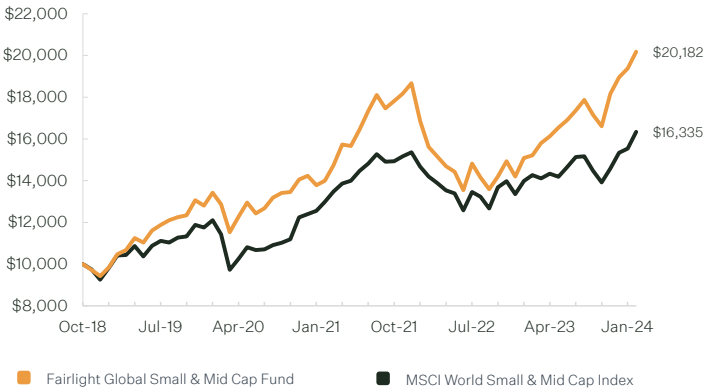


Performance at 29 February 2024

	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	4.1%	11.1%	12.9%	32.6%	13.0%	14.0%	14.1%
MSCI World Small & Mid Cap Index	5.2%	12.0%	7.7%	14.5%	8.0%	9.4%	9.6%
Outperformance	-1.0%	-0.9%	5.2%	18.1%	5.0%	4.6%	4.4%

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.

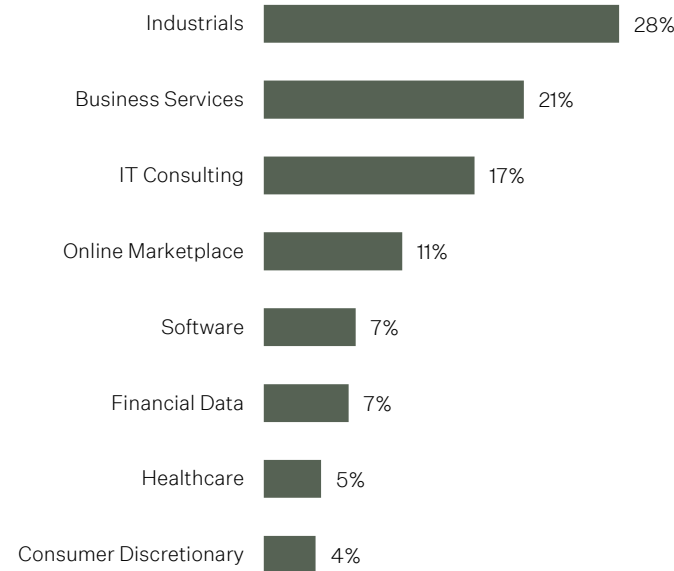
Performance Since Inception



Top 5 Holdings in Alphabetical Order

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

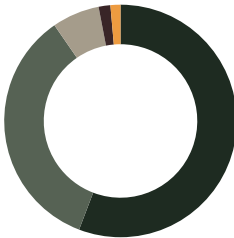
Portfolio Sector Exposure



Contact Us E: hello@fairlightam.com.au W: fairlightam.com.au

Portfolio Revenue Exposure

- North America: 56%
- Europe: 35%
- Asia Pacific: 7%
- Africa & Middle East: 2%
- Latin America: 1%



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.

Mind the GAAP

As stewards of our investor’s capital, an important responsibility of the Investment Team at Fairlight is to analyse and review the quality of earnings and accounting at our portfolio companies. The financial statements published by listed companies are governed by either the Generally Accepted Accounting Principles (GAAP) for US domiciled companies or the International Financial Reporting Standards (IFRS) whose purpose is to enforce a standardized way of reporting financial performance. In theory, this should allow comparison of companies across various sectors, geographies or with differing business models. However, as is frequently the case in investing, reality does not match the theory and in practice accounting earnings often do not provide an accurate representation of underlying operational performance. At Fairlight we are of the view that not all earnings are created equal, and we believe a durable source of investing edge for us is correctly appraising the true earnings power of a business.

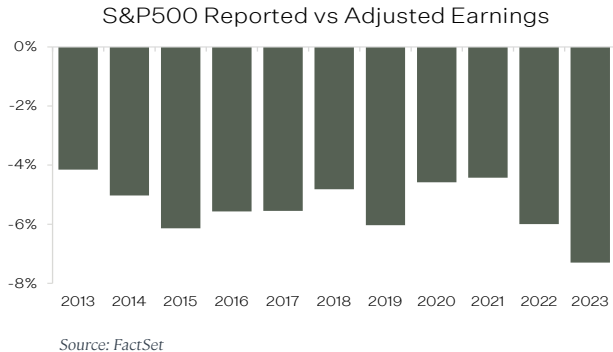
Should investors be concerned about Non-GAAP earnings?

In response to the challenges posed by the inflexible accounting rules, many management teams have turned to providing adjusted or ‘Non-GAAP’ earnings. In principle this is a useful practice as it provides management an avenue to help investors better understand the underlying performance of the business. However, we are increasingly witnessing companies that are remunerating management based on Non-GAAP earnings targets and as a result unsurprisingly the magnitude and frequency of ‘one-off’ adjustments are increasing. According to our analysis, the average gap between reported and adjusted earnings for the S&P500 reached a record 7% in 2023 (refer to Figure 1).

It is relatively easy to picture a scenario where a management team makes a small adjustment to reach performance targets and is then emboldened each year to make larger and larger adjustments. It is important to note that unlike GAAP earnings which are policed by the SEC and other regulatory bodies, there is no official oversight over whether items qualify to be adjusted out. We are reliant on management’s discretion and the only people checking this homework is the Board of Directors (history suggests a board can be led astray by a charismatic CEO) and ultimately us as investors.

At Fairlight we employ two defenses to avoid poor quality earnings; 1) we avoid companies which use excessive one-off adjustments and 2) focus on companies with simple business models, simple accounting treatments and consistently high cash conversion.

Figure 1.



Fairlight adjusted earnings

A key step in the Fairlight investment process for a prospective stock is for an analyst to model the earnings of the business (often over decades) from the reported financial statements using a set of standardized rules. Fairlight does not use any third-party data providers such as sell side brokers when populating historical financial data. By applying a consistent set of rules to businesses in different sectors and geographies, we ensure that we can accurately compare the earnings power and ultimately valuations to make informed decisions. Fairlight’s adjusted earnings allows adding back expenses relating to:

- intangible amortization relating to acquisitions (unless the business requires consistent acquisitions to maintain its competitive advantage); and
- one-off expenditures that temporarily obscure the true earnings power of the business.

Unlike many market participants, we treat the following as real expenses:

- stock based compensation; and
- expenditures indicated as ‘one-off’ by management that have a history of recurring.

At certain times of market enthusiasm enforcing these rules can feel curmudgeonly, however it has been our experience that employing these rules in a disciplined manner over the long term has helped us to avoid owning or overpaying for businesses where management’s claimed accounting profits don’t match the dollars arriving in the bank.

The Fairlight View

Discussing the intricacies of accounting adjustments, amortization and depreciation schedules may not be as exciting to read about as the growth trajectory of the next AI stock, however it forms an important part of our investment process. Based on our experience, we believe the disciplined use of standardised accounting treatments can both uncover mispriced opportunities where the true earnings power of a business is being obscured by rigid accounting rules and lower risk by avoiding businesses with only paper profits.

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.