FAIRLIGHT

Global Small and Mid Cap Fund - Hedged

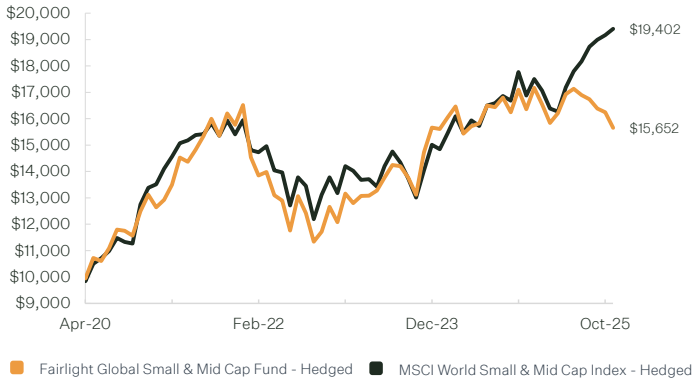
Investment Update | November 2025

Performance at 30 November 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	-3.6%	-6.5%	-7.5%	-8.4%	7.3%	4.6%	8.3%
MSCI World Small & Mid Cap Index - Hedged	1.2%	3.6%	12.9%	9.2%	12.1%	8.8%	12.6%
Outperformance	**-4.8%**	**-10.1%**	**-20.4%**	**-17.6%**	**-4.8%**	**-4.2%**	**-4.2%**

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.

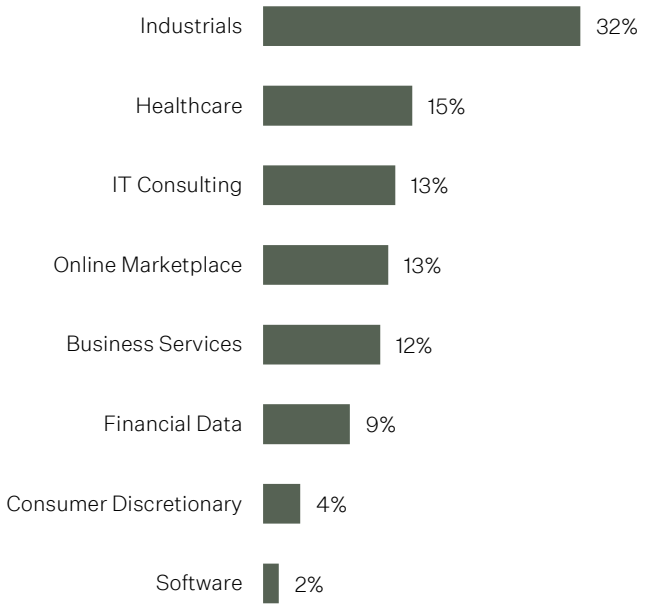
Performance Since Inception



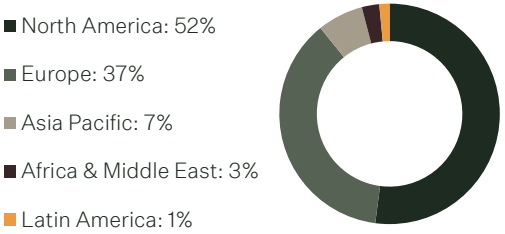
Top 5 Holdings in Alphabetical Order

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



Portfolio Revenue Exposure



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).

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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.

AI fears spread to property portals

The Fund's underperformance in November versus its benchmark is linked to its investments in online classifieds, which currently account for about 12% of the portfolio. Despite these companies continuing to deliver solid operational performance in aggregate, their share prices have declined sharply as investors fear consumer adoption of Artificial Intelligence (AI) tools will materially disrupt their business models. This month we explain why we remain confident about the prospects for this particular cohort of businesses.

Winner takes most

Fairlight's online classifieds feature offshore property portals that operate similarly to REA and Domain here in Australia. Property portals are classic examples of businesses that benefit from self-reinforcing, two-sided network effects, where more listings on a platform attract more property seekers which then in turn attract even more listings. To create a portal is expensive as it involves building both sides of the network concurrently. First mover advantage is important as once a portal becomes established in a category and/or region, this feedback loop leads to winner-takes-most dynamics where the largest portals become the default search destinations.

