

# Global Small & Mid Cap Fund Overview

November 2021

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Fairlight Small & Mid Cap Fund	Parameters
Stock numbers	30-40
Market capitalisation	US\$500m-\$30bn
Style	Long only quality
Investment horizon	5+ years
Objective	10-12% through cycle / capital preservation
Benchmark	MSCI World SMID AUD (Net)

Auditor



Administrator



Responsible Entity



ESG

Signatory of:



Rating



Rating





Nicholas Cregan

Nicholas is a Portfolio Manager of the Fairlight Global SMID Fund.

Investment Experience: 18 years

- E&P (2014 – 2017): Portfolio Manager. Awarded “Best Global Fund” in 2016 with top decile performance since inception
- Schroders (2006 – 2013): Senior Analyst of the US\$7bn Small Mid Cap Fund covering 25% of fund assets. Portfolio Manager AUS Micro Cap Equities (11% pa outperformance over five years)

Qualifications:

- Bachelor of Business (Accounting, Law)
- FINSIA Applied Valuation, UTS Fin Cert. Dip. Derivatives



Ian Carmichael, CFA

Ian is a Portfolio Manager of the Fairlight Global SMID Fund.

Investment Experience: 13 years

- Watermark (2017 – 2018): Portfolio Manager
- Platinum (2013 – 2017): Team leader of Consumer team, managing a \$100m sleeve. Analyst coverage of healthcare sector.
- MLC (2008 – 2013): Senior Analyst & PM at MLC Multi Asset.

Qualifications:

- Bachelor of Chemical Engineering & Masters of Biomedical Engineering
- Chartered Financial Analyst



Will Dowd, CFA

Will is responsible for investment analysis and database design.

Investment & Analytics Experience: 10 years

- E&P (2015 – 2017): Global equity analyst
- Ernst & Young (2011 – 2015): Senior Consultant (data analytics & advisory)

Qualifications:

- Bachelor of Business Systems
- Masters of Finance
- Chartered Financial Analyst



Alvis Peggion, CFA

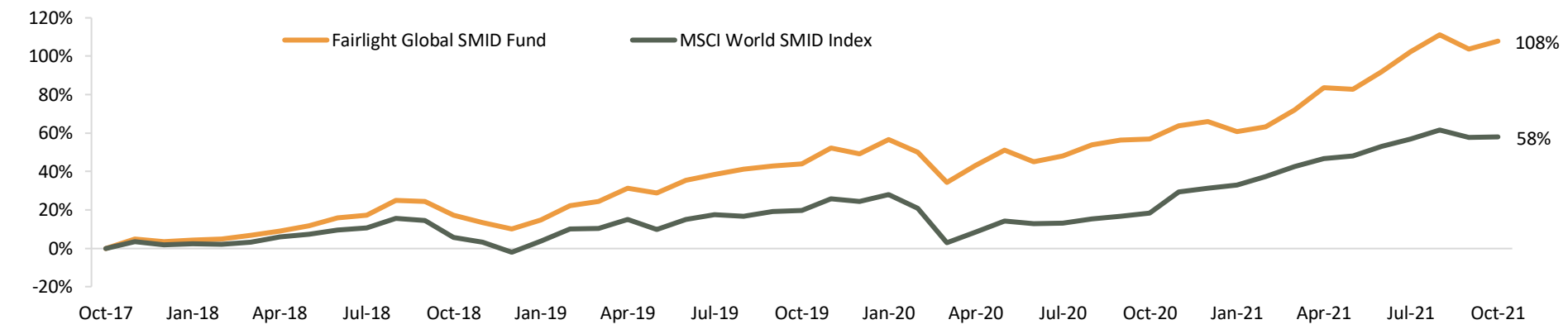
Alvis is responsible for investment analysis.

Investment Experience: 8 years

- Forager Funds Management (2013 – 2019): Global equity analyst

Qualifications:

- Bachelor of Finance (1st Class Honours)
- Chartered Financial Analyst



October 2021

FAM: +2.0%

Benchmark: +0.1%

Outperformance: +1.8%

Return Profile

Upside capture: 118%

Downside capture: 77%

8% p.a. outperformance  
(20% p.a. abs.) since 1st of  
November 2017

Source: FactSet Portfolio Analytics. Returns are since inception (November 1st 2017), net of fees and indicative only. Past performance is not a reliable indicator of future performance

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## ↳ Why Global Small & Mid Cap?

