



# Bell Asset Management

## Global SMID Caps: The Next Engine of Equity Growth

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Presented by  
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# Global SMID Caps: The Next Engine of Equity Growth

## Today we will show why we believe:

- ◆ Global SMID Caps can be the growth engine of your portfolio
- ◆ Recent underperformance has created an attractive valuation opportunity
- ◆ High-quality SMID companies are best positioned to drive the next phase of returns

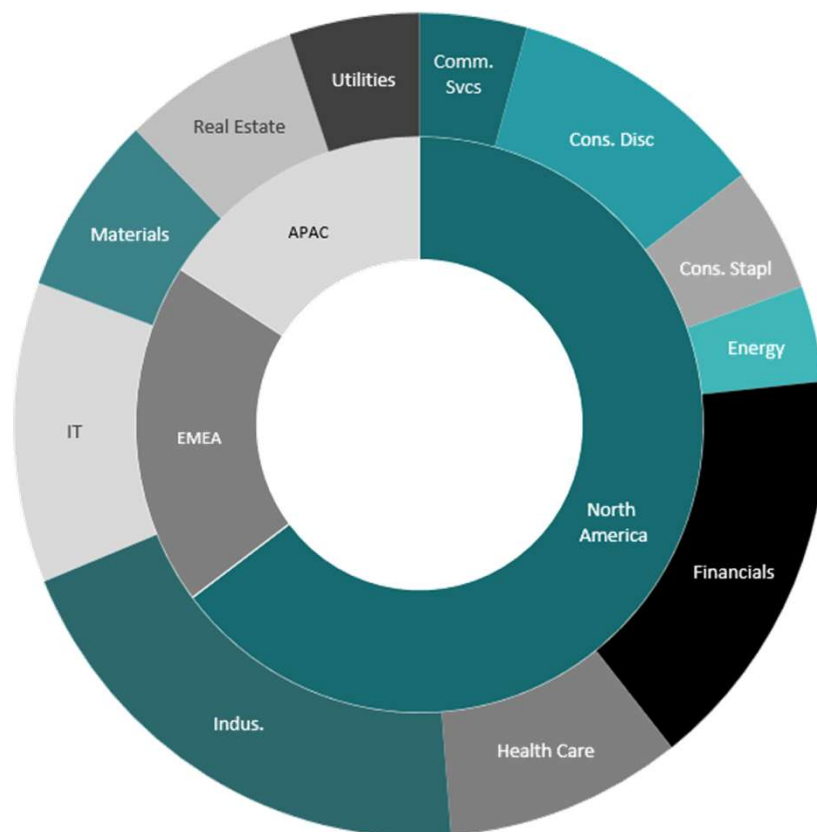
# What are Global SMID Caps?

The Global SMID universe is large, diverse and under-owned

- ◆ MSCI World SMID Cap Index = bottom 28% of market cap of MSCI developed market countries (~4,600 companies)
- ◆ Currently, the vast majority of the Global SMID cap universe is between US\$1b and US\$50b in market cap.

## MSCI World SMID Cap Index

Sector and Regional Composition



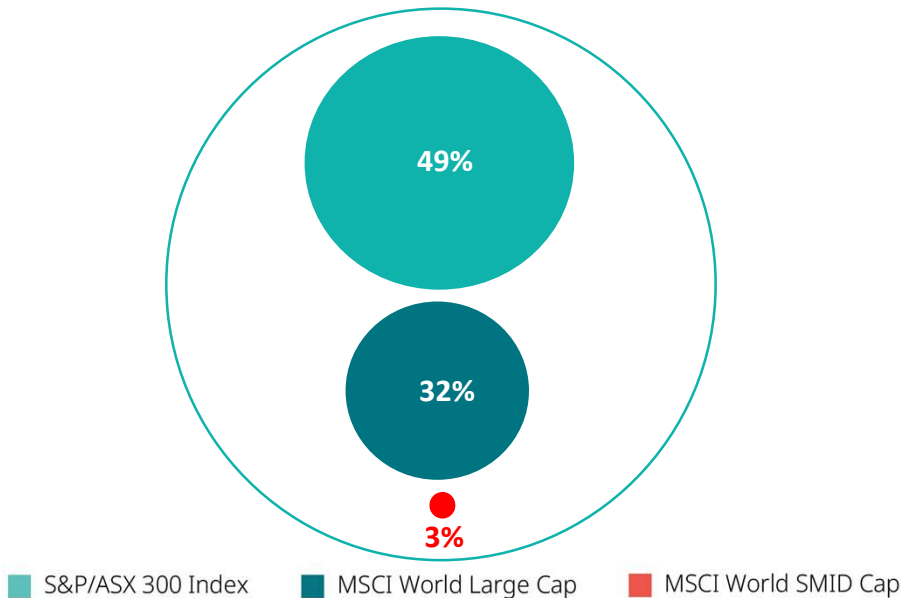
Market Cap Bucket* (USD)	% Index Weighting
0-1 billion	2%
1-10 billion	38%
10-30 billion	42%
30-50 billion	16%
50+ billion	3%

