FAIRLIGHT

Global Small and Mid Cap Fund - Hedged

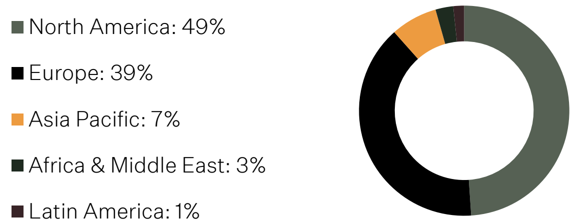
Investment Update | March 2026

Performance at 31 March 2026

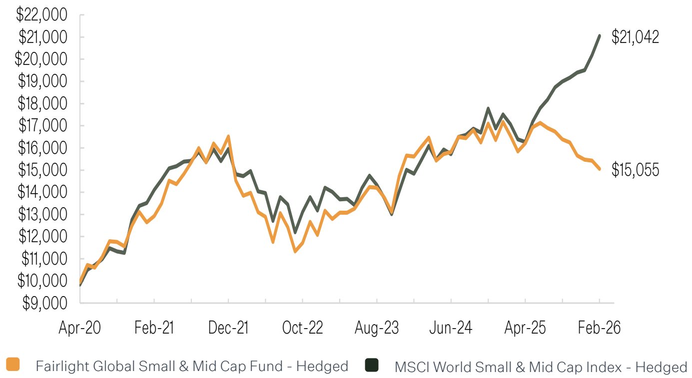
	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	5 Years p.a.	Since Inception p.a.
Fairlight Global Small & Mid Cap Fund - Hedged	-7.8%	-10.3%	-15.3%	-12.3%	2.0%	0.6%	5.7%
MSCI World Small & Mid Cap Index - Hedged	-6.9%	0.5%	3.2%	19.6%	12.7%	6.1%	12.0%
Outperformance	**-0.9%**	**-10.7%**	**-18.5%**	**-31.9%**	**-10.7%**	**-5.5%**	**-6.3%**

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.

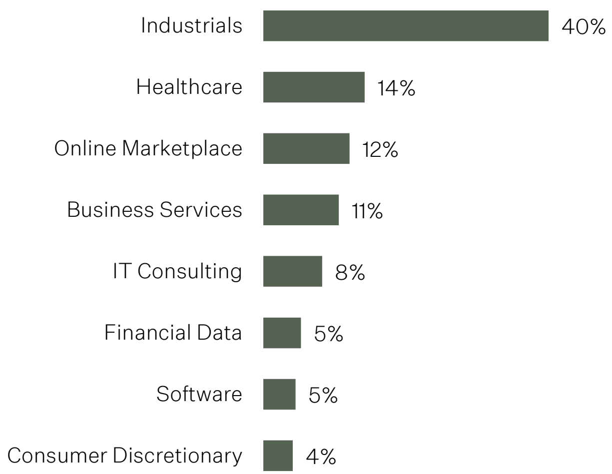
Portfolio Revenue Exposure



Performance Since Inception



Portfolio Sector 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).

Top 5 Holdings in Alphabetical Order

Company	Region	Sector
Diploma	GB	Industrials
Ferguson Enterprises	US	Industrials
Halma	GB	Industrials
Recordati	IT	Healthcare
Scout24	DE	Online Marketplace

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FY25 Q4 Reporting Season Update

We have been pleased with the operating performance for Fairlight portfolio companies during the FY25 Q4 reporting season, where most companies exceeded market expectations and maintained or upgraded forward earnings guidance. Normally, we would expect very positive share price reactions to accompany quality results, but in this volatile environment we have seen a variety of share price responses as market distraction has been elevated by a confluence of external factors including geopolitical tensions, economic concerns and ongoing fears of technological disruption.

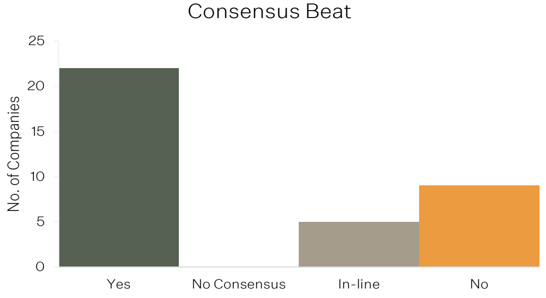
It has been pleasing to see some of Fairlight's largest holdings report exceptional earnings and then be subsequently rewarded with positive share price reactions. Our two largest investments, Diploma and Halma are apt examples of this and with their share prices increasing by more than 50% over the past year it's easy to forget that only a few months earlier both businesses were out-of-favour, trading on depressed PE multiples due to tariff fears, providing an opportunity for long-term investors like Fairlight to accumulate additional shares at attractive valuations. In recent months however, the narrative pendulum has swung in the opposite direction, with both companies now being seen as 'AI winners' thanks to some of their businesses participating in the data centre capex super cycle.

