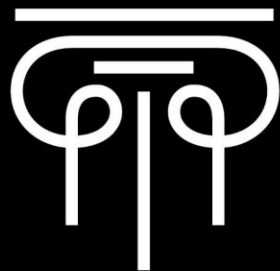


---

February 2026

# Quality and valuation still drive long-term returns.

David Steinthal  
Chief Investment Officer, L1 Capital International (Sydney)



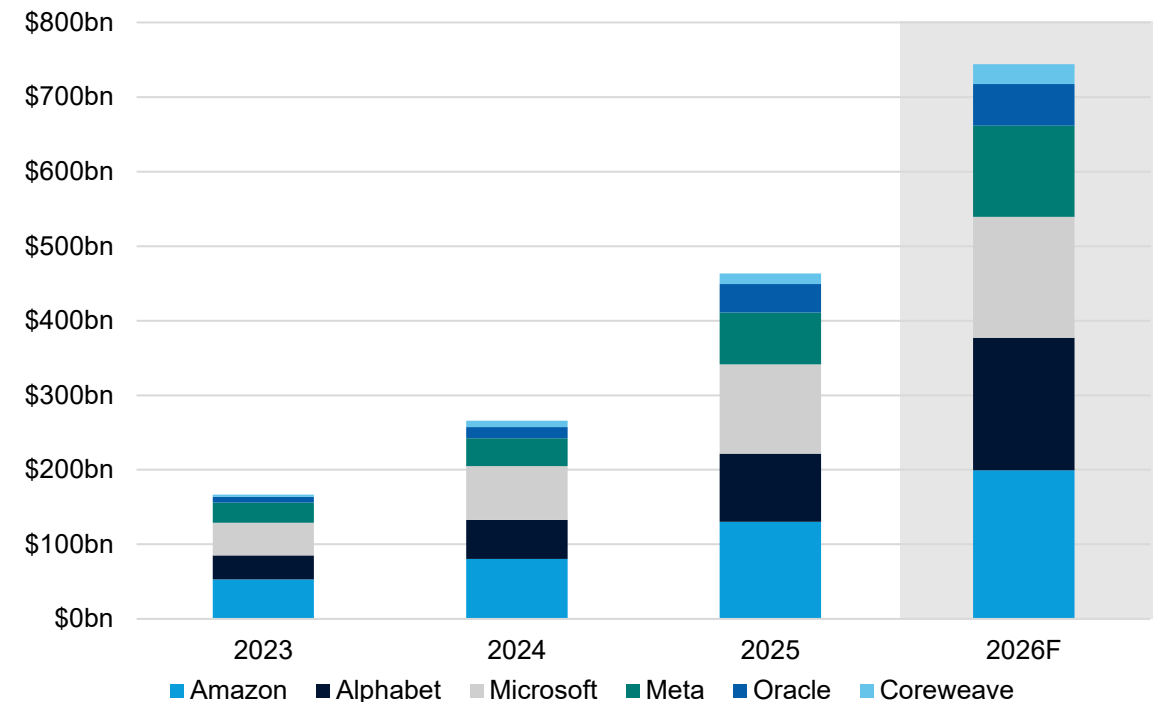
Portfolio  
Construction  
**Forum**

# Artificial Intelligence | Ballooning capex

Investment in AI infrastructure has leapt to a new level, heightening market concerns



Capex spending (US\$)



Source: Image – ChatGPT, L1 Capital International. Chart – FactSet, L1 Capital International

# Artificial Intelligence | Disrupting software

Market is pricing in AI disrupting the software industry



Source: Image – ChatGPT, L1 Capital International.

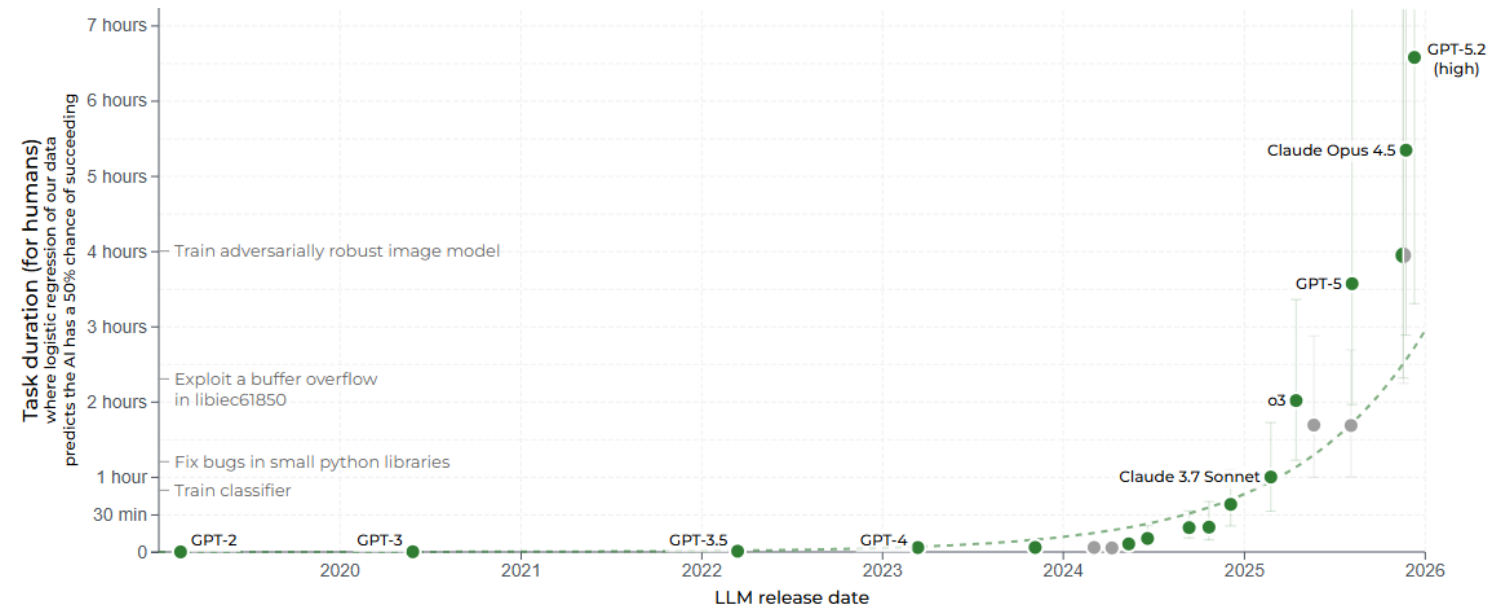
# Artificial Intelligence | Disrupting ‘white-collar’ employment