Investment Philosophy

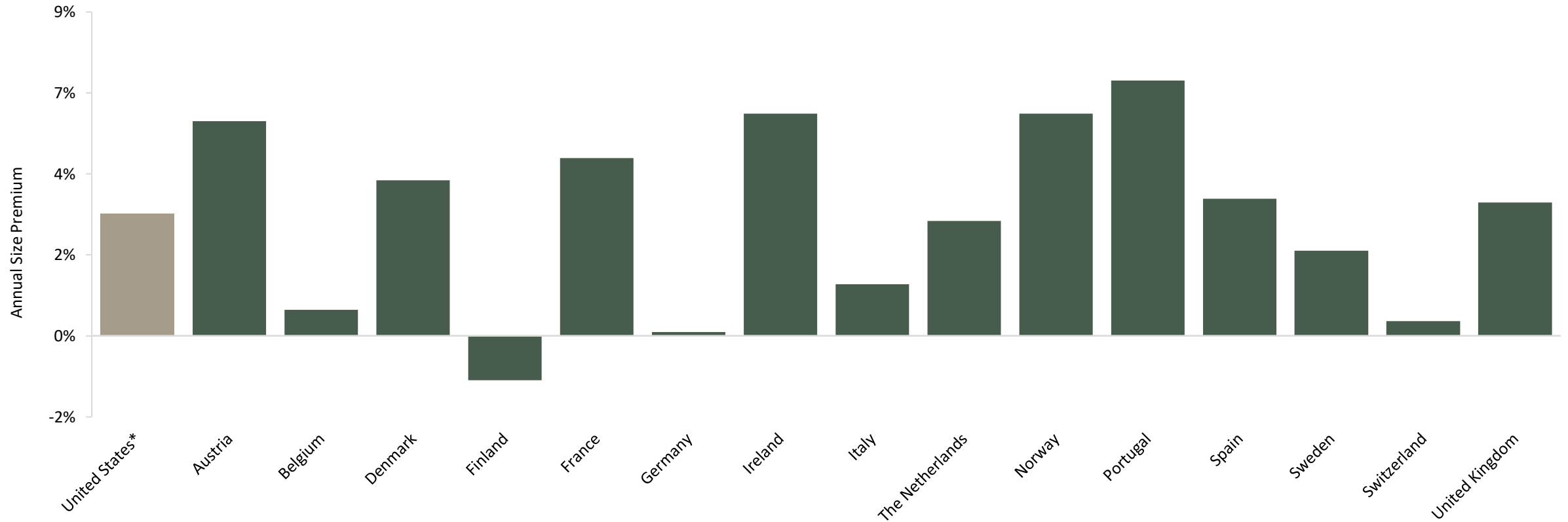
Portfolio Management

A Historical Perspective

Appendix

Investment Examples

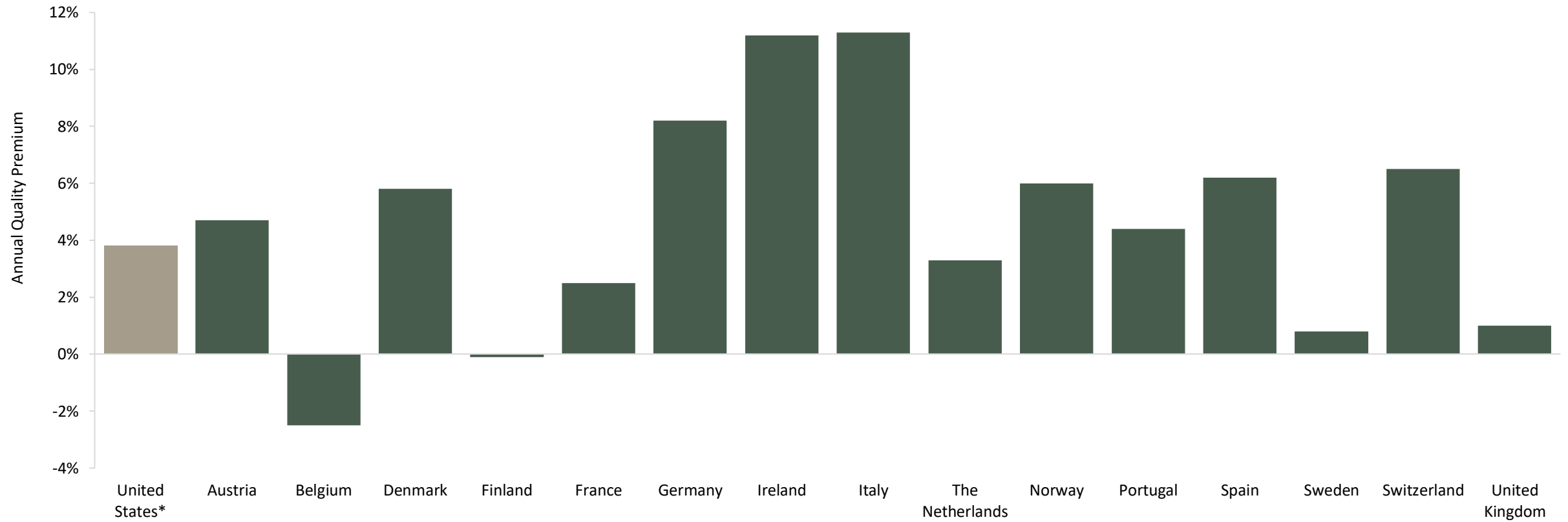
# Belief 1: Smaller companies outperform



\*U.S. 1927-2015; European markets 1982-2014

Sources: Berkin & Swedroe, "Your Complete Guide to Factor-Based Investing", 2016.

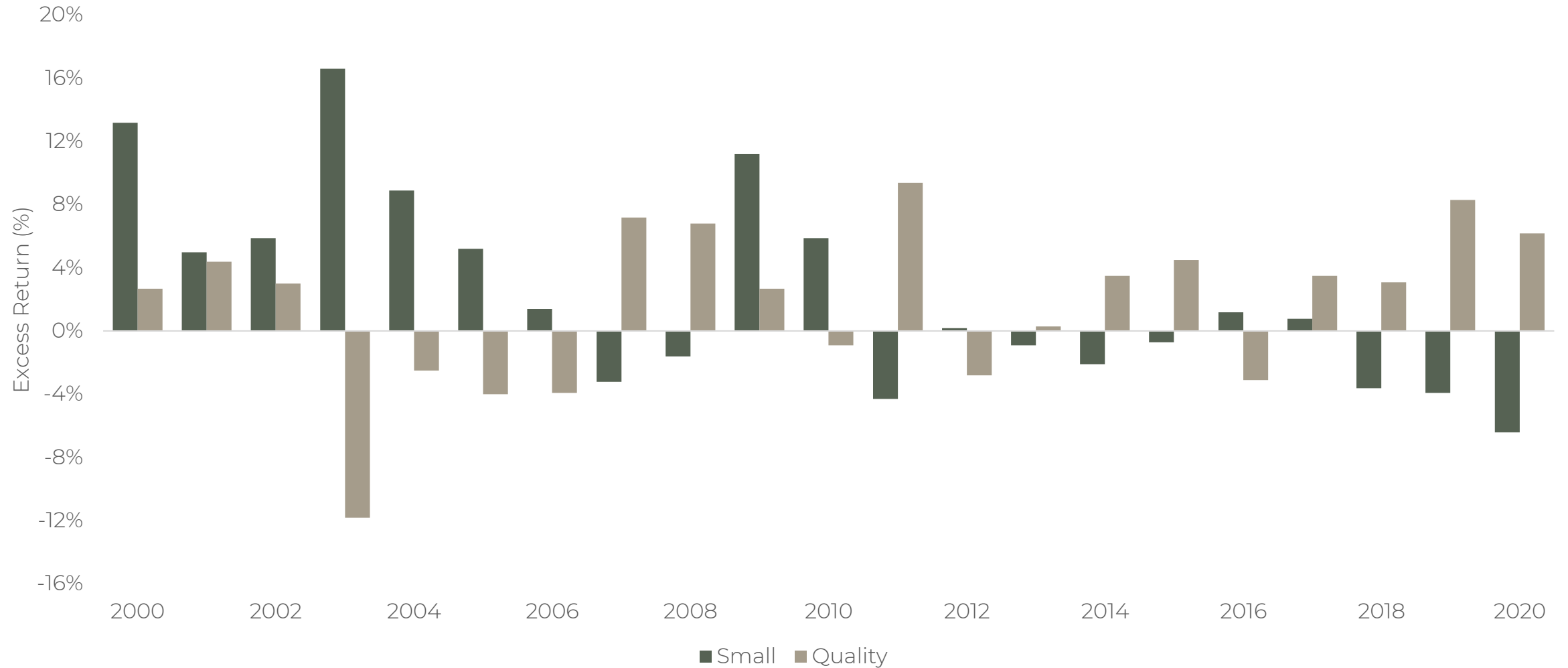
Black & Meyer-Brauns, "Dimensions of Equity Returns in Europe", 2015.