Source(s): Bell Asset Management, MSCI, Bloomberg Finance L.P. Data in USD as at 31 Dec 2025. Past performance is not a guide to current or future results. Please refer to "Important information" at the conclusion of this presentation. \*The market cap bucket data is based on the market capitalisation of each stock in the MSCI World SMID Cap Index, calculated on a float unadjusted basis.

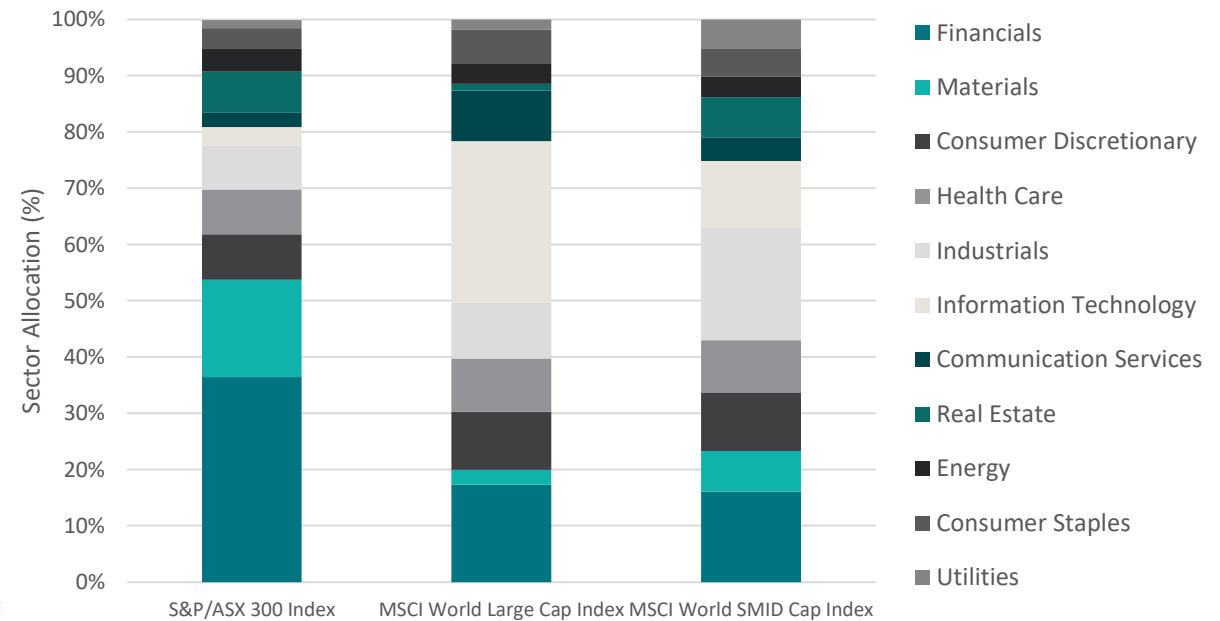
# Enhanced Diversification: Reducing Portfolio Concentration

- ◆ Material **concentration risk** in Australian Equities and Large Cap Global Equities
  - ▶ Global Large Caps: 73% in US & 47% across two sectors (IT & Financials)
  - ▶ S&P/ASX 300 Index: 49% in top 10 stocks
  
- ◆ Global SMID caps provide **genuine diversification** at both the stock and sector level