This earnings season we have also experienced muted or negative market responses to high quality earnings reports and outlooks from other holdings. In these cases, Fairlight's portfolio management response has remained consistent with history - where we see our investment thesis and earnings quality are intact, we remain patient, confident that consistent earnings will eventually be rewarded. Further, in certain cases where the valuations of these companies are heavily discounted, we have taken the opportunity to add to our existing holdings. In addition, we have also been excited to start entirely new investment positions in long-admired or previously owned companies that have traded down for non-fundamental reasons or due to transient fears.

Hence, this period of market volatility has provided opportunities to continue to upgrade the quality of the portfolio which comprises attractively valued businesses with long track records of performing well even across turbulent economic times and periods of technological change.

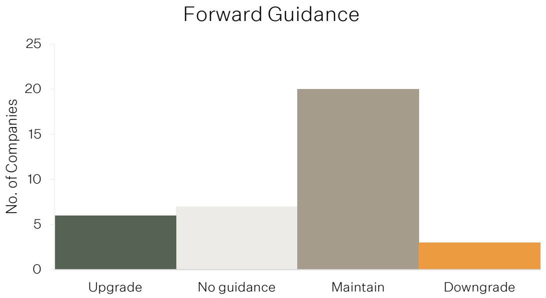
The aggregate recent earnings performance of the Fairlight portfolio (Figure 1 and 2) underpins our confidence in our FY26 EPS growth forecast of 13%, targeted in a low-risk way and in line with our long-term average of 12-13% p.a.

Figure 1.



Source: FactSet, Company Filings

Figure 2.



Source: FactSet, Company Filings

Our two largest holdings reported strong earnings and were well rewarded by the market:

UK-based **Diploma** is the Fund's largest investment where Fairlight has owned shares in the business almost since its inception. The thesis is predicated on a resilient, growing and highly cash generative distribution business supported by a value accretive acquisition strategy.

Diploma distributes seals for industrial machinery, wires and cables for specialised applications, and medical consumables. Given the mission-critical and repeat nature of these purchases, sales have proven to be resilient even during weak economic periods. Management has also historically created significant value through cycles by acquiring small, often family-owned, distributors at attractive prices and letting them flourish within their structured but decentralised organisation. The large pipeline of small acquisitions has supported sales and profits growth even during periods of weak industrial activity and is continuing to do so now.

The company issued a very positive trading update in March, upgrading the full-year guidance which drove a strong share price response. Management now expects organic revenue growth of 9%, up from 6% previously, with operating margin at around 25%, up from 22.5%. This resulted in a 13% upgrade to consensus operating profits, with Diploma's yearly EPS on track to grow above 20%. In more recent months we have been adding to our holding at attractive valuations, where the market has been fearing the impact of tariffs.

Halma is another UK-based, long-tenured investment within the Fairlight portfolio with a similar investment thesis to that of Diploma.

Halma owns over 50 specialised manufacturers operating in global niches within the safety, environmental and healthcare sectors. Halma's exposure to structurally growing markets and focus on differentiated high-margin products, have allowed yearly profits to compound at a 15% annual growth rate for more than four decades with low variability.

In March, management reaffirmed their yearly guidance, notably following two guidance upgrades in earlier months. Growth has been strong and broad-based across the group, and while market conditions remain varied, year expectations are for mid-teens organic revenue growth. Acquisitive growth has also been accelerating. Halma's EPS is on track to grow above 20% for the year. Fairlight had added to the position ahead of the recent upgrade and was pleased to see continued earnings multiple strength.

Other large holdings reported strong earnings yet received muted reactions:

Ferguson is the leading distributor of plumbing and related products in the US. The company generates 60% of its sales from maintenance and renovation projects and the remainder from new construction projects. About half of its sales are linked to the residential market and the remaining half to infrastructure.

The Fairlight investment thesis was predicated on the theory that Ferguson can outperform US GDP growth over the long term thanks to favourable structural trends in water management, market share gains and bolt-on acquisitions. We also expected that as the business grows, scale advantages would lead to moderate but steady operating margin expansion and annual EPS growth in the range of 8 to 12% without requiring a buoyant economic environment.

Thus, we were pleased to see Ferguson report a solid full year earnings result including non-residential sales growth of 10% throughout the year, offsetting residential softness. Operating margins expanded to 9.6%, up 50 basis points, and EPS grew 13%. For 2026, management guided for continued market outperformance on the back of multi-year tailwinds in water infrastructure, large capital projects, and energy efficiency.

Recordati is a 100-year-old pharma business that specialises in acquiring drugs at the end of their patent-protected windows that will soon face the competition of generics or have been developed to treat rare conditions. Recordati's competitive edge revolves around its distribution network and experienced sales force which operate mainly across the highly fragmented European healthcare market.

Unlike most pharma businesses, Recordati has a diversified revenue profile across therapeutic areas, products and geographies and the success of the business is not predicated on new drug discoveries, making it less risky than peers. The Fairlight thesis is that the business can continue to compound annual EPS at the historical rate of circa 10% with above-average predictability.

Recordati recently reported strong full-year 2025 results, with net revenues up 12% and EPS 15%. Recordati should deliver similar results in 2026. Recently, major shareholder CVC has made an opportunistic bid for the company at a price which we believe significantly undervalues the business and so we expect the board to reject it in due course.