Value proposition of labour and ability to enhance value through AI will be critical

“I think that we’re going to have a human-level performance on most, if not all, professional tasks... **So white-collar work**, where you’re sitting down at a computer, either being a lawyer or an accountant or a project manager or a marketing person – most of those tasks **will be fully automated by AI within the next 12 to 18 months**”

*Mustafa Suleyman, CEO of Microsoft AI, February 2026*

Time horizon of software tasks that models can complete (50% success)



Source: METR (Model Evaluation and Threat Research).

# Artificial Intelligence | Investment circularity

Focus should be on the capabilities of the AI technology, value created and who retains the value, not the source of funding

- It is not chicken and egg – **AI capex has to come before AI revenue**
- No company has all the requirements for AI success
- **Key questions:**
  - How much value will be created by the AI technology?
  - At what cost?
  - Who will retain this value?

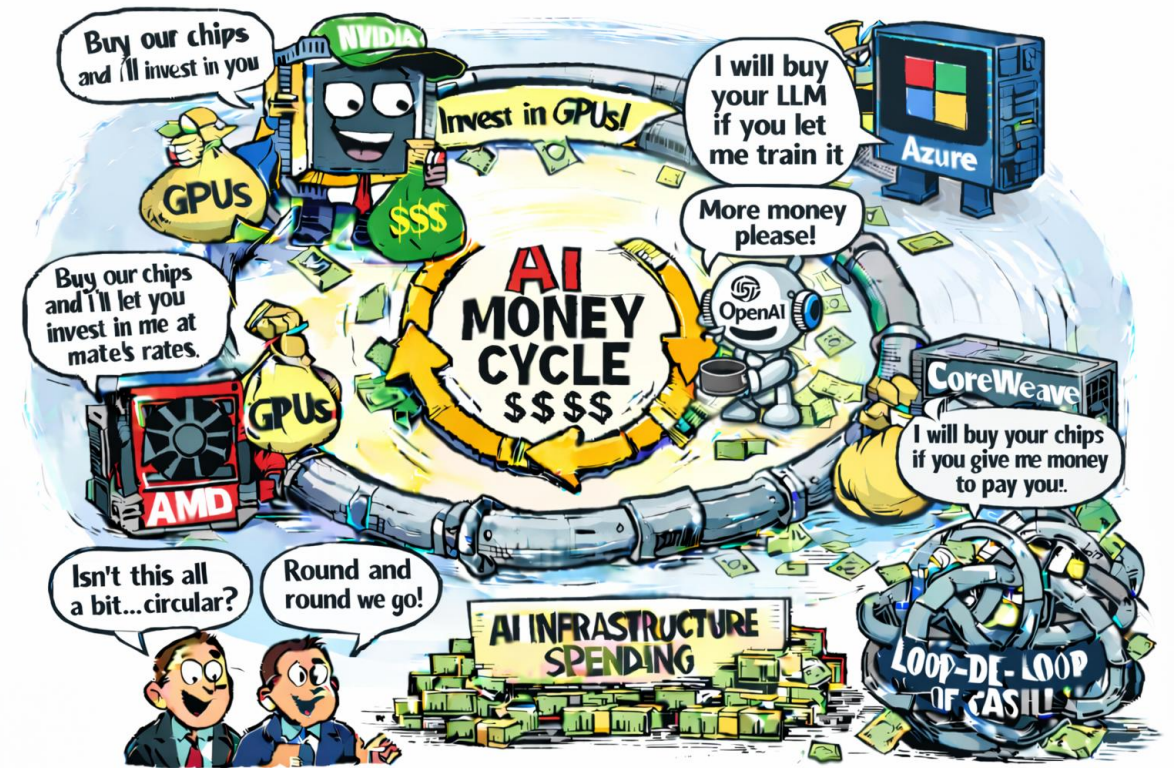


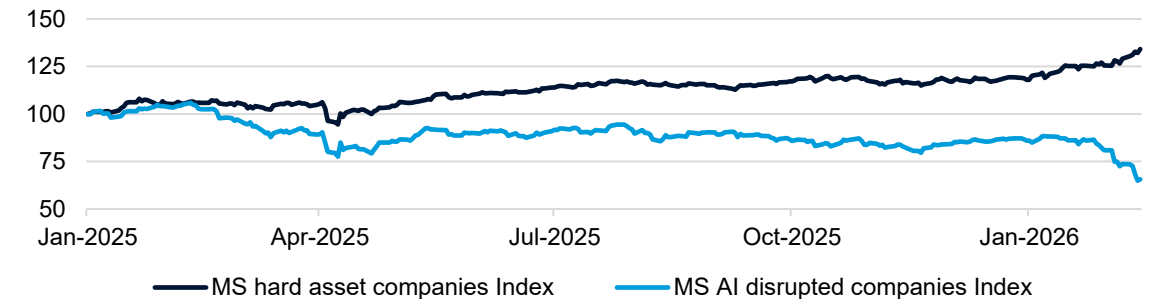
Image: ChatGPT, L1 Capital International

# Artificial Intelligence | Perceived exposure driving share prices

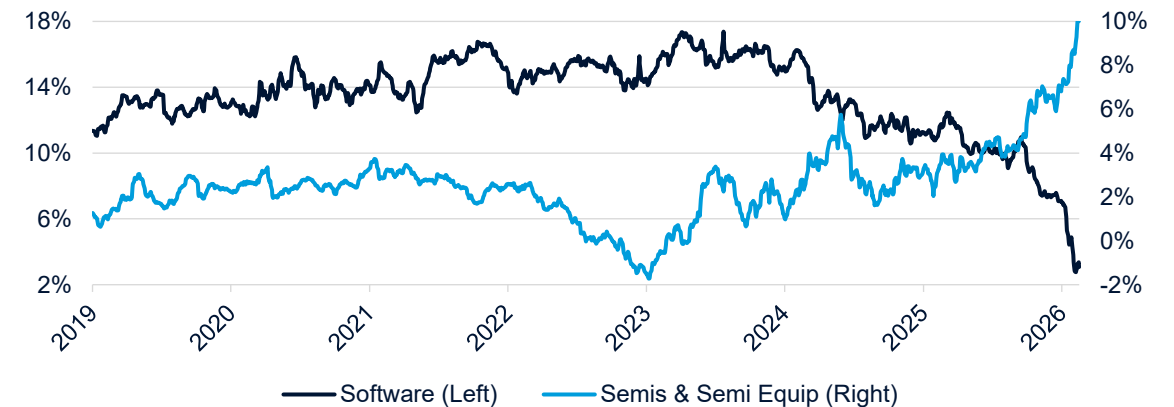
The market has become increasingly focused on picking AI winners and losers, positions are crowded

- **Software** under the greatest pressure
- **'White collar'** businesses also impacted
- Market starting to focus on **second** and **third order** impacts
- **Crowding** and **fear** is leading to **distorted valuations**, both positively and negatively

Hard asset companies compared to companies perceived to be at risk from AI



Hedge fund exposure to Software and Semis/semi equipment (% of total US net exposure)



Source: Top chart – Morgan Stanley, Bloomberg, Bottom chart – Goldman Sachs