**Weight of Top 10 Constituents by Index**



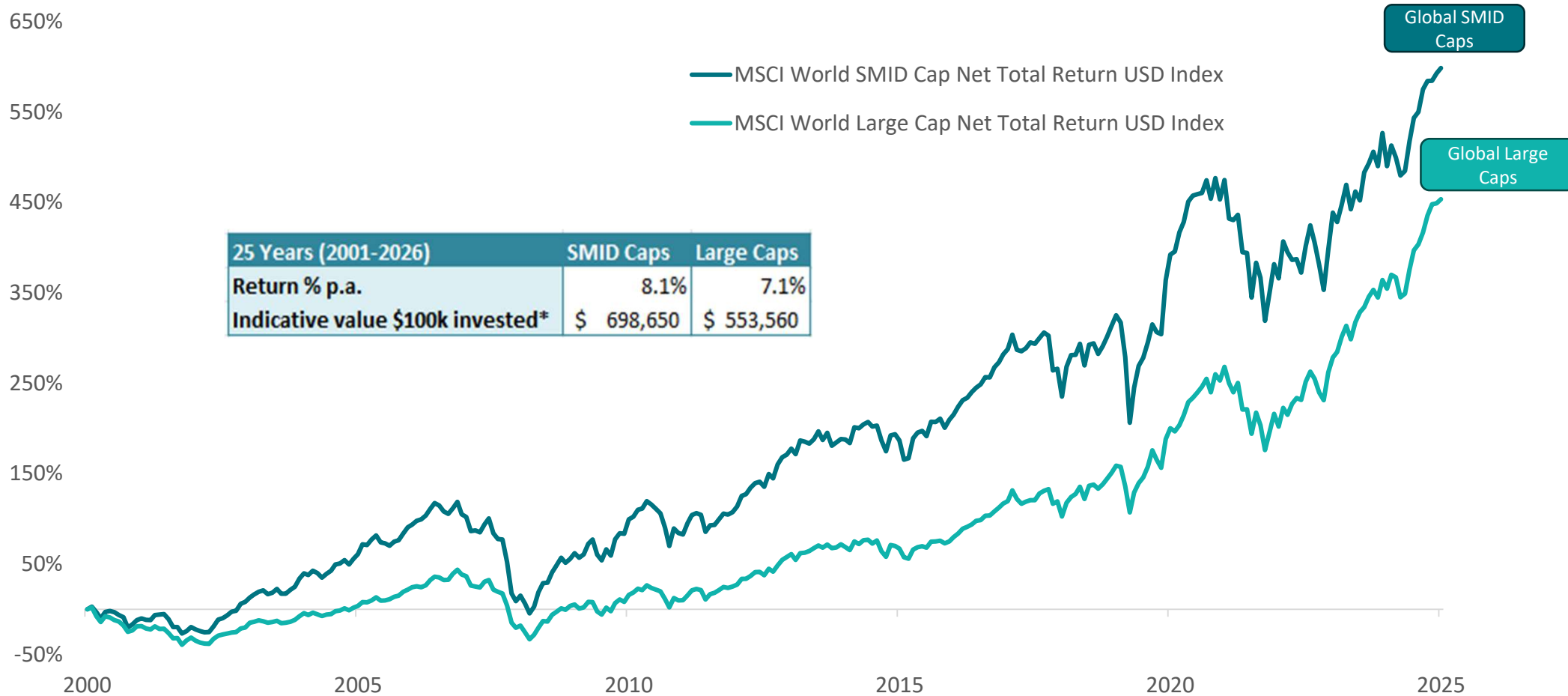
**Sector Composition Across Indices**



Source(s): Bell Asset Management, MSCI, Bloomberg Finance L.P. Data as at 31 Dec 2025. Past performance is not a guide to current or future results. Please refer to "Important information" at the conclusion of this presentation.

# Long Term Outperformance of Global SMID Caps

Global SMID Cap vs. Global Large Cap - Long Term Performance Returns (25 years)



Source(s): Bell Asset Management, MSCI, Bloomberg Finance L.P. Data in USD as at 31 Dec 2025. **Past performance is not a guide to current or future results.** Please refer to “Important information” at the conclusion of this presentation.

\* The dollar figures provided represent indicative value at the end of the 25 year period assuming \$100,000 invested at the start of the period and assume dividends are reinvested and with no applicable fees. The MSCI World SMID and Large Cap indices are used for illustrative purposes and are not directly investable.

