Global Small & Mid Cap Fund

Strategy Update

September 2026

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The ratings published on 04/2025 for Fairlight Global Small & Mid Cap Fund (APIR: PIM7802AU) and Fairlight Global Small & Mid Cap Fund (APIR: PIM0941AU) are issued by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec Research). Ratings are general advice only and have been prepared without taking account of investors' objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The ratings are not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec Research assumes no obligation to update. Lonsec Research uses objective criteria and receives a fee from the Fund Manager. Visit lonsec.com.au for ratings information and to access the full report. © 2025 Lonsec. All rights reserved.

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Fairlight Small & Mid Cap Fund	Parameters
Stock numbers	30-40
Market capitalisation	US$500m-$40bn
Style	Long only quality
Investment horizon	5+ years
Objective	Benchmark +3-5%
Benchmark	MSCI World SMID AUD (Net)

Auditor

EY

Administrator

APEX

Responsible Entity

Perpetual

Distribution

Perennial Partners

Rating

Zenith HIGHLY RECOMMENDED

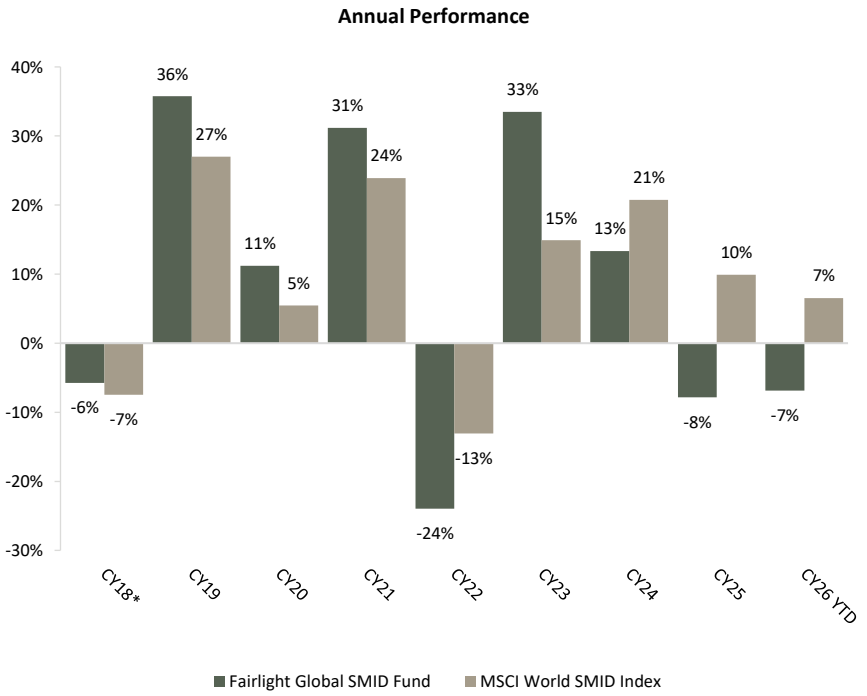
Rating

Recommended Lonsec Research

Unit Trust Performance

FAIRLIGHT

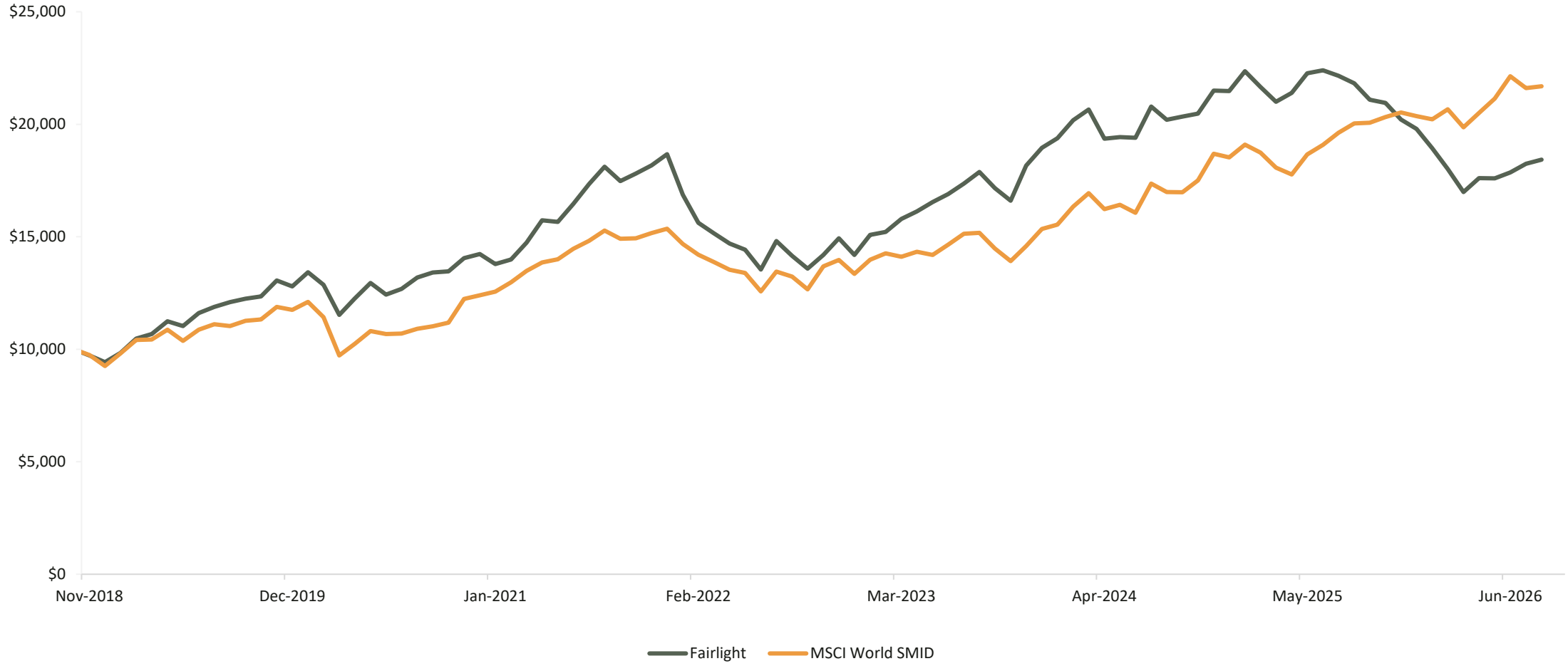
Performance to Aug-26	Since Inception	Since Inception p.a.	5 Years p.a.	3 Years p.a.	1 Year	3 Months	1 Month
Fairlight Global SMID Cap Fund	84.3%	8.1%	0.3%	1.0%	-15.5%	4.8%	1.0%
MSCI World SMID Cap Index	116.9%	10.4%	7.3%	12.7%	8.2%	2.6%	0.3%
Outperformance	-32.6%	-2.3%	-6.9%	-11.6%	-23.7%	2.2%	0.7%



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

Unit Trust Performance

FAIRLIGHT



Source: Fairlight

Screen out low quality, low cash generative, macro dependent sectors

FAIRLIGHT

Screen Out

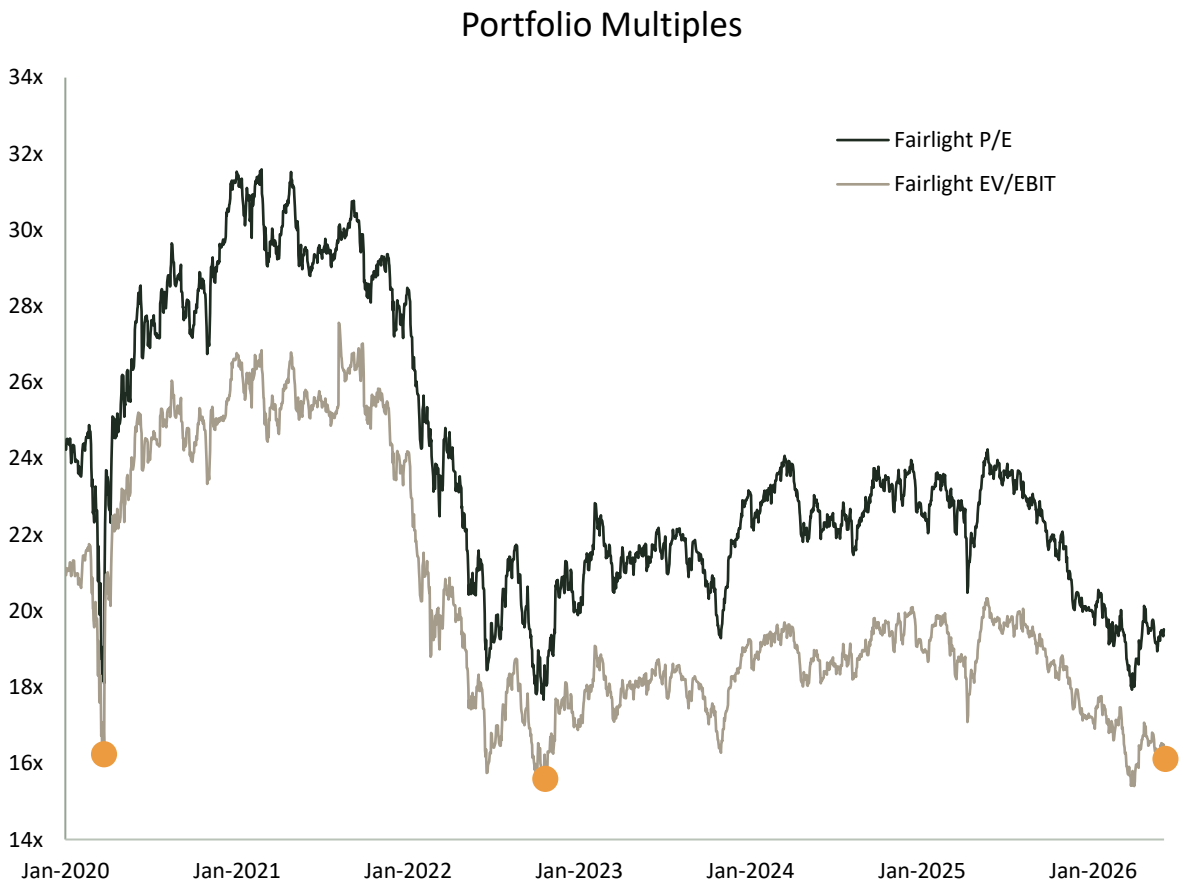
Low ROIC	Cyclical/Macro Dependent	Value to Cost Ratios/ESG	Single Points of Failure
Utilities	Heavy Industrials	Tobacco	Biotech
Property Trusts	Banks	Armaments	Unproven Tech
Infrastructure	Oil & Gas	Aggressive Pharma	Speculative Assets
Agriculture	Metals & Mining	Gambling	Binary Outcomes

Fairlight Universe

Fairlight Focus
Niche Technology / Business Services
Light Industrials
Healthcare
Consumer & Media

EPS through time

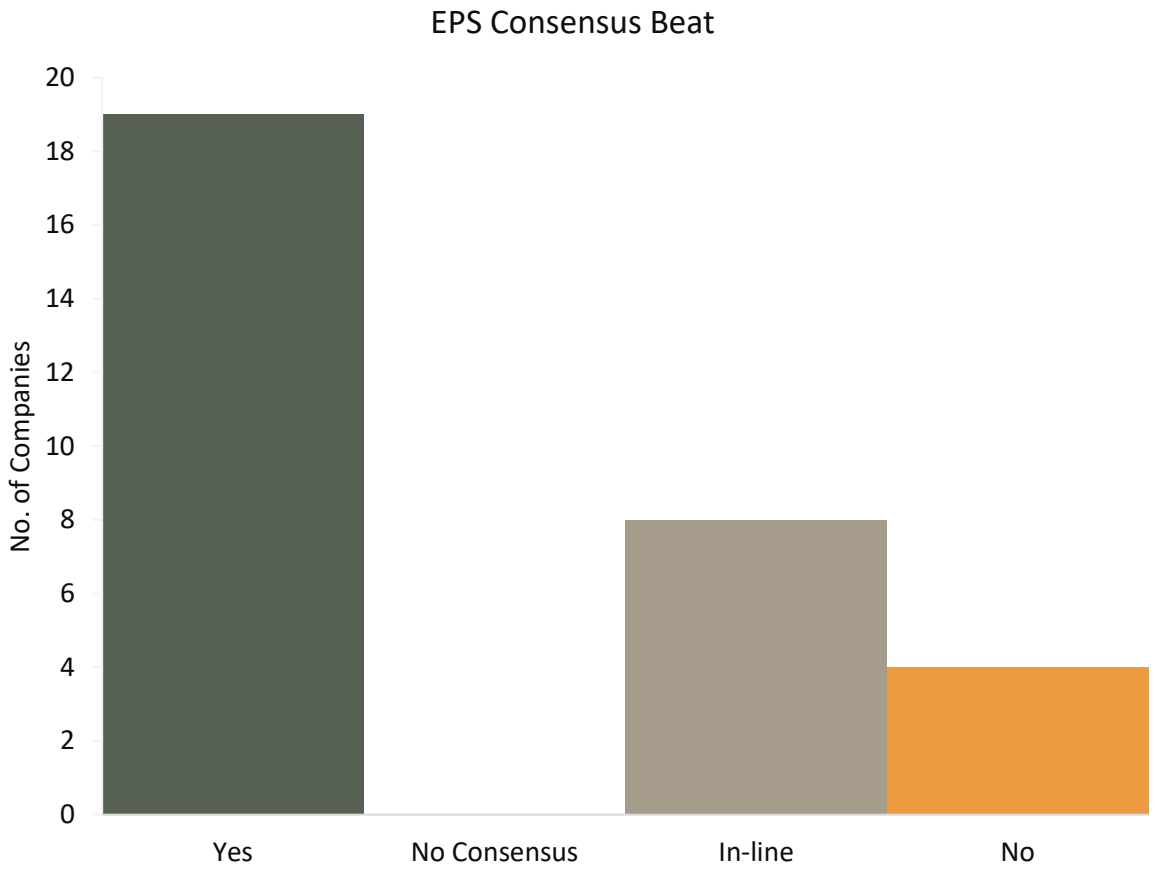
EPS Growth (USD)		
CY	**Benchmark**	**Fairlight**
2018*	22%	**15%**
2019	-7%	**12%**
2020	-42%	**5%**
2021	130%	**32%**
2022	13%	**19%**
2023	-13%	**6%**
2024	5%	**7%**
2025	10%	**13%**
EPS CAGR	**7%**	**13%**

