

# Global Small & Mid Cap Fund

Strategy Update  
January 2026

**Important Information: Fairlight Asset Management Disclaimer**

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Fairlight Small & Mid Cap Fund

Parameters

Stock numbers

30-40

Market capitalisation

US\$500m-\$40bn

Style

Long only quality

Investment horizon

5+ years

Objective

Benchmark +3-5%

Benchmark

MSCI World SMID AUD (Net)

Auditor



Administrator



Responsible Entity



Distribution



Rating



Rating





Nicholas Cregan

Nicholas is a Portfolio Manager of the Fairlight Global SMID Fund.

**Investment Experience:**  
21 years

- E&P (2014 – 2017): Portfolio Manager. Awarded “Best Global Fund” in 2016 with top decile performance since inception
- Schroders (2006 – 2013): Senior Analyst of the US\$7bn Small Mid Cap Fund covering 25% of fund assets. Portfolio Manager AUS Micro Cap Equities (11% pa outperformance over five years)

**Qualifications:**

- Bachelor of Business (Accounting, Law)
- FINSIA Applied Valuation, UTS Fin Cert. Dip. Derivatives



Will Dowd, CFA

Will is a Portfolio Manager and responsible for investment analysis and database design.

**Investment & Analytics Experience:**  
13 years

- E&P (2015 – 2017): Global Equity Analyst
- Ernst & Young (2011 – 2015): Senior Consultant (data analytics & advisory)

**Qualifications:**

- Bachelor of Business Systems
- Masters of Finance
- Chartered Financial Analyst



Alvise Peggion, CFA

Alvise is a Portfolio Manager and responsible for investment analysis.

**Investment Experience:**  
12 years

- Forager Funds Management (2013 – 2019): Global Equity Analyst

**Qualifications:**

- Bachelor of Finance (1st Class Honours)
- Chartered Financial Analyst



Abbey Cook

Abbey is a Portfolio Manager and responsible for investment analysis.

**Investment Experience:**  
21 years

- Magellan Financial Group (2019 – 2022): Investment Analyst
- Perpetual Limited (2014 – 2019): Global Consumer Analyst
- Wavestone Capital (2009 – 2013): Senior Investment Analyst.

**Qualifications:**

- Master of Commerce, Economics
- Bachelor of Commerce/ Bachelor of Liberal Studies



Hero Gunawan, CFA, FRM

Hero is a Quantitative Analyst and responsible for applying statistical models and quantitative techniques to produce insights from data.

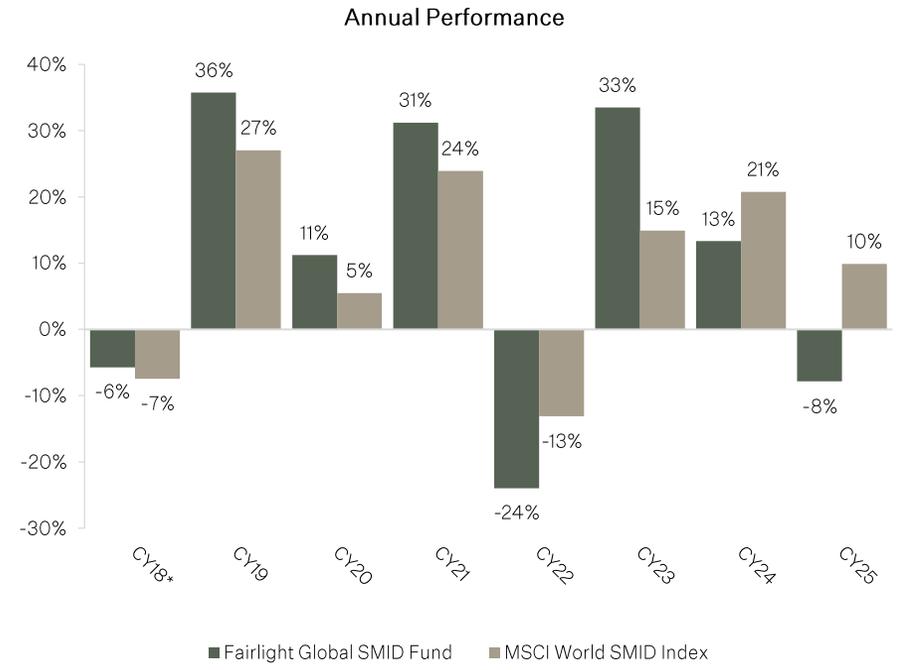
**Investment & Analytics Experience:**  
6 years

- Foresight Analytics (2022 – 2023): Quantitative Consultant
- Glass Lewis & Co (2019 – 2022): Research Analyst

**Qualifications:**

- Bachelor of Business Administration
- Chartered Financial Analyst
- Financial Risk Manager

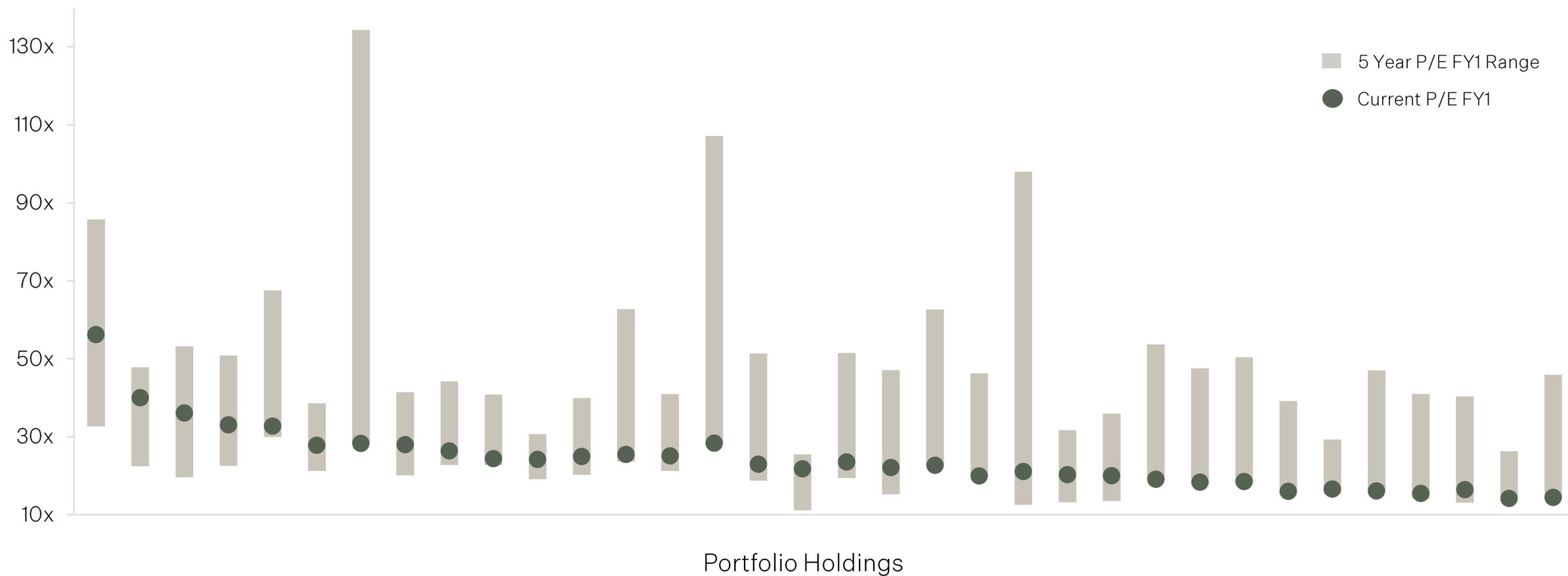
Performance to Dec-25	Since Inception	Since Inception p.a.	5 Years p.a.	3 Years p.a.	1 Year	3 Months	1 Month
Fairlight Global SMID Cap Fund	97.9%	10.0%	6.8%	11.7%	-7.9%	-6.2%	-2.1%
MSCI World SMID Cap Index	103.6%	10.4%	10.4%	15.1%	9.9%	1.5%	-0.8%
<b>Outperformance</b>	<b>-5.7%</b>	<b>-0.4%</b>	<b>-3.6%</b>	<b>-3.4%</b>	<b>-17.8%</b>	<b>-7.7%</b>	<b>-1.3%</b>



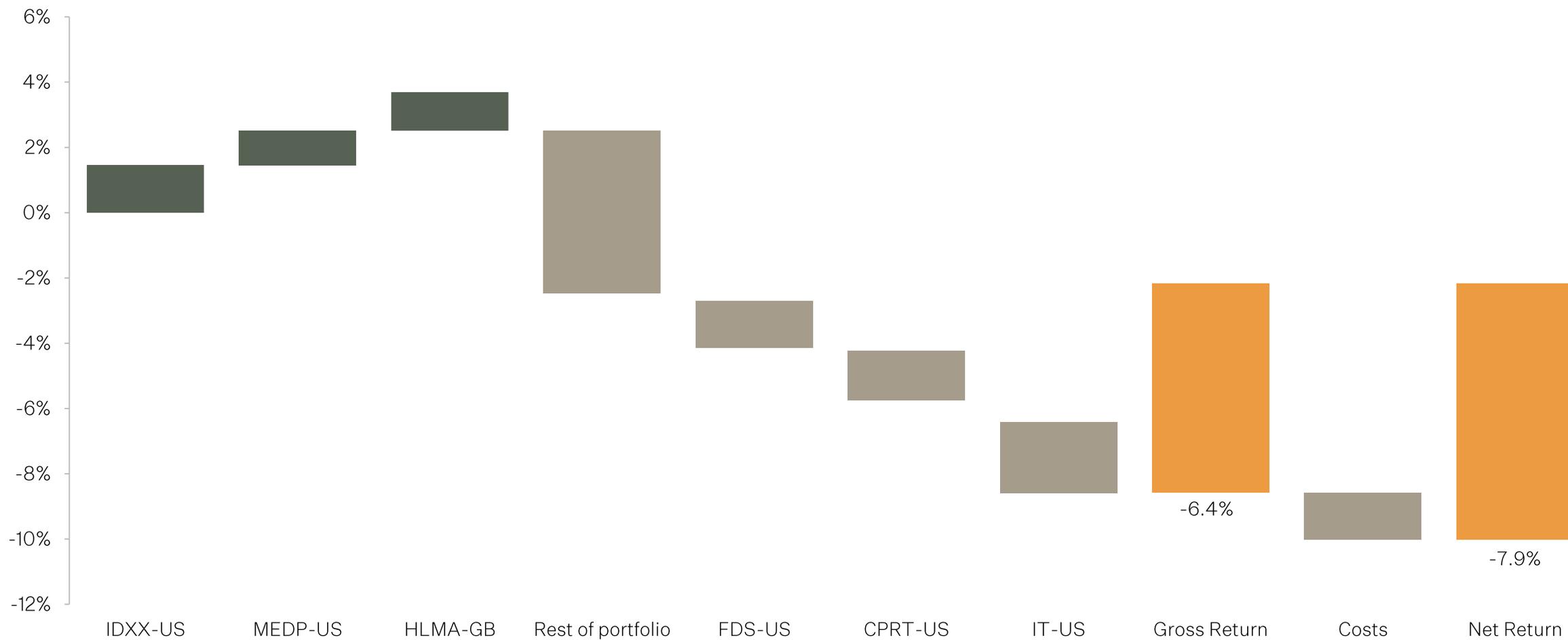
Performance is in AUD and net of all fees. Unit trust inception date is 1 November 2018. Since inception returns are on a per annum basis. Past performance is not a reliable indicator of future performance

EPS Growth (USD)		
CY	Benchmark	FAM
2018*	22%	15%
2019	-7%	12%
2020	-42%	5%
2021	130%	32%
2022	13%	19%
2023	-13%	6%
2024	5%	7%
2025	10%	9%
EPS CAGR	7%	13%

Sources: FactSet Portfolio Analytics, Fairlight. CY2018 data have been annualised to reflect the Trust's inception in November 2018.