\*U.S. 1927-2015; European markets 1982-2014  
 Sources: Berkin & Swedroe, "Your Complete Guide to Factor-Based Investing", 2016.  
 Black & Meyer-Brauns, "Dimensions of Equity Returns in Europe", 2015.



### Belief 3: Small and quality investing styles blend beneficially



Source: MSCI. Returns are relative to MSCI World Index in USD

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Investment Examples

1. High quality growth companies

- Network effects
- High ROIC growth capex

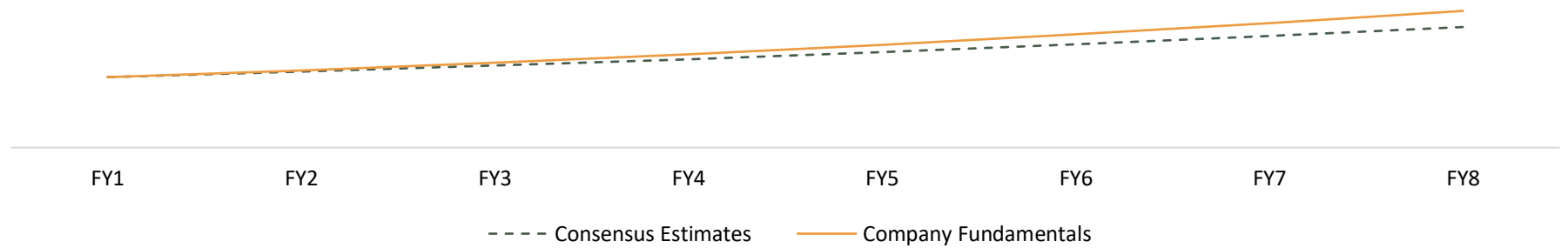
2. Stable compounders

- Unusually stable cash flows
- Modest revenue growth
- Margin expansion
- Sound capital allocation

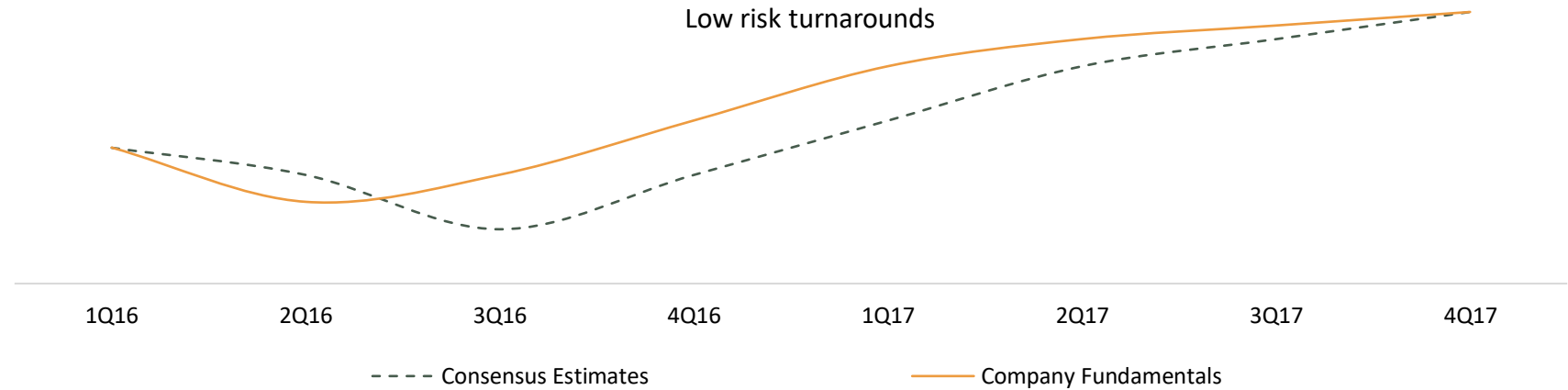
3. Low risk turnarounds / Special situations

- Quality core
- Requires strategic review or new management
- Divestment of non-core assets
- Spin-offs