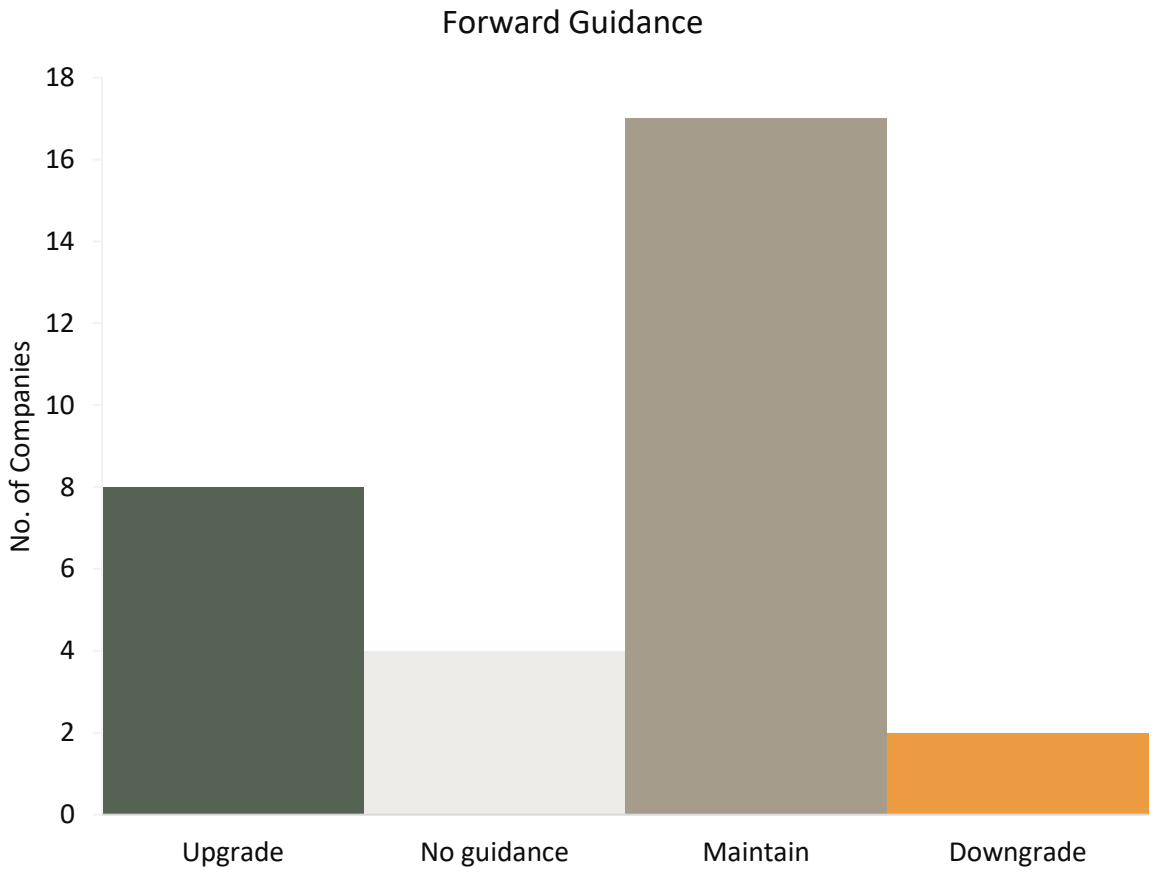


Sources: FactSet Portfolio Analytics, Fairlight. CY2018 data have been annualised to reflect the Trust's inception in November 2018.
Past performance is not indicative of future performance.

Q2 portfolio results

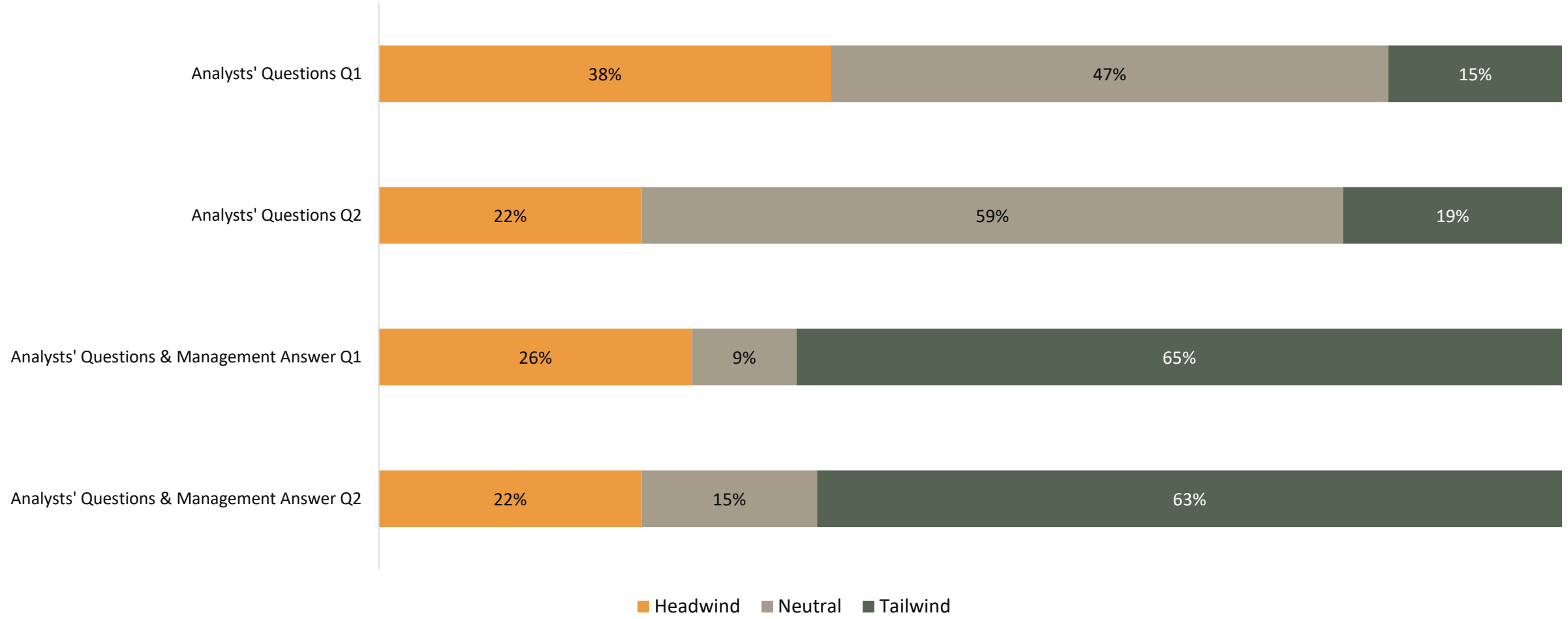
FAIRLIGHT





Sources: FactSet, Company filings. Updated August 2026.

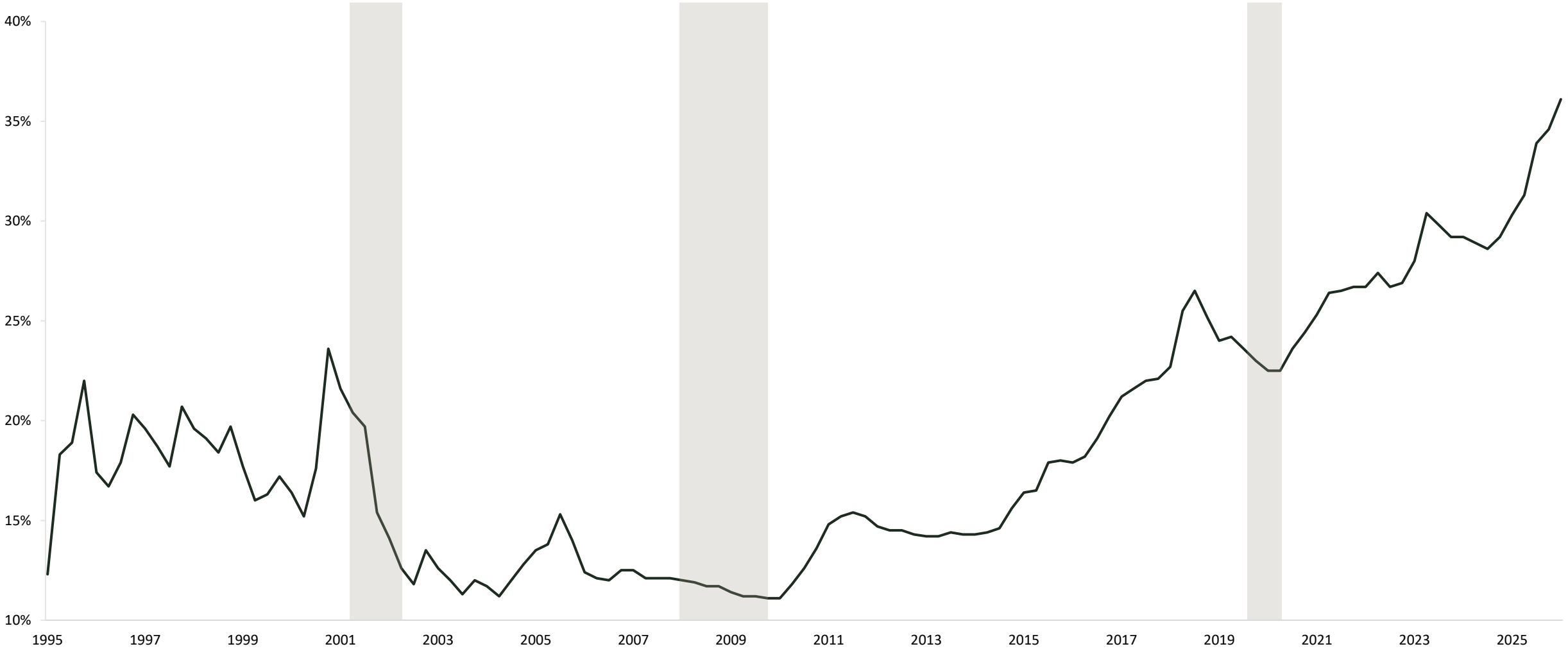
Quarter on quarter sentiment on AI



Sources: Company's Fillings, Fairlight. Q1 n = 34 and Q2 n = 27.
This information is general advice only and does not take into account your personal objectives.

