



August Monthly Report

Dear Investors

We are pleased to provide you with the August 2025 Monthly Report for the Fawkes Capital Fund ("Fund"). In this monthly report, we:

- (1) Update our performance for August 2025;
- (2) Provide a macro update; and
- (3) Provide an update on investment positioning.

Performance Update

The Fund delivered another satisfactory result in August, returning +5.0% for the month. Performance was driven primarily by our AI-related exposures. The market has started to recognise the broader implications of China's accelerated push into AI development. Notably, Commscope benefitted from Amphenol's bid for its optics business. Our research had identified Commscope as the most undervalued name within the Western AI supply chain, and that latent value was realised quickly.

Aug-25	1 Mth	3 Mth	1 yr	2 Yrs	3 Yrs	SI (ann)	SI (cum)
Fund (Net)	5.0%	7.0%	17.7%	13.7%	7.6%	9.5%	48.2%
Blended Index	1.7%	4.1%	9.6%	9.6%	8.5%	6.6%	31.2%
All Ords	3.2%	7.3%	14.9%	14.8%	12.8%	9.8%	49.7%
RBA Cash	0.3%	1.0%	4.2%	4.3%	4.0%	2.9%	13.0%

Returns are calculated net of fees and represent the combined income and capital returns over the specified period. All returns provided are in AUD. Blended Index returns are composed of 50% All Ords / 50% RBA Cash.

Later this year, we'll provide a more detailed update to investors on the enhancements we've made to our investment process. We're constantly looking for ways to sharpen our edge, and the impact of these changes is beginning to show in results.

With a few trading sessions left, September has also shaped up to be more than satisfactory. Of course, the landscape can shift quickly, and we remain attentive to emerging risks and opportunities.

Macro Update

There are only a few additional observations to make following our July update, with the most notable relating to the US labour market. Signs of softness are becoming clearer. Job creation has slowed to a trickle, and recent payroll and jobless claims data have both weakened modestly. With job growth nearing stall speed, the risk of a layoff-induced recession has increased. However, we continue to believe the more likely scenario over the next 6-9 months is one of weak job creation alongside resilient economic growth.

Indeed, we're seeing momentum in other areas of the economy. Consumer spending accelerated in Q2, despite rising tariffs, with July and August data showing continued strength. Airlines reported growing bookings, cruise operators noted a rebound in reservations, and consumers increased spending on leisure activities, ranging from cinemas and concerts to theme parks and bowling alleys. Consumer credit metrics have also improved, suggesting that households are in better shape than headlines may imply.

Our internal data shows a meaningful build-up in household savings between Q4 2024 and Q1 2025. Based on historical responses to cost-of-living pressures, we believe consumers will be willing to draw down on these savings to maintain spending in the months ahead.



Beyond consumers, the industrial sector has also shown renewed strength. Total US industrial revenue growth picked up from just 0.5% to around 4%, with the rebound being broad-based across sectors.

While a US government shutdown now looks slightly more likely than not, we expect any disruption to be temporary and non-structural in its economic impact. As always, we’re tracking developments closely and will adjust our investment posture if conditions materially change. For now, our base case remains unchanged.

Investment Positioning

Our investment themes remain largely unchanged, but as our research deepens and new facts emerge, we continue to refine how we express those themes in the portfolio. We’re constantly looking for better and cheaper ways to implement our investment ideas.

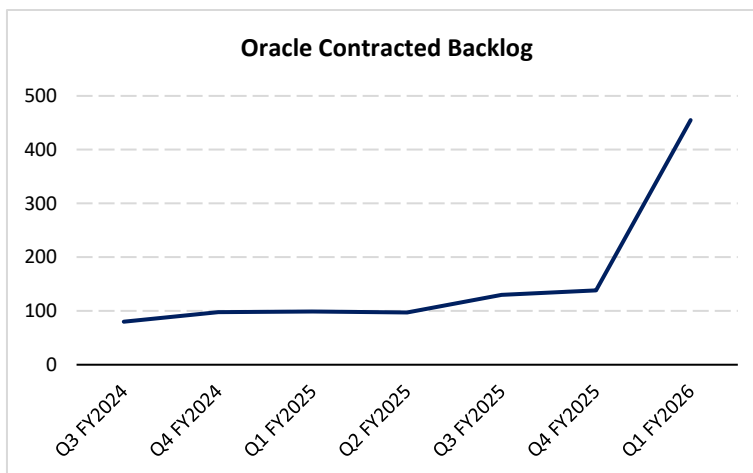
1. Western AI

We remain highly optimistic about the growth in AI usage. Demand for inference workloads is accelerating exponentially:



Source: Google

It took 12 months for the number of monthly tokens processed to increase from 10 trillion to 480 trillion at Google. It then took just 2 months for token usage to increase 500 trillion.



Source: Oracle

Oracle’s contracted backlog went up 3x in the last quarter.



This step-change in usage is being driven by:

1. The development of AI agents that automate increasingly complex workflows,
2. Greater awareness of how AI can enhance software products, and
3. Recognition of AI's ability to free up company resources.

We believe we are still early in this adoption curve.

One major area of opportunity is the demand for non-volatile memory (NAND), particularly in AI inferencing. While this section may sound technical, we think the underlying investment case is compelling.