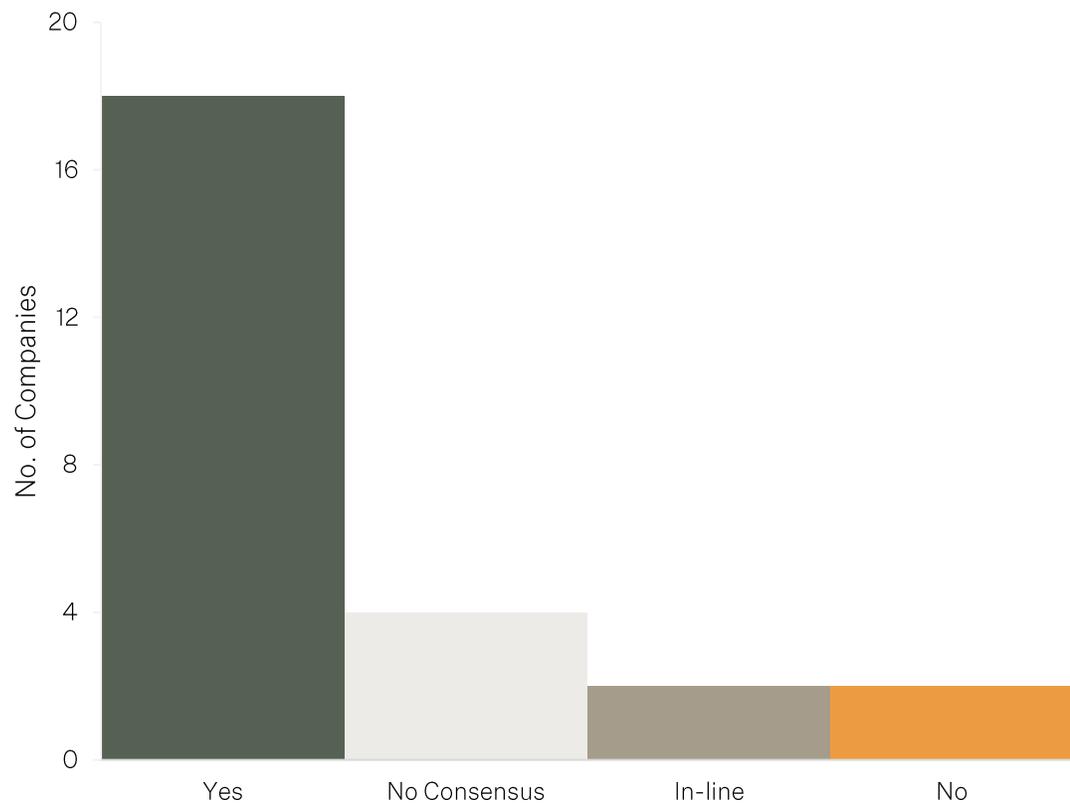


Source: FactSet Cosensus. Updated November 2025.

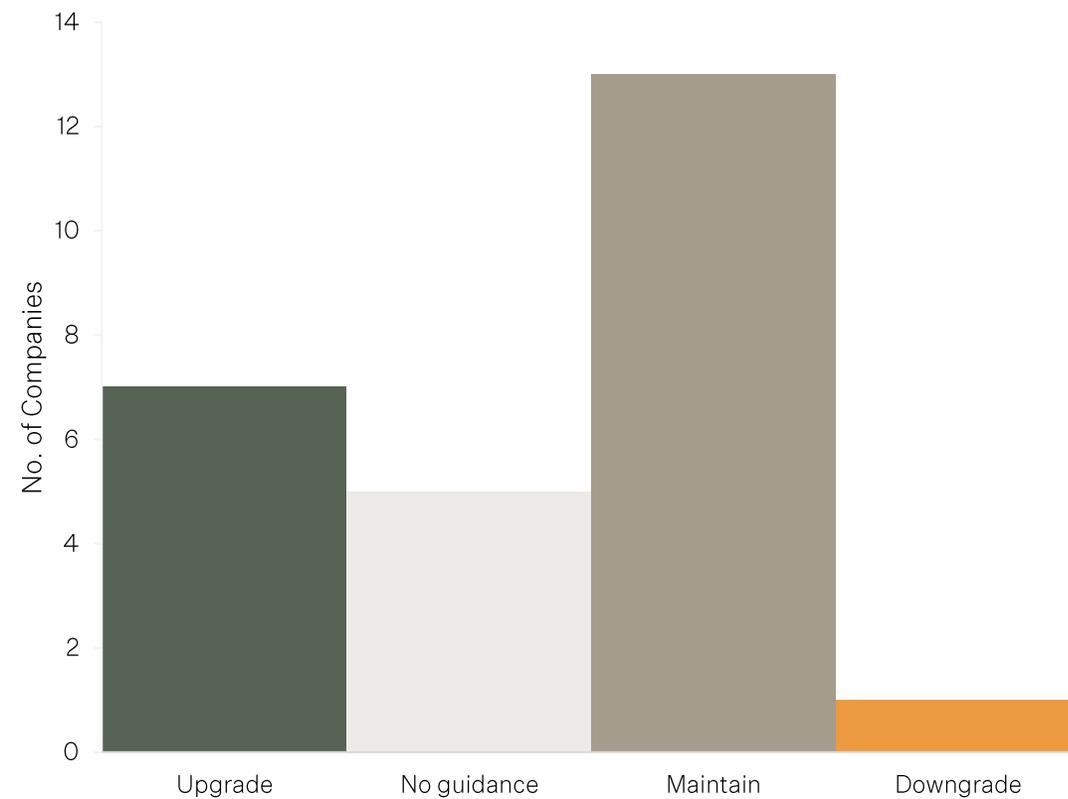


Sources: FactSet Portfolio Analytics, Fairlight.

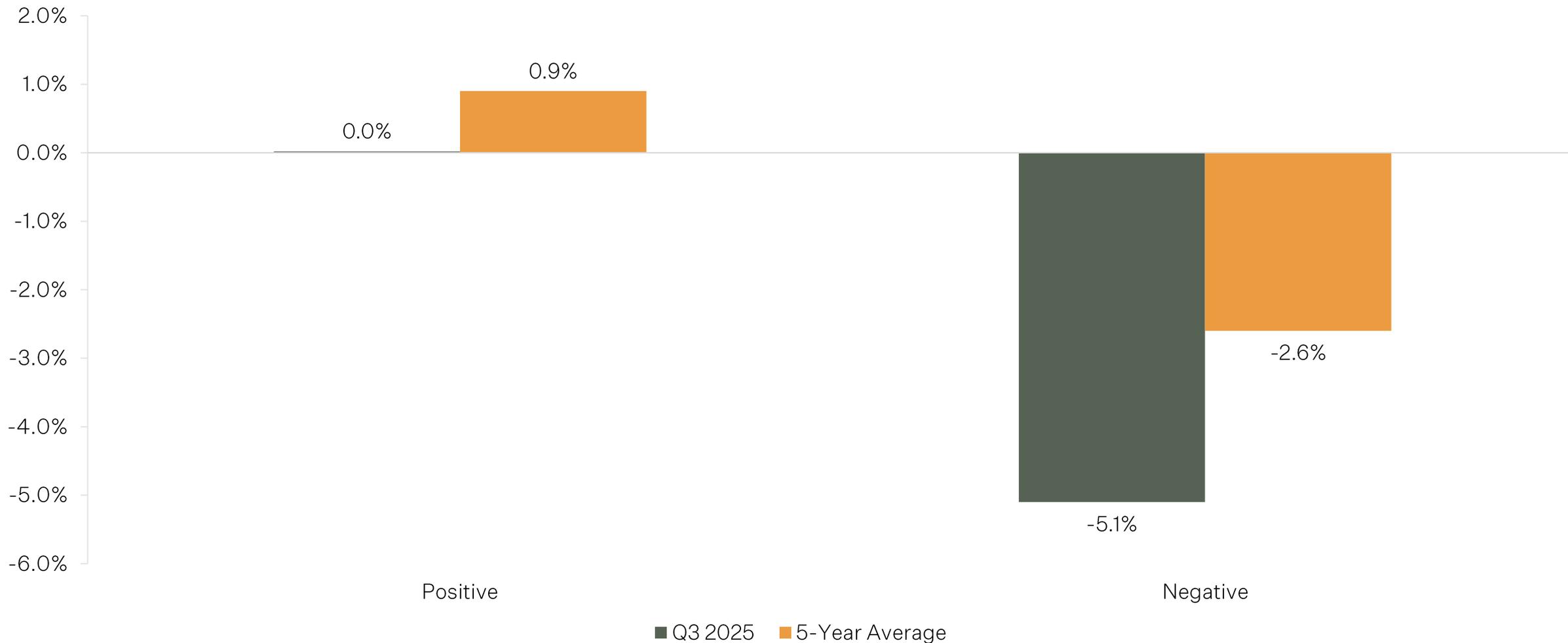
Consensus Beat



Forward Guidance



Sources: FactSet, Company filings. As of November 17, 2025.



Source: FactSet Earnings Insights.

Fairlight Portfolio Characteristics

Quality

EBITDA Margin	31%
Operating Margin	28%
CROCI	36%
Cash Conversion	95%
Net Debt/EBITDA	0.4x

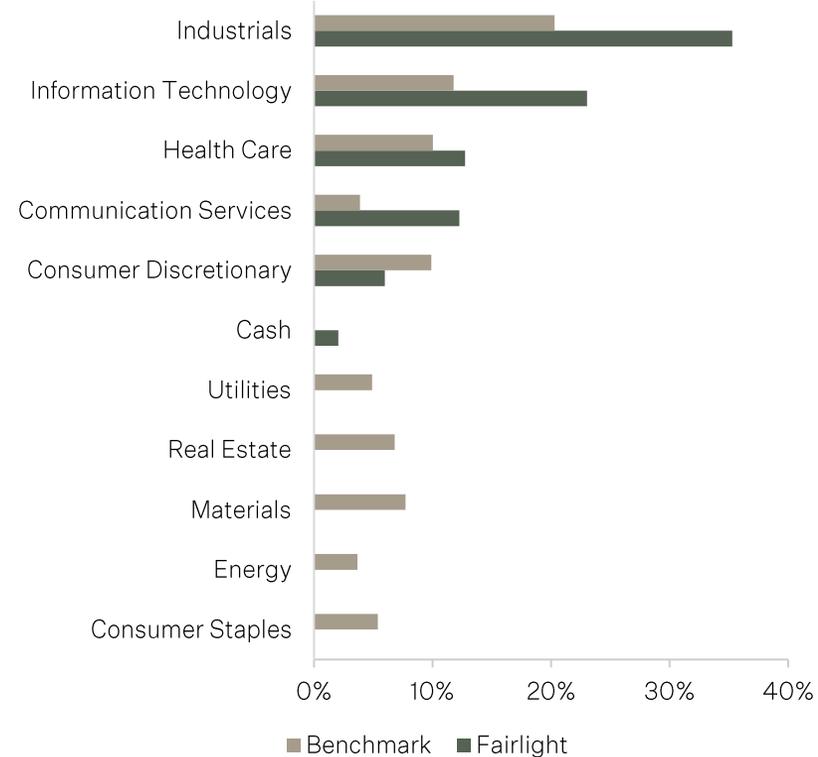
Growth

2025E Revenue	+6%
2025E EPS	+9%
2026E Revenue	+8%
2026E EPS	+12%

Valuation

Earnings Yield	5.2%
PE	19.5x
Dividend Yield	1.5%
Market Cap (USD)	\$19.8b

Sector Exposure



Top Contributor/Detractors (past quarter)