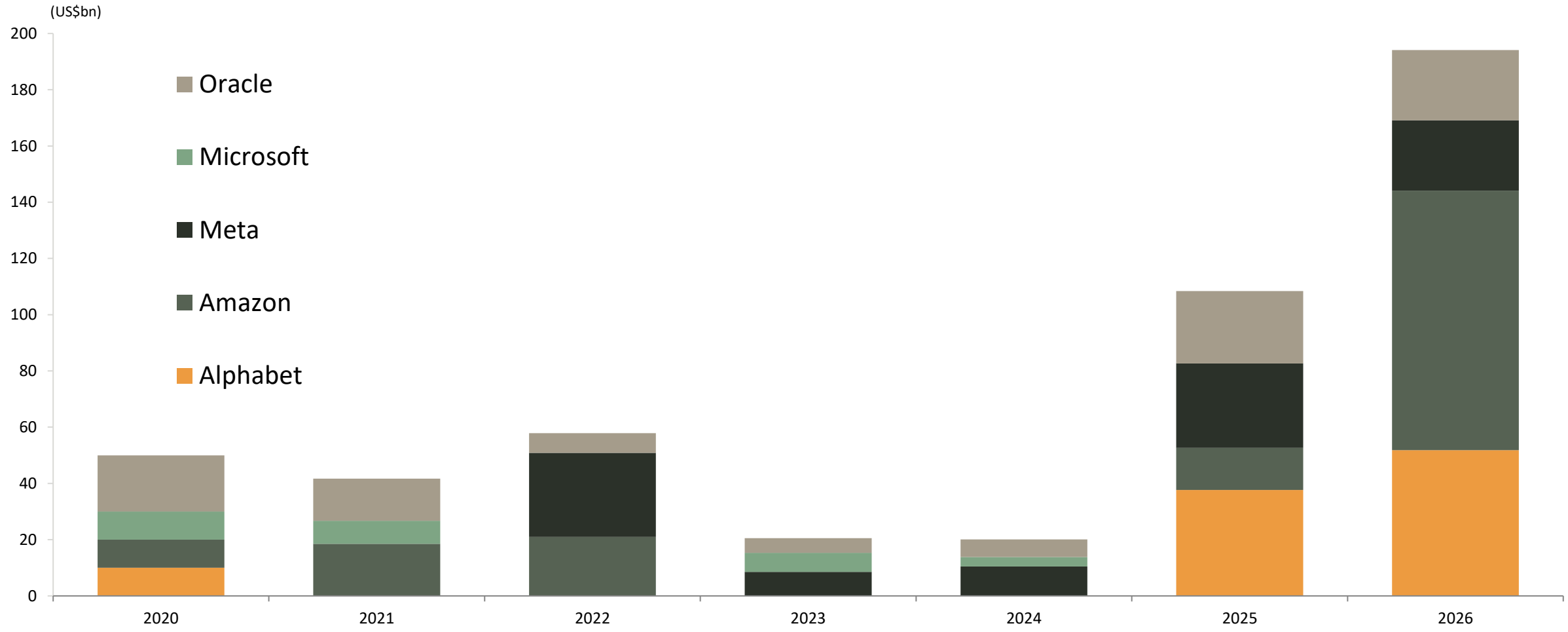
S&P 500 IT Sector Capex Now Accounts for More Than a Third of S&P 500 Capex Spending

FAIRLIGHT



Source: Bloomberg, Macrobond, Apollo Chief Economist

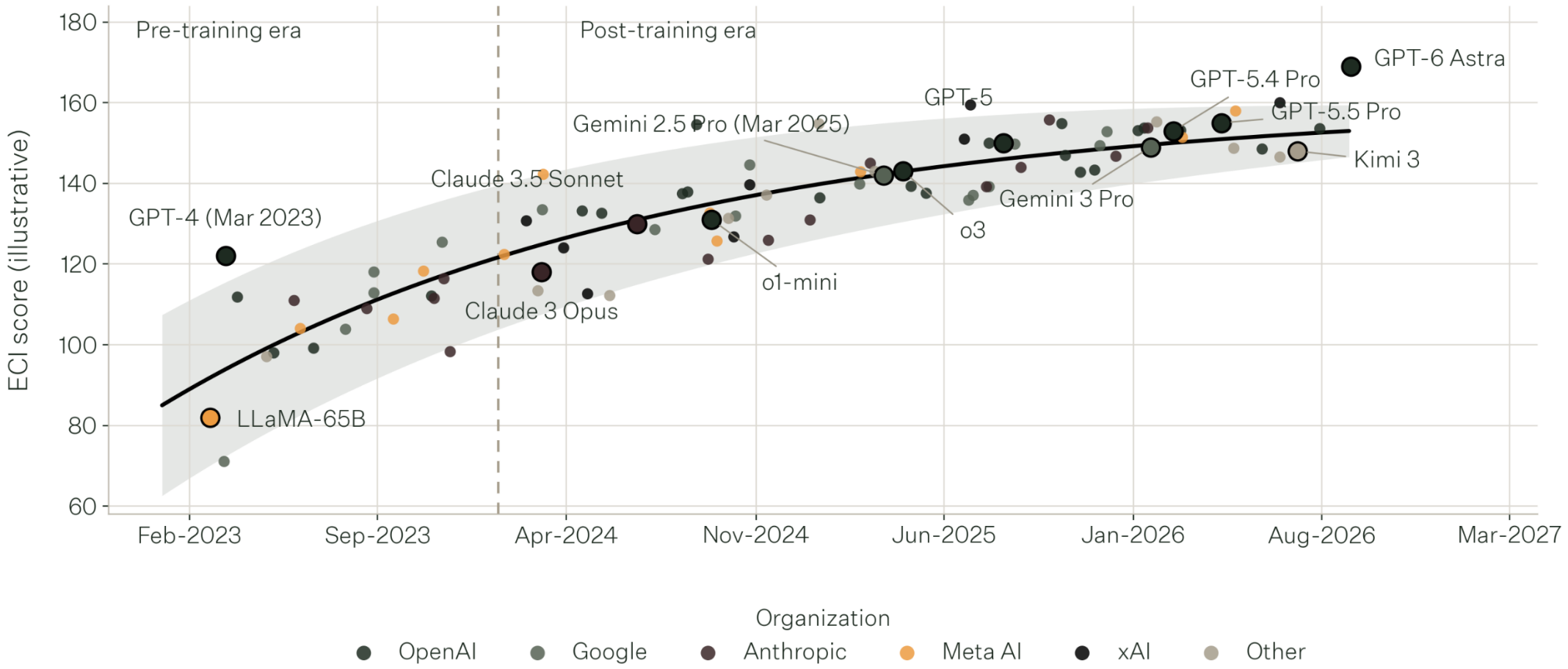
Hyperscalers bond issuance



Source: Jefferies, Bloomberg. Updated July 8, 2026.

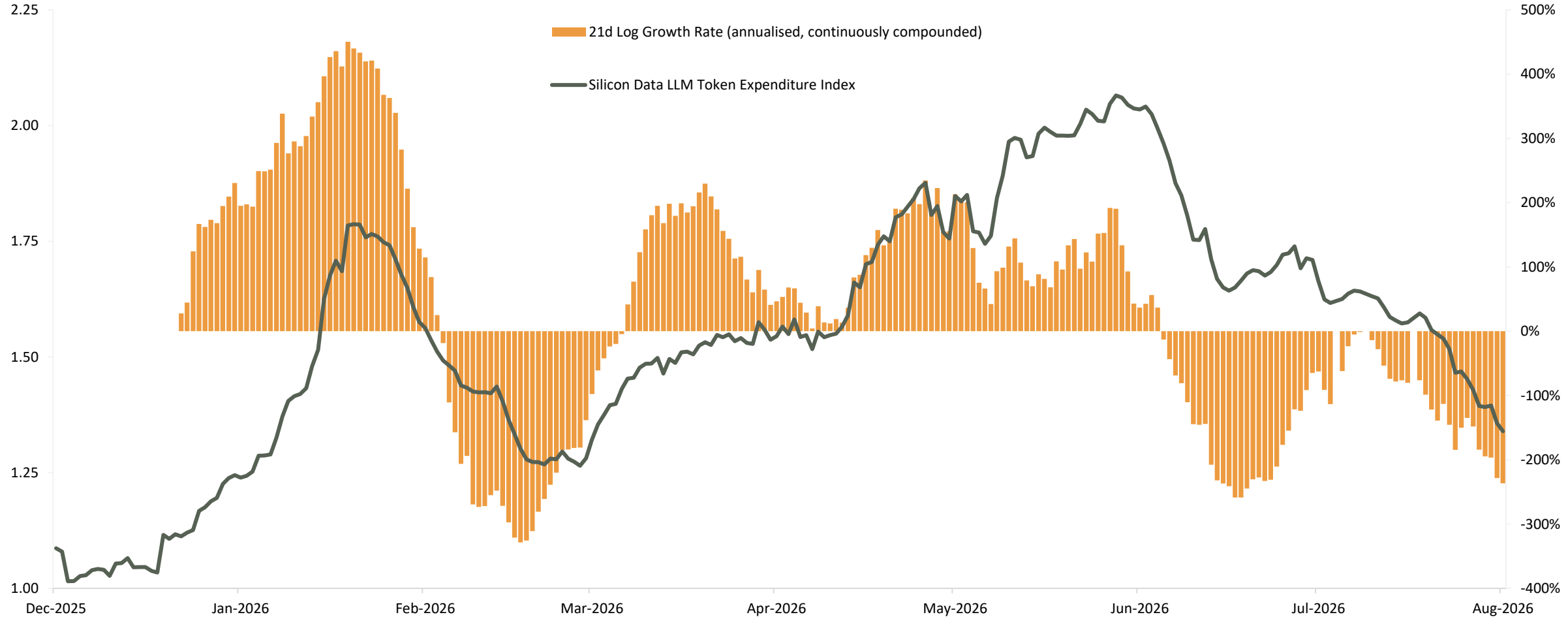
Model convergence in the post-training era

FAIRLIGHT



Source: Epoch.ai

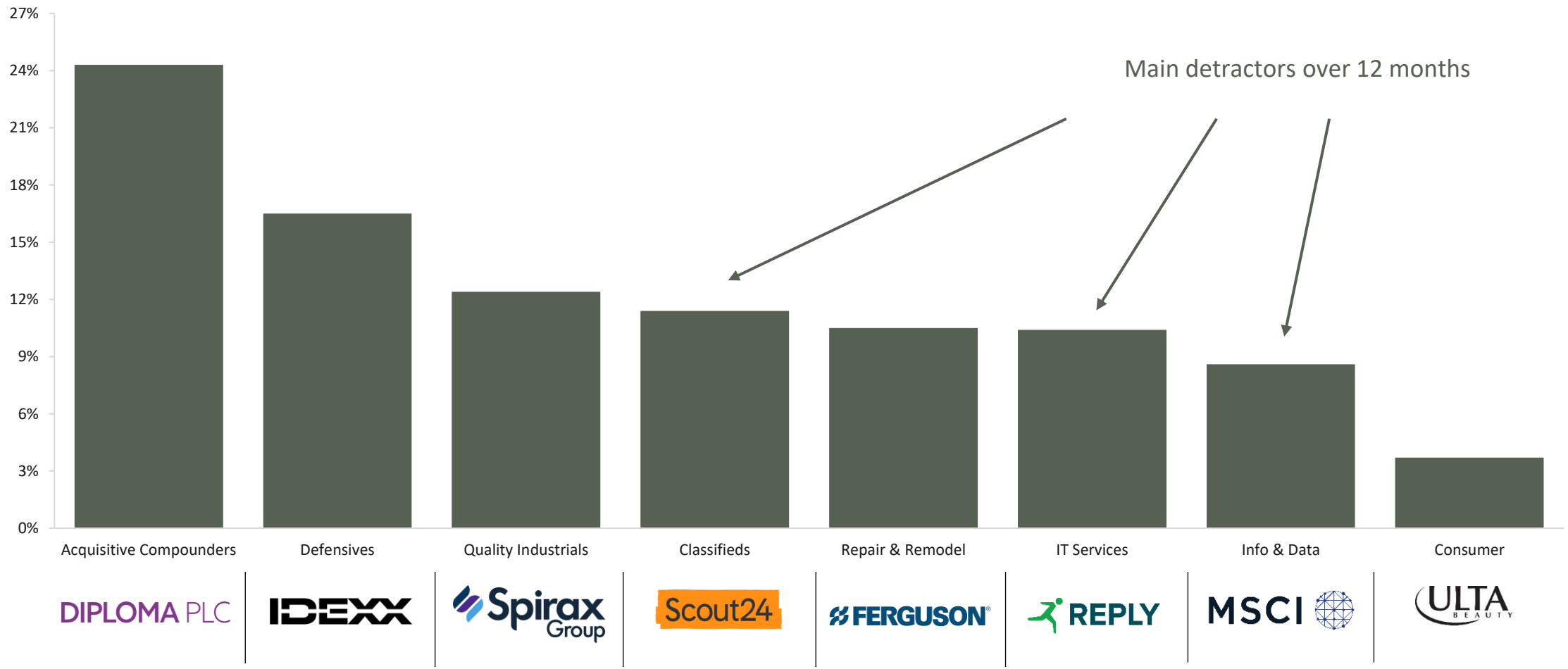
Silicon data LLM token Expenditure Index