High quality growth & stable compounders



Low risk turnarounds



High Quality Growth 40%



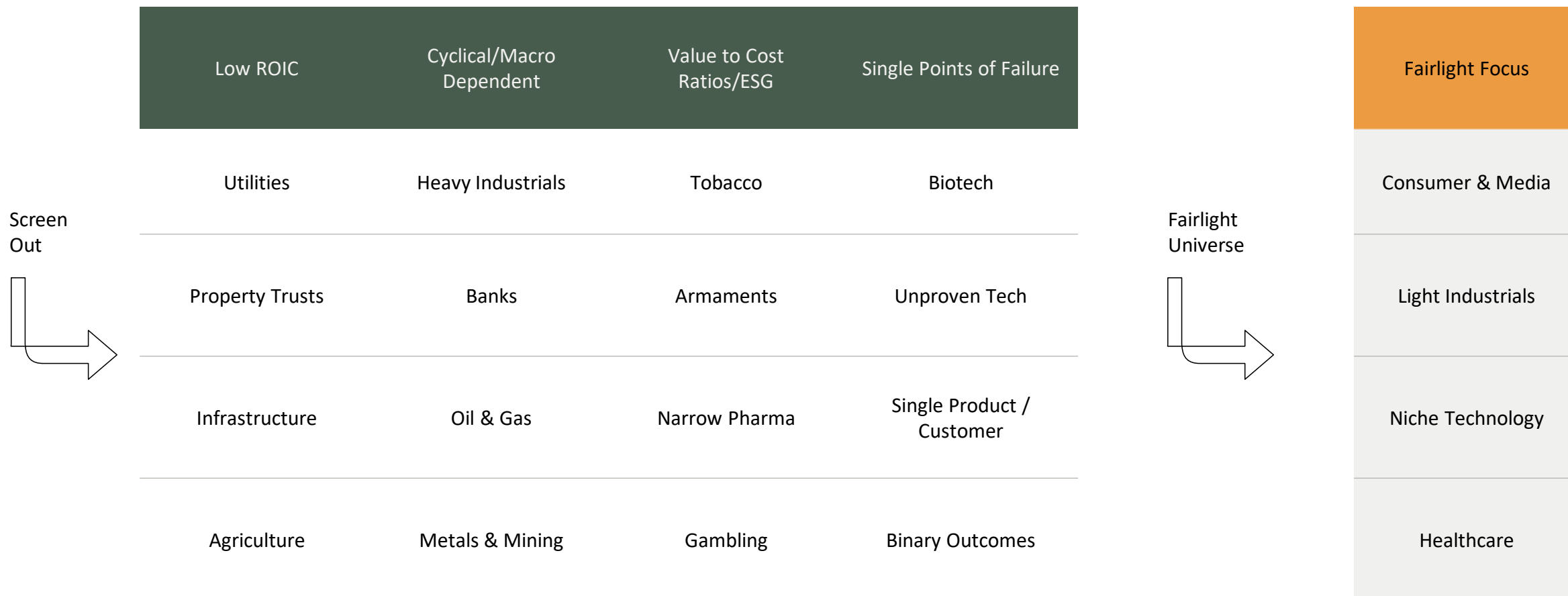
Stable Compounders 40%

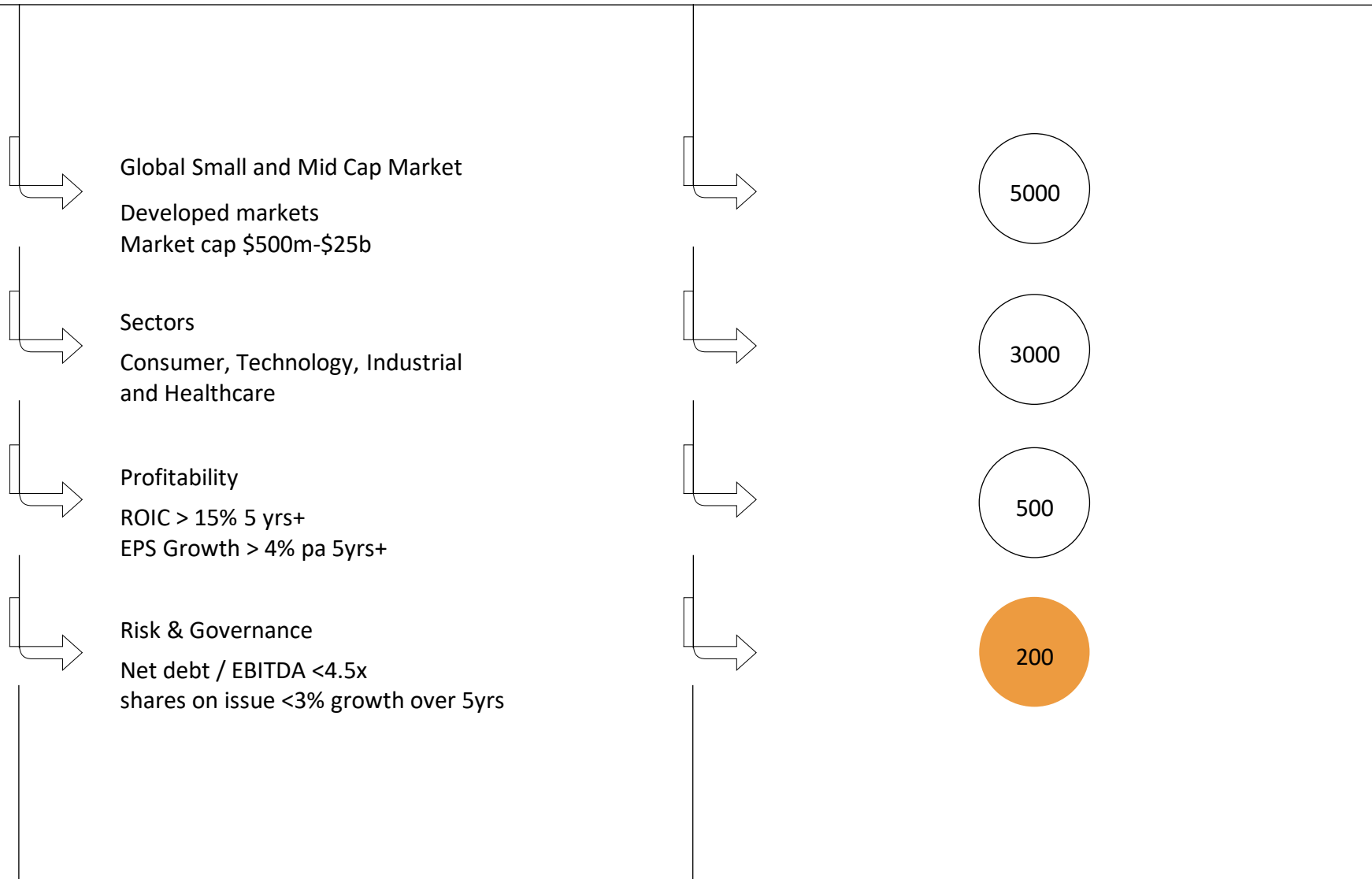


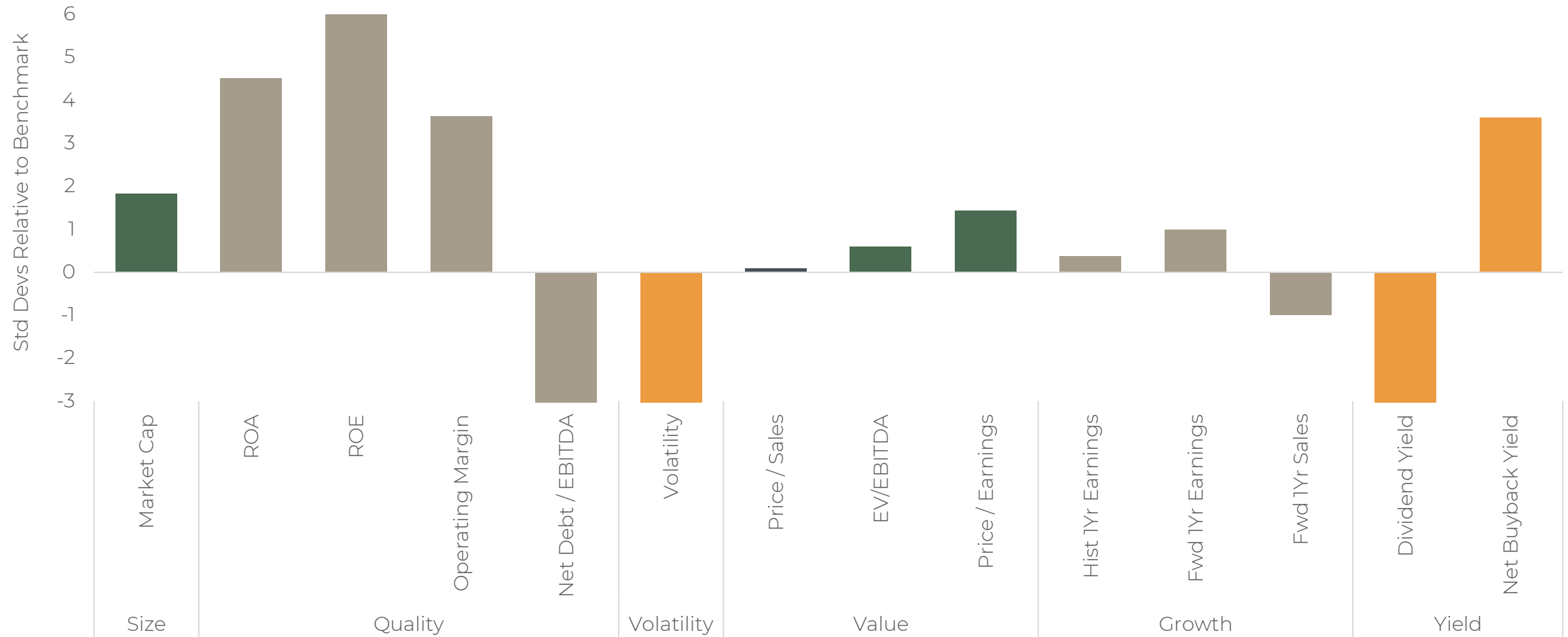
Turnarounds / Special Situations 15%



Cash 0-5%







