

Performance at 31 October 2025

	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	5 Years p.a.	Since Inception p.a.
Fairlight Global Small & Mid Cap Fund - Hedged	-0.9%	-3.9%	0.2%	0.0%	11.5%	7.0%	9.2%
MSCI World Small & Mid Cap Index - Hedged	0.9%	5.5%	17.8%	14.9%	13.5%	11.2%	12.5%
Outperformance	-1.8%	-9.4%	-17.6%	-14.9%	-2.0%	-4.2%	-3.3%

Performance is in AUD and net of all fees. Inception 29th April 2020. Since inception returns are on a per annum basis. Past performance is not an indicator of future performance.

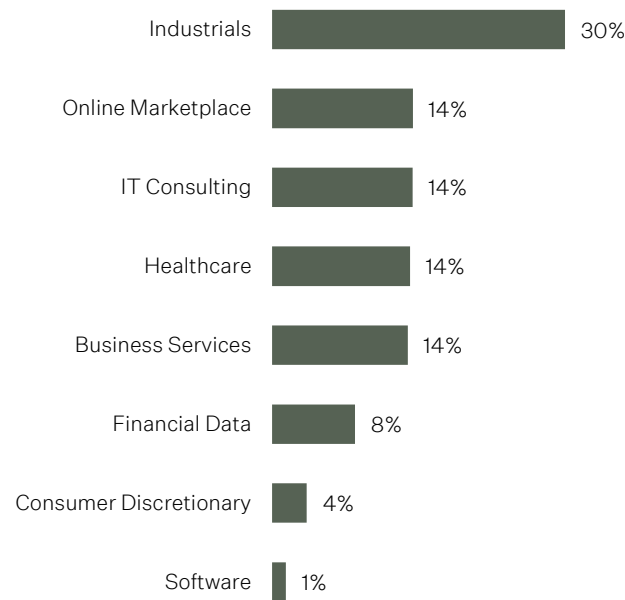
Performance Since Inception



Top 5 Holdings in Alphabetical Order

Company	Region	Sector
Auto Trader Group	GB	Online Marketplace
CDW Corporation	US	IT Consulting
Diploma	GB	Industrials
Halma	GB	Industrials
Scout24	DE	Online Marketplace

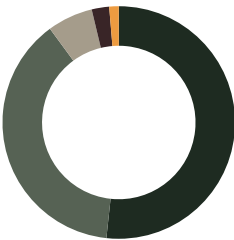
Portfolio Sector Exposure



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Portfolio Revenue Exposure

- North America: 51%
- Europe: 38%
- Asia Pacific: 6%
- Africa & Middle East: 2%
- Latin America: 1%



About Fairlight

Fairlight Asset Management is a boutique firm investing exclusively in global equity markets. The investment approach is grounded in fundamental research, long term in nature and has a strong focus on quality. The team believe a portfolio of the highest quality businesses, purchased with valuation discipline will outperform over the long term whilst protecting and preserving client capital.

Investment Philosophy

Fairlight’s investment process is designed to find businesses that have a demonstrable track record of earning outsized returns on capital with characteristics that will allow these returns to persist into the future, available at attractive valuations. Where possible, the strategy mitigates potential risk by looking for stable and aligned management teams, conservative balance sheets and avoiding single points of failure.

The portfolio is segmented into three types of investment opportunities:

- High quality growth companies
- Stable compounders
- Special situations

Fairlight does not invest in sectors of the market that do not meet its quality criteria including cyclical business (commodities and mining) and interest rate sensitive businesses (banks and utilities).

Invest Online

Figures and graphs sourced from Apex Fund Services and FactSet Portfolio Analytics. This report has been prepared by Fairlight Asset Management Pty Ltd ACN 628 533 308 Corporate Authorised Representative No 001277649 of AFSL No 000247293, the investment manager of Fairlight Asset Management Global Small and Mid Cap Fund. The Product Disclosure Statement (PDS) contains all of the details of the offer. You can obtain a copy of the PDS from fairlightam.com.au or by contacting Fairlight Asset Management directly. Before making any decision to make or hold any investment in the Fund you should consider the PDS and TMD in full. The information provided does not take into account your investment objectives, financial situation or particular needs. Past performance is not an indicator of future performance. Returns are not guaranteed and so the value of an investment may rise or fall. The Trust Company (RE Services) Limited (ABN 45 003 278 831 AFS Licence 235150) is the Responsible Entity of Fairlight Global Small & Mid Cap Fund ARSN 629 066 913.

