

| Performance at 31 December 2023 | 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 | 4.4% | 10.4% | 12.1% | 33.5% | 10.0% | 15.0% | 13.2% |
| MSCI World Small & Mid Cap Index | 5.2% | 6.0% | 4.7% | 14.9% | 7.4% | 10.6% | 8.6% |
| Outperformance | -0.8% | 4.4% | 7.4% | 18.6% | 2.7% | 4.3% | 4.5% |

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.

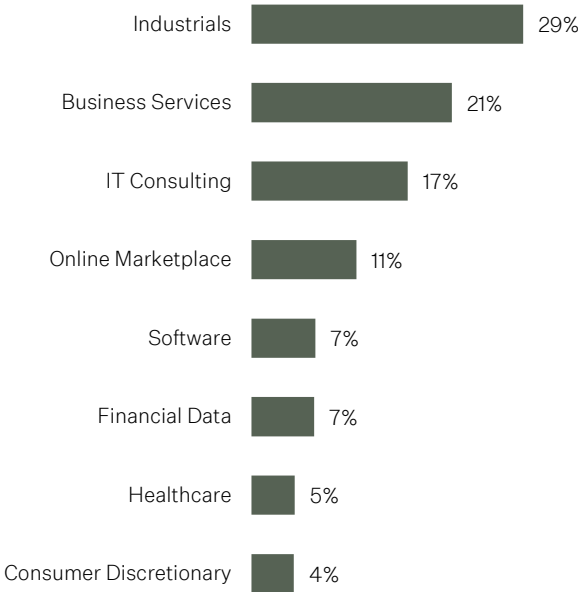
Performance Since Inception



Top 5 Holdings in Alphabetical Order

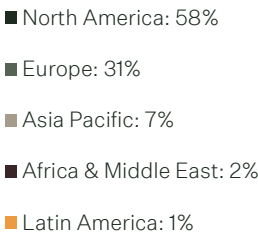
| Company | Region | Sector |
|-----------------------------|--------|--------------------|
| Auto Trader Group Plc | GB | Online Marketplace |
| Constellation Software Inc. | CA | Software |
| Diploma P | GB | Industrials |
| Gartner, Inc. | US | IT Consulting |
| Scout24 SE | DE | Online Marketplace |

Portfolio Sector Exposure



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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
- Low risk turnarounds

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).

Invest Online

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.

2023 in Review

2023 was a successful year for the Fund, delivering investors a 33% return, outpacing the MSCI World SMID Index by 19 percentage points. Since inception in 2018 the Fund has now delivered investors a 13% p.a. return and 5% p.a. outperformance which is in line with our long term objective. From an operational perspective, the underlying portfolio holdings collectively grew revenues by 2% and EPS by 3%. Considering the strong earnings growth delivered in 2021/2022 and the difficult operating environment, we were satisfied with this resilient outcome. The Fund also celebrated its 5th anniversary in November – an important milestone given the suggested investment time horizon of at least 5 years.

Before reviewing 2023 it is instructive to revisit the market conditions and outlook in December 2022. Investor sentiment was almost universally gloomy, with nearly all major equity indices posting their worst annual performance since the GFC. Front of mind for investors was:

- Stubbornly high inflation and the 7 consecutive US Fed rate hikes in 2022 aimed at quelling it (at what appeared to be any cost).
- A fait accompli of a global recession in 2023 and a pullback in consumer spending as COVID-related saving evaporated.
- Global geopolitical uncertainty as the conflict in Ukraine looked likely to continue for the foreseeable future and China struggled to rebound from its extensive lockdowns.

Despite these headwinds, equity markets have ultimately gone on to deliver strong performance, highlighting the dual difficulty of a) making correct macroeconomic or market forecasts and b) correctly positioning a portfolio to profit from that forecast.

At Fairlight, we believe over the long term the prices of quality businesses will inevitably follow their growth in earnings and hence spend our time focused on the fundamentals of our investee companies.