Source: FactSet Portfolio Analytics. Portfolio as at 30 September 2021. Benchmark is MSCI World Small and Mid Cap Index.

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↳ **Portfolio Management**

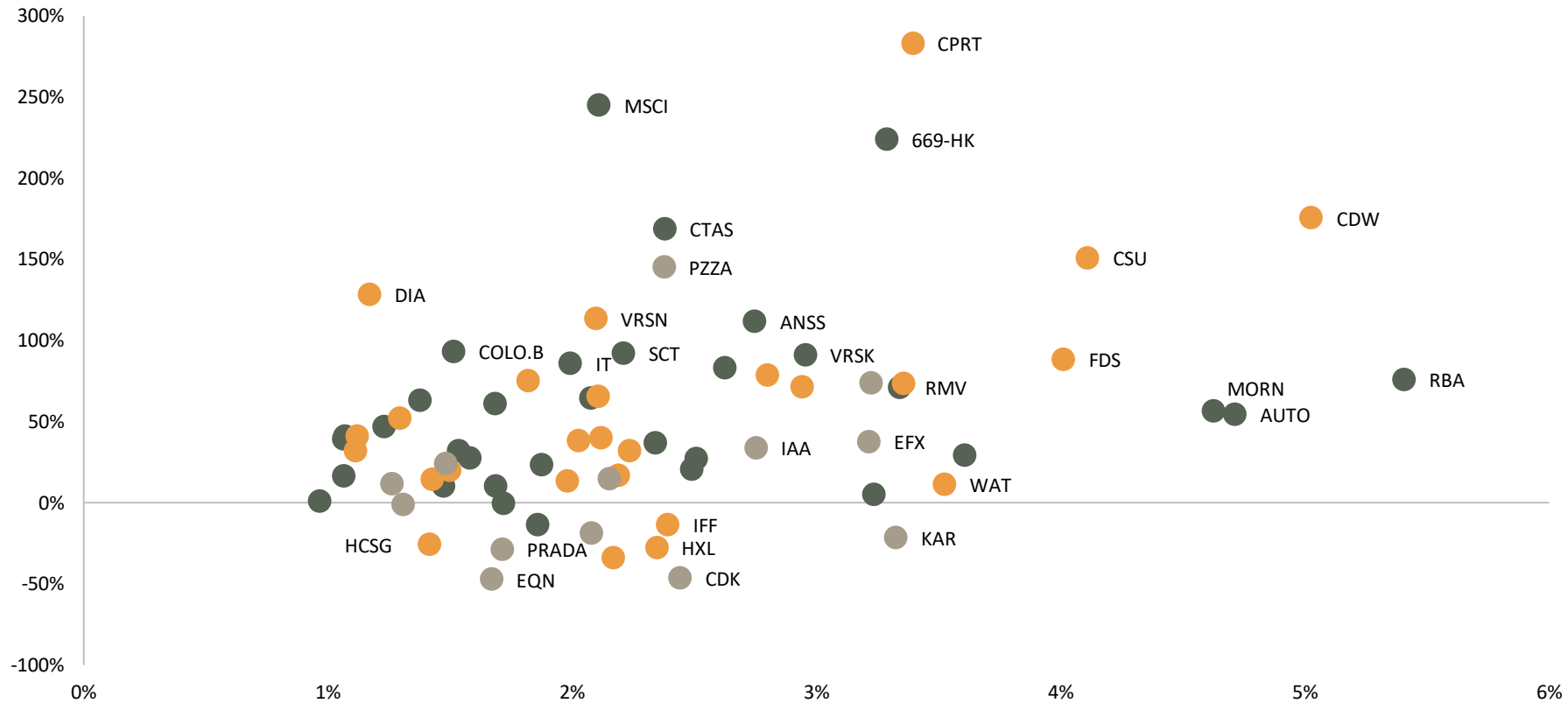
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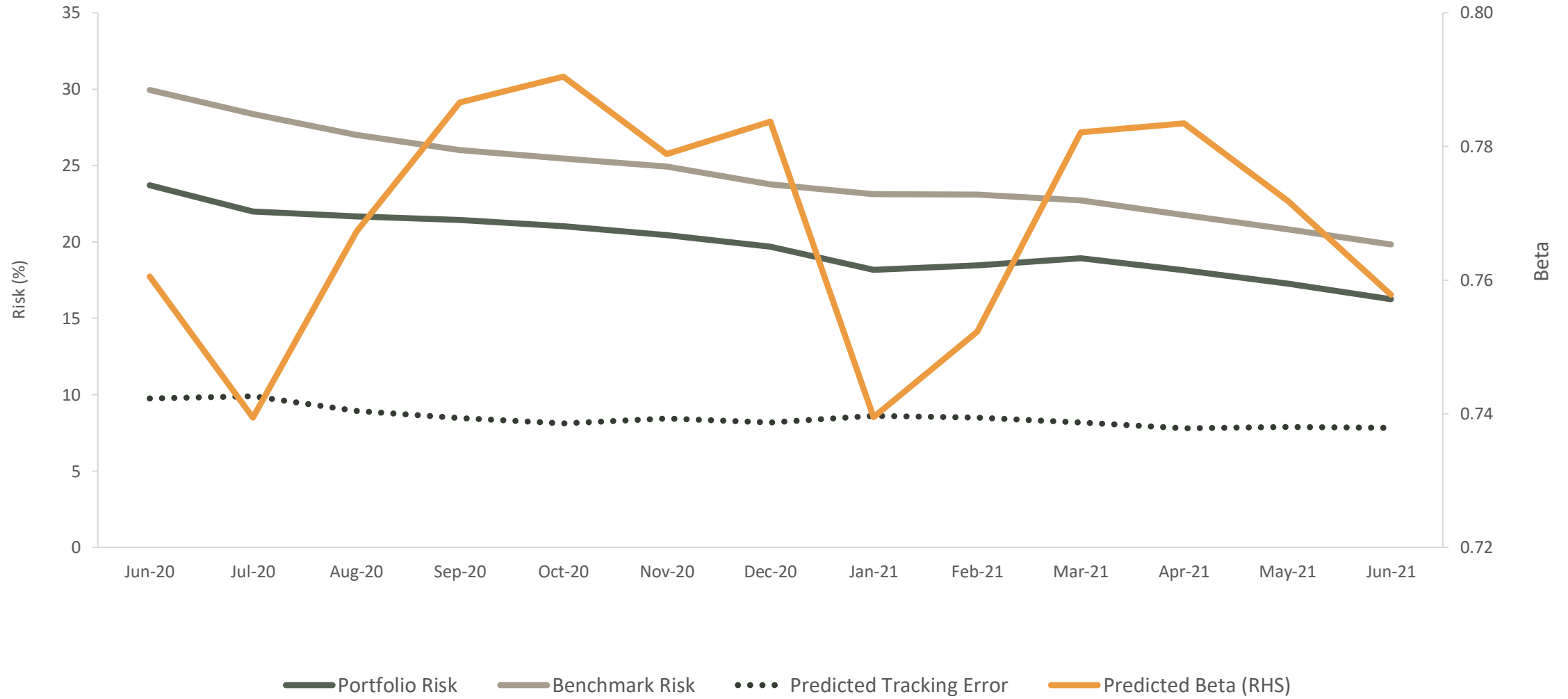