2025 Q3 Earnings Season Update

Despite strong global share markets, October was another tough month for quality strategies focused on owning companies with sustainable earnings. Within the US equity market, for example, *profitable* Small and Mid-Cap companies have been amongst the worst exposures this year, returning only 5%, well below the stellar 35% yielded by Nasdaq-listed companies with no revenues (Figure 1). Globally, the situation is similar with the share prices of smaller quality companies lagging the rest, while more speculative companies are outperforming (Figure 2).

Business performance drives returns over the long run

When assets are purchased at a reasonable multiple of earnings, EPS growth will typically be the ultimate driver of long-term returns.

To this end, Fairlight portfolio companies are mostly through the Q3 reporting season. At the time of writing 25 of 34 holdings have reported, with the majority exceeding our expectations and handily beating consensus ‘sell side’ numbers. During the quarter, 18 investee companies beat expectations, 3 were in line, 3 had no consensus data and only 1 disappointed. Regarding guidance, 8 upgraded, 12 maintained, 4 provided no formal guidance and 1 downgraded. In aggregate, our companies are reporting solid results and are providing encouraging outlook statements. The portfolio’s EPS growth is currently 1.3% ahead of the median of the MSCI SMID index.

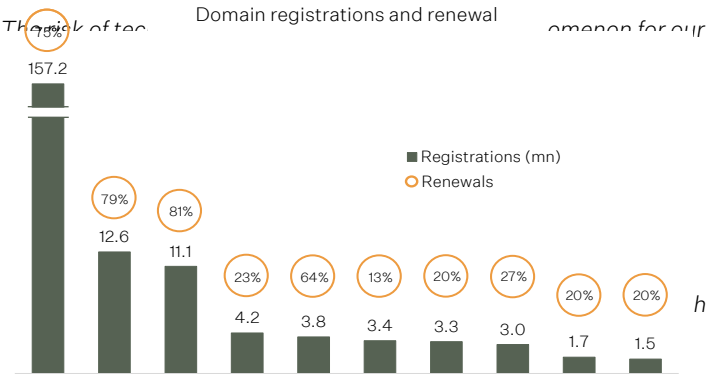
Despite earnings resilience, our holdings continue to experience a material Price to Earnings (PE) derating mainly on two fronts:

- 1. Perceived disruption risk from Artificial Intelligence (AI)
- 2. Weak economic growth globally.

AI disruption

In July of 2024 we wrote about the sources of protection from AI disruption for our companies:

“Scale, decentralisation and financial strength



They are conservatively financed so are typically able to continue investing during conditions where others may be facing insolvency. The portfolio average Net Debt to earnings before interest, taxes, depreciation and amortisation (EBITDA) ratio is a modest 0.7x.

- Often our businesses have flat organisational structures and grant significant autonomy to middle and lower-level managers which allows them to quickly identify new market and technological trends, and pivot as required.

The data advantage

- Furthermore, by owning the #1 or #2 competitor in each industry, Fairlight also benefits from the lesser appreciated development of AI – the benefit of owning data. Special purpose applications of AI demonstrate the benefits of building AI models on highly curated data sets. From dental device companies to credit decisioning engines, the collection of this data over decades often leaves the market leaders in a unique position to extend their competitive advantages further.”

Evidence in support of this view was clear across many of our holdings in Q3, but most pronounced within MSCI (cost savings and new product innovations), IDEXX (animal diagnostic data where AI is helping with R&D) and Medpace (automating image data for

traditional drug development). In some cases, however, the impact of AI on business models is less clear.

Gartner, redundant researcher or trusted adviser?