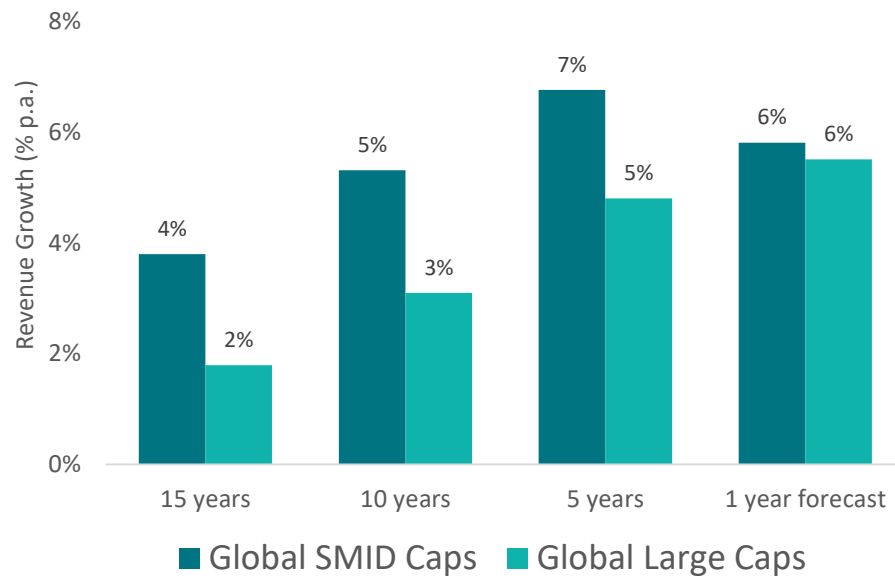
# The Growth Engine: Higher Growth Potential

SMID caps grow faster than large caps over the long term

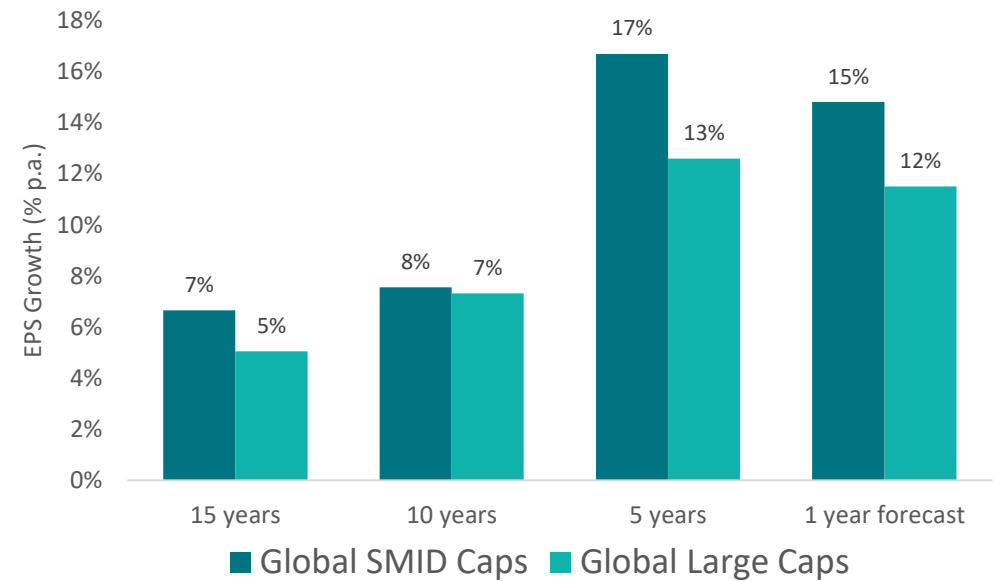
## Why SMID caps grow faster:

- ◆ Longer growth runway
- ◆ Agility & innovation
- ◆ Entrepreneurial drive
- ◆ Compounding effect

### Revenue Growth Comparison



### EPS Growth Comparison



Source(s): Bell Asset Management, MSCI, Bloomberg Finance L.P. Data in USD as at 31 Dec 2025. **Past performance is not a guide to current or future results.** Please refer to "Important information" at the conclusion of this presentation. The data for Global SMID Caps and Global Large Caps refers to data from the MSCI Indices – MSCI World SMID Cap Index and MSCI World Large Cap Index.