Stock Attribution (Returns vs Average Portfolio Weight)



Type	Contr. to Return	Average Weight
HQG	61%	40%
SC	44%	36%
LRT/SS	6%	14%
Cash	4%	11%
<b>Total</b>	<b>114%</b>	<b>100%</b>

Source: FactSet Portfolio Analytics. Returns are since inception (November 1st 2017). Updated December 2020.

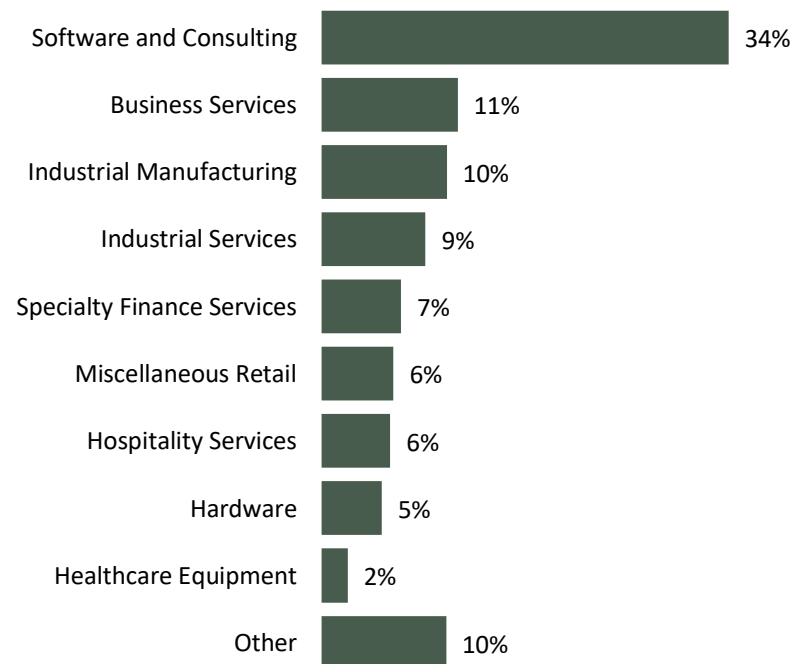


Top 10 Holdings

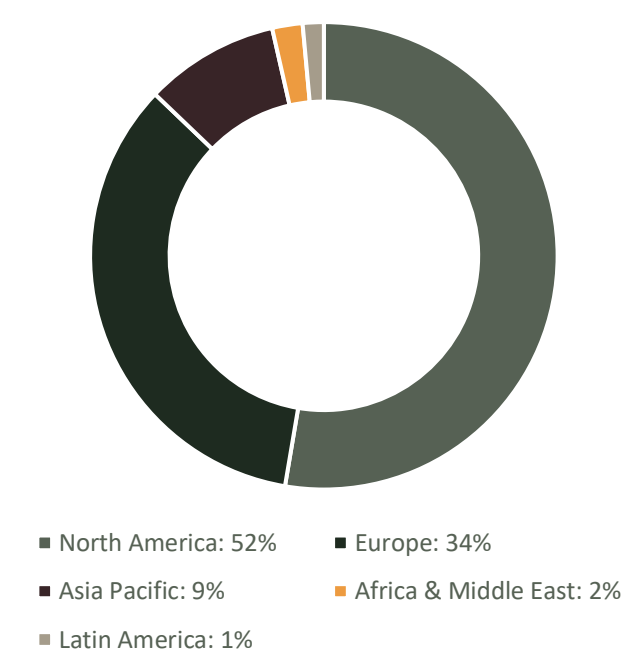
Auto Trader Group PLC
CDW Corp.
Copart, Inc.
Constellation Software Inc.
Domino's Pizza Group plc
Equifax Inc.
Morningstar, Inc.
Ritchie Bros. Auctioneers Incorporated
Techtronic Industries Co., Ltd.
Temenos AG

**Top 10 represent 43% of the portfolio**

Revenue Exposure by Sector



Revenue Exposure by Geography



Source: FactSet Portfolio Analytics. Updated May 2021.