Source: Silicon Data, Bloomberg

Current positioning

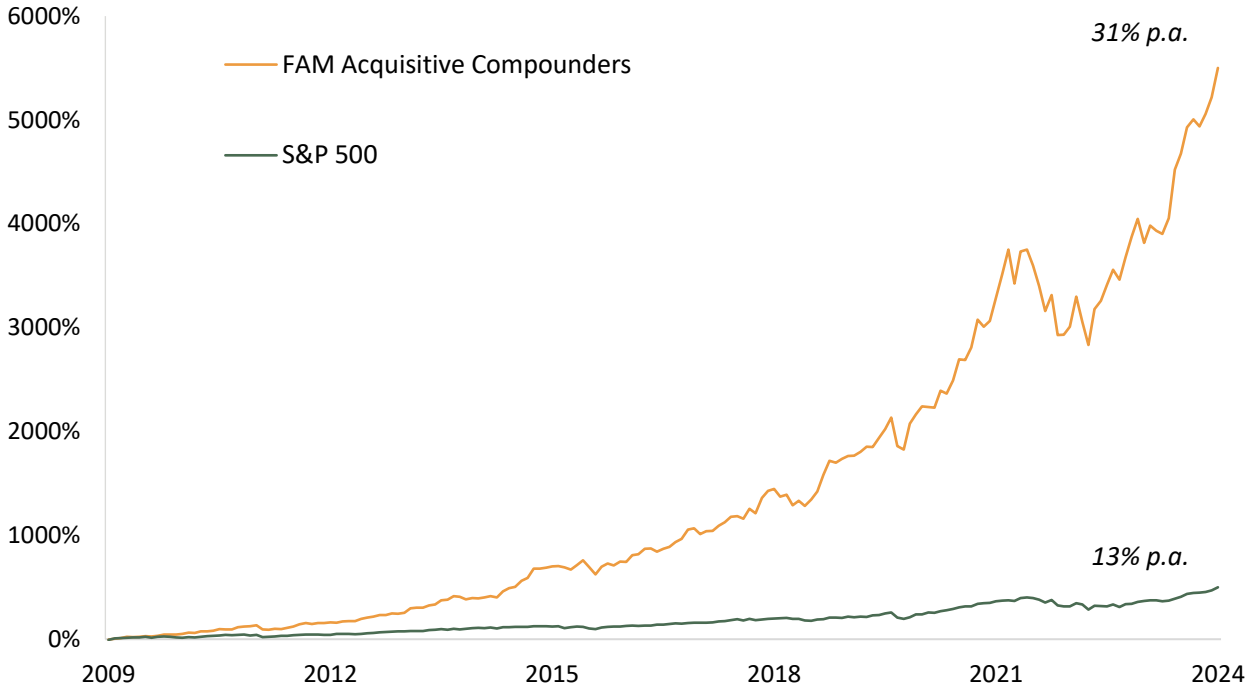
FAIRLIGHT

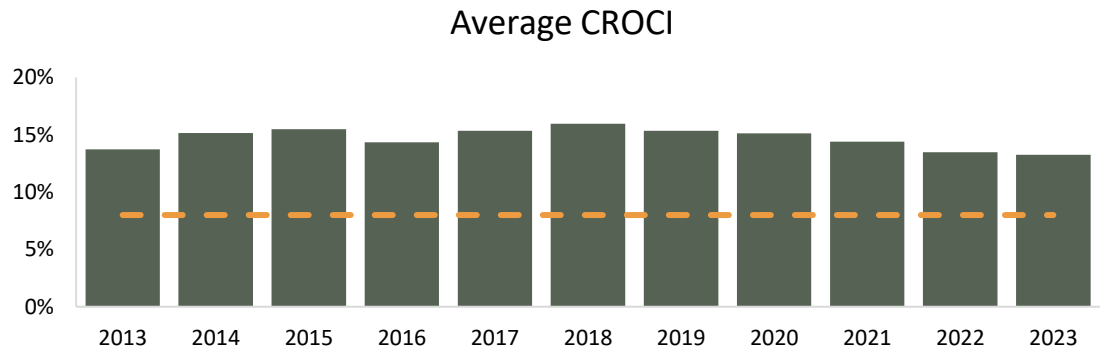


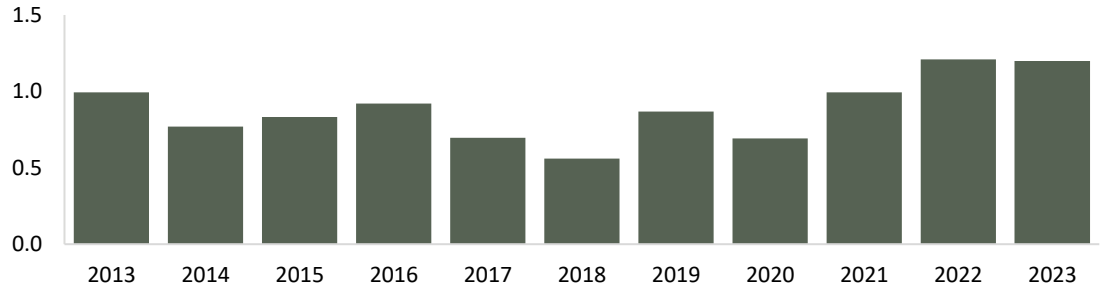
Source: Fairlight classification. The logo represents examples of our holdings within the classification.
This information is general advice only and does not take into account your personal objectives.

Investment example – Acquisitive Compounders

FAIRLIGHT







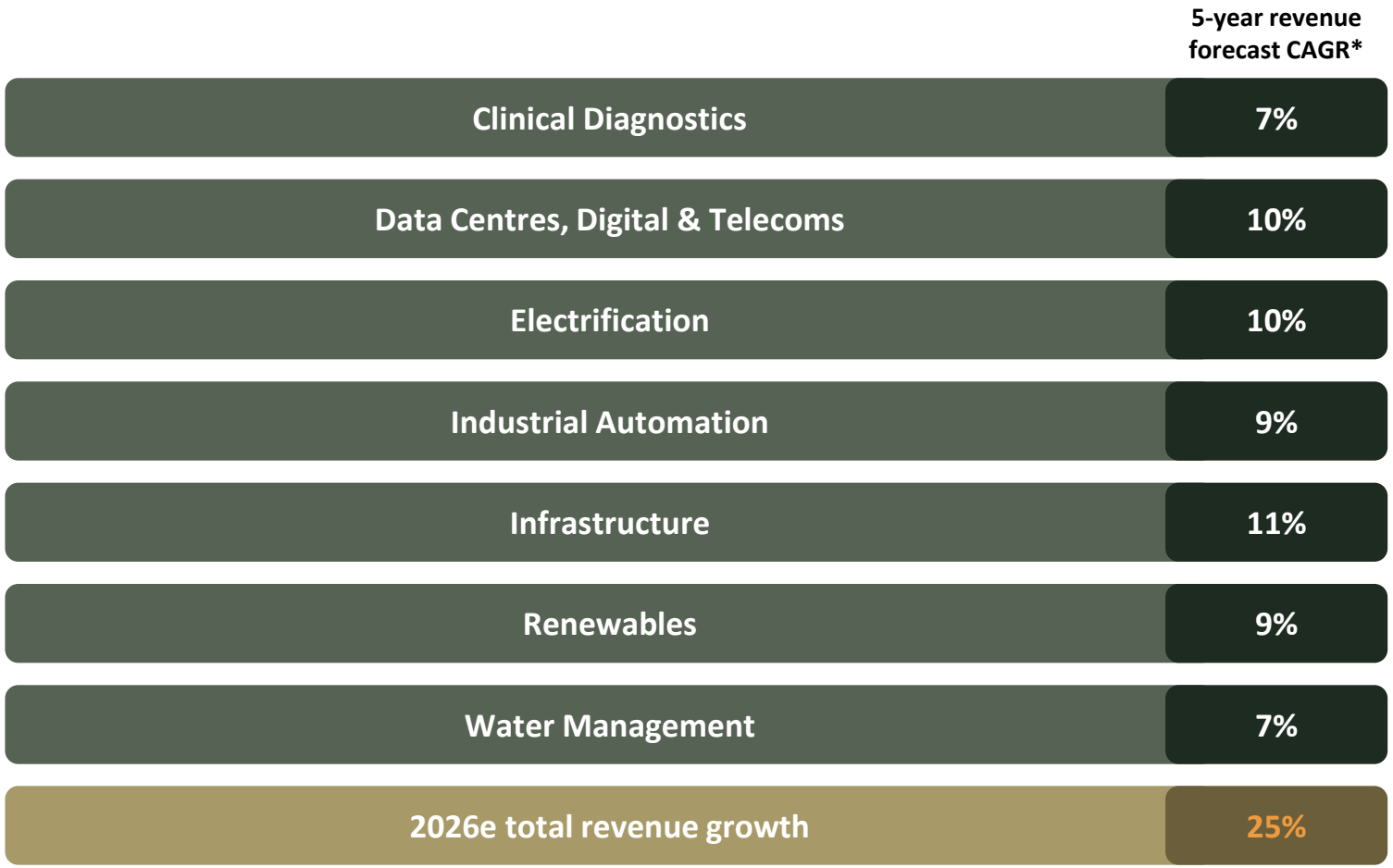
Acquisitions as an operating model:
Core competency of the management team is making acquisitions. Their day job involves tracking hundreds of targets and have experience honed over decades of making deals.

High # of acquisitions:
Fairlight prefers companies to make many small acquisitions, as opposed to fewer, larger deals. This helps neutralize the role of luck in the investment process.

Acquirer of choice:
An intangible, but equally important factor is the culture of the business. Fairlight looks for acquirers with reputations built over decades as a good home for businesses.

Diploma - End market exposure growth rate expectations in 2023

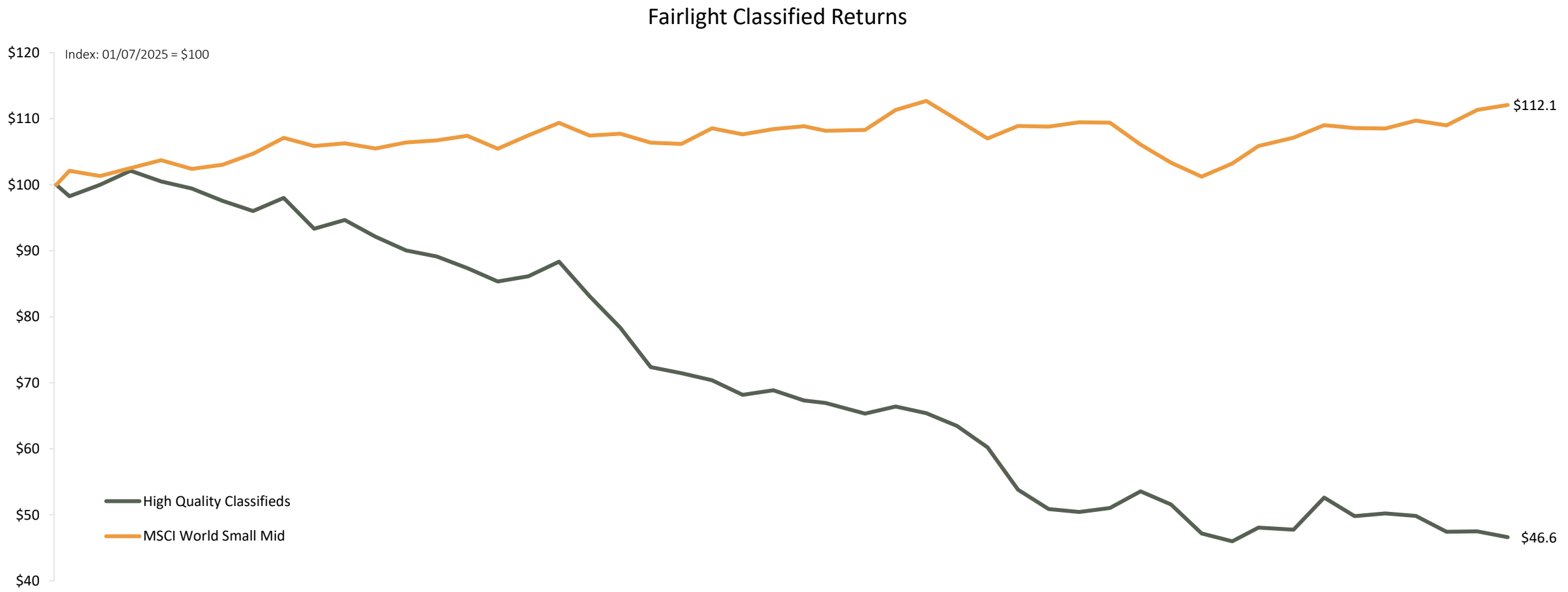
FAIRLIGHT



*Approximate 2023 five year forecast CAGR based on company market data and research

High quality classifieds vs MSCI World SMID (Indexed)

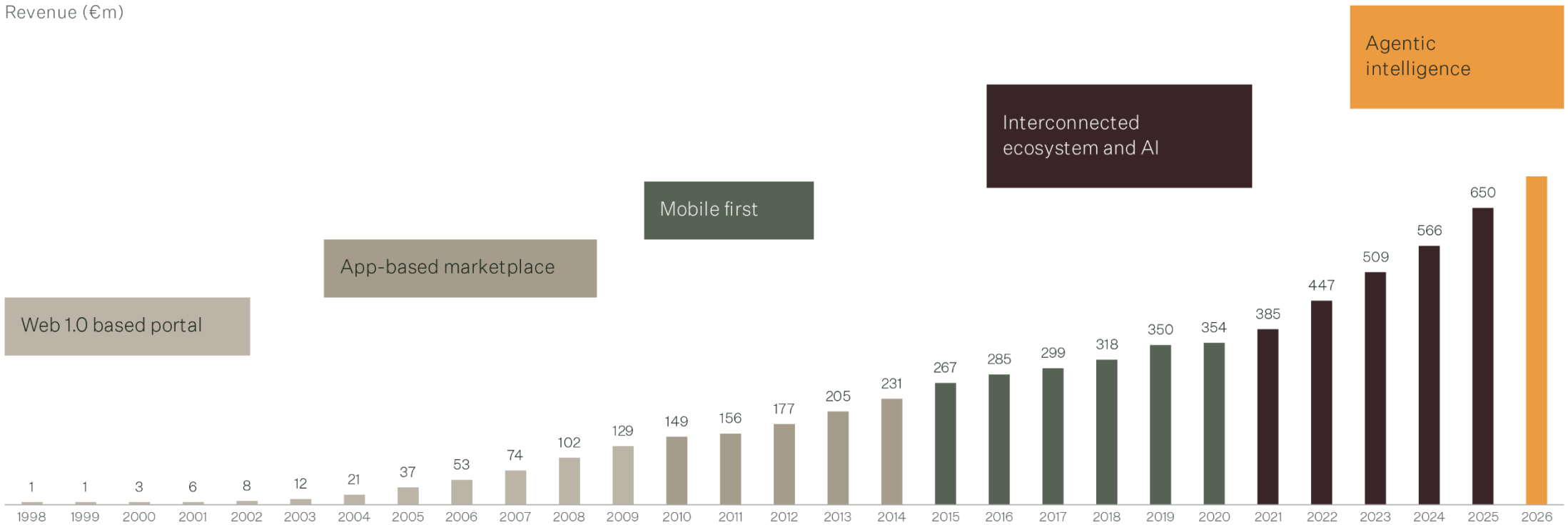
FAIRLIGHT



Source: MSCI, FactSet. As of May 29, 2026. High Quality Classified as per Fairlight's coverage: RMV, AUTO, G24, HEM. Returns are in AUD.
Past performance is not indicative of future performance.