Despite strong earnings reports, some positions have sold off, providing valuation opportunities:

Medpace is a US-based, scientifically driven, full-service clinical research organisation (CRO) providing Phase I–IV development services to biotech, pharmaceutical, and medical device companies, leveraged to the attractive tailwinds of the structurally growing global pharmaceutical market. Medpace specialises in serving small to mid-sized clients in complex, fast-growing therapeutic areas with a differentiated, end-to-end model partnering with customers from trial initiation through all phases. Over 30 years, Medpace has delivered consistent positive organic growth and high operating margins, supported by a net cash balance sheet, attractive returns on capital, and ongoing share buybacks.

Medpace reported an excellent Q4 2025 results which were ahead of market expectations, where revenue grew 32% year-on-year and EPS 27%. Guidance for 2026 is indicating strong growth and is in line with our expectations.

We reduced our holding of Medpace a few months ago, when it was trading on a PE ratio in the mid-30s. Since then, the share price has been weak due to non-fundamental reasons which allowed us to add back to the position at a more attractive valuation.

Softcat is a leading IT reseller in the UK. It specialises in helping medium-sized businesses to procure hardware and software and benefits from structural demand growth as businesses prioritise technology investment to remain competitive. Gross profit, the industry's key metric for top-line growth, has been compounding at a double-digit rate for over 20 years, and we see this level of growth as sustainable over the medium term.

The company recently reported results for the first half of its 2026 financial year confirming continued momentum, with gross profit and operating profits growth of 22% and 27% respectively. Hardware growth was driven by datacentre and networking infrastructure, server and computer sales. Software growth was broad-based with notable strength among security solutions.

Management expect the business to deliver EPS growth close to 10% compared to low-single digit a few months ago. Softcat recently completed its first ever buyback, repurchasing almost 2% of its shares and executing on what we consider to be an attractive use of capital.

New Fund investment opportunities arising from share price volatility:

Rational is the global market leader in combination-steam ovens for commercial kitchens. The company dominates this niche with a global market share of 50% thanks to its superior scale in R&D, manufacturing, distribution and importantly after-sale services. Rational's service network is available around the clock and reports that 80% of service calls are completed on the same day they were requested, which is something commercial kitchen operators value highly due to the mission critical nature of these ovens.

The market for kitchen automation is growing structurally due to the ongoing need of kitchen owners to counter rent, energy and labour cost inflation. Rational has consistently been delivering annual organic growth close to 10% and a high operating margin around 25%. We expect this excellent track record to continue, sustained by the company's ability to invest countercyclically and remain focused on the business's long-term growth opportunities even during times poor economic growth.

Rational reported a stronger than expected Q4 2025 result where underlying growth accelerated to 11% after adjusting for the negative impact of currency movements. Despite the macro headwinds, sales growth has been consistently solid since Q2, a result of disciplined execution, multi-year investment in the sales force and the successful rollout of its newest products. Q4 operating margin expansion resulted in profits growing 13% year-on-year, ahead of market expectations.

The Fund had an opportunity to start a position in Rational in 2025 at a valuation discount as the market was worried by tariffs and more recently, we added to the position following weak share price performance linked to growing macro and geopolitical uncertainty.

Spirax Group is a UK-based industrial manufacturer with roots dating back to 1888, operating across three divisions: Steam Specialties, Electric Thermal Solutions, and Watson-Marlow (peristaltic pumps). Its key advantage lies in a 1,200-strong technical sales force that supports customers throughout the purchasing process. Many products deliver cost savings or efficiency gains, fostering deep relationships and resilient, operating-budget driven revenues. High-quality financials include mid-teens returns on capital, operating margins above 25%, and over 50 years of uninterrupted dividend growth.

Spirax recently announced its full-year 2025 results featuring 5% organic growth, outpacing global industrial production. Operating profits grew 6% and the margin expanded to 20%. The company completed a comprehensive restructuring programme during 2025 that is expected to deliver approximately £40m in annualised savings, of which roughly half was recognised in the year. All divisions delivered organic growth and improved margins with similar results expected for 2026.

After exiting the position last year due to the associated risk with the restructuring program, the Fund has re-established its investment in the business towards the end of 2025, following further insight and confidence into the turnaround. Moreover, we now believe the operating environment for Watson-Marlow is normalising after a multi-year period of post-pandemic hangover. The recent sell-off in industrial stocks due to the ramification of the Iranian conflict provided us with an opportunity to increase the position.

The Fairlight View

The aggregate operating performance of the Fairlight companies has been positive during Q4 2025 and the outlooks are strong. In some cases, such as Diploma and Halma, we have seen very positive market responses but in others the multiples applied by the market remain depressed. Nevertheless, at Fairlight we take a long-term view, and the diversity and strong operating performance of our portfolio companies during yet another reporting season, give us confidence that, after the significant multiple derating the Fund has experienced over the past nine months, the current portfolio is highly likely to deliver unit holders strong returns over the long-term.