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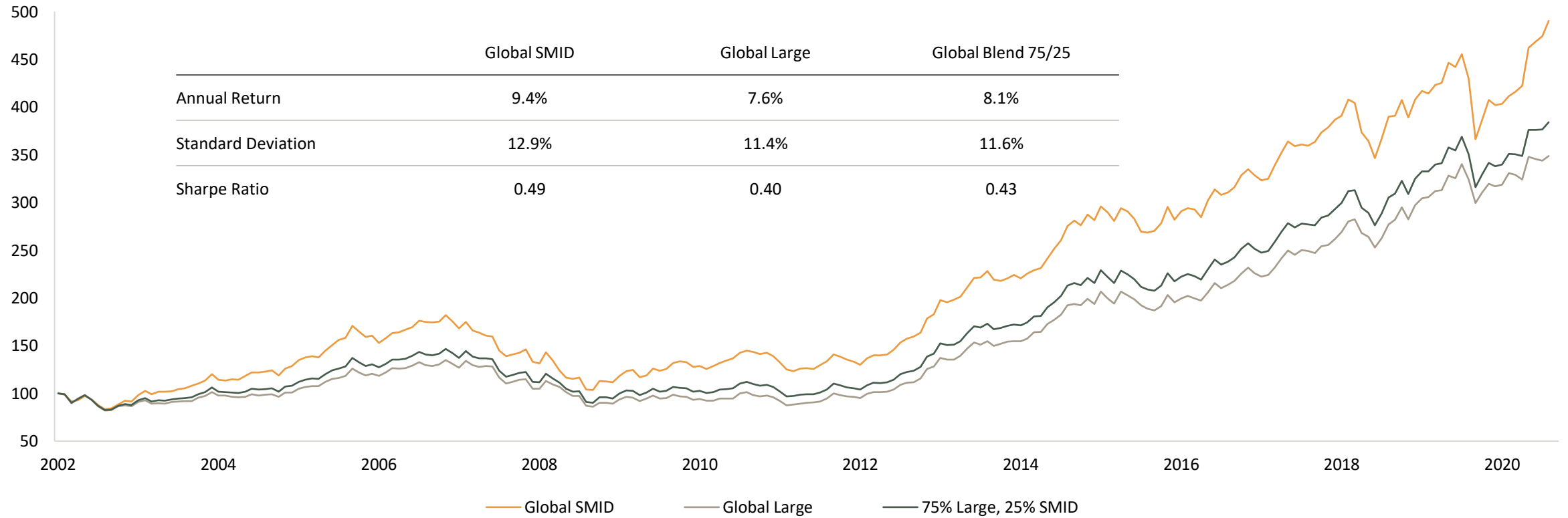
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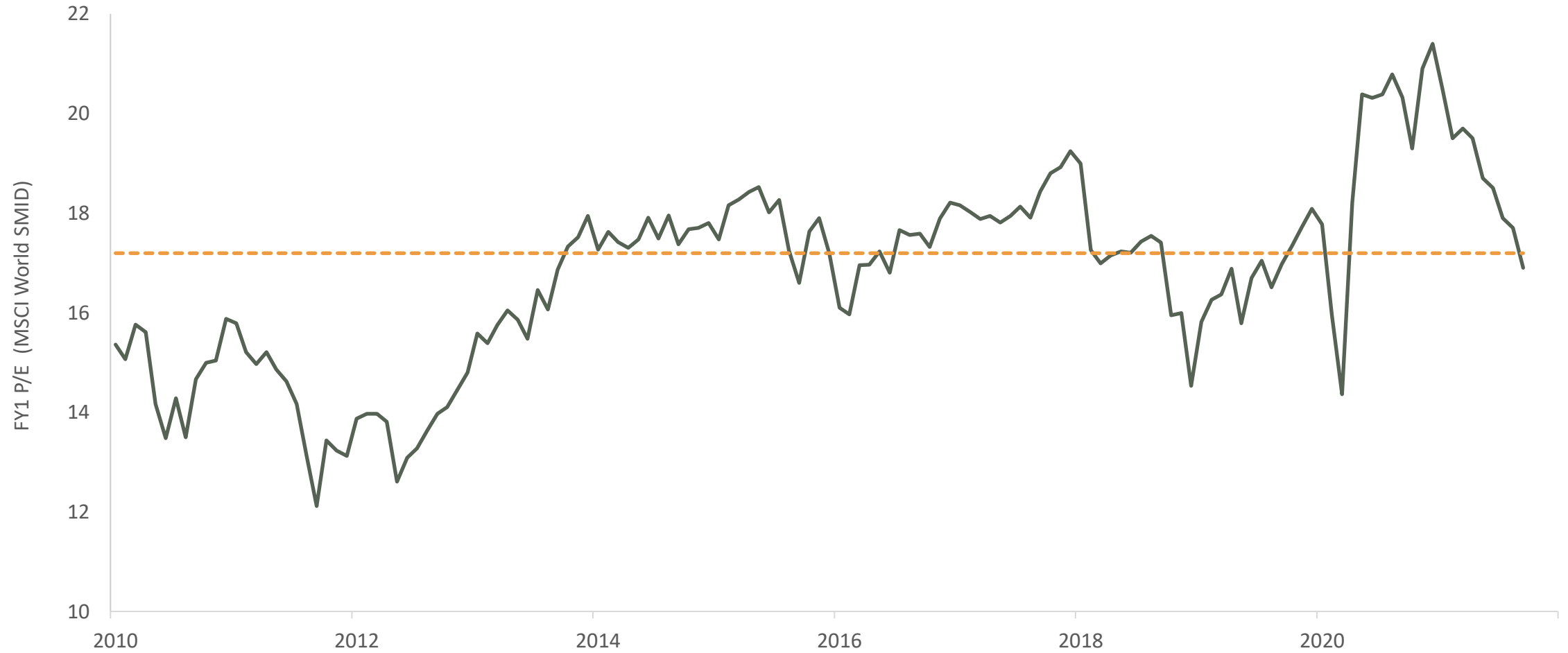
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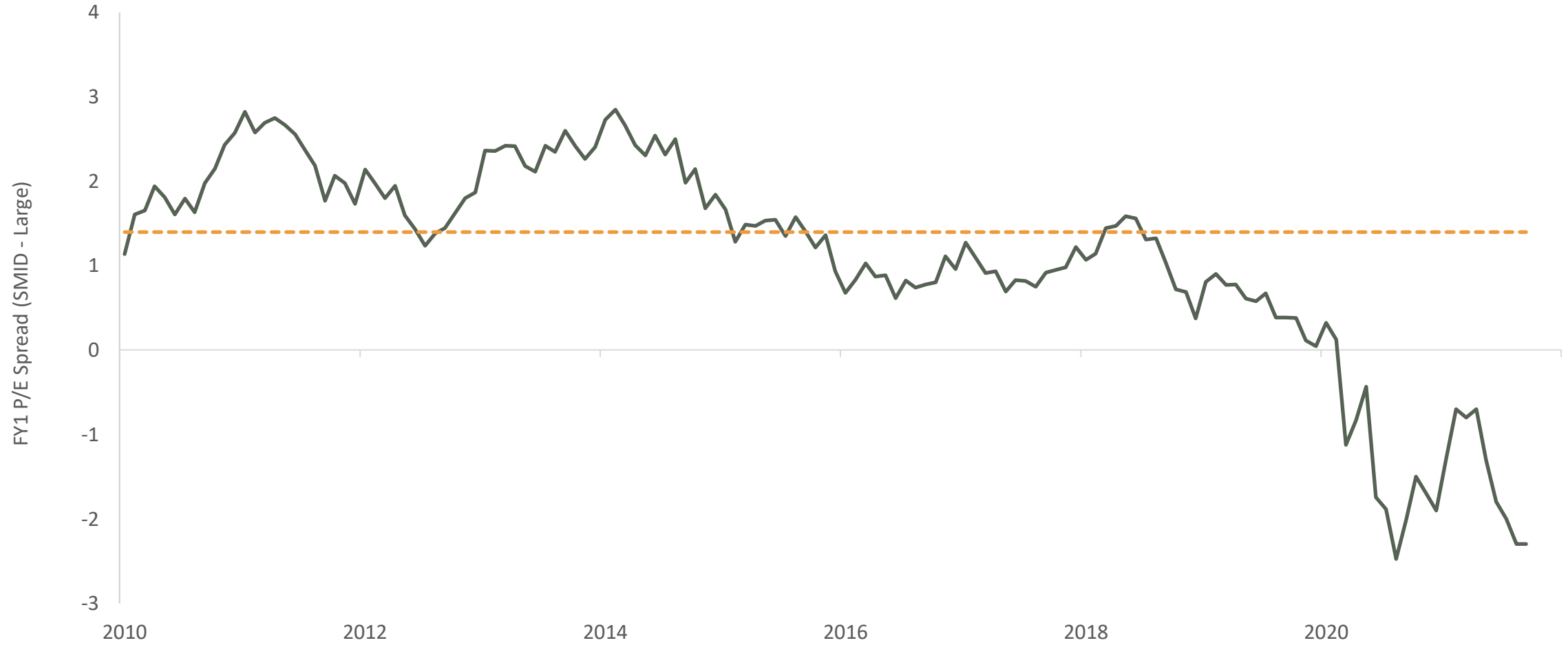
Investment Examples