Every technology wave has made Scout24 Stronger

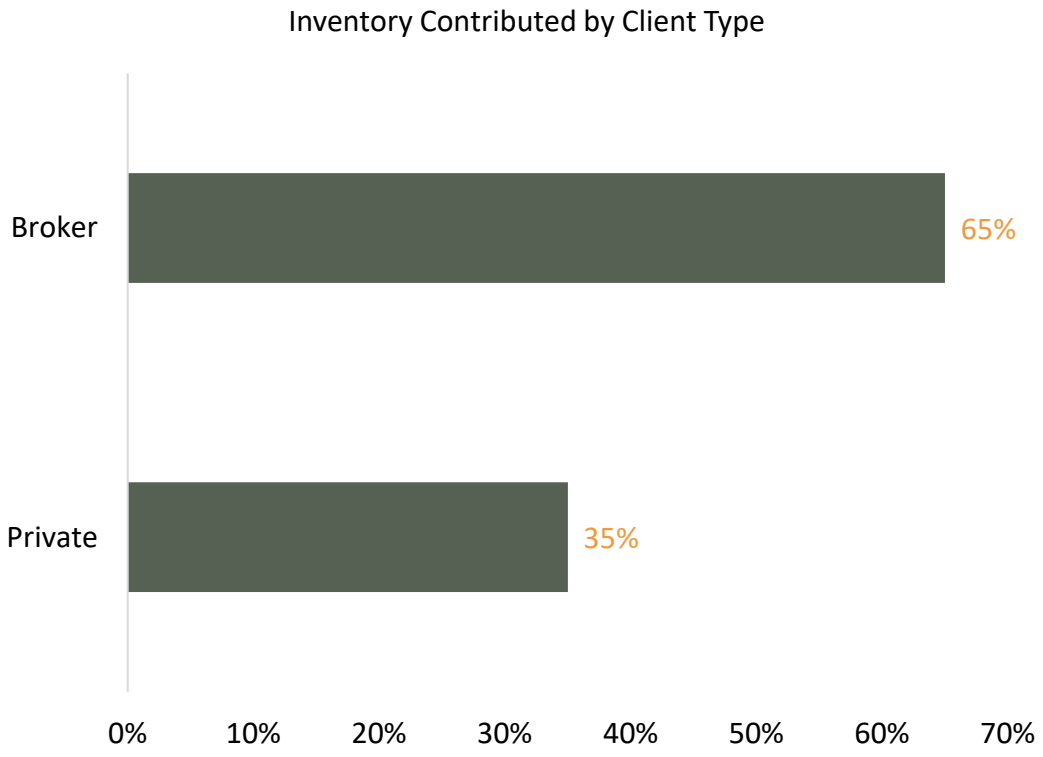
FAIRLIGHT

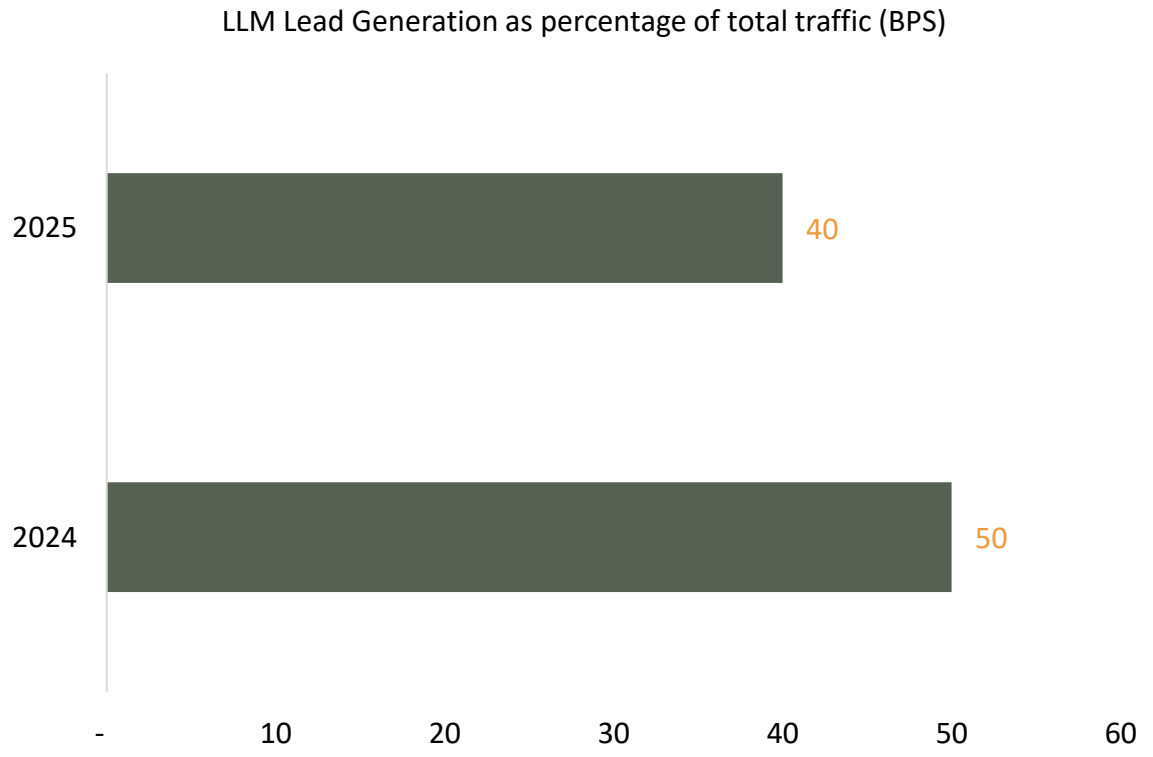


Source: Company, Fairlight

Scout24 case study - how protected are these assets from Artificial Intelligence?

FAIRLIGHT





Industry leader:
#1 position in the industry – a near monopoly in residential property listings driving deep network effects.

Industry default CRM:
Scout24 provides end to end workflow management tools for customers. Well placed to develop agentic workflow tools

Invested heavily in technology and R&D:
Despite accelerated investment in AI tools for both search and client workflow automation, margins are expanding

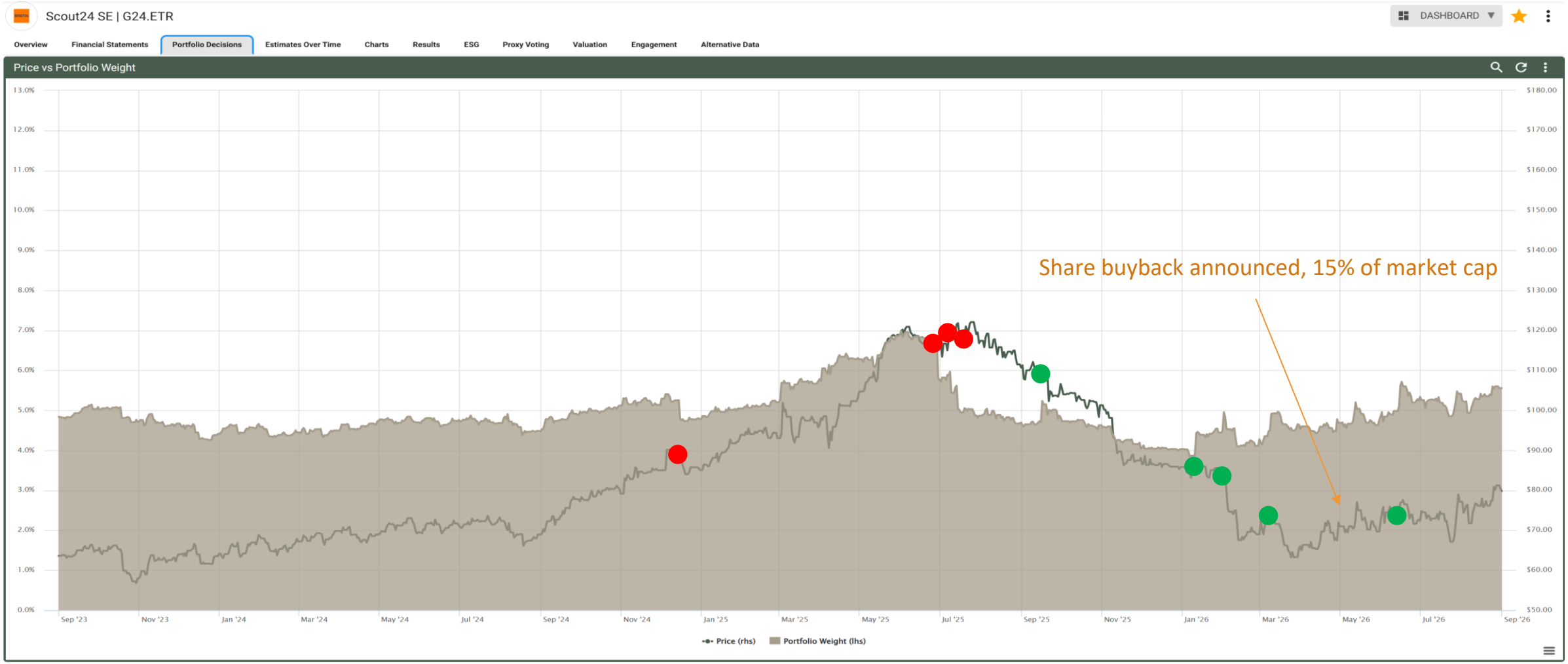
Improving financials:
20% EPS growth in FY25 and buyback equivalent to 10% of market cap currently being executed

Source: Company, Fairlight estimates

This information is general advice only and does not take into account your personal objectives.

Scout24 – position management

FAIRLIGHT



Source: Fairlight, Calibre

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Reply – implementing the world's leading technologies

FAIRLIGHT

Technology Innovation

Consistently invested in R&D, consolidating offerings and implementing technologies across hundreds of projects for leading companies.

Expanding our portfolio of solutions, from machine learning to generative AI, and integrating AI with the physical world through IoT, robotics, and spatial computing.

Competitive Moat

Every client is a partner — co-creating innovative solutions that address specific challenges, becoming an extension of their teams.

Among the few capable of bringing a complete portfolio of expertise, solutions, and platforms in the AI field to market.

Machine Learning
Generative AI

IoT & Robotics
Spatial Computing

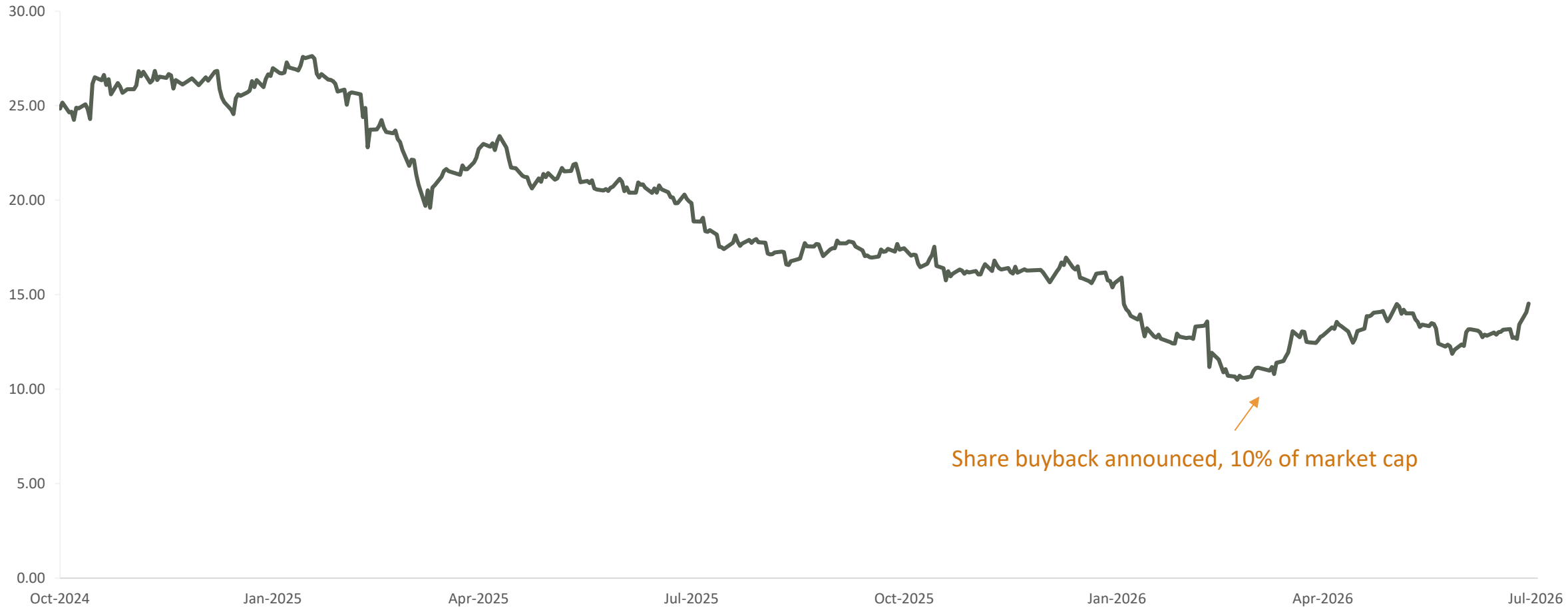
Client Co-Creation
Embedded Partnership

Source: Reply, Fairlight

This information is general advice only and does not take into account your personal objectives.