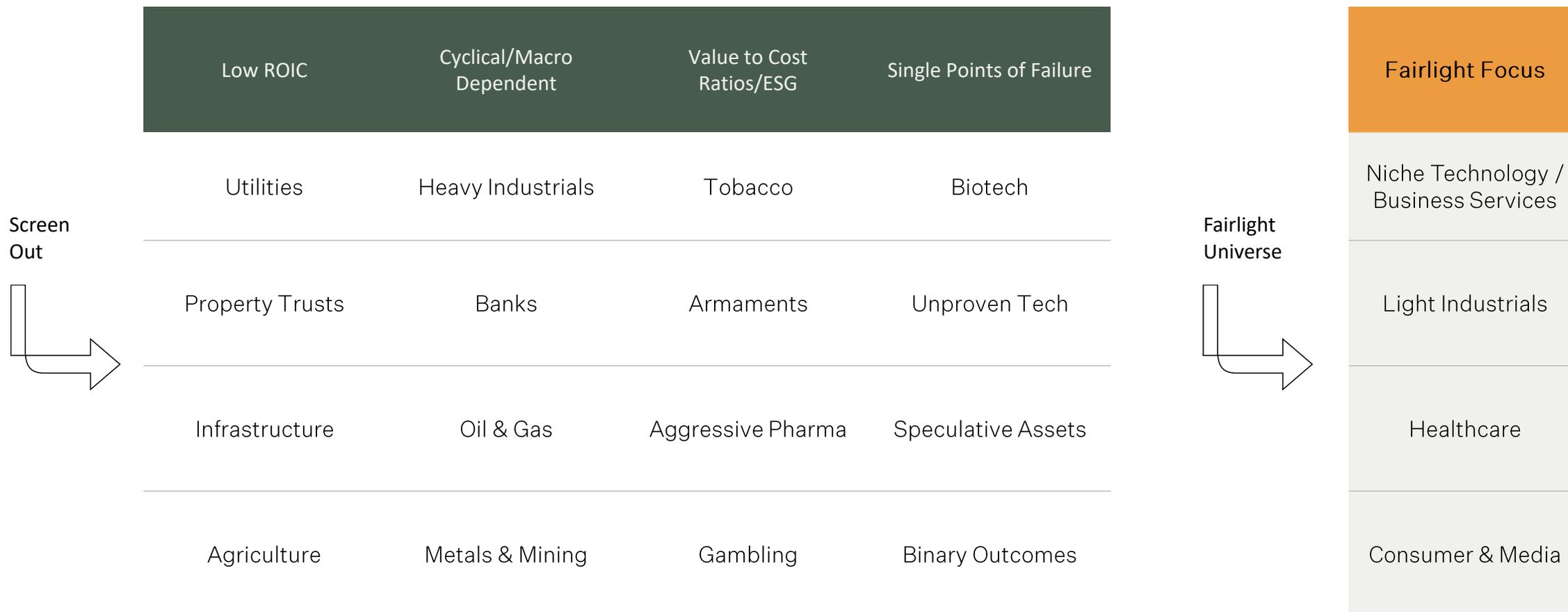
Top 5

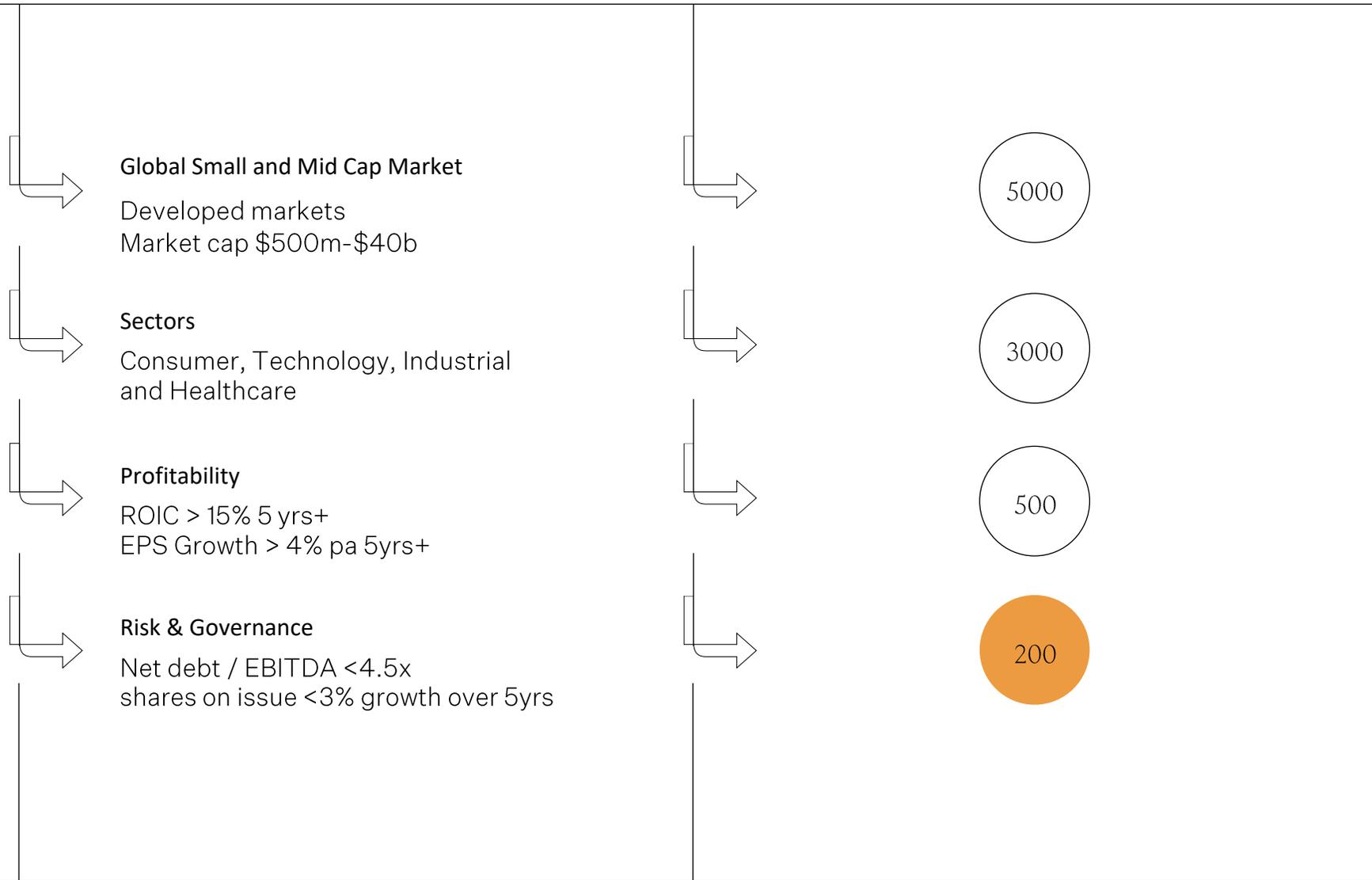
Ultra Beauty	0.38%
Interpump Group	0.37%
Jack Henry & Associates	0.30%
Old Dominion Freight Line	0.23%
Medpace Holdings	0.19%

Bottom 5

Auto Trader Group	-1.34%
Scout24	-0.95%
Rightmove	-0.73%
CDW Corporation	-0.62%
Hemnet Group	-0.59%

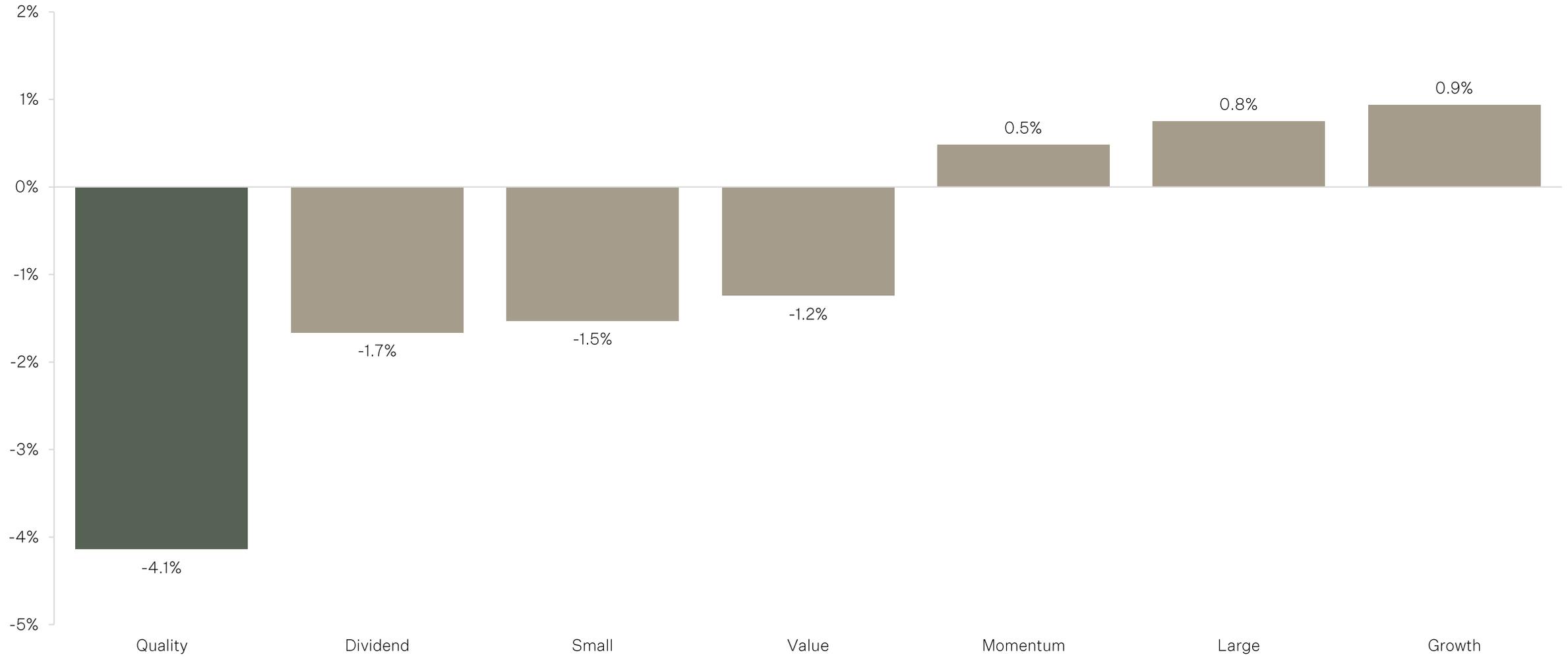
Source: Fairlight Estimates. FactSet



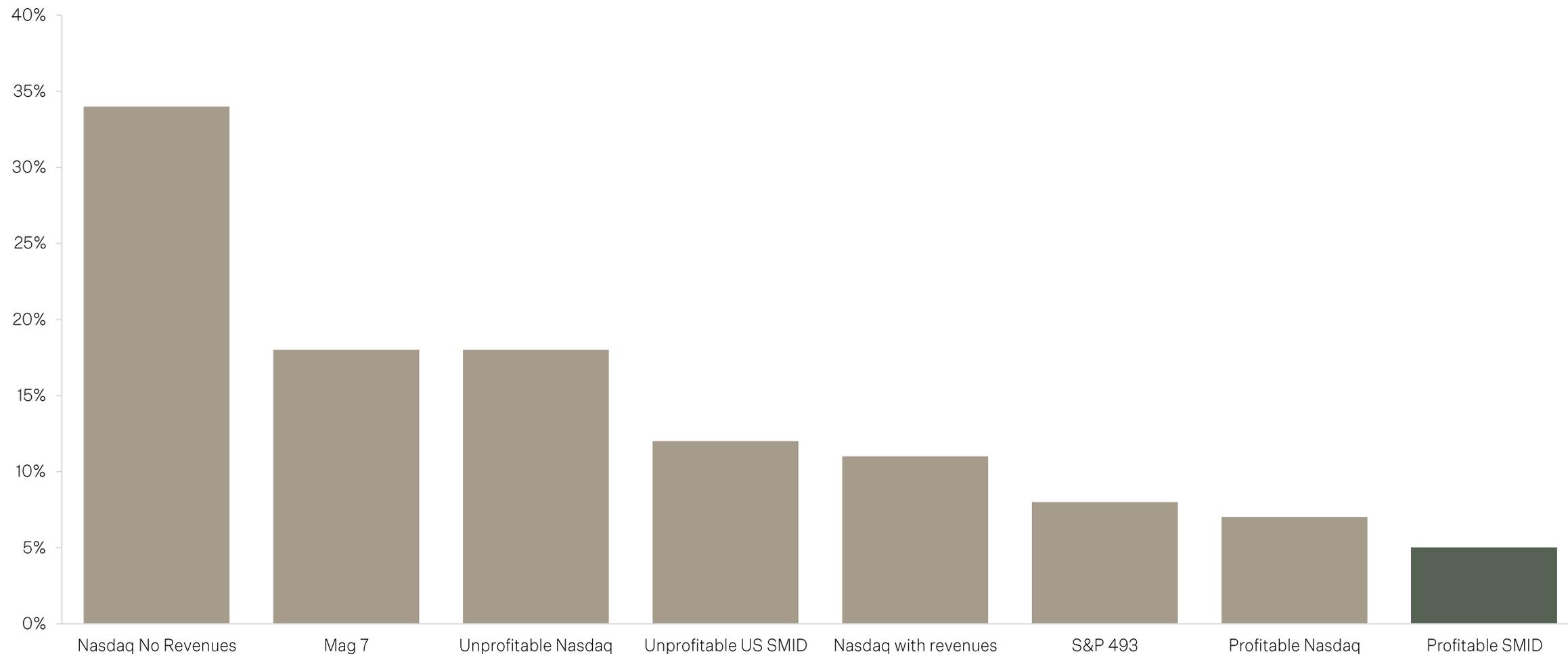


Name	Description
Rheinmetall AG	Defence - known for armored vehicles, ammunition, air defense & military
Robinhood Markets, Inc. Class A	Brokerage
Western Digital Corporation	Leading maker of hard drives, SSDs, and storage
Seagate Technology Holdings PLC	Internet infrastructure for cybersecurity
Warner Bros. Discovery, Inc. Series A	Film and television studio
Roblox Corp. Class A	Online gaming and social platform
Howmet Aerospace Inc.	Metal component manufacturer
Cloudflare Inc Class A	Security and networking company
Carvana Co. Class A	Online used-car retailer
Sandisk Corporation	Flash memory
Kinross Gold Corporation	Global gold mining company
Celestica Inc.	Design and manufactures hardware for aerospace, defense, cloud, and communications
Commerzbank AG	Major German retail bank
Alnylam Pharmaceuticals, Inc	Pharmaceuticals
Cardinal Health, Inc.	Pharmaceutical and medical supplies distributor
Ciena Corporation	Build optical networking equipment and software for high-speed telecom and data centre networks
Lumentum Holdings, Inc.	Makes photonic products (lasers, optical components) used in telecom, data centres, and 3D sensing
NEC Corporation	IT Services, network infrastructure, and technology solutions for enterprises and governments
Heidelberg Materials AG	Produces cement, aggregates, and ready-mix concrete
Insmed Incorporated	Biotech specializing in RNA interference for rare genetic diseases