# Hidden Gems: Exploiting Market Inefficiencies

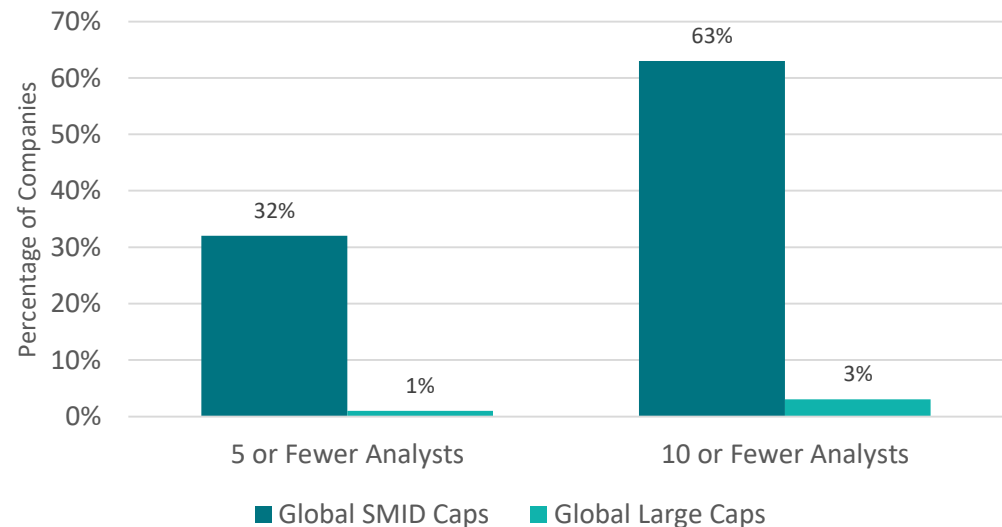
SMID caps tend to have less analyst coverage & lower institutional ownership compared to large caps

- ◆ **Lack of Analyst Coverage:** fewer analysts = more inefficiencies = greater potential for alpha.
- ◆ **Lower Institutional Ownership:** less owned = more upside as awareness & allocations grow.
- ◆ **Information Asymmetry:** above factors often lead to information asymmetry = more mispricings.
- ◆ **The "Hidden Gem" Advantage:** skilled active managers exploit inefficiencies through in-depth research.

