



Fairlight Global Small and Mid Cap Fund

 RESEARCHIP Rating



RIPPL Effect

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This report is based on publicly available information and/or data sourced directly from the Fund Manager. Any views or opinions expressed in this document are believed to be accurate at the time of publishing.

[Glossary of Terms - please explain the jargon in this report](#)

1 APRIL 2023

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Meet the Manager

Fairlight Asset Management is a boutique firm investing exclusively in global small and mid cap equity markets. They are focused on contributing to superior investment outcomes for their clients through exceptional performance. Their team takes an ethically aware, quality-driven approach to investing, dedicated to deep fundamental research of both the quantitative and qualitative aspects of investee companies. Further information about the Manager can be found in its [online profile](#).

Fairlight's [investment philosophy](#) 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.

Fairlight is a signatory to the United Nations Principles of [Responsible Investment](#) (UNPRI).

This fund is managed by a team of 4. The Manager has provided [individual bios for the team](#).



The Fund aims to achieve annualised returns in excess of the benchmark after all fees and expenses measured over a market cycle, which we consider to be 7 years. Returns are not guaranteed. The Fund will invest in a portfolio of global small and mid capitalisation companies drawn from international equity markets outside Australia.

Fund Description

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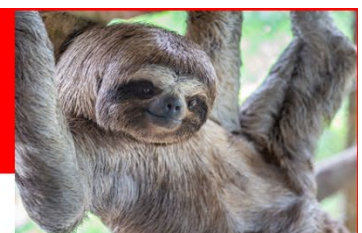


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Helping you
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The Fund's Profile

The Fairlight Global Small and Mid Cap Fund ("the Fund") invests in a portfolio of global small and mid capitalisation companies drawn from international equity markets outside Australia.

The Fund is an international equities fund, targeting undervalued small and mid capitalisation securities on the world's stock markets. Global small and mid cap companies are the largest investment universe with the least amount of broker research coverage. Historically, global small and mid cap companies have generally outperformed global large cap companies over the long term.

The Fund is generally suited for persons seeking long-term capital growth and those who can tolerate a high level of risk.

<Any missing data points have not yet been supplied by the manager>

Fund Information	Fairlight Global Small & Mid Cap Fund
Who is ultimately accountable for the Fund performance?	Nicholas Cregan
Nicholas has 17 years investment experience in the domestic, US and international markets. From 2014-2017 Nicholas served as a Portfolio Manager for the award winning A\$1.0bn Evans and Partners International Fund. Prior to E&P, Nicholas worked at Schroder Investment Management where he held Senior Analyst and Portfolio Manager positions in the New York and Sydney teams respectively. Nicholas led a team covering ~25% of the assets within the Schroder North America \$7bn Small & Mid Cap Fund, with further sector coverage within the Global Small Cap Fund. Prior to this he was Co-Portfolio Manager for the Schroder's MicroCap Fund which delivered 11% pa out-performance over a five-year period with volatility below the market.	
When did the named individual(s) assume accountability?	01/01/2017
Is the Portfolio Manager invested in the Fund?	Yes
Asset manager's full name	Fairlight Asset Management
ISIN Code	AU60PIM78025
APIR Code	PIM7802AU
Responsible Entity / Trustee / Supervisor	The Trust Company (Perpetual)
Legal Domicile of the Fund	Australia
Legal Structure	Unit Trust
Is the Fund a registered NZ PIE structure?	No
Is the Fund open to new or existing investors?	Open
The asset class that the Fund primarily invests in is	Shares
Product's investment style	Quality at reasonable price
Geographical focus of the Fund	Global Sector
Investment focus	Quality at reasonable price
Manager's ownership structure	Privately Owned
How many years has this Manager been managing this asset class?	4
Country Registered for Sale	Australia;
Date of the latest PDS	29/06/2022

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Under the Bonnet

The Fund takes a bottom up approach to investing with deep fundamental research of both the quantitative and qualitative aspects of investee companies. The Fund is benchmark unaware as the Investment Manager believes this unconstrained approach allows maximum flexibility to pursue attractive risk adjusted investments. The intention of the Fund is to hold high quality businesses that generate attractive returns on capital employed through a full market cycle with low levels of debt, managed by competent executive teams that are highly aligned. In addition, FX contracts may be used to hedge the currency exposure of assets held by the Fund in one currency, against movement in other currencies, including but not limited to the Australian dollar.