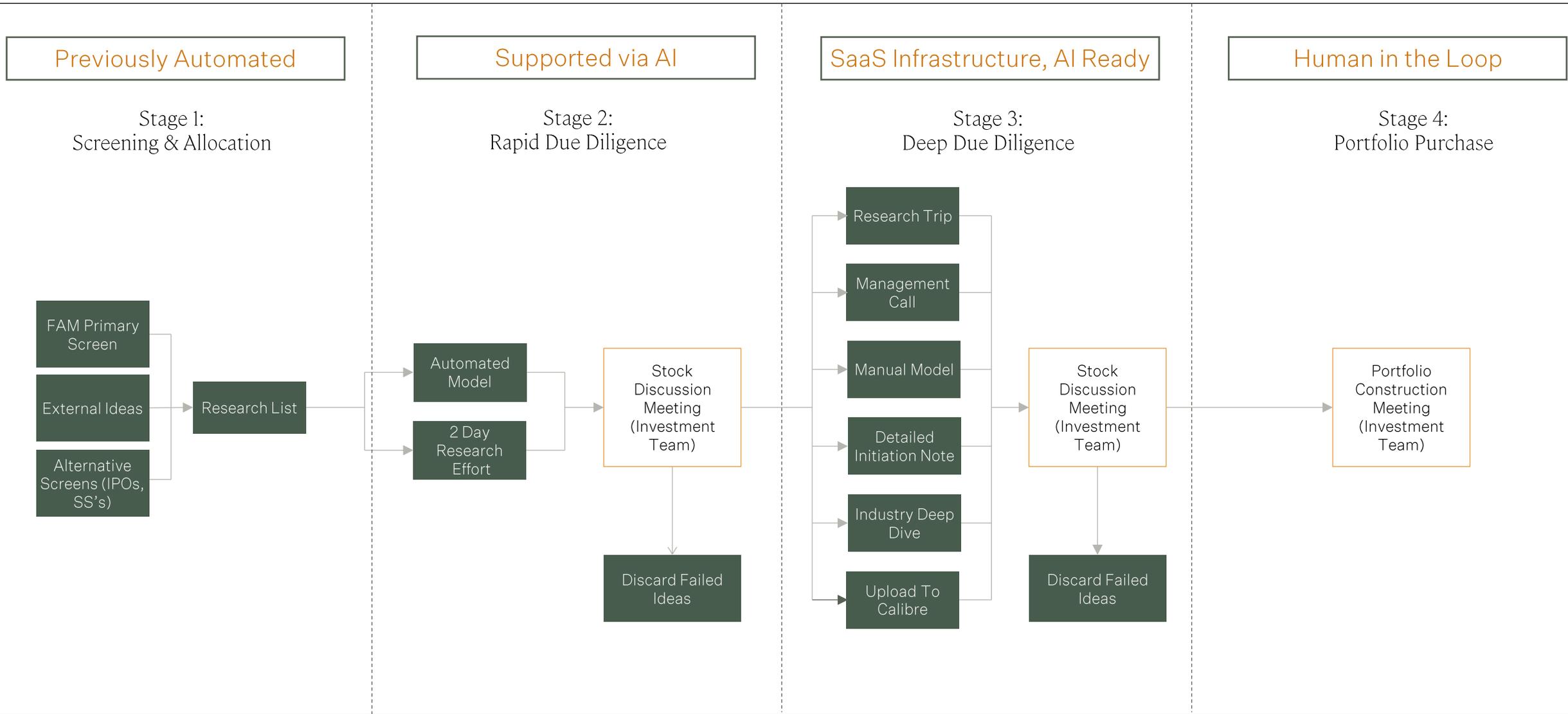
Sources: FactSet Portfolio Analytics, Fairlight. Top 20 for CY2025.

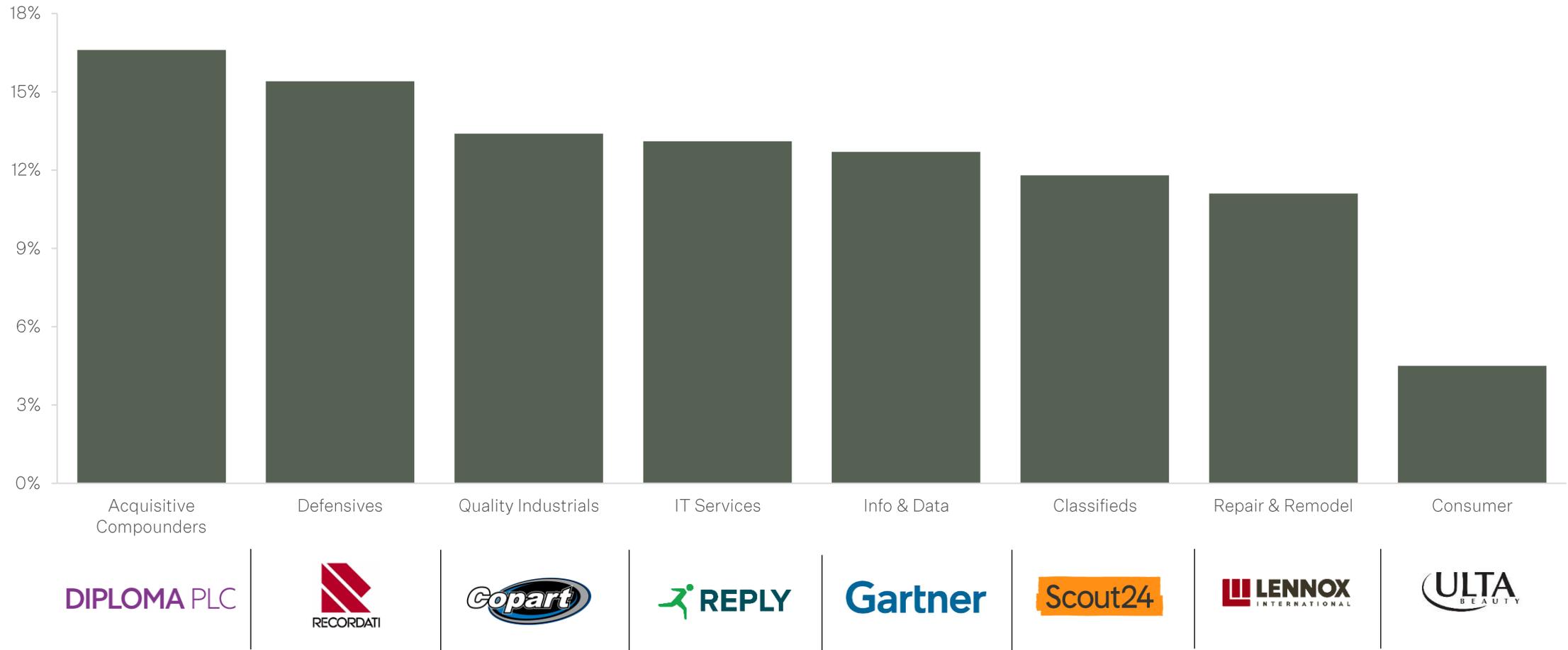


Source: MSCI, FactSet. Returns are relative to MSCI World Index in USD. Updated as of November 30, 2025.



Source: Schroders. Data as of September 30, 2025. Year to date returns each category.





Source: Fairlight classification. The logo represents examples of our holdings within the classification.

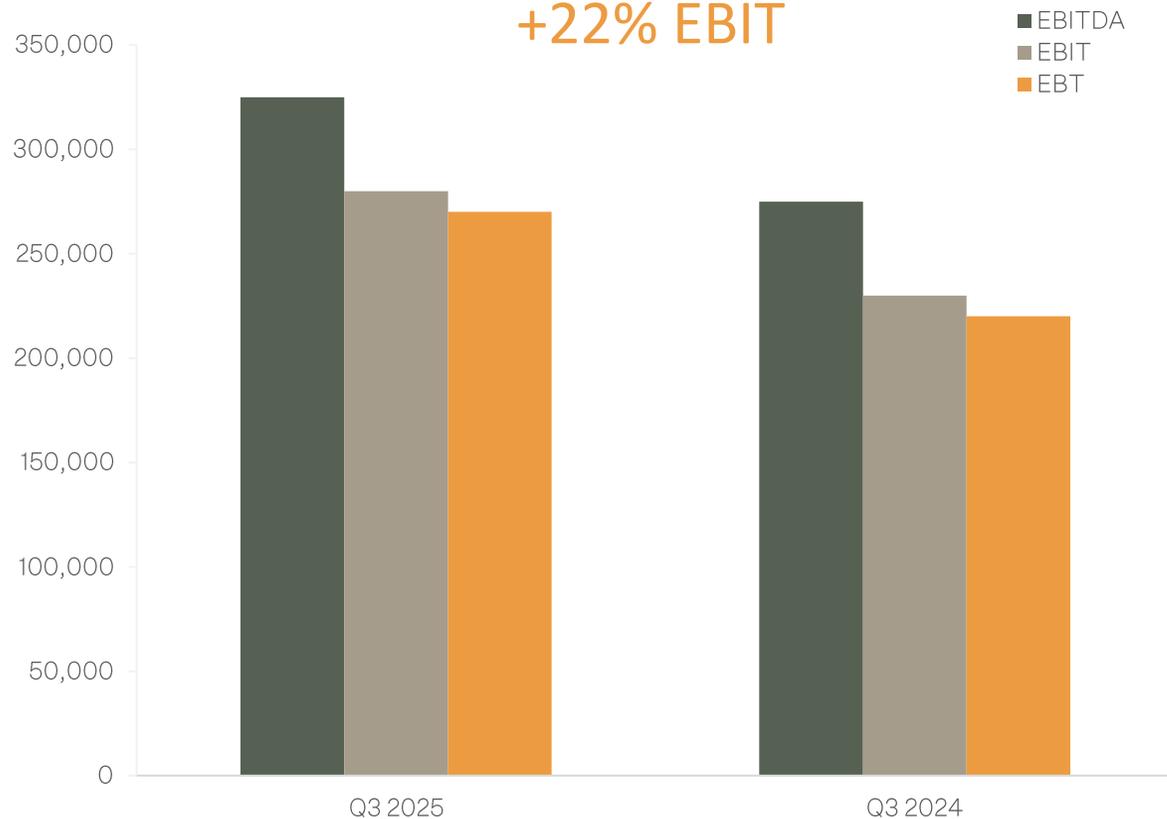
Our belief is not only to adopt new technologies but to be at the forefront of their development and practical application. In recent years, we have consistently invested in research and development, consolidating our offerings and **expanding our portfolio of solutions, from machine learning to generative AI, and integrating artificial intelligence with the physical world through IoT, robotics, and spatial computing.** We have now implemented these technologies in hundreds of projects, supporting leading companies in improving productivity, efficiency, and customer experience...

**...we are now among the few capable of bringing a complete portfolio of expertise, solutions, and platforms in the AI field to market.** For us, every client is a partner with whom we collaborate to co-create innovative solutions that address specific challenges. This approach allows us to go beyond the simple provision of services; we become an extension of their teams, working together to achieve ambitious results.