Fears of new competition

Recent share price weakness across property portals reflects worries that property seekers will change the way they search for properties and use AI platforms such as ChatGPT to search for homes via descriptive prompts such as "find me a villa that is on sale in this neighbourhood that has three bedrooms, two of which face east" and/or by uploading pictures of ideal homes.

If search were to move to AI platforms and agents, then sellers might be less willing to pay a premium fee to ensure that their listings are displayed more prominently within a portal. Some might even decide to have their property listed only on their agent's website, weakening the network effects that have been protecting incumbent portals from new competition.

Portals hold first mover advantage

At Fairlight, we expect consumers will increasingly adopt and benefit from using AI tools to search for properties but these to be offered by existing portals rather than AI platforms. We think the combination of high direct engagement from property seekers and extensive and accurate proprietary datasets will make the incumbent portals the natural providers of AI-driven tools to improve the search experience.

From our conversations with industry participants, less than 1% of searches to leading portals currently come from AI agents, while more than 80% of traffic continues to arrive directly via incumbent websites and apps. We believe that the activity of browsing will continue to remain crucial when searching for a home as most of the time the quest is not to find the perfect one, but rather to minimise the risk of buying the wrong one. After all, buying a home is one of the largest financial decisions people make in their lives. Furthermore, many consumers simply enjoy the act of browsing properties.

Current leaders have successfully built powerful network effects and now have the balance sheet and the willingness to invest in AI tools (as per our conversations with the boards and management teams). Thus, we do not see them as the obvious losers, but rather the likely winners from broader AI adoption.

Portfolio positioning

Fairlight's property portals include Scout24, Rightmove and Hemnet.

Scout24 is the dominant online portal in the German real-estate classifieds market, with approximately 65% market share. Since investing in it, Scout24 has exceeded our expectations, and it is continuing to do so, delivering 20% EPS growth in its most recent quarter. Management has a clear AI strategy and is allocating a significant proportion of the company's annual R&D budget to better leverage the technology both for internal efficiency gains and new product launches. Members of the management team have been buying shares on market which we see as a positive valuation signal.

Rightmove has recently deliberately pivoted to heavier AI investment, accepting roughly 300 basis points of margin headwind and only low to mid single-digit operating profit growth in exchange for accelerating product innovation, which should help to deepen its existing market leadership in the UK market. Management is targeting high single-digit revenue growth through to 2028, with operating margins still around the high 60s to 70% range. Management aims to restore double-digit profit growth beyond 2028 as AI features, scale and efficiency gains materialise. Despite a significant share price sell off around the announcement, Rightmove continues to command the clear majority of consumer time spent on UK property portals, maintains very high agent retention and trades on one of the lowest earnings multiples seen for a major classifieds franchise in recent years. Fairlight originally purchased shares on weakness after the announcement of CoStar entering the UK market, and again at lower prices post the failed takeover bid by REA.

Hemnet is the leading property portal in Sweden. The business has faced volatile listing volumes since the pandemic, with recent weakness mostly pointing to macro uncertainty and elevated existing inventory on the platform rather than competitive displacement (Hemnet receives 16x more views than the next competitor). Management estimates that roughly nine out of ten homes sold in Sweden continue to have been listed on Hemnet, and is experimenting with more flexible payment structures for its clients, such as paying listing fees at the time of sale to better align perceived cost with delivered value. AI investment is at an earlier stage than peers, so near term emphasis is on making proprietary data easier for large language models to consume in order to capture incremental AI driven traffic from a very low base. We have been gradually buying more shares in recent months and have suggested to the board to increase the pace of the current share buyback program.

The Fairlight View

Fairlight's portals are the clear number one players in their markets, enjoy pricing power, have high margins and cash flow conversion, and typically no financial leverage. Their management teams recognise both the risks and opportunities from AI and are investing to ensure their platforms remain the default destinations for buyers, sellers and agents. Classifieds economics are underpinned by network effects, habit driven direct traffic, and proprietary intent data, all of which are difficult for any form of competition to replicate at scale. Fairlight's assessment, informed by direct engagement with company leadership, is that the current share price falls offer an opportunity to purchase high quality businesses at attractive valuations.

Figures and graphs sourced from Apex Fund Services and FactSet Portfolio Analytics. This report has been prepared and issued 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 and target market determination 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 and is not intended to constitute advice of any kind. 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.