Average number of sell-side analysts per company



% of Companies with Limited Sell-Side Analyst Coverage

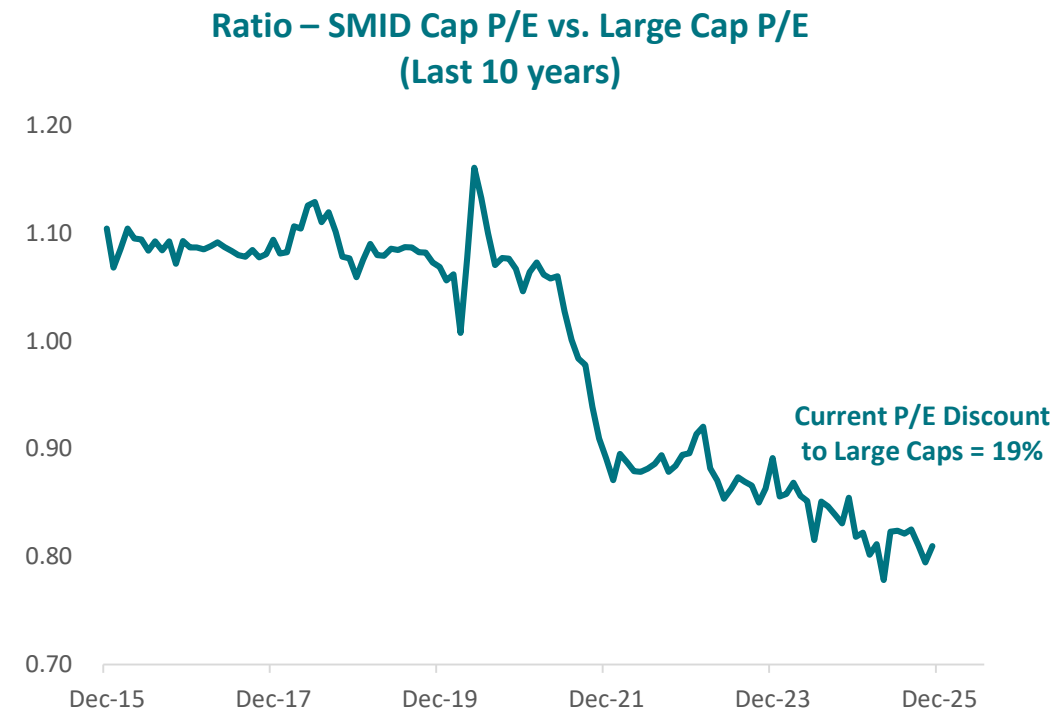
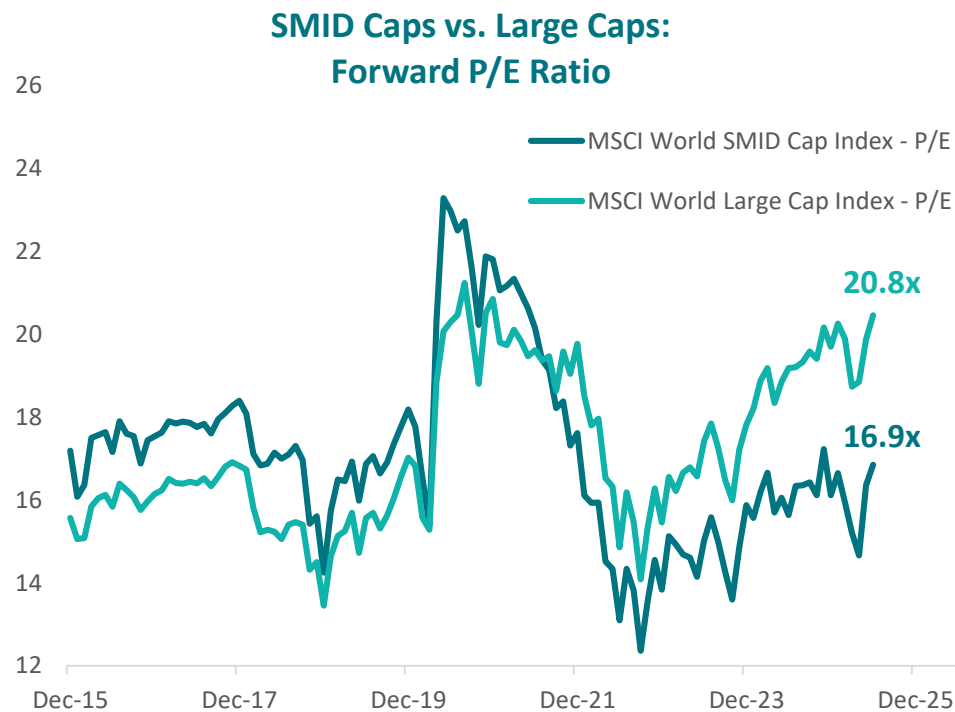


Source(s): Bell Asset Management, Bloomberg Finance L.P. Data as at 31 Dec 2025. The data for Global SMID Caps and Global Large Caps refers to data from the MSCI Indices – MSCI World SMID Cap Index and MSCI World Large Cap Index. Mag 7 refers to Apple, Alphabet, Nvidia, Meta, Amazon, Microsoft, and Tesla. Past performance is not a guide to current or future results. Please refer to "Important information" at the conclusion of this presentation.

# SMID Caps Are Trading At A Rare Discount

We believe the Global SMID Cap valuation contraction unlocks a favourable entry point

- ◆ SMID caps have significantly lagged Large Caps in recent years, driving a material valuation anomaly.
- ◆ Recent underperformance driven by sentiment & valuation multiples, not earnings.
- ◆ SMID caps trade at a **19% discount** to Large Caps, versus historically trading at a premium.
- ◆ Compared to the MSCI World Large Cap Growth Index, the **discount is 40%**.



Source(s): Bell Asset Management, MSCI, Bloomberg Finance L.P. Data in USD as at 31 Dec 2025. The data for Global SMID Caps and Global Large Caps refers to data from the MSCI Indices – MSCI World SMID Cap Index and MSCI World Large Cap Index. **Past performance is not a guide to current or future results.** Please refer to “Important information” at the conclusion of this presentation.

