FAIRLIGHT

Global Small and Mid Cap Fund - Hedged

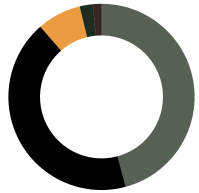
Investment Update | August 2026

Performance at 31 August 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	2.8%	4.8%	4.1%	-6.3%	3.3%	-0.4%	7.4%
MSCI World Small & Mid Cap Index - Hedged	2.2%	2.9%	6.2%	19.3%	16.0%	7.1%	13.5%
Outperformance	**0.5%**	**2.0%**	**-2.1%**	**-25.7%**	**-12.6%**	**-7.5%**	**-6.2%**

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.

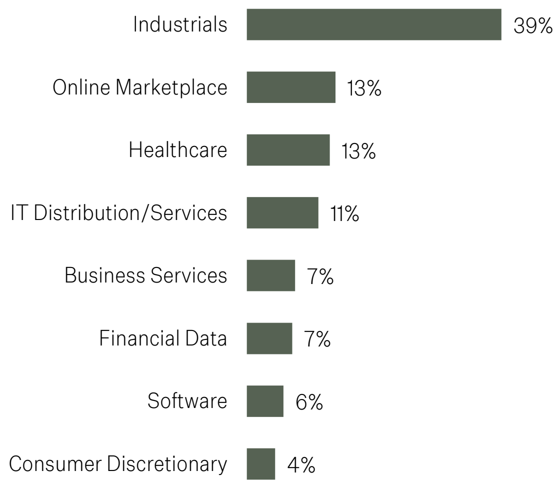
Portfolio Revenue Exposure



- North America: 46%
- Europe: 43%
- 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
Halma	GB	Industrials
Recordati	IT	Healthcare
Scout24	DE	Online Marketplace
Ulta Beauty	US	Consumer Discretionary

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.

Q2 2026 Reporting Season Review

During the month of August, the Q2 reporting season concluded successfully for the Fund, featuring high-quality earnings results and providing additional support for our durable 2026 EPS growth forecast of 13%. The Fund has delivered three-month unit price growth of 4.8% net of fees, outperforming the benchmark by 2.2%.

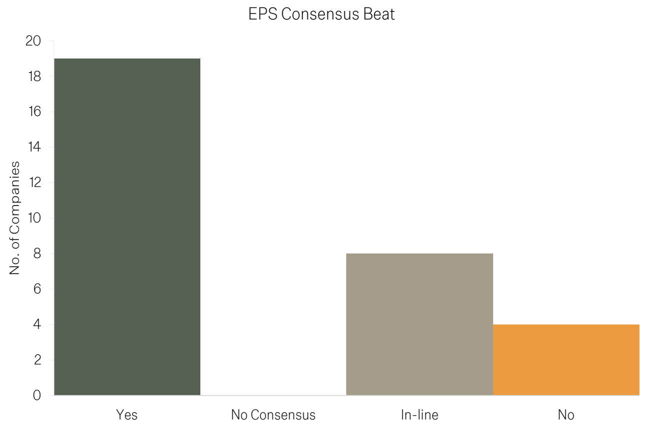
We spent much of late 2025 and early 2026 discussing the indiscriminate de-rating of quality companies, driven by market fears of permanent disruption from artificial intelligence (AI). During this time, the market discarded even strong earnings reports from companies the market regarded to be 'AI losers'. While this has been painful for Fund returns, we remained confident in our thesis that AI would become a tailwind for the Fund's diversified collection of businesses, and that with mounting evidence of their continued dominance, alongside consistent earnings growth, they would eventually be rewarded by the market.

Pleasingly, the Q2 reporting season has featured early signs of a shift in the AI narrative for multiple portfolio holdings, particularly across the IT services space. While a shift in the broader AI narrative is unlikely to occur in a straight line, we have noticed that the market has begun appreciating that several Fairlight portfolio companies, who are leaders in their market niches, are in fact early adopters of AI. These companies are reaping the benefits of these long-term investments in AI, including winning market share and delivering strong earnings results in what are highly challenging macroeconomic conditions.