Overview	Fairlight Global Small & Mid Cap Fund
Product's public published benchmark	MSCI World SMID (AUD) (Net)
The product's internal targeted excess return is	Not targeted
Minimum investment horizon	5+ years
Does the product charge a performance fee?	Yes
Product's performance fee	15.00%
Hurdle before a performance fee is charged	MSCI World SMID (AUD) (Net)
Is there a high water mark?	Yes
Product's current buy spread	0.25%
Product's current sell spread	0.25%
Does the manager have the ability to change the Buy/Sell spread?	Yes
Distributions per year	1
Distribution Dates	Jun 30, Dec 31
Normal pricing frequency	Daily
Product inception date	01/11/2018
Strategy inception date	01/11/2017

Management Fees	Historic	Estimate
GST - inclusive or exclusive	inc GST	inc GST
Management Fee (MER) / Manager's basic fee	1.25%	1.25%
Other Fees and Costs	0.00%	0.12%
Performance Fee	0.09%	0.45%
Total Fund Charges (i.e. TER/ICR)	1.34%	1.82%
Date	30/06/2021	29/06/2022

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Does Size Matter?


FUM	Fairlight Global Small & Mid Cap Fund	@Date
Fund Currency	AUD	
Current size of the Fund (\$m) NZD	\$359	31/10/2022
Current FUM in the strategy, including mandates (\$m)	\$557	31/07/2021
Current total FUM of the Manager (\$m)	\$557	31/07/2021

 See our view on the Research IP blog [Does Size Matter](#). The investible universe for a fund can be limited by some or all of these attributes:



- Asset class (e.g. cash, bonds, shares etc)
- Geography (e.g. Australia, New Zealand, global etc)
- Size of issue (e.g. minimum issue size of bonds, market capitalisation of shares)
- Liquidity
- or other factors like credit ratings, issuer types etc.

The Downside

The Manager is aware of the broad range of risks, as identified in the [Product Disclosure Statement \(PDS\)](#), and is mindful of them when constructing and managing the portfolio.

 Investors should note that all investments carry risk. Different investment strategies may carry different levels of risk, depending on the assets that make up the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk. See our views on [what investment risks to look out for](#) on the Research IP blog.

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Is it Ticking?



Responsible investing has become front of mind for many investors, but there is a minefield of green washing out there. We share the views of the Research IP team on sustainable investing, the 17 Sustainable Development Goals (SDGs), Environmental, Social and Governance (ESG) considerations and the United Nations Principles for Responsible Investment (UN PRI) on the [Research IP blog](#).

ESG Information	Fairlight Global Small & Mid Cap Fund
Which EU Sustainable Finance Disclosure Regulation (SFDR) classification best describes this product?	<no supplied response>
Is the Manager a signatory to the UNPRI?	Yes
UNPRI Rating : Strategy & Governance	Not Rated
UNPRI Rating : Listed Equity – Incorporation	Not Rated
UNPRI Rating : Listed Equity – Active Ownership	Not Rated
Are the UN Sustainable Development Goals considered in the investment process?	Yes
Does the Manager incorporate ESG factors into analysis and decisions?	Yes
Does the Manager implement negative screening?	Yes
Does the Manager implement positive, best-in-class or norms-based screening?	<no supplied response>
Does the Manager focus specifically on sustainability themed investments?	<no supplied response>
Does the Manager invest for impact? i.e. target non-financial outcomes that are intentional, measurable and additional.	<no supplied response>
Does the Manager integrate corporate engagement and proxy voting into their investment approach?	No
Is the Fund RIAA Certified?	No
RIAA Primary Investment Approach	N/A
RIAA Secondary Investment Approach	N/A
Link to RIAA Fund Profile	N/A
Link to Disclose information on Sorted (NZ only)	N/A
Link to Mindful Money (NZ only)	N/A

You can find fund manager [Public Signatory Reports](#) on the UNPRI site.