Measuring our performance

Given the Fairlight investment time horizon of 5+ years, we believe the table below provides investors with the best clarity into the long-term performance track record of the Fund.

| Year | FAM | Index | Outperformance |
|---------------------|------------|------------|----------------|
| 2018* | -6% | -7% | 2% |
| 2019 | 36% | 27% | 9% |
| 2020 | 11% | 5% | 6% |
| 2021 | 31% | 24% | 7% |
| 2022 | -24% | -13% | -11% |
| 2023 | 33% | 15% | 19% |
| Total Return | 89% | 53% | 36% |

**Inception 1 November 2018. Past performance is not a reliable indicator of future performance.*

Other metrics we believe provide insight into the decision making of the Fund are the Upside/Downside Capture, Hit Rate and the Win/Loss Ratio (for detailed discussion on these metrics please see [2020 in Review](#) and [2019 in Review](#)).

| Year | Upside Capture | Downside Capture | Hit Rate (Relative) | Win/Loss (Relative) |
|------------------------|----------------|------------------|---------------------|---------------------|
| 2019 | 109% | 33% | 60% | 2.5 |
| 2020 | 106% | 85% | 56% | 1.8 |
| 2021 | 134% | 147% | 65% | 1.1 |
| 2022 | 111% | 139% | 35% | 0.4 |
| 2023 | 125% | 11% | 83% | 2.9 |
| Since Inception | 116% | 96% | 64% | 2.2 |

Contributors and Detractors to Return

| Top 5 Detractors for CY2023 | Total Return | Contribution to Return |
|-------------------------------|--------------|------------------------|
| Henry Schein | -6% | -0.2% |
| Jack Henry & Associates, Inc. | 1% | 0.0% |
| Spirax-Sarco Engineering PLC | 6% | 0.1% |
| MonotaRO Co., Ltd. | 7% | 0.1% |
| Rightmove plc | 3% | 0.1% |

Of the 40 stocks owned during the year, only one delivered a negative absolute return. This is a pleasing outcome given our quality-focused investment philosophy that is predicated on the notion that compounding over the long term works most effectively when losses are avoided.

Henry Schein is one of the largest distributors of dental supplies in North America and Europe. The industry's quality has been deteriorating in recent years as larger dental organisations are winning share and exerting pricing pressure on their suppliers globally. At the same time, smaller practices, are increasingly joining Group Purchasing Organisations, to aggregate their volumes and access better pricing terms too. While Henry Schein is also affected by these negative industry trends, the company's superior scale and expanding portfolio of specialist products and practice management software, should help it to continue to generate above-industry average growth and profitability.

Over the past two years, Henry Schein has been experiencing a post-pandemic normalisation of PPE equipment sales. More recently, it has also been dealing with the aftermath of a cybersecurity attack. We see both adverse developments as short-term and expect Henry Schein to return to high-single digit earnings growth over the coming years with high cash conversion, which looks attractive at today's valuation. As a result, the Fund continues to hold shares in the company.

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| Top 5 Contributors for CY2023 | Total Return | Contribution to Return |
|-------------------------------|--------------|------------------------|
| Constellation Software | 61% | 2.7% |
| Auto Trader Group PLC | 50% | 2.3% |
| Copart, Inc. | 60% | 2.3% |
| Lennox International Inc. | 88% | 2.1% |
| Scout24 SE | 36% | 2.0% |

Of the five top contributors, 3 have been held since 2019, with the most recent purchase being Lennox International in 2021. This distribution leads to two interesting insights: 1) quality companies tend to resist reversion to the mean and outperform for longer than expected and 2) patience is required to fully reap the benefits of a successful investment thesis.

Constellation Software ([stock profile](#)) is a serial acquirer (explained [here](#)) of small software businesses and was first purchased by the Fund in early 2019. The business usually purchases businesses on 4x – 6x EBIT, earning returns on capital of 20% and has been able to reinvest nearly all its cash flows into new acquisitions. The business grew earnings by 24% in 2023 as it was able to successfully scale its acquisition strategy into larger deals. Since the Fund’s first investment in 2019, the business has grown earnings by 138% and the stock has appreciated by 186%. While the valuation has increased recently, the long runway to deploy capital, excellent financial characteristics and management’s unmatched track record of execution means it remains a large holding in the Fund.

Auto Trader Group ([stock profile](#)) is the UK’s dominant online used car marketplace and has been also held in the Fund since in 2018. Performance this year should be viewed in context with 2022, where it was one of the largest detractors to performance as it digested the loss-making acquisition of Autorama and suffered a derating in multiple from 27x to 18x. Despite macroeconomic challenges, the business has continued to post strong operating performance with 10% revenue growth and 13% EBIT growth in 2023, which was rewarded by the market in its most recent quarter.