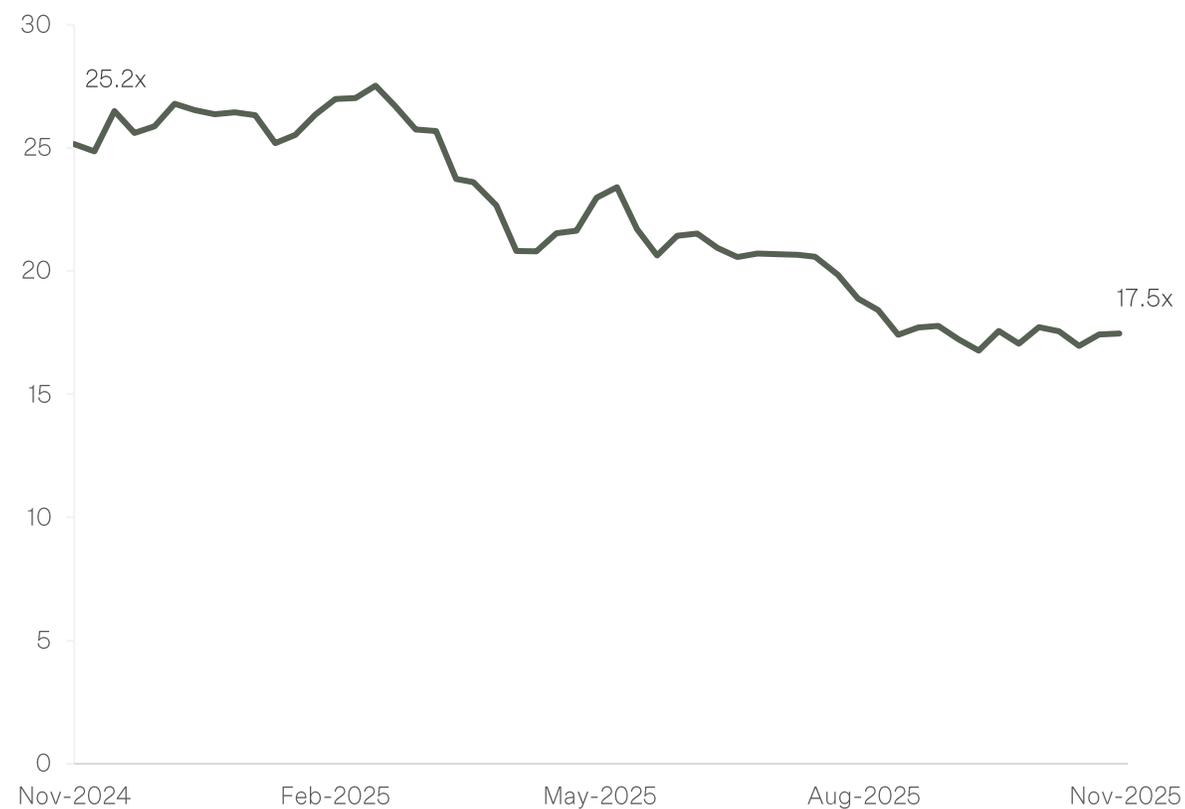
Source: Reply, Fairlight

Reply's YoY Growth

**+22% EBIT**



Price-to-Earnings FY1



Source: FactSet, Company's fillings

FAM Classifieds Returns

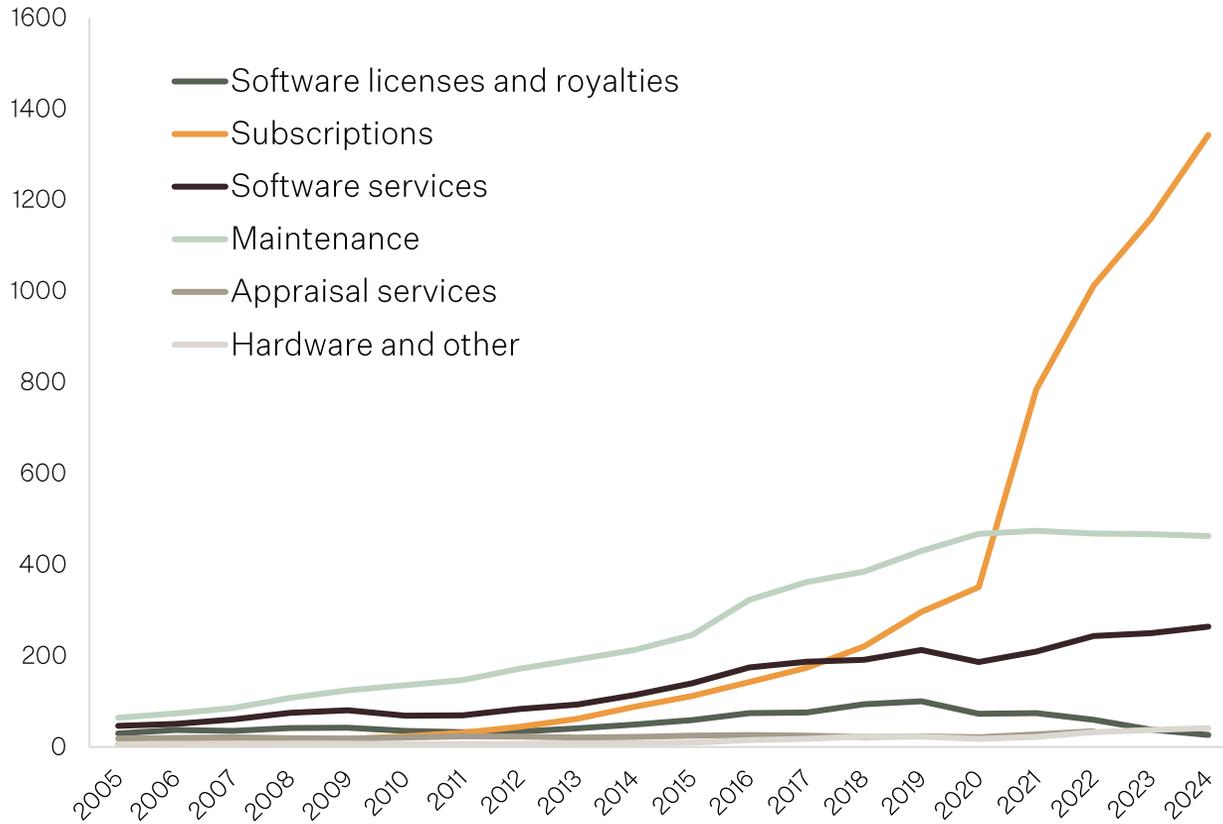


Source: MSCI, FactSet, As of December 31, 2025 (RMV, AUTO, G24, HEM). Returns are in AUD.

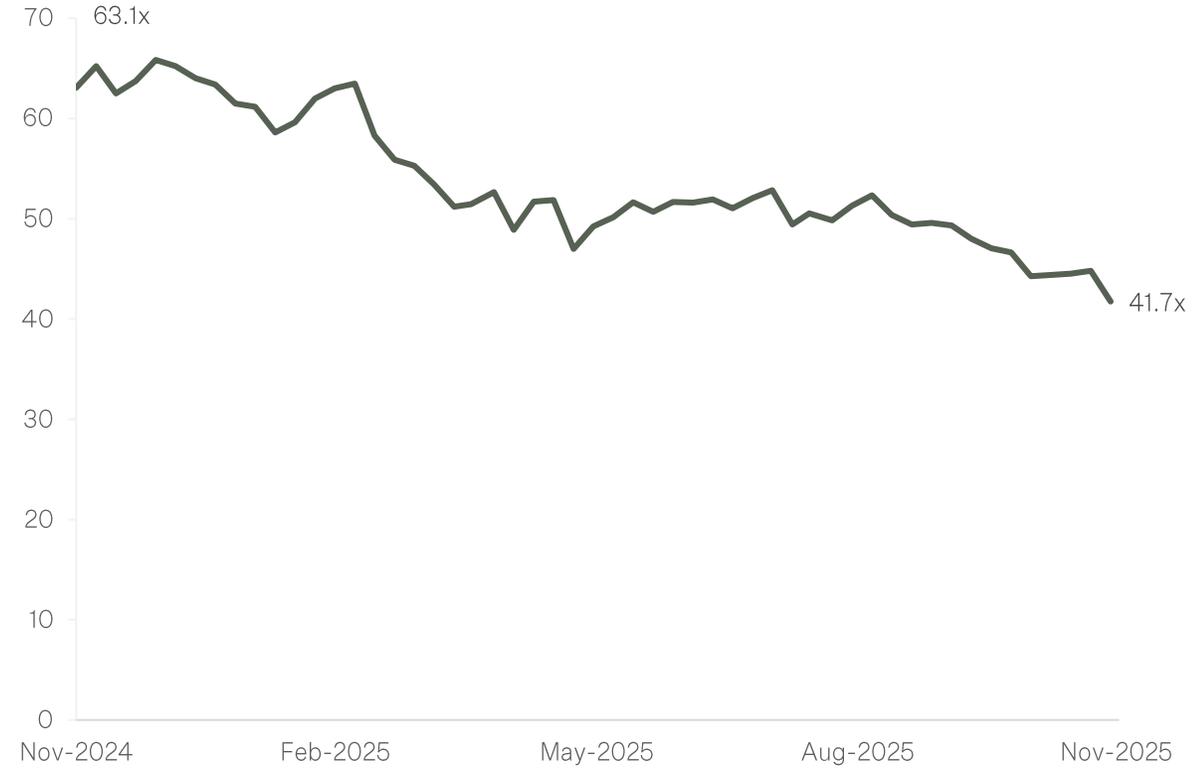


Source: Baird Research, Fairlight

Revenue Types (\$m)



Price-to-Earnings FY1



Source: Tyler Tech, Fairlight

# AI's Triple Impact

MORE THAN JUST CHATBOTS



## Decision Making

With real-time, accessible data analysis and insights, Tyler guides decision-makers to informed, evidence-based decisions.



## Service Delivery

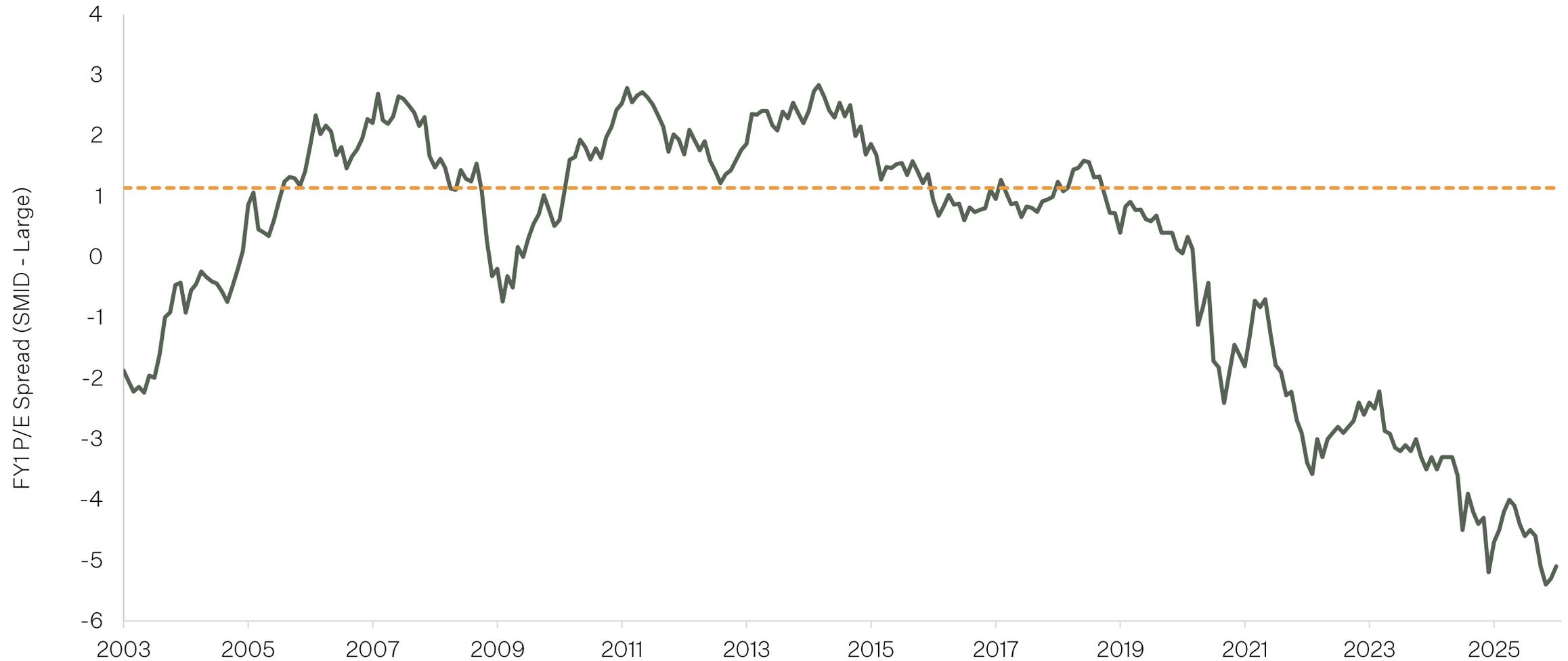
Tyler ensures that residents can easily navigate and utilize government services, improving equity and satisfaction.



## Productivity

Tyler automates routine tasks, from data entry to information retrieval, freeing up staff to focus on more complex challenges.