Reply - Priced for disruption, despite 20% EBIT CAGR over five years

FAIRLIGHT



Source: FactSet, Company's fillings
Past performance is not indicative of future performance. This information is general advice only and does not take into account your personal objectives.

New investment example – Verisk

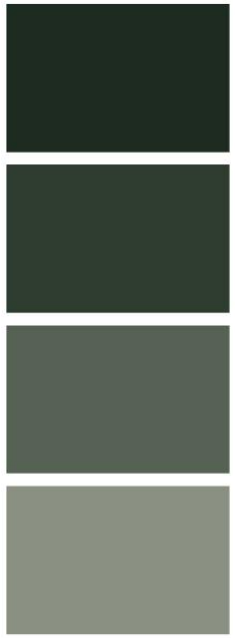
FAIRLIGHT

Unique data advantage underpins over 90% of Verisk revenue

- **Contributory data ~40%**
  Unique to Verisk — normalised, enriched and activated
- **Proprietary data ~20%**
  Self-sourced via in-person collection and advanced analytics
- **Proprietary IP & analytics ~25%**
  Connects contributory and proprietary data with external data for analytics
- **Software ~10%**
  Workflow solutions powered by unique and proprietary data
- **Services ~5%**
  Installation and hosting of Verisk solutions

Proprietary, regulatory-grade and embedded analytics: our structural differentiation in AI

Powerful, proprietary data



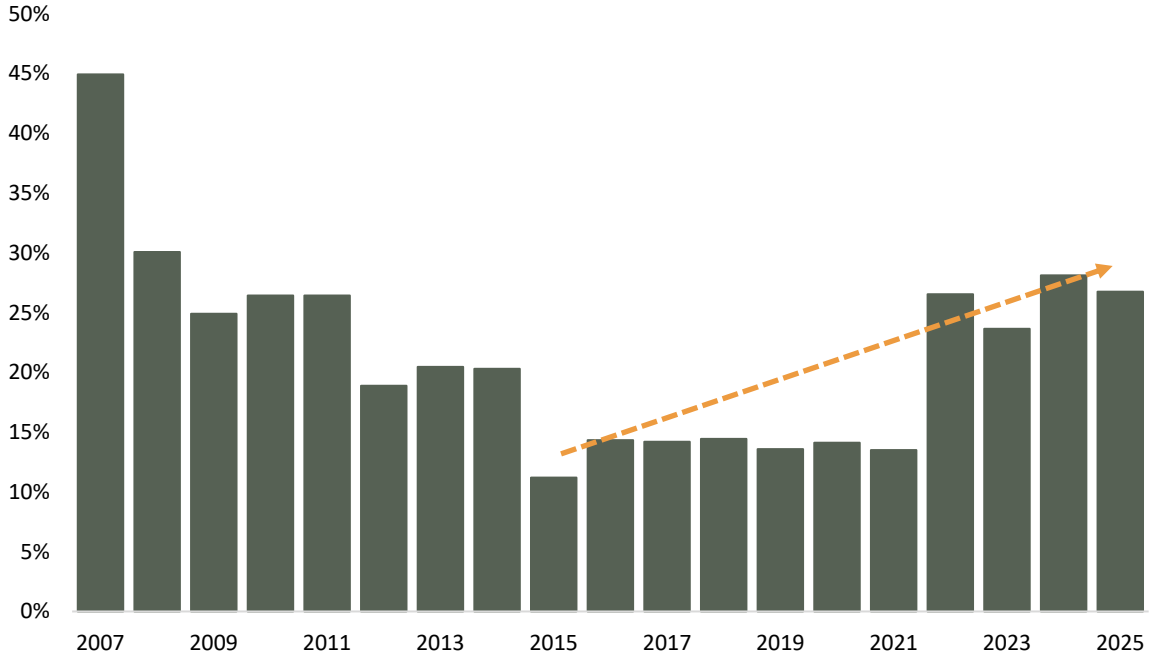
- **Industry-scale proprietary data assets**
  Broad contributor base; permissioned access
- **Standardised industry data and analytics**
  Fragmented data normalised using decades of expertise
- **Regulatory-grade content**
  Filed, trusted, regulator-approved
- **Embedded underwriting intelligence**
  Deeply embedded in client programs and workflows

Source: Fairlight, Verisk Analytics, FactSet
This information is general advice only and does not take into account your personal objectives.

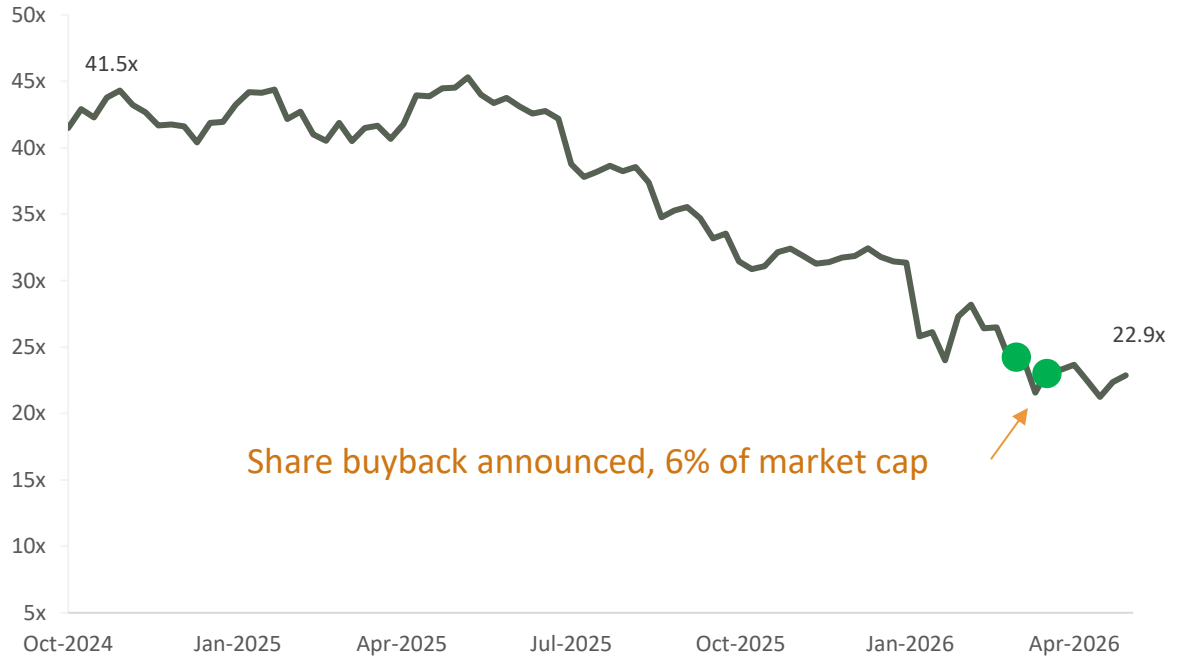
New investment example – Verisk

FAIRLIGHT

Cash Return on Cash Invested (CROCI)



VRSK-US



Cash Return on Invested Capital:
Exceptional and rising strongly following divestments and repurchase of 25% of its share base.

Deep investment in data:
15% use of capital on high ROI data and platform initiatives. Have updated user experience over past 24 months.

Data analytics pedigree:
Business a long term user of machine learning techniques, GenAI a natural extension.

Exceptional financials:
Targeting LDD EPS growth, likely understated given AI cost out and adjacent product opportunity.

Source: Fairlight, Verisk Analytics, FactSet
This information is general advice only and does not take into account your personal objectives.

Constellation Software – position management

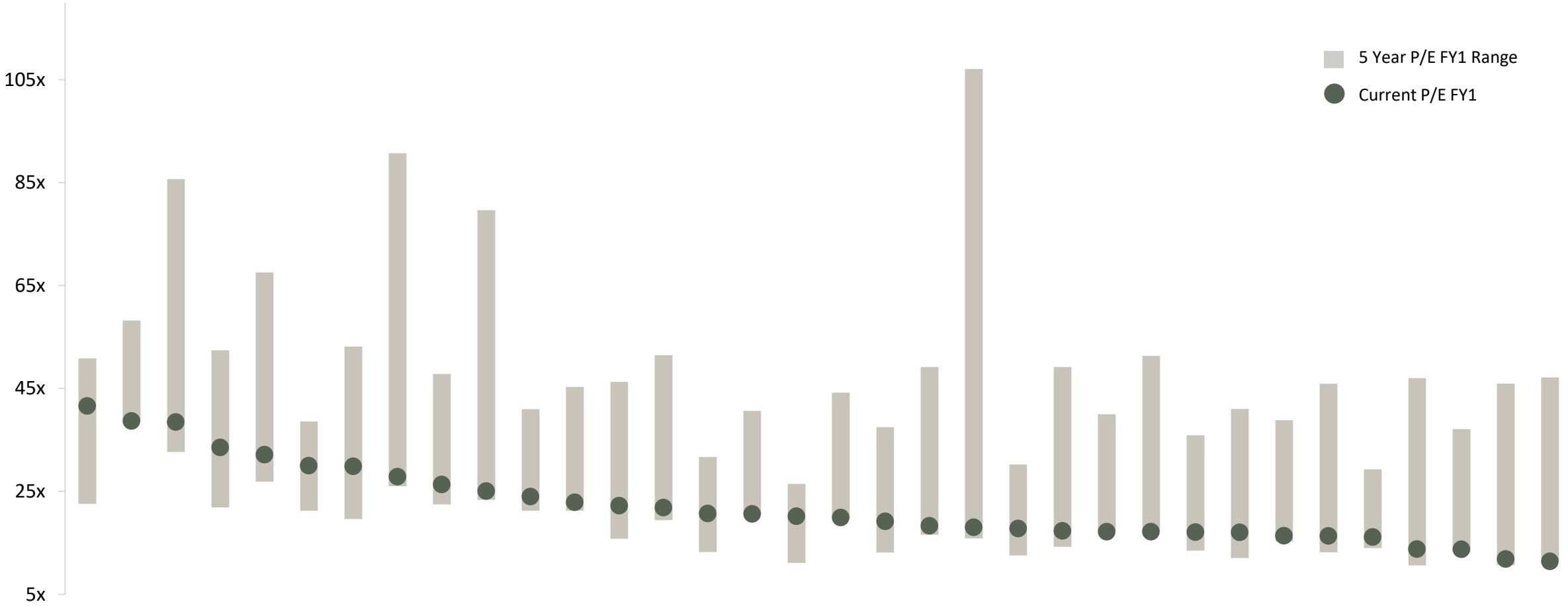
FAIRLIGHT

Source: Fairlight, Constellation, FactSet

This information is general advice only and does not take into account your personal objectives.

