

APL Inclusion – Global Equities

L1 Capital International Fund APIR: ETL1954AU

Summary

The **L1 Capital International Fund** is a high conviction (20-40 stocks), actively managed equity fund designed to achieve long-term capital growth by investing in a diversified portfolio of global companies with attractive valuation and strong growth potential. Its historical outperformance and ability to capitalise on global opportunities make it a strong candidate for inclusion within the global equities APL.

APL Fit

The L1 Capital International Fund offers a compelling addition to the Global Equities APL, providing a high-conviction, benchmark-agnostic approach that balances quality and value characteristics. Its focus on sustainable growth, capital preservation, and downside risk management aligns well with Atchison's objective of delivering consistent, risk-adjusted returns.

The fund's differentiated holdings provide diversification within the APL, particularly when combined with more traditional or passive global equity strategies. Its ability to adjust exposures based on macroeconomic conditions and thematic insights further enhances its appeal, offering resilience in varying market environments. Additionally, the Fund's low-cost make it highly attractive to complement the existing strategies whilst remaining within fee budgets.

Fund Overview

- **Manager:** L1 Capital
- **Fund Inception Date:** 1 March 2019
- **Firmwide Assets Under Management:** \$7.2bn
 - **L1 Capital International Fund:** \$304mn
- **Investment Strategy:** The fund invests in a diversified portfolio of 20–40 global companies with a focus on undervalued businesses offering sustainable growth, pricing power, and strong free cash flow generation.
- **Benchmark:** MSCI World Net Total Return Index

BUSINESS

L1 Capital was founded in 2007 by Raphael Lamm and Mark Landau with a focus on managing Australian equities. L1 is 100% employee owned with a reasonable share of equity amongst the key team members. The Manager offers a variety of strategies including Australian equities, international equities and property funds with a focus on quality and value investing.

Team

The team is led by L1 CIO David Steintal, who founded the global equities capability at L1 when he joined in 2019. Atchison regards Steintal as a highly capable leader and skilled investor, providing clear direction and expertise to the team. He is supported by two senior investment analysts and one additional analyst, with senior analyst David Silverman based in New York. Silverman's presence in the U.S. offers the team valuable on-the-ground insights, setting them apart from other Australia-based international managers.

Although the team of four is relatively small compared to peers, Atchison considers it sufficient to effectively implement the investment process. All team members operate as generalists, conducting their own research and contributing to portfolio construction. This structure fosters accountability and encourages individual contributions. Steinthal serves as the ultimate decision-maker, with his influence occasionally directing the area of focus for the supporting analysts.

Process

The Fund employs a rigorous and structured bottom-up research process designed to identify high-quality global businesses with sustainable growth drivers and attractive risk-adjusted returns. The team screens an initial universe of 1,600 stocks, narrowing it to a research universe of approximately 300 through filters and on-the-ground research. Each company undergoes a detailed analysis using a standardised Quality Assessment Framework (QFA), which scores businesses on factors such as financial strength, industry positioning, and ESG considerations. Valuation is determined using flexible methodologies suited to each business, with a focus on valuation ranges rather than precise targets

Positions typically start at a minimum weight of 3%, with top holdings comprising 50–60% of the portfolio. Downside risk and capital preservation are central to the strategy, supported by a macroeconomic overlay that informs risk posture and thematic exposures. The fund's benchmark-agnostic approach and focus on quality at a reasonable price (QARP) allow it to navigate diverse market conditions effectively.

Fees and operational considerations

- **Management Fee:** 0.55% p.a. (This is a consultant rebate rate, retail fee = 1.1%)
- **Performance Fee:** 15% above the Benchmark. This includes a high-water mark with no re-set period.
- **Liquidity:** Daily applications and redemptions.
- **Capacity:** The Fund invests globally across the market cap spectrum, however, is expected to stay in the larger end of the market. As such capacity is not considered to be a concern.
- **Minimum Investment:** \$25,000
- **Responsible Entity:** Equity Trustees

Performance – 31/12/2024

Fund performance (Net) (%)¹

	Fund	Index ²	Out-performance
3 months	11.4	11.9	(0.4)
1 year	29.0	30.8	(1.8)
3 years p.a.	11.7	12.2	(0.5)
5 years p.a.	15.3	14.0	+1.3
Since Inception* p.a.	15.8	14.7	+1.1
Since Inception* cumulative	135.7	122.6	+13.1

The Fund has delivered strong risk-adjusted returns since inception, achieving a net return of 15.3% per annum over five years, which translates to an alpha of 1.3% p.a. While the manager underperformed during the 12 months to December 2024, Atchison attributes this to the Fund's differentiated portfolio, which excludes many of the mega-cap U.S. tech stocks that have dominated recent market performance.

Atchison believes the fund's style-agnostic, quality-focused approach positions it well to perform across varying market environments. Its inclusion of non-consensus holdings enhances its appeal within a multi-manager model, offering diversification and exposure to opportunities outside the mainstream mega-cap-driven benchmarks.