Source: Tyler Tech, Fairlight

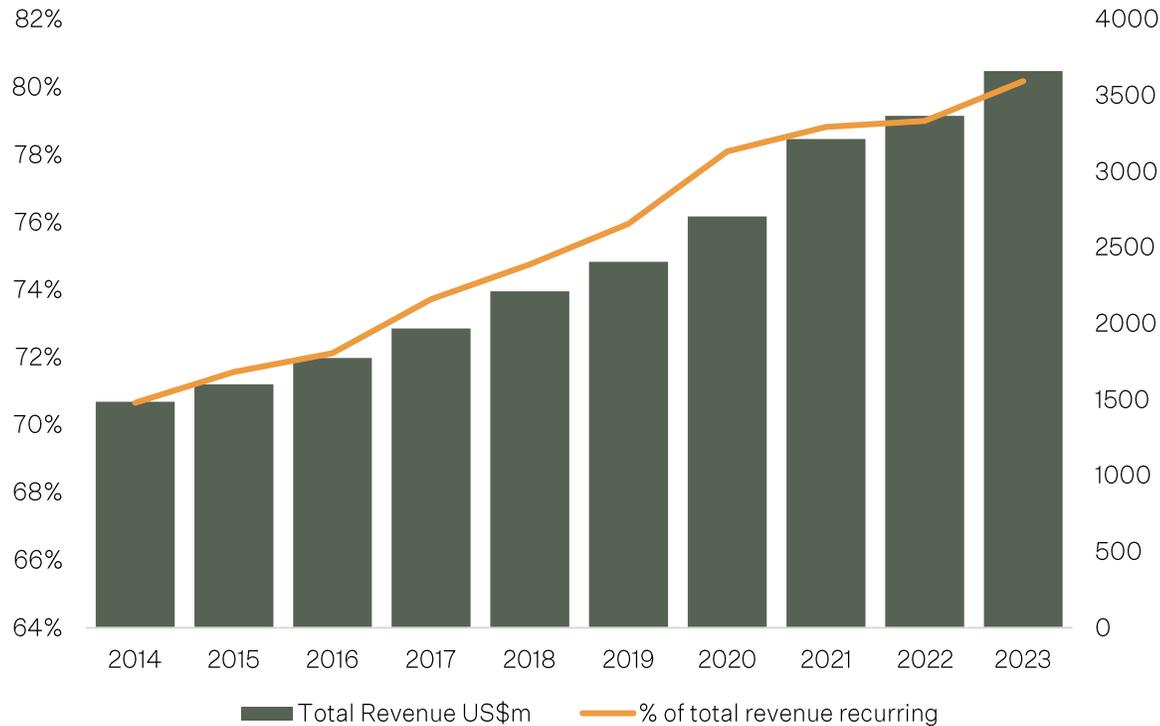


Source: MSCI, FactSet, Updated December 2025.

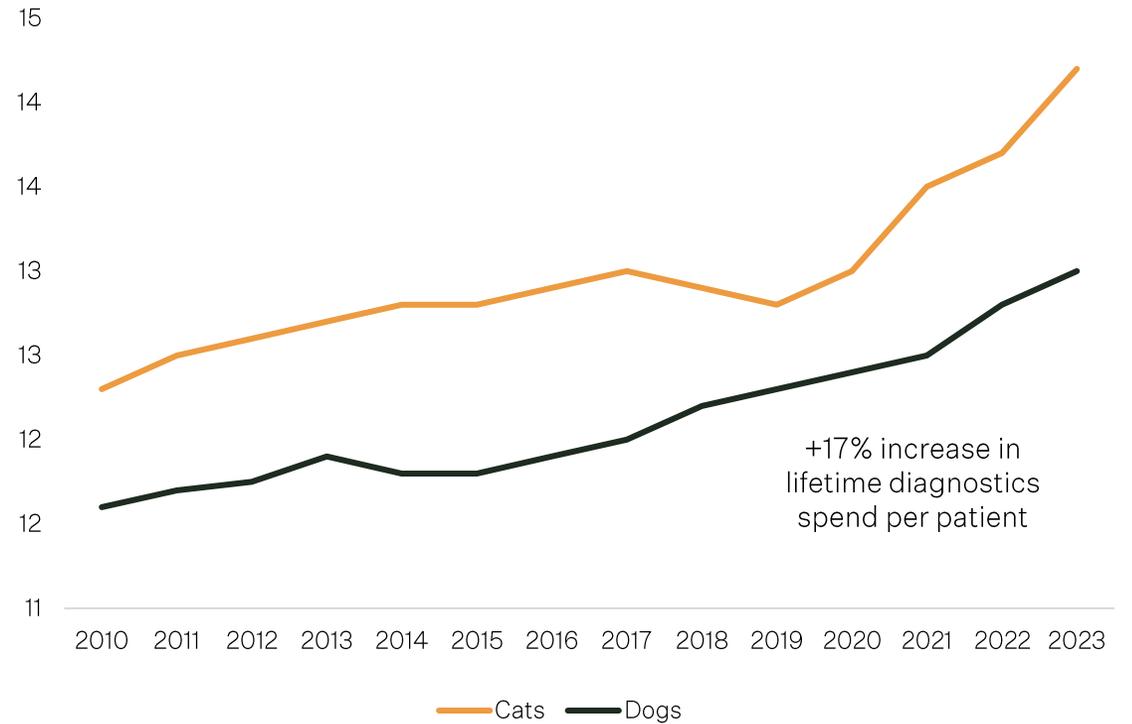


Source: MSCI, FactSet. Updated December 2025.

Idexx Revenue - Improving Quality Through Time



Average Patient Lifespan (2010-2023) - Pets Living Longer



**Industry leader:**

#1 position in the industry with 65% share at point of care and 50% share for reference labs.

**Razor/blade model:**

Idexx sell equipment at modest margins to grow the installed base which generates consumables sales at attractive margins.

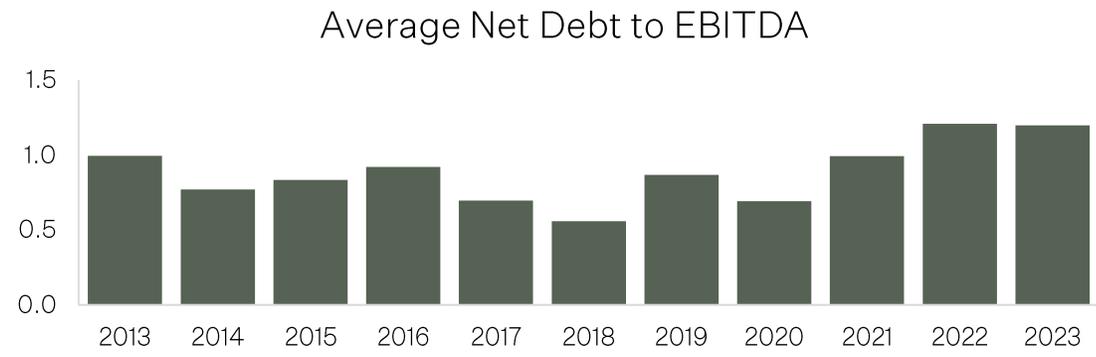
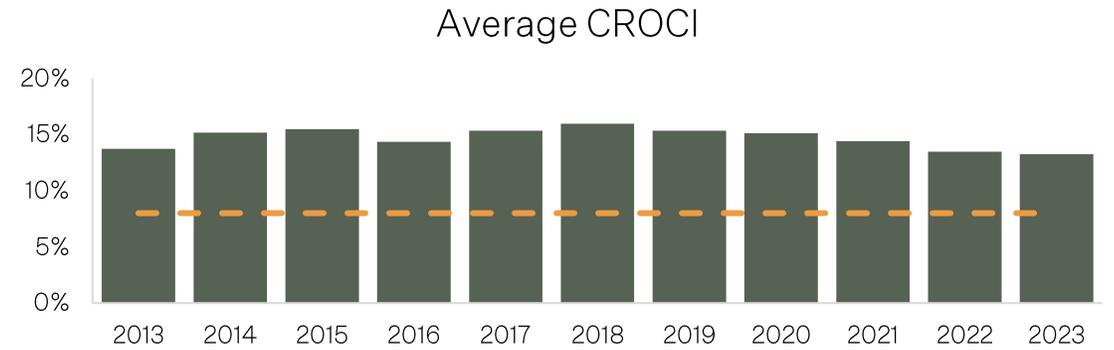
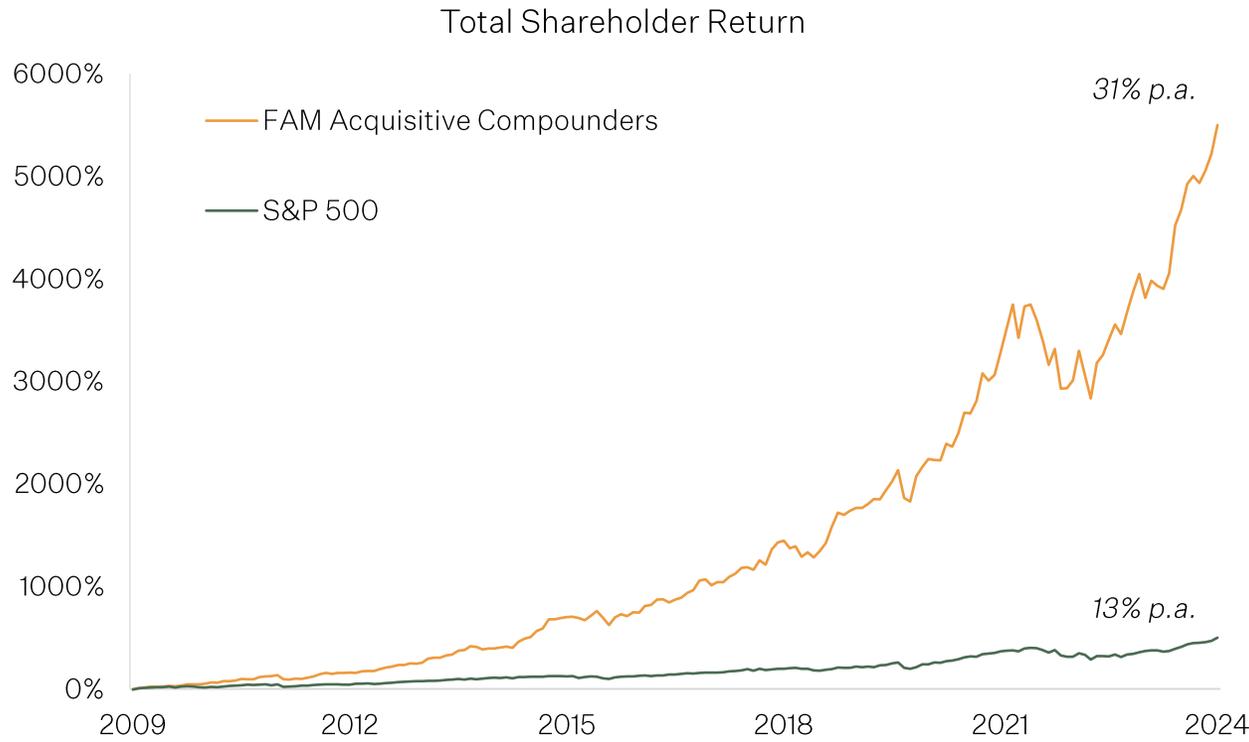
**Long term industry growth drivers:**

The propensity for pet ownership is growing and pets are living longer. R&D drives propensity to test in more detail for disease.

**Exceptional financials:**

Annual revenue and EPS growth of 10% and 19% respectively over the past decade. CROCI >38%.

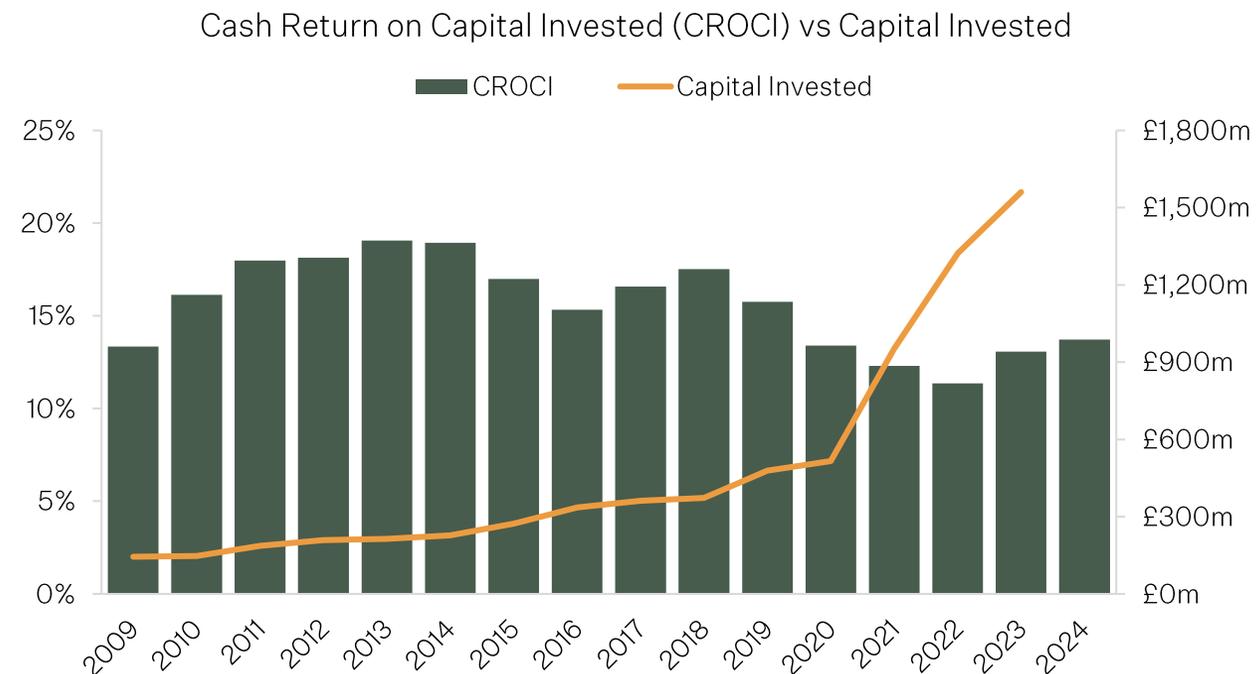
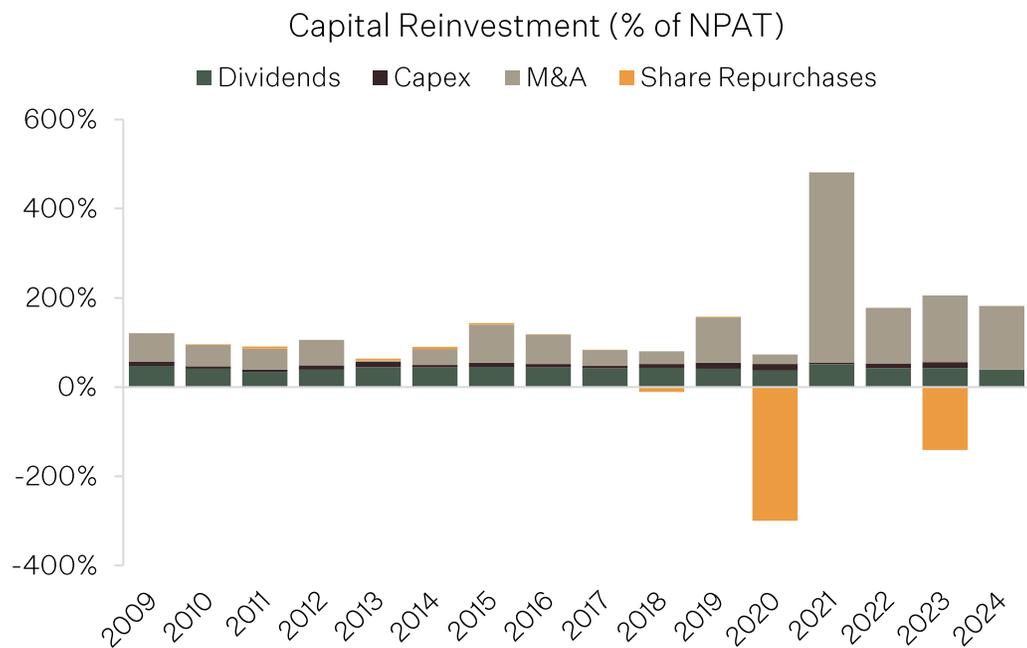
Source: Fairlight, Idexx