Also in July of 2024, Fairlight called out [Gartner](#)’s as a business model that may be mis-categorised as being disrupted by AI. While the market fixates on the ability of Large Language Models (LLMs) to compete with Gartner’s research offering, the behaviour of clients would indicate Gartner is becoming more, not less, relevant in a period of rapid technological change. By way of example, the #1 piece of Gartner research being downloaded by the executive client base (CEO, CFO and CIO) is how to explain AI to their Board of Directors.

Concurrently, Gartner’s most recent Annual IT symposium in Orlando was attended by more than 7,000 technology leaders, and increasingly, the business is providing clients advice on how to [implement](#) agentic AI into existing business workflows. Gartner is our largest detractor this year, impacting the portfolio by 2.3%, however given supportive client behaviour, and a guidance upgrade accompanying Q3 earnings, we remain holders. Notably, the Board repurchased 5% of the company’s shares over recent months.

Classifieds business

AI risk has also been weighing on the share prices of Fairlight’s investments in property classifieds this month. Given the deep market data, established consumer / real estate agent behaviour and resultant flywheel effect, we believe these businesses are well placed to maintain or extend their market positions as new technologies emerge.

Each of our holdings are taking a nuanced view of AI and their level of investment. For example, Rightmove (UK property) has decided to aggressively invest ahead of the coming opportunity (downgrading earnings growth as a result), whilst Scout24 (Germany) is taking a more conservative approach with a reallocation of R&D budget from traditional IT investment to AI over time.

Ultimately, each company is becoming more engrained in the property purchasing decision, from search (e.g. assurance around the legitimacy of listings), valuation, financing to moving house.

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In each case, over 80% of website traffic is direct/ organic, largely protecting them from the mode of search, whether it be Google Searches or newer AI methods.

US economic environment

Economic growth in the US is expanding at a modest pace and it is unusually dependent on AI-related data centre and information-processing investment. Harvard economist Jason Furman estimates that in the first half of 2025, GDP excluding investment in information-processing equipment and software grew at an annualised pace of just 0.1%, implying that virtually all recorded GDP growth of 1.6% came from tech and data centre outlays.

Headline inflation is running close to 3% and manufacturing activity is contracting while consumer sentiment is sliding amid a prolonged federal government shutdown. Private (ADP payroll data and other) indicators show cooling labour demand, modest private payroll gains, and softer hiring momentum into October and early November.

Against this weak backdrop, our more industrial businesses are still performing reasonably well and our sole direct investment in the consumer space delivered a solid result. Ulta Beauty, a diversified beauty retailer servicing both the mass and premium markets, has a history of resilience, maintaining positive Same Store Sales (SSS) growth even during the GFC years of 2008/9. In its most recently reported numbers, management delivered SSS of 7% and raised full-year guidance on both sales and Earnings Per Share (EPS).

The Fairlight View

At Fairlight we believe that share prices will follow earnings growth over time. Hence, our strategy remains unchanged, and we continue to hold a portfolio of competitively-advantaged businesses that, based on past and current evidence, are highly likely to continue to compound EPS over the long-term. The majority of recent quarterly earnings results have been robust, and the Fairlight portfolio remains on track to deliver in aggregate close to 10% EPS growth for the 2025 calendar year, in line with our objective. Thank you for your ongoing support, and as always, we welcome your questions.

Figure 1.