Fairlight Q2 reporting season results

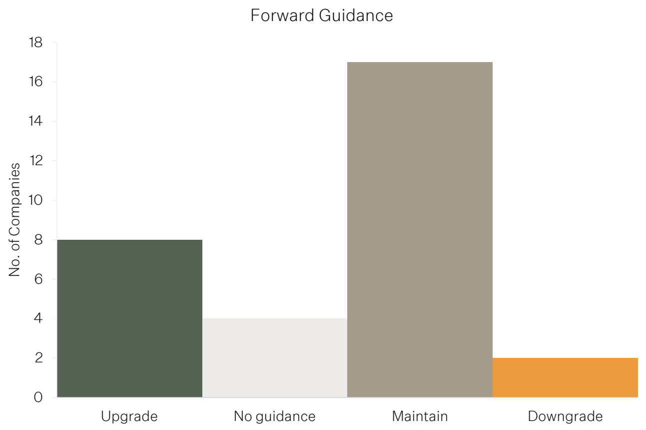
Reporting season has provided continued evidence of the quality of the earnings of portfolio companies, in addition to examples of tangible AI benefits. Q2 earnings either beat or met market expectations in 87% of cases (Figure 1) and Annual EPS guidance was upgraded or maintained for all portfolio companies, bar two which downgraded their forecasts for cyclical reasons (Figure 2).

Figure 1.



Source: Fairlight, FactSet, Company Filings

Figure 2.



Source: Fairlight, FactSet, Company Filings

This month, we highlight the results of portfolio holdings Softcat and Reply, where we have seen positive earnings multiple re-ratings as investors build confidence around the idea that these companies are quietly strengthening their competitive advantages rather than falling behind.

Softcat

Softcat is a leading IT value added reseller in the UK helping small and medium-sized businesses to procure the right hardware and software. Softcat operates as an extension of the sales forces of its vendor partners and an extension of the IT departments of its customers, making itself an indispensable part of the value chain.

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 as businesses prioritise technology investment to remain competitive.

Simplistically, the market's narrative over the past year has been that IT resellers will become less relevant in the age of AI as firstly, traditional vendors like Microsoft lose market share to AI native vendors who will sell directly to companies and secondly, clients query AI for advice and then AI agents take over the procurement process.

Despite this narrative, Softcat's business has gone from strength to strength, validating their key role in the supply chain. In its most recent market update, the company announced that demand for its products and services remains strong as client investment in AI-related infrastructure accelerates. And, importantly, its ability to meet this demand remains high despite growing shortages of hardware components thanks to long-dated relationships with vendors.

Management expects mid-teens annual profit growth, up from high single digit earlier in the year, and recent industry data suggests that this strong performance might continue into the next financial year.

Softcat's share price has increased 60% over the past couple of months. The market is now rewarding its strong financial performance, and disproving the narrative of disruption as evidence surfaces that AI companies such as Anthropic and OpenAI are exploring relationships with key resellers.

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Reply

Reply began operating in 1996 with the goal of helping large Italian corporations embrace new technologies. Since then, as technology progressed, so did Reply's expertise. This ability to adapt has earned the company the reputation of a trusted partner that clients can rely upon throughout their digitalisation journey.

Reply is positioned at the intersection of human talent and artificial intelligence. Rather than treating AI as a threat to its consulting model, Reply has organised itself as a network of small, agile, highly specialised competence centres that can absorb new technologies quickly and turn them into client solutions - from agentic AI architectures to generative AI in content and digital experience. Its outcome-based client relationships and avoidance of commoditised work mean that as AI lifts productivity, freed-up client budgets tend to translate into new demand rather than shrinking engagements.

So far, Reply's financial performance continues to support the Fairlight thesis with organic growth accelerating rather than slowing and margins expanding despite a challenging macro environment. In Q2 organic sales grew 8%, outpacing Q1's growth of 7%. Earnings grew 20% which is impressive given that management is also investing for the future by launching a record number of boutiques. These strong results provided the catalyst for a positive share price reaction with the stock now up 50% over the past couple of months.

The Fairlight View

We consider Q2 to be another strong reporting season for the companies in the Fund with results supporting our aggregate EPS growth estimate of 13% for the portfolio in 2026. While the broader AI trade can provide some market volatility, we expect that share prices will continue to follow reliable earnings growth over the long term and are increasingly confident that the businesses in the portfolio are likely to be rewarded as they consistently demonstrate that AI is a tailwind to their competitive positions rather than headwind.

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