**Acquisitions as an operating model:**  
Core competency of the management team is making acquisitions. Their day job involves tracking hundreds of targets and have experience honed over decades of making deals.

**High # of acquisitions:**  
Fairlight prefers companies to make many small acquisitions, as opposed to fewer, larger deals. This helps neutralize the role of luck in the investment process.

**Acquirer of choice:**  
An intangible, but equally important factor is the culture of the business. Fairlight looks for acquirers with reputations built over decades as a good home for businesses.



**High quality distributor:**

Diploma operates in three niches: Seals, Controls and Life Sciences with a focus on recurring, opex revenue from products that are critical to customers.

**High cash conversion:**

Diploma’s businesses generate significant cash (100% cash flow conversion), 40% of which is paid as dividends and the remainder reinvested into more acquisitions.

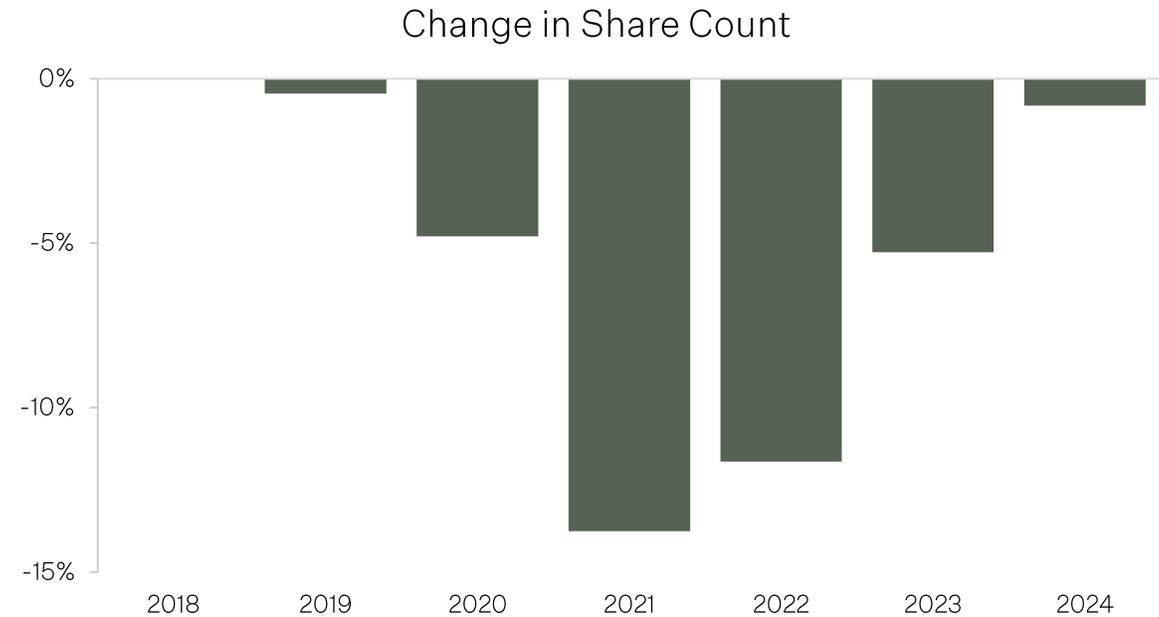
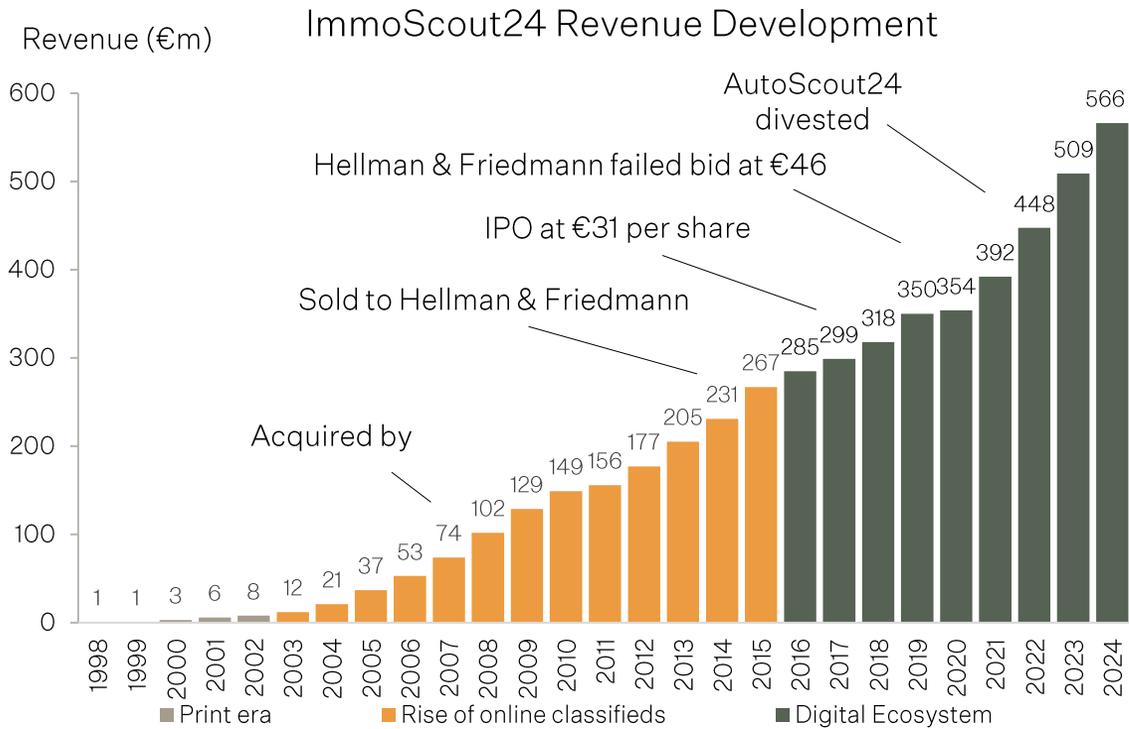
**Value add acquisition model:**

Diploma acquires small (usually family owned) businesses for \$10m - \$20m. Multiples paid are usually 5x – 8x EBIT, implying a 10% - 15% after tax CROCI.

**Decentralized model:**

Diploma operates a decentralized model, giving new acquisitions high autonomy. Cost synergies usually come from shared back-office functions or scale procurement.

Source: Fairlight, FactSet



**Dominant competitive positioning:** Scout24 is the dominant player in the German online real estate classifieds market, with >60% market share and 2x – 3x the listings/traffic/users of its nearest competitor.

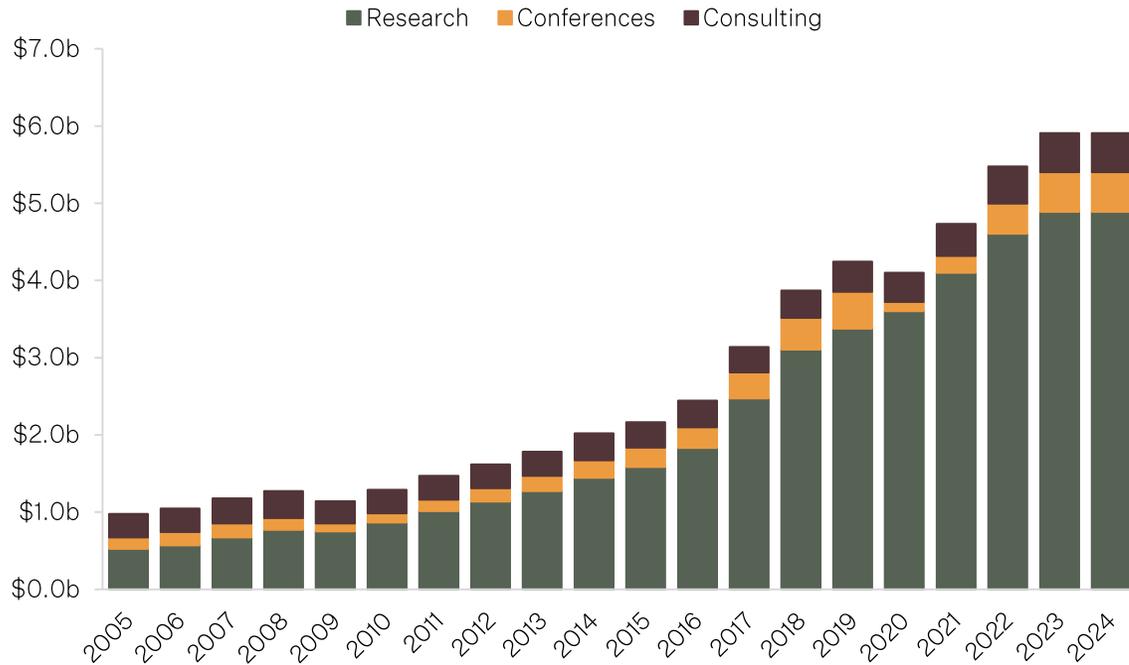
**Defensive revenues, high cash conversion:** Scout’s high value add customer proposition and subscription based model means revenues are particularly resilient. Capital light business model and negative working capital results in excellent cash conversion.

**Accounting obscures quality:** The IPO, AutoScout divestment and non-economic amortization in the P&L obscures the excellent track record and true cash generating power of the business.

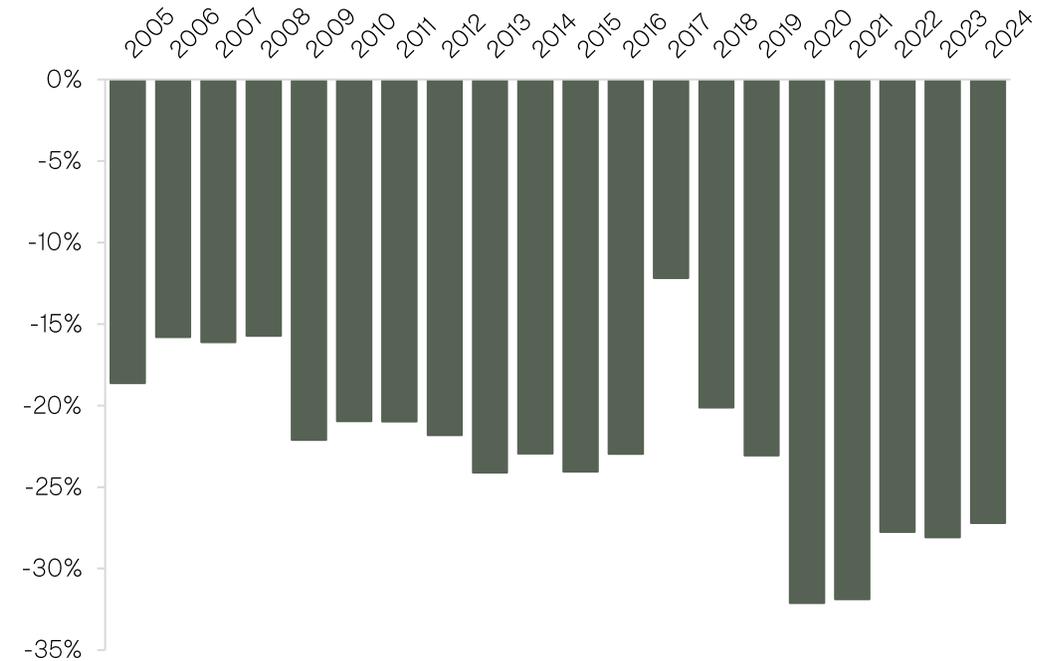
**Valuation and growth runway:** A combination of volume growth, price and membership upgrades provide a long runway of double digit organic growth. Adding operating leverage and the buyback offers the prospect of high teens earnings growth.