# Quality and valuation still drive long-term returns

# Important information

## L1 Capital International Pty Ltd

### Information contained in this publication

Equity Trustees Limited (“Equity Trustees”) (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the L1 Capital International (Unhedged) Active ETF ARSN 631 094 141 (ASX:L1IF). Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT).

This publication has been prepared by L1 Capital International Pty Limited (ACN 628 068 717), an authorised representative (no. 1273764) of L1 Capital Pty Ltd (ACN 125 378 145, AFSL 314 302) and its officers and employees (collectively “L1 International”), to provide you with general information only. In preparing it, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither L1 International, Equity Trustees nor any of its related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. All performance numbers are quoted after fees. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement from our website [www.L1.com.au](http://www.L1.com.au) before making a decision about whether to invest in this product.

The L1 Capital International (Unhedged) Active ETF’s Target Market Determination is available [here](#). A Target Market Determination is a document which was required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

### Copyright

Copyright in this publication is owned by L1 International. You may use this information in this publication for your own personal use, but you must not (without L1 International’s consent) alter, reproduce or distribute any part of this publication, transmit it to any other person or incorporate the information into any other document.

### MSCI

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.



Portfolio  
Construction  
**Forum**

specialist, independent, investment  
continuing education, accreditation and certification  
+61 2 9247 5536  
mail@portfolioconstructionforum.edu.au  
L11, 84 Pitt Street, Sydney, NSW 2000, Australia  
PO Box R923, Royal Exchange, NSW 1225, Australia  
portfolioconstructionforum.edu.au