Portfolio holdings PE multiple against 5 Year range

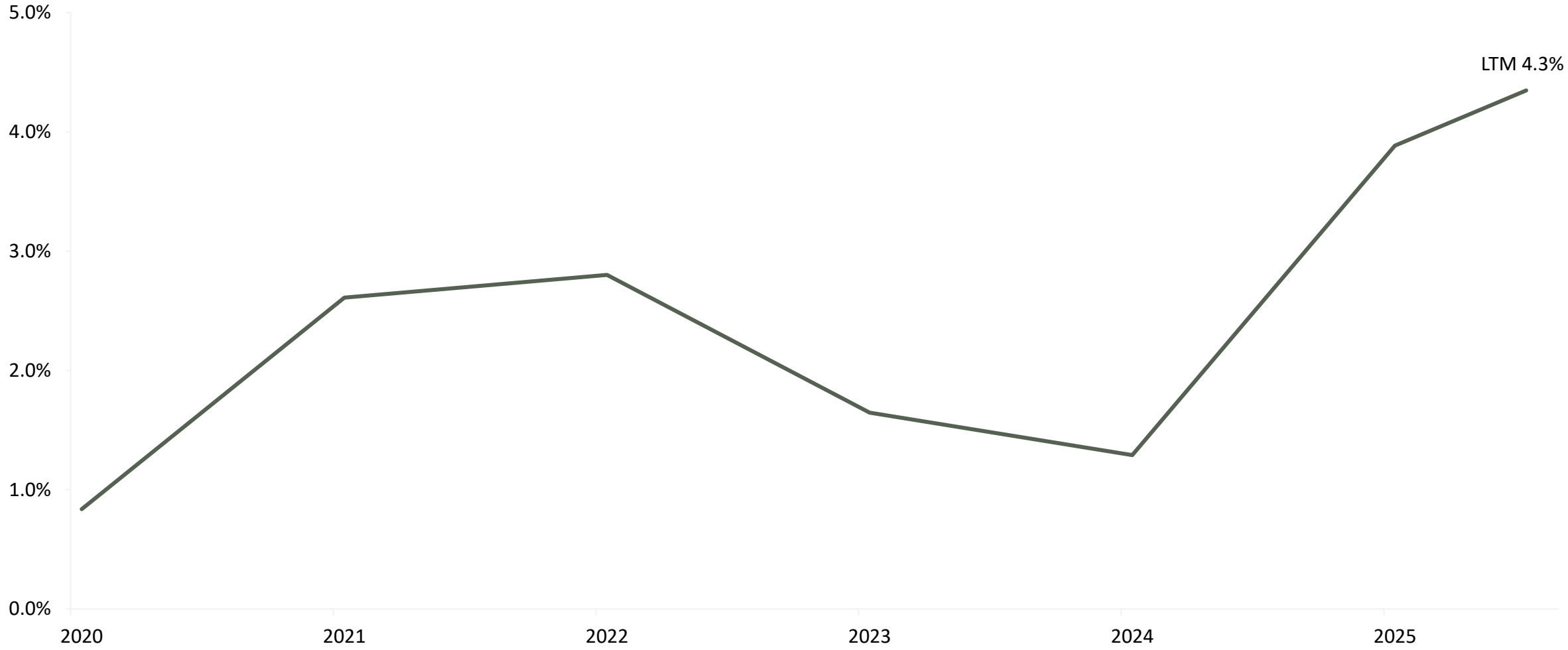
FAIRLIGHT



Source: FactSet Consensus. Updated May 2026.
Past performance is not indicative of future performance.

Historical buybacks of portfolio companies

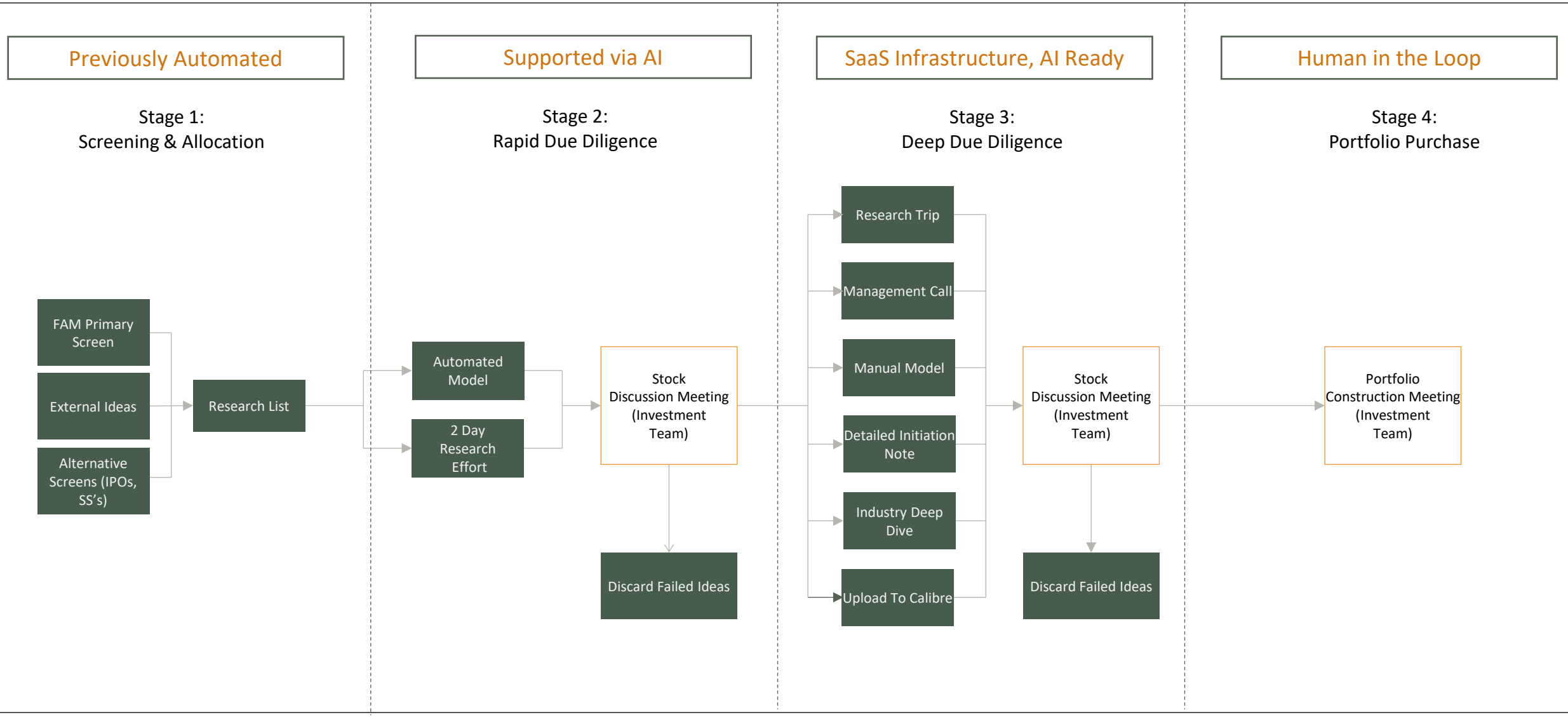
FAIRLIGHT

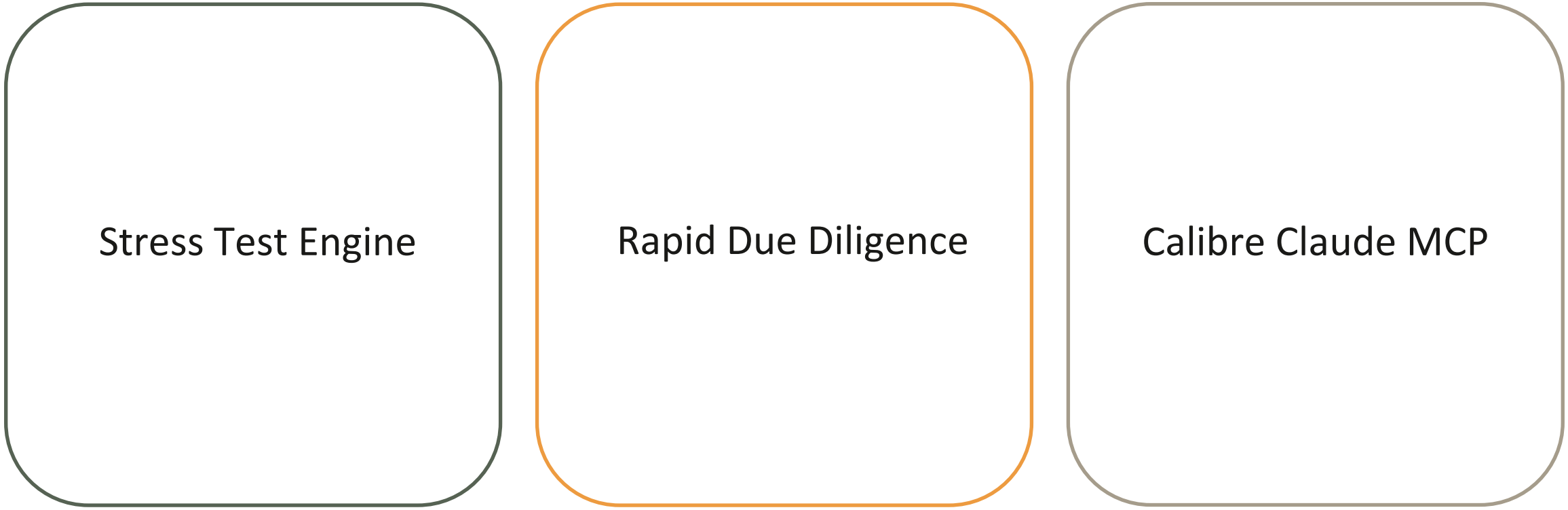


Source: FactSet. Fairlight. Average active shares buyback of our current holdings.

Idea Lifecycle – Fairlight's Artificial Intelligence Journey

FAIRLIGHT





Source: Fairlight.

Scout24 – AI process enhancement example

FAIRLIGHT

Thesis Stress Test — G24-DE

Transcript: G24-DE Q1 2026 • Model: claude-sonnet-4-6

ANALYSIS

Executive Summary

- **Core thesis STRENGTHENED on all primary dimensions:** Professional subscription ARPU growth is tracking at mid-teens (above the modelled HSD assumption), consumer subscribers have exceeded the 500k-by-2026 CMD target in Q1 2026 (already at 508k average, April trending above 530k), EBITDA margins expanding organically toward 64% (top of thesis range), and Q1 adjusted EPS grew 20.1% — substantially ahead of the 13-16% annual model.
- **AI has transformed from a thesis risk-gap to a documented competitive advantage:** The transcript reveals quantifiable AI benefits not captured in the original thesis — Propstack AI users generate 50%+ higher monthly ARPU (€340 vs. €220), HeyImmo reached 650,000 monthly users with 1 million April conversations, external LLM traffic is negligible (0.3-0.4%, confirming Scout24 is not being disintermediated), and internal AI is driving 5% organic personnel cost declines with FTEs trending down even as the business grows.
- **Spain acquisition is the most significant new variable not in the thesis:** Scout24 has made its first meaningful international acquisition (Fotocasa, a Spanish classified portal), adding 6-7pp to 2026 revenue growth but also introducing integration risk, near-term margin dilution (group reported margin guided to "up to 61%" vs. 64% organic), and strategic execution complexity. Management has a clear transformation plan (replacing ad revenue with membership revenue) but this is a multi-year effort with execution risk.
- **Capital return acceleration is a material positive surprise:** The share buyback programme has been upsized from €200m to €350m in 2026 alone — well above the thesis's 2-2.5% annual share count reduction assumption — reflecting management confidence in guidance delivery and opportunistic capital deployment at what management describes as "historically low valuation."

Source: Fairlight, Calibre, Company

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DexCom, Inc. DXCM-US NASDAQ

Template: Investment Thesis | Analyst: Fairlight (Claude-assisted) | Updated: 25 Jun 2026 | San Diego, United States | investor-relations@dexcom.com

SECTIONS

Summary
Business Description
Competitive Advantages / Indicators of Quality
History / Management / Culture
Industry & Competition
Business Cycle (Organic Growth / Margins)
Business Targets & Execution
Recent Business Performance
Financial Analysis
Valuation
Porter Analysis
Risks
Bull vs Bear Case
Model Recommendation

2 Business Description

DexCom (DXCM) is a pure-play continuous glucose monitoring (CGM) company — it designs, manufactures, and sells wearable sensors that measure interstitial glucose every five minutes, transmitting real-time data to a smartphone or receiver. Every dollar of revenue comes from this single product category, directed at people with diabetes and, increasingly, at the broader metabolic-health consumer market.

Dexcom G7 CGM sensor worn on the upper arm — the integrated transmitter/sensor pod is the company's core revenue unit. (Wikimedia Commons)

What It Sells and to Whom

DexCom sells four primary products to individual patients (consumer), dispensed through pharmacy and durable-medical-equipment (DME) channels, prescribed by endocrinologists and primary-care physicians:

- **G7 & G7 15-Day** — prescription iCGM, Class II, ages 2+; the primary revenue driver globally. The G7 15-Day (FDA-cleared April 2025) offers a 15.5-day wear period with an 8.0% MARD.[1]
- **G6** — prior generation; being actively transitioned off by end of 2026.[2]
- **Stelo** — first OTC glucose biosensor in the U.S., Class I, for non-insulin Type 2 adults; launched August 2024.[3]
- **Dexcom ONE+** — CE-marked European variant for limited-reimbursement markets; ~30% of active EMEA base at YE2025.[4]

DexCom, Inc. DXCM-US NASDAQ

Template: Investment Thesis | Analyst: Fairlight (Claude-assisted) | Updated: 25 Jun 2026 | San Diego, United States | investor-relations@dexcom.com

SECTIONS

Summary
Business Description
Competitive Advantages / Indicators of Quality
History / Management / Culture
Industry & Competition
Business Cycle (Organic Growth / Margins)
Business Targets & Execution
Recent Business Performance
Financial Analysis
Valuation
Porter Analysis
Risks
Bull vs Bear Case
Model Recommendation

9 Financial Analysis

DexCom has compounded revenue at ~19% annually since 2020 and crossed into sustained double-digit EBIT margins from 2019 onwards — but the quality of that profit improvement matters as much as its pace. CROCI has risen from ~21% in 2021 to ~31% in 2025, now comfortably above any plausible cost of capital, and free cash flow conversion has dramatically improved. The residual concerns are capex intensity, a one-year (2024) near-zero net cash position, and whether 2026–2030 consensus growth estimates already price in coverage catalysts that are not yet assured.