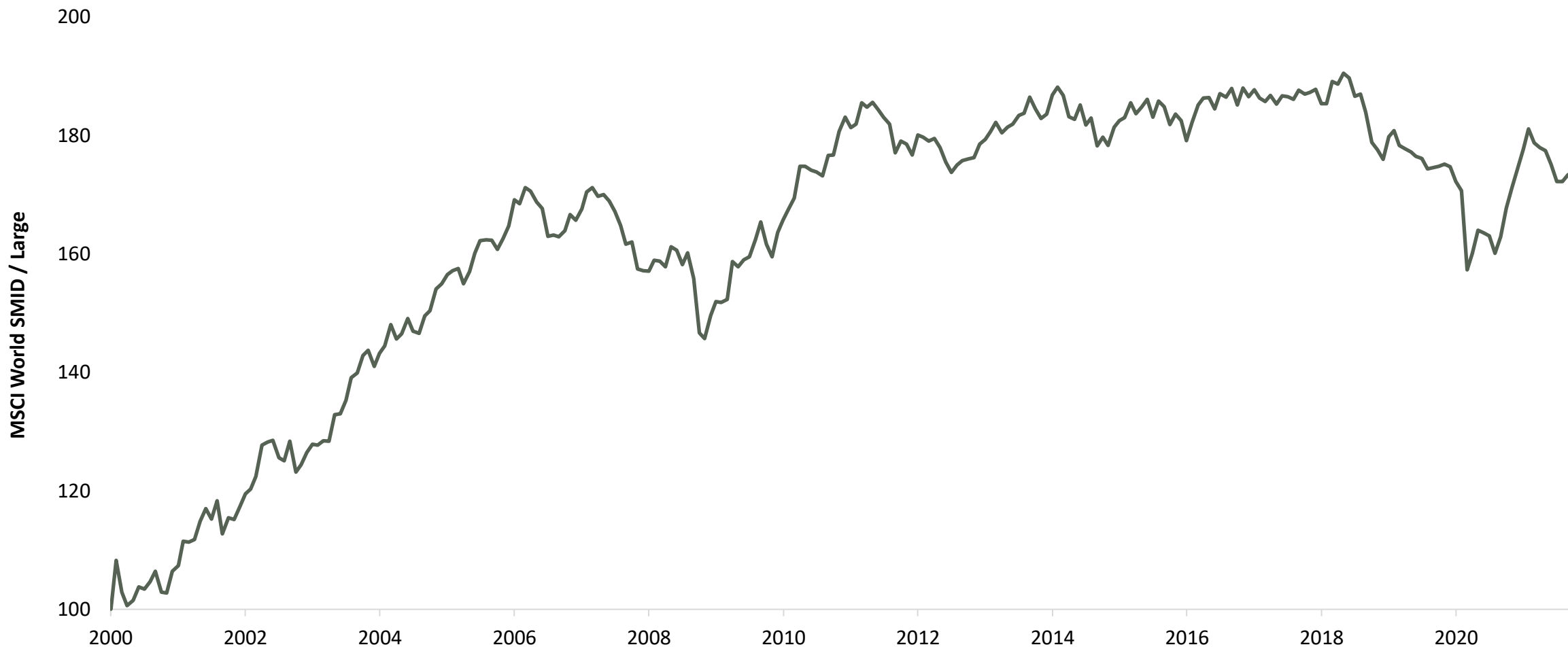
Source: MSCI and Factset



Source: MSCI, Factset



Source: MSCI, Factset



Source: MSCI, Factset



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