 [Click here to access the full qualitative research report on this fund](#)



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Qualitative Fund Research

Fairlight Global Small and Mid Cap Fund

1 April 2023

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The views and opinions in this document are considered valid from one year from the date published.

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Check the Pulse

Philosophy & Process		Fairlight Global Small & Mid Cap Fund
Research Philosophy		
Fundamental bottom up		
Guidelines for filtering the universe		
<p>The primary screen excludes the largest, most efficiently priced businesses from the universe (>\$20bn mkt cap), and the sectors as described in section 5.2. Businesses generating less than approximately twice the market cost of capital are screened out, as are those businesses that fail to grow earnings per share above inflation. The fund will generally not hold businesses with net debt/ebitda of above ~3.5x, however, the screen attempts to drive awareness of potential targets as they deleverage.</p> <p>Also excluded by the screen are management teams with poor records of capital allocation. Namely, those that issue excessive equity to fund acquisitions, capex or management compensation.</p>		
Research Approach		
<p>The Fairlight Global Small & Mid Cap Fund employs a concentrated, long only strategy, investing exclusively in international markets. Our investment philosophy is grounded in fundamental research, is long term in nature and has a strong focus on quality. We aim to deliver investors an 8% - 12% return through the market cycle with lower volatility than the index. Our 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.</p> <p>Investments that the fund will make can be classified into three different opportunity types, each with its own characteristics, resulting in differing return profiles through the investment cycle. We believe in the benefits of diversification, that differing investment styles such as growth and value, offer returns at different points of the investment cycle, and that the market fundamentally misappraises the benefits of long-term compounding. By offering exposure through several styles of investing, we believe we can generate superior returns to targeting one investment type exclusively.</p>		
Specific inputs to the research process		
N/A		
Third party inputs used	N/A	
Primary valuation approach	Discounted NOPLAT.	
Secondary valuation approach (if applicable)	N/A	
In constructing the portfolio the manager is...	Benchmark unaware	
Biases present in the product	Small cap quality	
Number of securities in the investment universe	5300	
Number of securities fully researched	200	
Typical number of holdings in the portfolio	30-40	
Anticipated portfolio turnover	30% - 50%	
Typical level of cash held in the portfolio?	1% - 20%, fund aims to be fully invested.	

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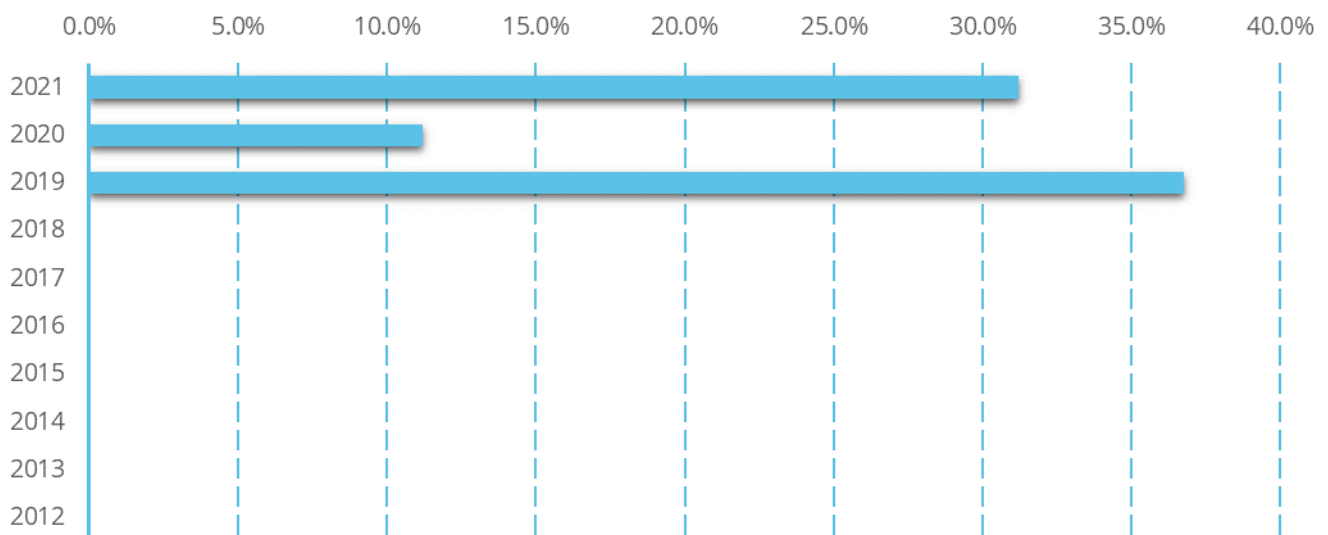