# Why Quality Matters in SMID Caps

The SMID opportunity is attractive – but stock selection is critical

## The Opportunity: Global SMID Caps

- Structural growth advantage
- Diversified opportunity set
- Large & under-researched universe
- Greater market inefficiencies
- Currently trading at a rare valuation discount

## The Challenge: Wider Dispersion of Outcomes

- Business quality varies significantly across the SMID universe (~20% of Index is non-profitable)
- Higher earnings volatility for weaker companies
- More balance sheet risk in lower quality businesses
- Many companies fail to scale or sustain growth
- Dispersion in quality of management



### Quality Businesses

1. Excellent Management
2. Strong Franchise
3. Durable Profitability
4. Strong Financial Position
5. Favourable Business Drivers
6. Sound ESG Characteristics



### Superior & Consistent Earnings Growth

- Above-average growth
- Greater consistency
- Lower earnings volatility

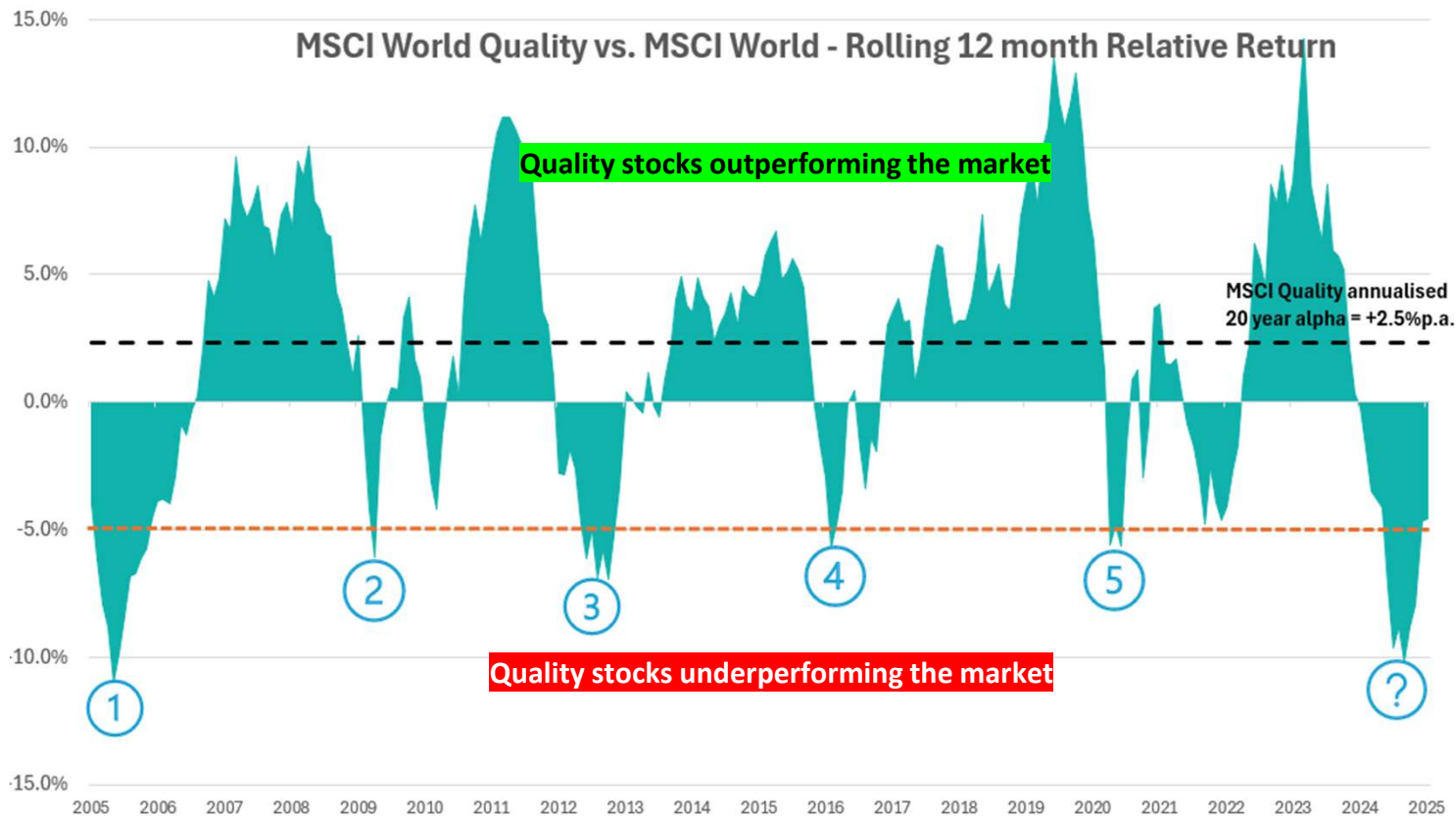


### Long-Term Outperformance

- Earnings drive share prices
- Compounding creates value
- Time rewards quality

**A disciplined focus on Quality allows investors to capture the growth potential of SMID caps while mitigating some of the inherent risks of the asset class.**



# Quality Rebounds After Periods of Underperformance **Bell** ASSET MANAGEMENT



The Dip	The Rebound	The Outcome
<b>5 past periods</b> of MSCI Quality underperforming >5% versus the World Index.	<b>100%</b> of these events saw positive alpha of Quality in the following 2 years.	<b>~3% p.a.</b> average outperformance during the 2-year recovery phase.