Copart ([stock profile](#)) is the leading provider of car salvage auctions in the US and has been held in the Fund since inception in 2018. At that time Copart already commanded over 40% market share, however the company has continued to win share based on its superior network of yards, an advantage that is almost impossible to replicate. Earnings have almost tripled over the Fund’s ownership period, yet Copart should continue to enjoy sustainable solid organic growth as it continues to dominate the US market and successfully expands further in Europe and the UK. Importantly, the business retains a debt-free balance sheet.

Portfolio changes

Portfolio turnover in 2023 was 22%, the lowest figure recorded since the inception of the Fund. As a result, the total cost paid in brokerage equated to only 0.01% of the Fund. Portfolio changes are generally driven by two factors: 1) valuation becoming unattractive or 2) identifying mistakes or thesis drift. Fairlight is of the view that once we have found a high-quality business which is compounding earnings it is best not to interrupt this process unnecessarily with high turnover. This approach has a secondary benefit of keeping transaction costs low and deferring taxes for our investors.

During the year Fairlight exited 5 positions, all based on valuation grounds. This is unusual and we would expect the turnover from identified mistakes to increase in 2024 and beyond. The Fund also initiated 6 new positions – 3 of which had been held historically by the Fund and had been sold purely on valuation grounds. All else being equal, we prefer to own familiar businesses as we believe the probabilities of adverse surprises are lower. One stock that was entirely new to the portfolio was Ulta Beauty, which we profiled [here](#).

The Fairlight View

As the Fund enters 2024 it has an operating margin of 26%, cash conversion of 101%, Net Debt/EBITDA of 0.7x and is trading on a valuation of 23x forward earnings (this has increased from 20x at this time last year). Our estimates* are for portfolio earnings growth of 13% in 2024, which is in line with the historical growth delivered by the Fund. As we reflect on the past 5 years, we note that we have witnessed a wide range of market emotions and conditions; from pessimism and despair during COVID and 2022 to the extreme optimism and enthusiasm seen in 2021 and perhaps today. Stocks, sectors, geographies and investing styles have all come into and out of favour. Throughout all this, our

strategy has remained and will remain unchanged: we believe share prices follow earnings and over the long term, a portfolio of the highest quality businesses, purchased with valuation discipline will outperform over the long term whilst protecting and preserving client capital.

**The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.*

Figure 1.

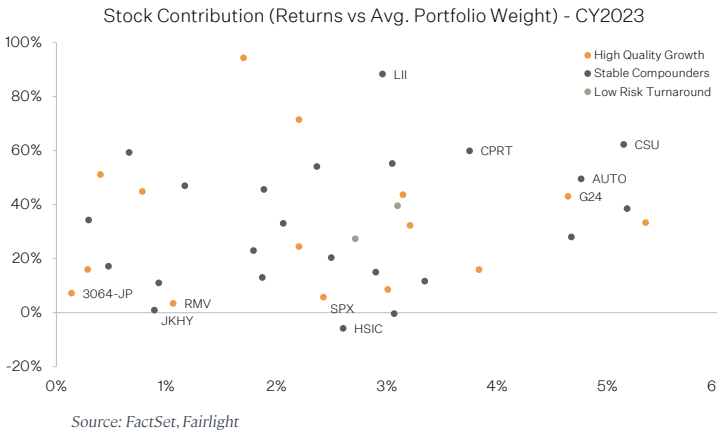
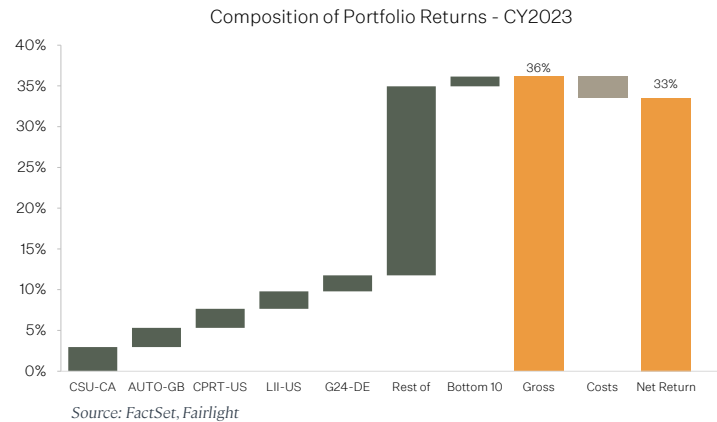


Figure 2.



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