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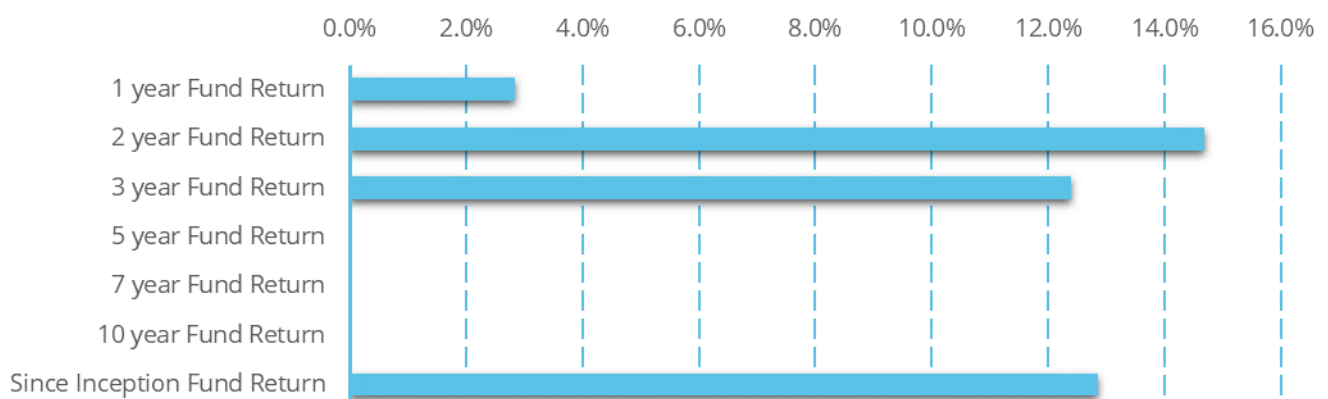
Is it Working?

Performance	Fairlight Global Small & Mid Cap Fund
"Performance to" date	31/03/2022
	3 years, 4 months, 30 days
Inception date of the performance?	01/11/2018
Negative Months (3 Years)	31%
Negative Months (5 Years)	N/A
Negative Months (7 Years)	N/A
Negative Months (10 Years)	N/A
Max Gain Since Inception	20.2%
Max Loss Since Inception	-18.8%
Max Drawdown Since Inception	-18.8%
Volatility (3 Years)	15.5%
Beta (3 Years)	0.89
Sharpe (3 Years)	0.57

Annual Performance



Annualised Performance



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Our experience has been gained in well over 20 years of roles across different facets of the industry, so we understand the key drivers and challenges for people trusted with the management of investments.

Client focused outcomes are underpinned by the belief that the role of business model innovation and accelerating technological change opens up new possibilities, to put client interests at the centre of the financial services industry focus. We have strong philosophical alignment with John Hagel's work on the possibilities for "Disruption by Trusted Advisors" and John Kay's views in "Other People's Money: Masters of the Universe or Servants of the People".

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- AFSL reviews
- Platform and Financial Adviser Software reviews
- Fee negotiations for better client outcomes
- Investment committee terms of reference / charter
- Investment committee skills assessment
- Investment policy development
- Investment committee implementation review
- Chair or independent investment committee member
- Investment manager review
- Investment manager / adviser selection
- Quarterly reporting and commentary
- Sustainability and ESG policy development
- Sustainability and ESG investment selection / implementation of strategies.

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