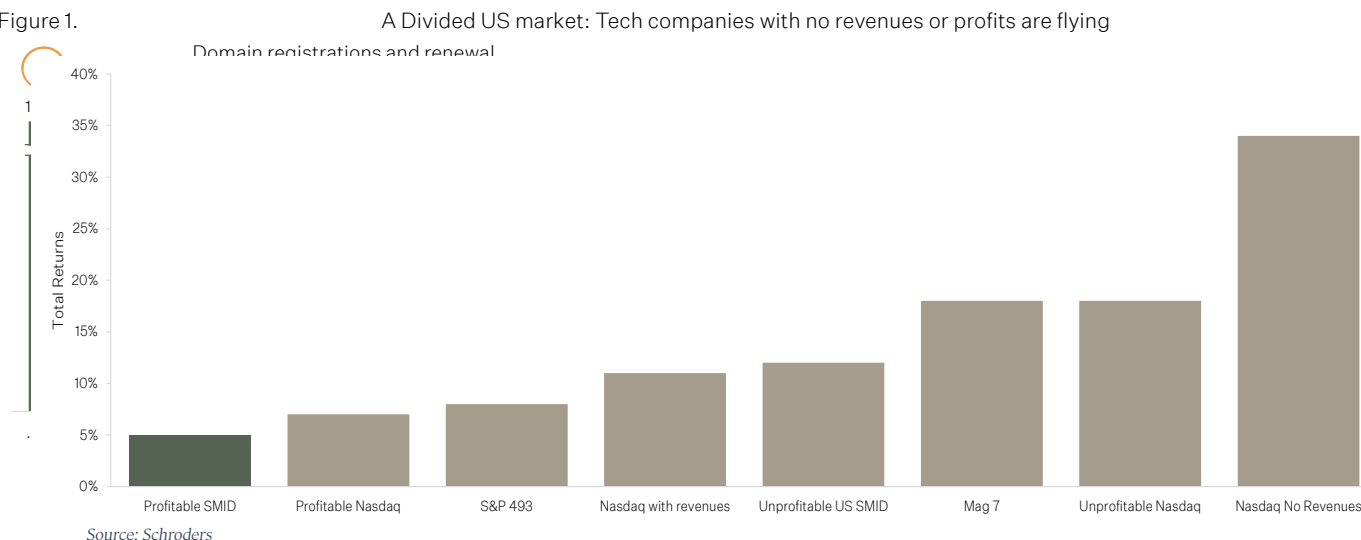
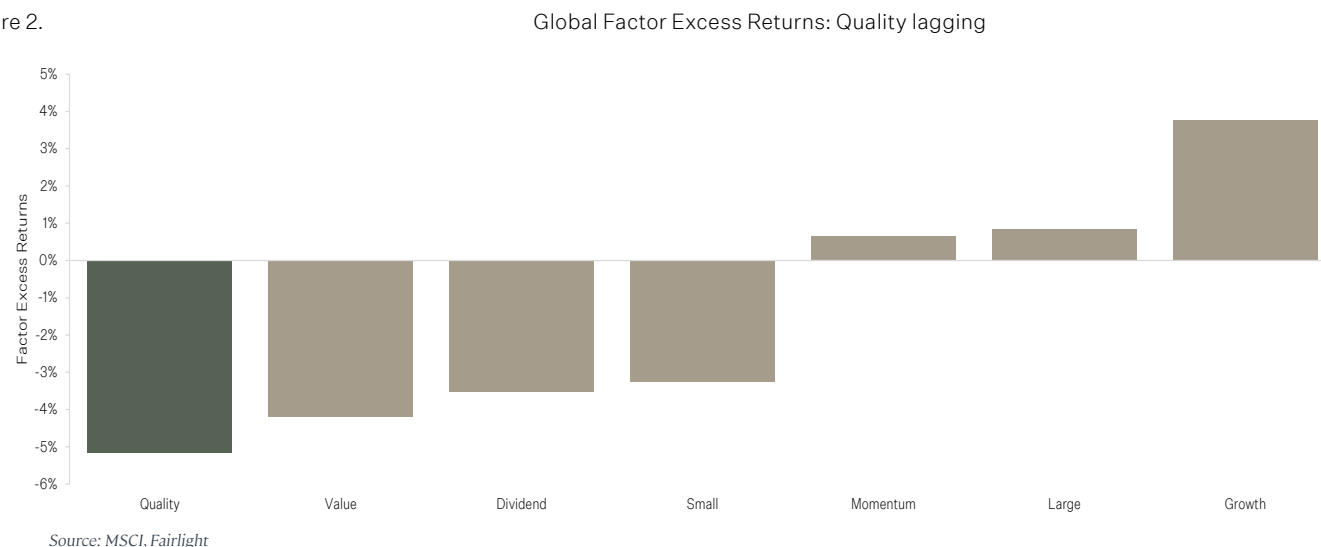


Figure 2.



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