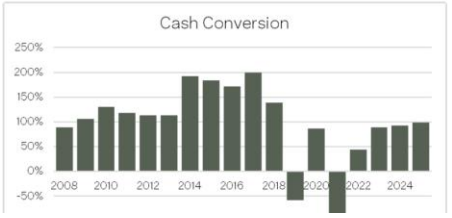
Five-Year KPI Summary

Year	Revenue ($M)	EBIT Margin	FCF ($M)	Net Debt / EBITDA	CROCI	Reported EPS ($)
2021	2,449	10.9%	~260	(1.6×) net cash	21%	0.48
2022	2,910	13.4%	~290	(0.6×) net cash	25%	0.76
2023	3,622	16.5%	~650	(0.2×) net cash	27%	0.96
2024	4,033	14.9%	631	0.0× (flat)	27%	1.09
2025	4,662	19.6%	1,077	(0.5×) net cash	31%	1.57

Revenue trajectory — strong CAGR, but with a mid-cycle stumble. Revenue compounded at ~19% from 2020 to 2025[1], driven first by the G6-to-G7 transition and Medicare coverage expansion to basal-insulin users (April 2023 LCD), then by the international direct-market build-out. Crucially, 2024 marked a deceleration: revenue grew only 11% YoY[2], reflecting the sales-force disruption following a >40% US headcount expansion in H1 2024 and the absence of a new coverage catalyst. Q1 2026 organic growth rebounded to 12%[3], partly a function of easier comps; the more informative test will be H2 2026 against tougher international comparisons.

Margin expansion is real but non-linear. EBIT margin fell from 15.5% (2020) to 10.9% (2021) as G7 development and the sales-force build pressured SG&A and R&D simultaneously[4]. From 2022 onwards, volume leverage and manufacturing efficiencies drove a recovery to 19.6% in 2025[5]. The 2024 dip to 14.9% was deliberate — front-loaded sales investment — which management has since recouped: Q1 2026 non-GAAP operating margin reached 22.2%[6]. Gross margin is the more durable signal: Q1 2026 gross margin of 63.5% was flat sequentially despite typical seasonality[7], and management targets high-60s by 2030 via G7 15-Day mix shift, G8 platform economics (≥10% lower manufacturing cost), and freight/yield optimisation[8].

Cash conversion has inflected sharply — but watch capex. FCF was negligible relative to reported profit through 2022 (~$260–290M despite $300–400M net income equivalents), depressed by rapid capex for the Mesa, Malaysia, and Ireland facilities. The 2025 FCF of $1,077M on operating cash flow of $1,441M[9] represents a genuine inflection: capex held flat at ~$364M while revenue surged 16%. However, Ireland is still ramping and G8 tooling investment will follow; management's own 2030 FCF conversion target of 80–100% (vs. 130% in 2025[10]) signals they expect capex to re-accelerate. The 2025 number is a peak conversion year, not a run-rate.

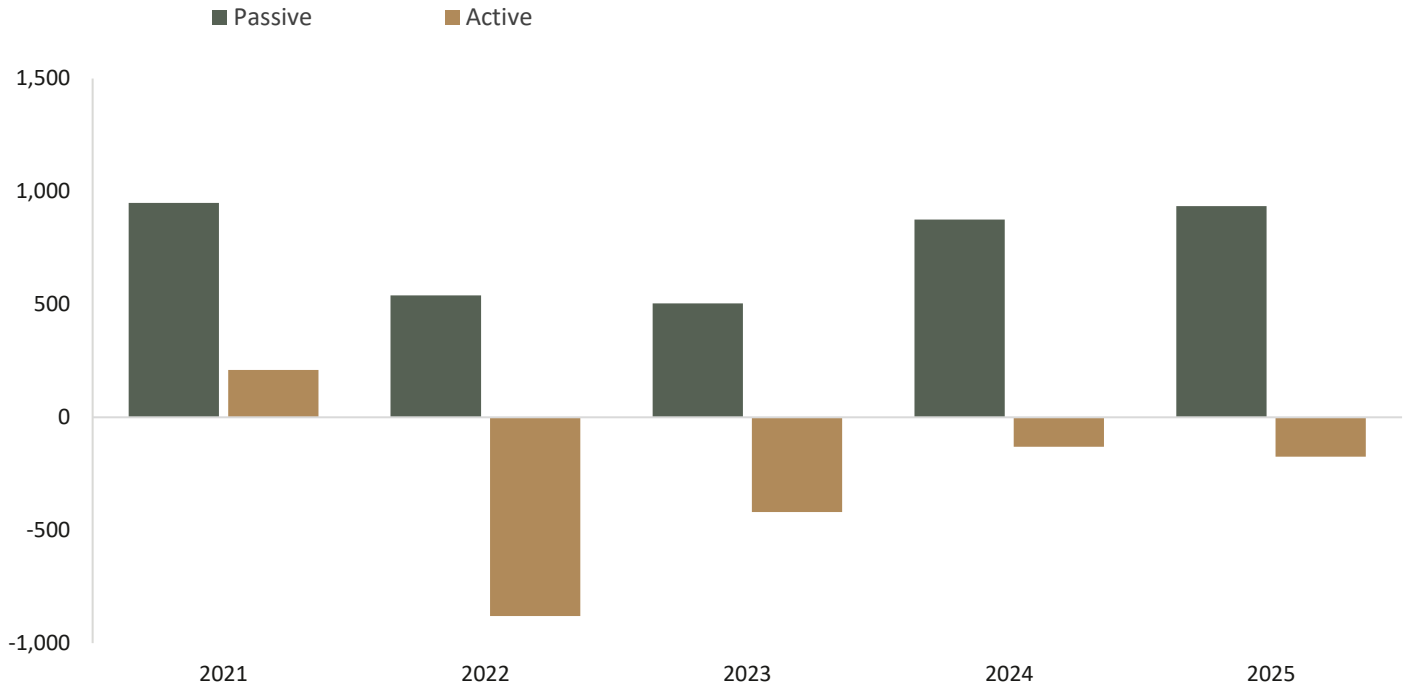


Source: Fairlight.

Passive flows are exacerbating index concentration…

FAIRLIGHT

US fund flows: passive vs. active (2021–2025)
Net flows ($bn) by year



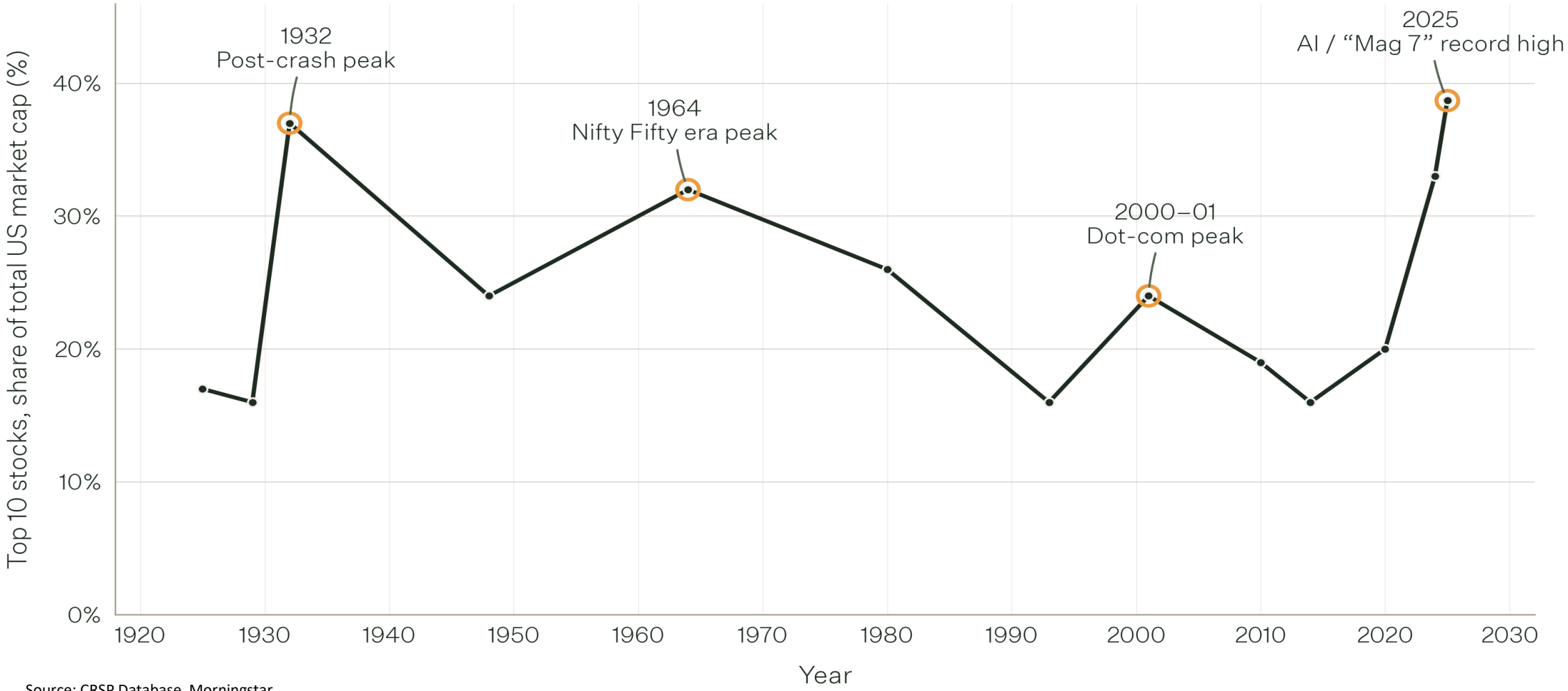
+$3.8tn

Cumulative net inflows to US passive funds since 2021, against –$1.4tn out of active - flows that mechanically reinforce concentration in the largest index constituents.

Source: MSCI, Fairlight

…this time is different?

FAIRLIGHT



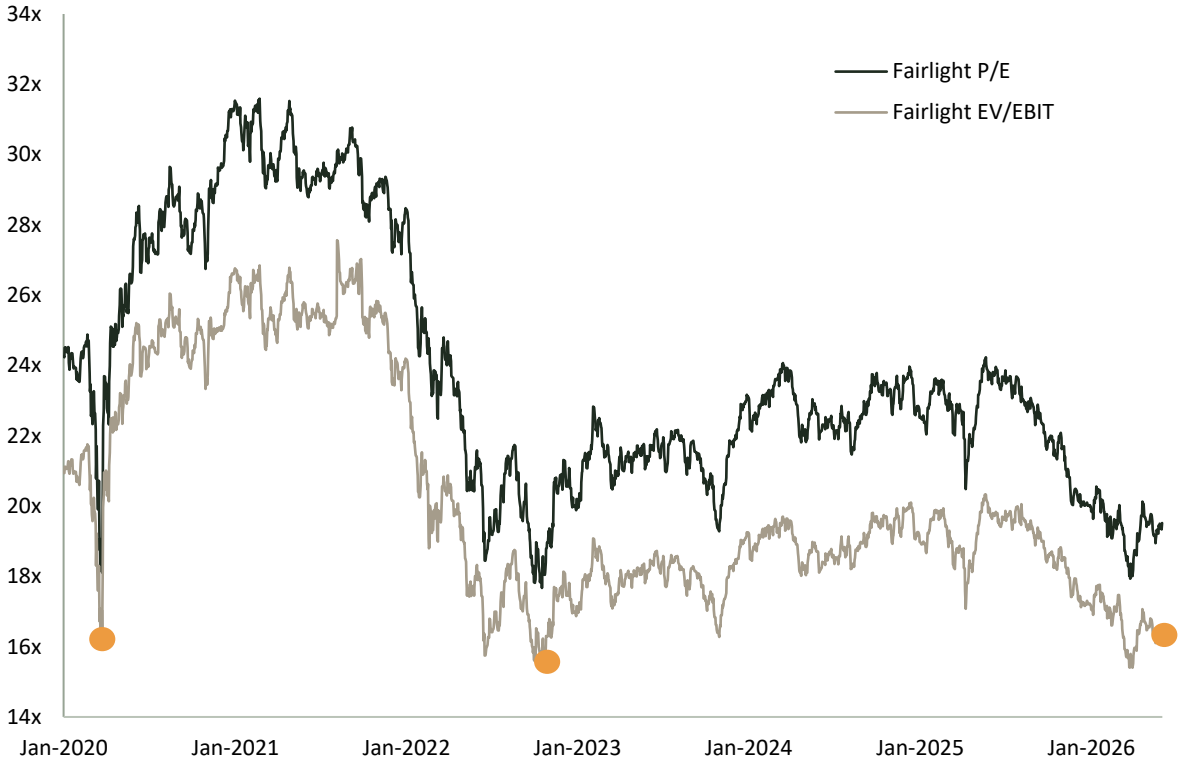
Source: CRSP Database, Morningstar

Fairlight Portfolio Characteristics

Quality		
	EBITDA Margin	32%
	Operating Margin	29%
	CROCI	32%
	Cash Conversion	98%
	Net Debt/EBITDA	0.6x
Growth		
	2025 Revenue	+8%
	2025 EPS	+13%
	2026E Revenue	+9%
	2026E EPS	+13%
Valuation		
	Earnings Yield	5.2%
	PE	19.0x
	Dividend Yield	1.9%
	Market Cap (USD)	$18.2b

Source: Fairlight Estimates. FactSet
Past performance is not indicative of future performance.

Portfolio Multiples



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