Traditionally, high-bandwidth memory (HBM) and dynamic random-access memory (DRAM) have been paired with GPUs for AI workloads. However, a new architectural shift is underway. Originally pioneered by Google, and now adopted more widely, the AI inference process is being split into two distinct stages:

- Pre-fill: where the large language model (LLM) is loaded into memory
- Decode: where the user prompt is run through the pre-loaded model

Each stage has fundamentally different requirements in terms of memory and computation. The industry is now realising that two different types of chips should be developed to optimise for each phase.

The first stage of AI inference, called pre-fill, can be thought of like compressing a large file. This step is highly compute-intensive, but relatively light on memory. In this stage, high-bandwidth memory (HBM), the most expensive memory format, is used sparingly. Recognising this, NVIDIA has developed a new chip called Rubin CPX, which is optimised for compute-heavy, memory-light workloads.

The second stage, called decode, is the opposite. This is the stage where the model generates answers to user prompts by cycling through memory repeatedly to predict the next best word. This process requires significant memory capacity. Researchers have discovered that banks of DRAM can be joined together to create near-limitless context windows, crucial for improving inference accuracy. But critically, the glue that connects these DRAM modules is NAND flash memory.

This staged architecture for inference processing is dramatically more efficient than previous methods, and we believe it will achieve widespread adoption. As a result, demand for NAND memory is poised to increase significantly.

2. King Yuan Electronics Co

Another key AI beneficiary in our portfolio is King Yuan Electronics Co (KYEC), a Taiwanese semiconductor testing and packaging specialist. Semiconductors are foundational to modern technology, but they're also extremely difficult to manufacture. In the most advanced chip nodes, defect rates can reach 50%. Defective chips, if installed in servers or datacentres, can be catastrophic. That's why every chip must undergo a complex series of diagnostic tests to ensure quality and reliability.

KYEC performs these testing services for all leading AI chips, including NVIDIA's Blackwell and Rubin, Amazon's Trainium, Google's TPUs, and Meta's custom accelerators. Based on our channel checks, KYEC is gaining market share, outperforming rivals that have struggled to adapt their systems to next-gen chip architectures.

The reason is simple: the latest AI chips are larger, more complex, and more power-hungry, making them harder to test. And in the chip testing business, revenue is directly proportional to test time. For example, testing NVIDIA's Rubin chip takes about 1,400 seconds, compared to 500 seconds for the older Blackwell generation.

This increase in test duration, combined with expected doubling of chip production volumes by 2026, creates a powerful earnings multiplier for KYEC. Future chip generations will only become more complex. In a market where scale and technical sophistication are critical, KYEC is well positioned to benefit.



3. Wasion Holdings

AI development in China continues to progress at full speed. One of our key exposures here is Wasion Holdings, a Hong Kong-listed company that recently signed an international agreement to supply DayOne – the global datacentre development arm of GDS – with advanced electrical equipment. DayOne is expanding rapidly outside of China, serving AI-heavy clients such as ByteDance and another customer we introduced earlier in this report – Oracle.

How does a relatively small Hong Kong listed company like Wasion become one of only two major global suppliers (the other being Delta Electronics) to DayOne? The answer lies in two strategic partnerships.

First, Wasion has a six-year track record with GDS in China, having recently completed large-scale work for their Shanghai datacentres. On the strength of this relationship, GDS selected Wasion for its global rollout through DayOne. Second, Wasion has a decade-long partnership with Siemens, giving it priority access to critical Siemens electrical components. This is especially important in today's environment of supply bottlenecks. Notably, Wasion is Siemens' only Asian partner of its kind for electrical and cooling equipment, an endorsement that strengthens its competitive edge.

Order volumes are already ramping. Based on current trajectories, we estimate that DayOne orders will reach an annualised run rate equivalent to ~25% of Wasion's total revenue. If past examples like TSS Inc, Solaris, and Foxconn are any guide, early-stage partnerships with fast-growing datacentre providers can be immensely lucrative. We believe Wasion is at a similar inflection point, and that we're getting in on the ground floor of a highly asymmetric opportunity.

4. German Infrastructure

Our thesis on German infrastructure faced a short-term test during the month, with both Friedrich Vorwerk and Strabag experiencing pullbacks. In particular, the market reacted to a deceleration in Vorwerk's order growth rate. However, based on our channel checks, we believe this concern is misplaced.

Feedback we've received from our channel checks suggests that both companies are operating at full capacity, turning away work due to labour constraints, not a lack of demand. While this dynamic may modestly cap near-term revenue growth, it also sets the stage for margin expansion as pricing power improves, and project prioritisation sharpens.

The broader story remains intact. Germany's multi-year infrastructure pipeline, particularly in energy and hydrogen transmission continues to expand. In our view, this is a temporary lull in sentiment, not in opportunity.

5. Datacentre Infrastructure

We maintain our positions in the accelerating themes of datacentre and energy infrastructure development across Australia and Malaysia. In Australia, our exposure is through SKS Technologies, which continues to benefit from increasing demand for electrical and data integration services in support of new datacentre builds.

In Malaysia, we are invested across a broader ecosystem, including solar energy construction, substation development, and datacentre infrastructure contractors. Through our expert networks, we believe we remain early in these structural buildouts, perhaps only in the second or third inning of what we expect to be a long-term growth cycle driven by digitalisation, energy transition, and regional demand shifts.

We remain focused on scouring the globe for the most compelling opportunities to deploy your capital. While our conviction in the current portfolio remains strong, we are constantly monitoring market developments and stand ready to adjust our positioning should the outlook change.

Kind Regards,
Fawkes Capital Management



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