportunities), this should set the platform for profitable growth across the platform going forward. As a result, we expect growth capex beyond FY26 to reduce materially, other than to support specific, value-accretive growth opportunities.

5. **Scope for continued and increasing shareholder returns over time:** Against a backdrop of improving earnings and declining capex demands, we see continued growth in cash flows. With gearing at or below target levels, there is scope for continued and increasing shareholder returns over time. Aurizon bought back $300m in shares during FY25, and announced a further $150m buyback at its latest result.

Figure 5: Aurizon shareholder returns over time



Source: Factset as at 30 June 2025

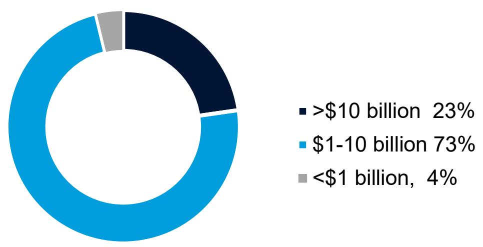
Overall, while Aurizon has faced a number of challenges in recent years, we think the current share price overly discounts the forward cash flows from the business and ascribes no value (or possibly negative value) to growth opportunities in Bulks and Containerised Freight.

[1] Source: Visible Alpha, Bulk segment FY30 EBIT

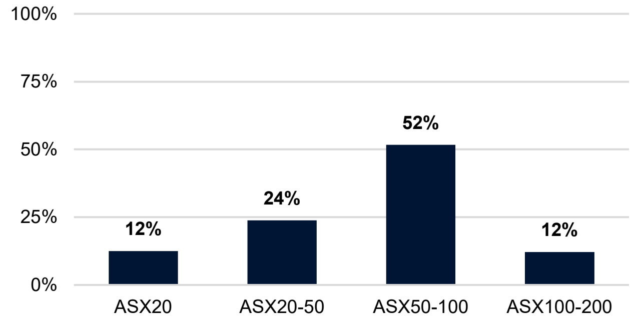
Portfolio exposures by primary catalyst as at 30 September 2025

	Strategic	Financial	Operational	Governance
Stock 1	✓			
Stock 2	✓			
Stock 3		✓		
Stock 4	✓			
Stock 5		✓		
Stock 6				✓
Stock 7			✓	
Stock 8		✓		
Stock 9	✓			
Stock 10			✓	

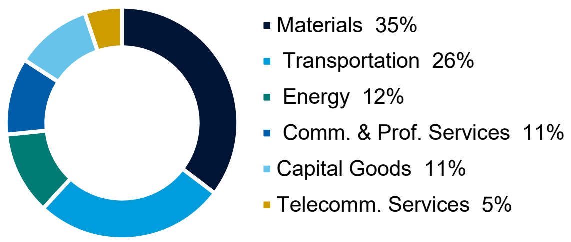
Market capitalisation exposure (%)



Market constituents exposure (%)



Sector exposure – GICS Level II (%)



Research Rating

Zenith HIGHLY RECOMMENDED

Recommended Lonsec Research

Awards

Money management Fund of the Year awards
Innovation Award of the Year 2023

WINNER

Note: All breakdowns shown are for stocks only (i.e. excluding cash).

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Fund Information

Fund/Class Name	L1 Capital Catalyst Fund – Retail Class
Currency	AUD
Investment approach	The Investment Manager seeks to deliver private equity-style returns with listed market liquidity by taking a hands-on 'owner's mindset' to each investment in a tightly focused portfolio of up to 10 companies.
Investment objective	To deliver strong positive risk adjusted returns over the long term.
Benchmark	S&P/ASX 200 Accumulation Index
Minimum investment	$25,000
Management fee*	1.28% p.a.
Performance fees**	20.5% (inclusive of GST and net of RITC) over benchmark, subject to any underperformance being recouped
Vehicle	Australian Unit Trust
Fund identifiers	ISIN: AU60ETL12936, APIR: ETL1293AU
Launch date	1 July 2021
Platform availability	Australian Money Market, BT Panorama, CFS FirstChoice, CFS FirstWrap, HSBC, Hub24, Macquarie Wrap, Mason Stevens, Xpand, Netwealth, North^, Powerwrap, Praemium

L1 Capital overview

L1 Capital is a global investment manager with offices in Melbourne, Sydney, Miami and London. The business was established by Raphael Lamm and Mark Landau in 2007 and is majority owned by its founders and staff. The team is committed to offering clients best of breed investment products through strategies that include long-short equities, international equities, activist equities, global convertible debt and U.K. residential property funds. The firm has built a reputation for investment excellence, with all L1 Capital strategies delivering strong returns since inception. In October 2025, L1 Capital merged with Platinum Asset Management to create L1 Group (ASX: L1G) with approximately $16b under management. The L1 Capital team remains dedicated to delivering on that strong reputation by providing market-leading performance via differentiated investment strategies with outstanding client service, transparency and integrity. L1 Capital's clients include large superannuation funds, pension funds, asset consultants, private wealth firms, financial planning groups, family offices, high net worth and retail investors.

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* Fees are quoted inclusive of GST and net of RITC. ** Performance fee is quoted inclusive of GST and net of RITC over benchmark, subject to any underperformance being recouped. ^ Managed account holders only.

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

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This publication has been prepared by L1 Capital Strategic Equity Management Pty Limited (ACN 648 751 928), (an authorised representative (no. 1286013) of L1 Capital Pty Ltd (ACN 125 378 145, AFSL 314 302)) and its officers and employees (collectively "L1 Strategic"), 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 Strategic, 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 on our website www.L1.com.au before making a decision about whether to invest in this product.