Source: Fairlight, FactSet

Sales



Working Capital to Sales



**Market Leader:**

Gartner is the leading 'on-demand' IT consultant with 9x the sales of the second player. Main competition is 'free' and 'in-house' research.

**Quality Growth:**

Sales have been growing at an 11% CAGR since 2005. Despite the acquisition of CEB in 2017, growth has been almost entirely organic.

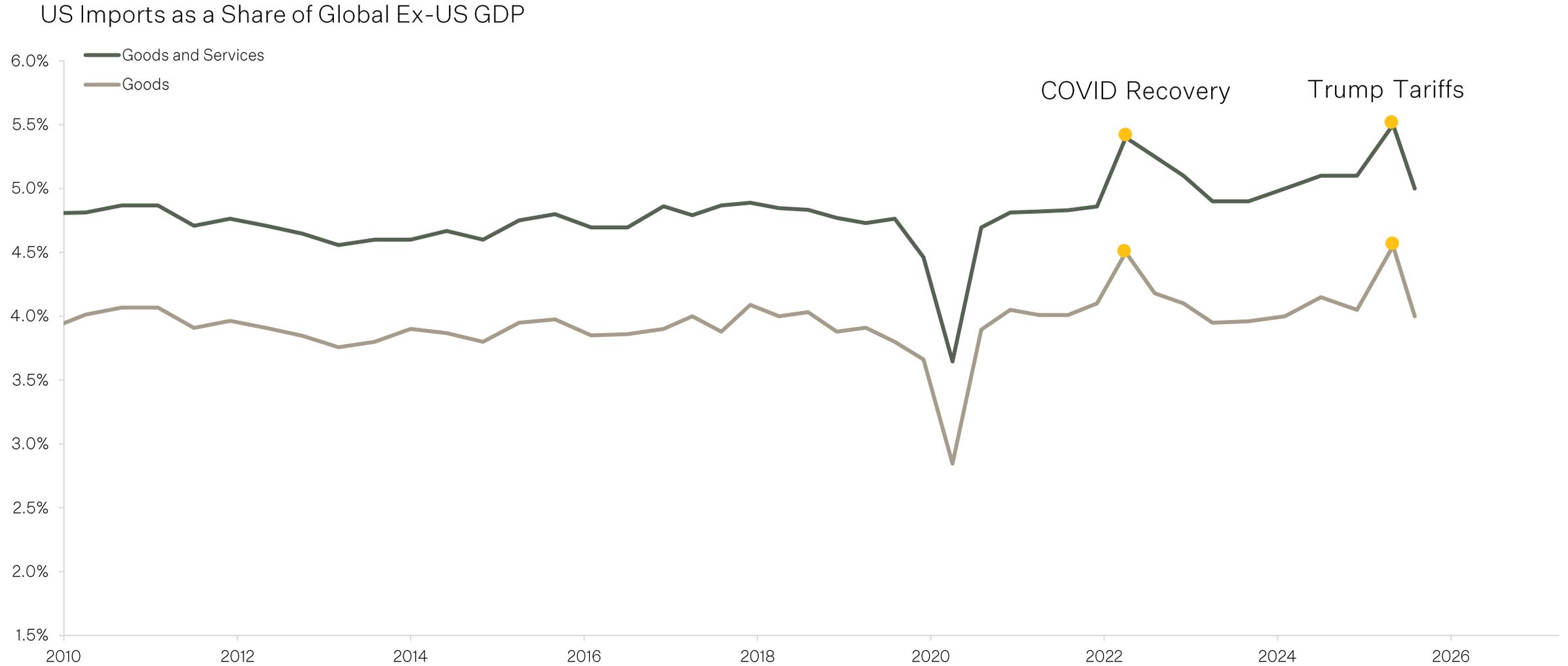
**Negative Working Capital:**

Research subscriptions account for ~80% of sales. Upfront and mostly recurring payments help to sustain FCF generation >100%.

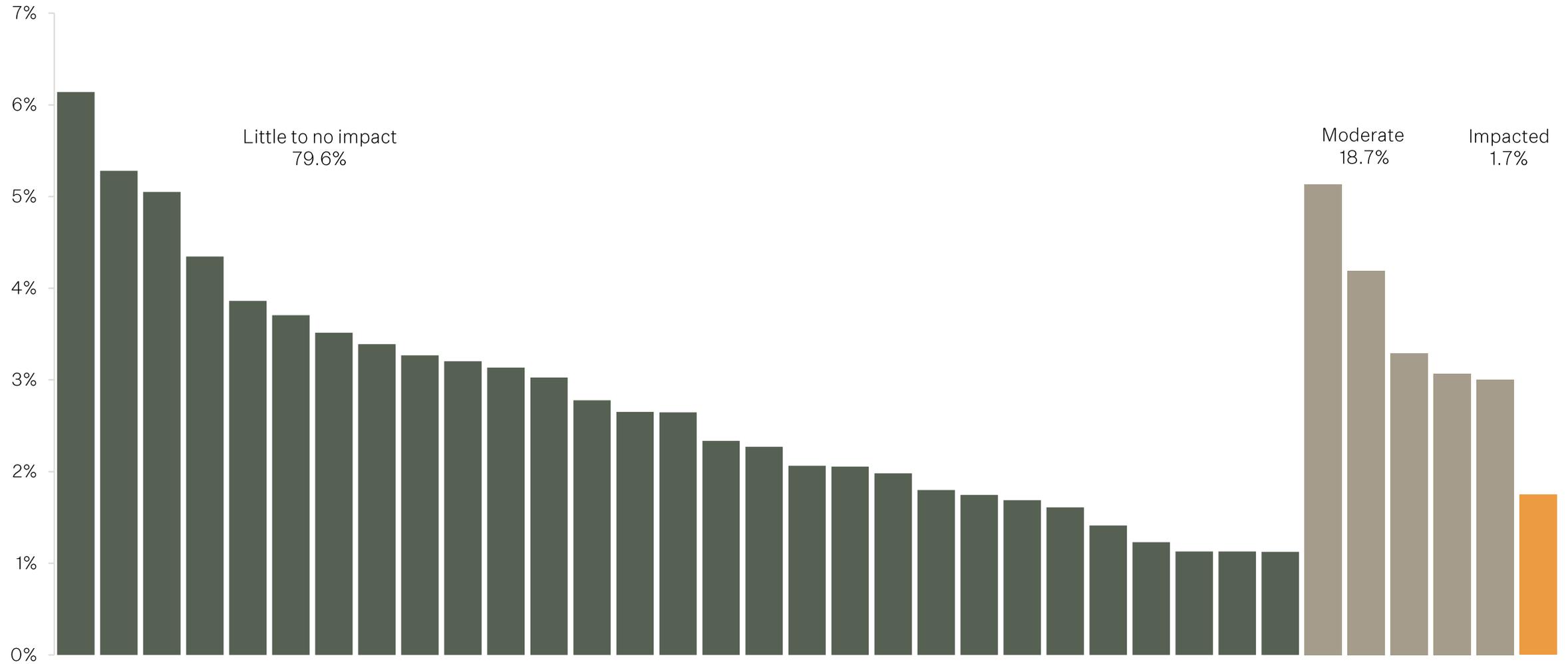
**Performance Culture:**

A performance driven culture sets Gartner apart. CEO and 1.5%-shareholder Gene Hall has led the company since 2004. Top management is hired internally.

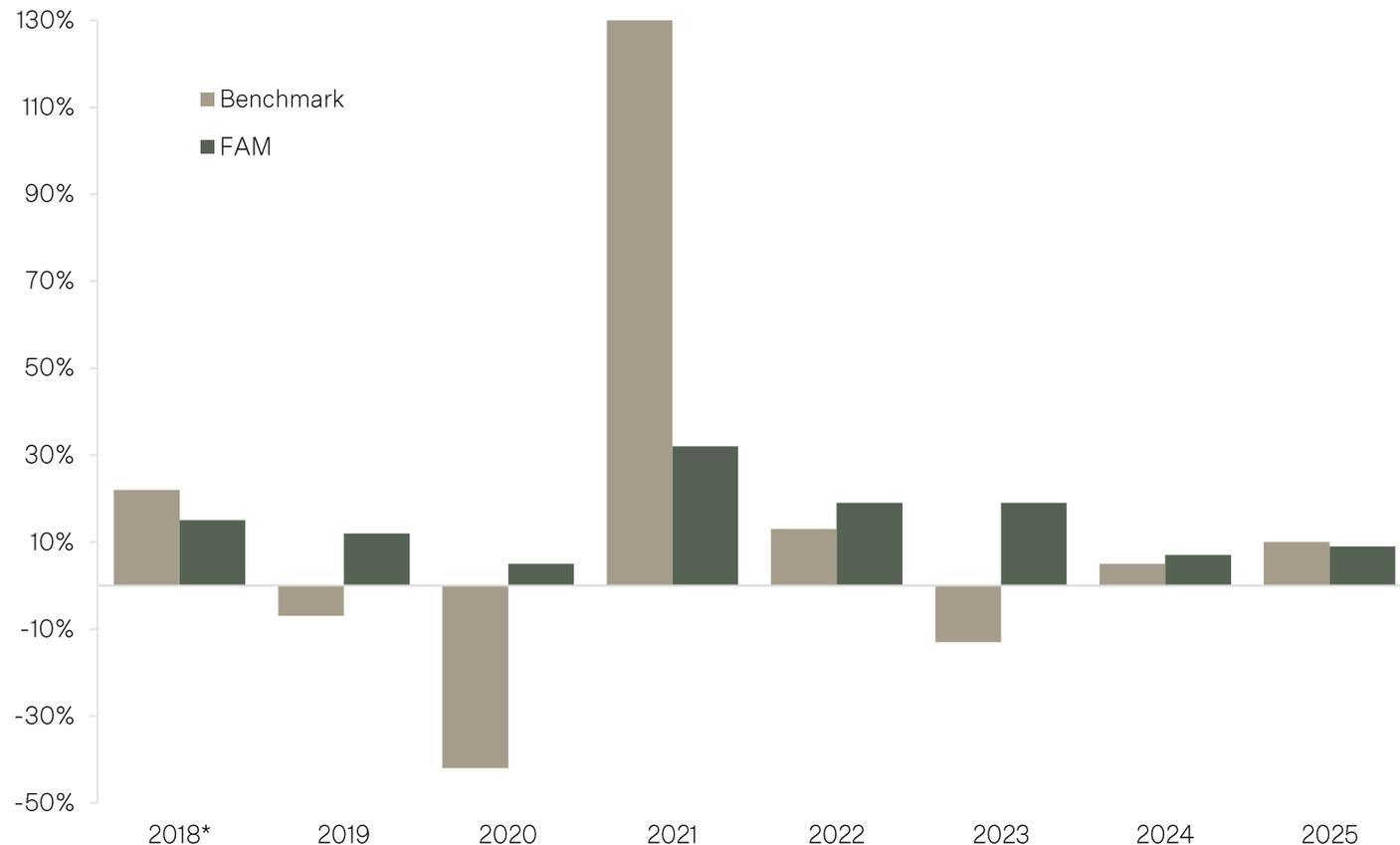
Source: Fairlight, FactSet



Source: Bureau of Economic Analysis, IMF World Economic Outlook (April 2025), BCA Research 2025.



Sources: FactSet Portfolio Analytics (portfolio weights of individual holdings)



EPS Growth (USD)		
CY	Benchmark	FAM
2018*	22%	15%
2019	-7%	12%
2020	-42%	5%
2021	130%	32%
2022	13%	19%
2023	-13%	6%
2024	5%	7%
2025	10%	9%
EPS CAGR	7%	13%

Sources: FactSet Portfolio Analytics, Fairlight.

## Distribution Contacts

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## Platform Availability



Direct Online Application  
[www.fairlightam.com.au](http://www.fairlightam.com.au)

## Research



# FAIRLIGHT

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