

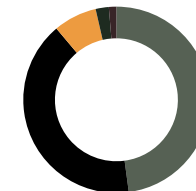
Performance at 30 June 2026

	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	1.5%	5.2%	-9.7%	-20.2%	1.9%	1.7%	7.9%
MSCI World Small & Mid Cap Index	4.7%	11.4%	8.7%	16.0%	14.7%	8.9%	10.9%
Outperformance	-3.2%	-6.3%	-18.5%	-36.2%	-12.9%	-7.2%	-3.1%

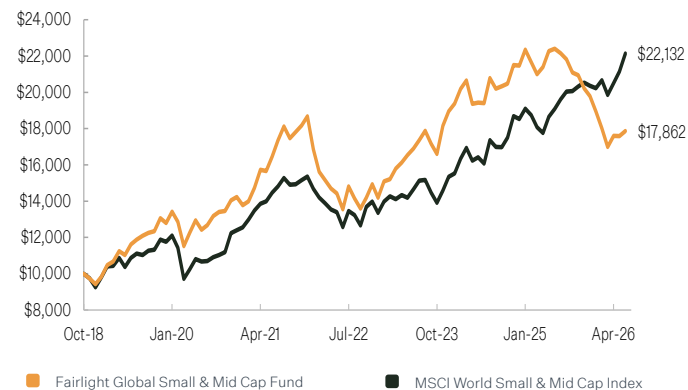
Performance is in AUD and net of all fees. Inception 1 November 2018. Since inception returns are on a per annum basis. Past performance is not an indicator of future performance.

Portfolio Revenue Exposure

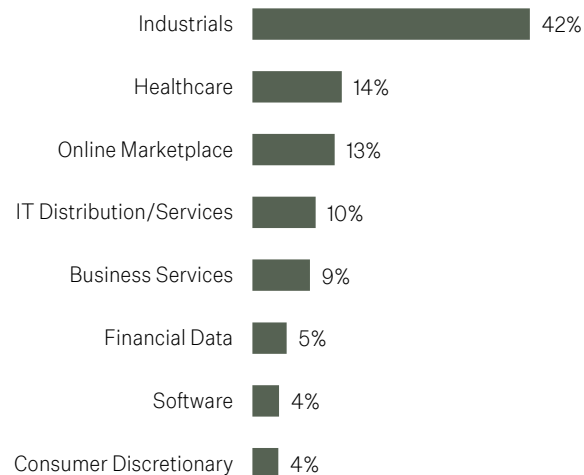
- North America: 48%
- Europe: 41%
- Asia Pacific: 8%
- Africa & Middle East: 2%
- Latin America: 1%



Performance Since Inception



Portfolio Sector Exposure



Top 5 Holdings in Alphabetical Order

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

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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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.

What History Says About Growth and Why Halma Gets It Right

Given the accelerating pace of investment in AI-related infrastructure this month we reflect on the relationship between corporate asset growth and long-term stock outperformance. Investors may be surprised to learn that academic research finds a strong negative relationship between a company's total asset growth and its subsequent stock returns. Below we discuss the important implications of this evidence as well as key portfolio holding Halma, providing a case study of how to manage supernormal growth whilst trying to maintain high returns on capital.

Beware the fastest growers

In 2007, three finance professors – Michael Cooper, Huseyin Gulen, and Michael Schill – published “Asset Growth and the Cross-Section of Stock Returns”. They studied 35 years of US stock market data up to 2023, and asked: Does the rate at which a company grows its total assets predict its stock performance?

The answer was yes – and in precisely the opposite direction to what intuition might suggest.

Surprisingly, companies in the top decile of asset growth, delivered stock returns of 5% per annum in the years following their expansion. Conversely, companies in the bottom decile, growing slowly or not growing at all, delivered returns of 18% per annum.

The gap, after adjusting for standard risk factors, remained at around 8% per annum for large-cap stocks and 20% for smaller ones.

The results were consistent through time. Over a five-year period, the cumulative spread between slow and fast growers exceeded 50% on a value-weighted basis. The result held in 91% of individual calendar years for equal-weighted portfolios, and 71% for value-weighted ones.

The reason, the authors concluded, is largely behavioural. Companies expand aggressively on high confidence and recent performance, for example, investing in acquisitions and capacity

builds. Investors, swept along by that momentum, bid shares to prices that anticipate a continuation of good times when, in reality, new assets rarely earn what was hoped and therefore earnings often disappoint high expectations.

The practical implication for investors is sobering: be wary of companies that are growing their asset base rapidly, regardless of how compelling the story sounds at the time. The market has a long history of overpaying for growth – and of taking years to notice the mistake.

A different kind of growth story

It is against this backdrop that we want to discuss key portfolio-holding, Halma.

Halma owns over 50 specialised manufacturers operating in global niches within the safety, environmental and healthcare sectors. The group has compounded EPS at 15% annually for over four decades with low variability due to three key elements:

1. Exposure to structurally growing markets combined with a relentless focus on only differentiated products;
2. A repeatable low-risk M&A strategy guided by strict returns on capital hurdles; and
3. A sustainable approach to financing growth, with minimal debt and no reliance on new equity.

One of Halma's many businesses is Avo Photonics, which contributes to the great majority of the group's photonics revenues. Avo has built a relationship of more than a decade with a large hyperscale technology customer, co-designing and manufacturing optical switches critical to data centre infrastructure. In the financial year ended March 2026, Halma's photonics business grew 52%, contributing half of the group's exceptional 16% organic revenue growth. The photonics business now accounts for 20% of group sales, up from 15% last year and 12% the year before.

As discussed earlier, academic research points to a clear risk here: sudden windfalls can distort how management behaves. Companies that suddenly gain a lot of cash and momentum tend to overinvest – bigger and more expensive acquisitions, often in less familiar areas, expanded capacity ahead of actual demand, and growing

organisational complexity that can quietly erode the culture that made them successful in the first place.

It is worth asking, therefore, what Halma's management team has chosen to do with this extraordinary tailwind. The answer, drawn from the company's comments at its June 2026 results presentation, is instructive.

Strengthening the core

CEO Marc Ronchetti made it clear that Halma is not treating the photonics windfall as a signal to accelerate expansion within this fast-growing but narrow market. Instead, the cash flows are being used to strengthen the whole group.

Management has been candid about the limits of this growth. They've been explicit that photonics' growth profile “differs from that of the wider group in pace, scale, and longevity,” and may cause group-level growth to become “more front-end loaded”¹. In other words, the team is distinguishing clearly between a structural tailwind and a cyclical one and is managing it accordingly – telling investors plainly that photonics growth is not the new normal for the group, while reaffirming that the long-term compounding ambition is unchanged.

This shows up in how the cash is actually being spent: the premium cash flows from photonics are being directed primarily into R&D and acquisitions in sectors that are currently out of the spotlight, where valuations remain reasonable.

The Fairlight View

Halma has been appropriately cautious about guiding for 30% photonics growth in the coming year, well below the 52% delivered in 2026, and consciously based on near-term order visibility rather than extrapolation of hyperscaler capex announcements. On the central question of whether management is behaving in the way that the evidence suggests preserves long-run value, resisting the empire-building temptation, maintaining capital discipline, and refusing to mistake a cyclical tailwind for a structural shift in the group's ambitions, our judgement is that they are passing the test, and the company remains a key holding in the Fund.

¹ Date of reporting: 11th June 2026

Source: <https://www.halma.com/investors/results-reports-presentations/2026>