Source(s): Bell Asset Management, MSCI, Bloomberg Finance L.P. Data in USD and as at 31 December 2025. **Past performance is not a guide to current or future results.** Please refer to “Important information” at the conclusion of this presentation. Performance of the MSCI World Quality Net Total Return USD Index relative to the MSCI World Net Total Return USD Index. Recovery periods are measured from the end of the first month in which the Quality Index underperformed the World Index by more than 5% over a rolling 12-month period, with performance then measured over the subsequent two years.

# The Best Companies You've Never Heard Of

Electronic Test & Measurement

**Leader across 6 core test platforms**



US Hazardous Waste Leader

**70% of US incineration capacity**

Semi Wafer Processing Giant

**70% global share in tools niche**

Global Leader in Pet Diagnostics

**Bigger than next 3 peers combined**

Supply Chain Software Leader

**Win over 70% of WMS deals**



Leader in locks & access systems

**20% share in fragmented market**

Global Leader in Precision Optics

**80% share in EUV mask blanks**

LNG Membrane Technology

**75% share in global LNG fleet**

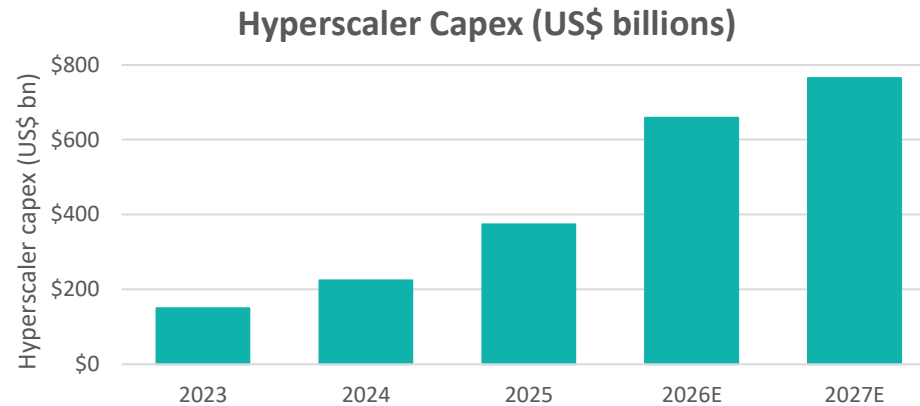
 

Life Sciences Cloud Platform

**75% global share in pharma CRM**

Source(s): Bell Asset Management, Bloomberg Finance L.P. Data as at 31 December 2025. Past performance is not a guide to current or future results. Please refer to "Important information" at the conclusion of this presentation. The securities identified above are not necessarily held in all client portfolios and should not be considered as recommended for purchase or sale

# AI's Supply Chain: A SMID Opportunity



## Compute (chips)

- ◆ Semiconductor Equipment
- ◆ Materials & Wafer Supply
- ◆ Memory & Storage
- ◆ Advanced Packaging & Assembly



## Connectivity

- ◆ Testing, Measurement & Inspection
- ◆ High Speed Connectivity & Cabling



## Physical Infrastructure

- ◆ Data Centre Infrastructure
- ◆ Cooling & Thermal Management
- ◆ Power Infrastructure
- ◆ Grid Infrastructure

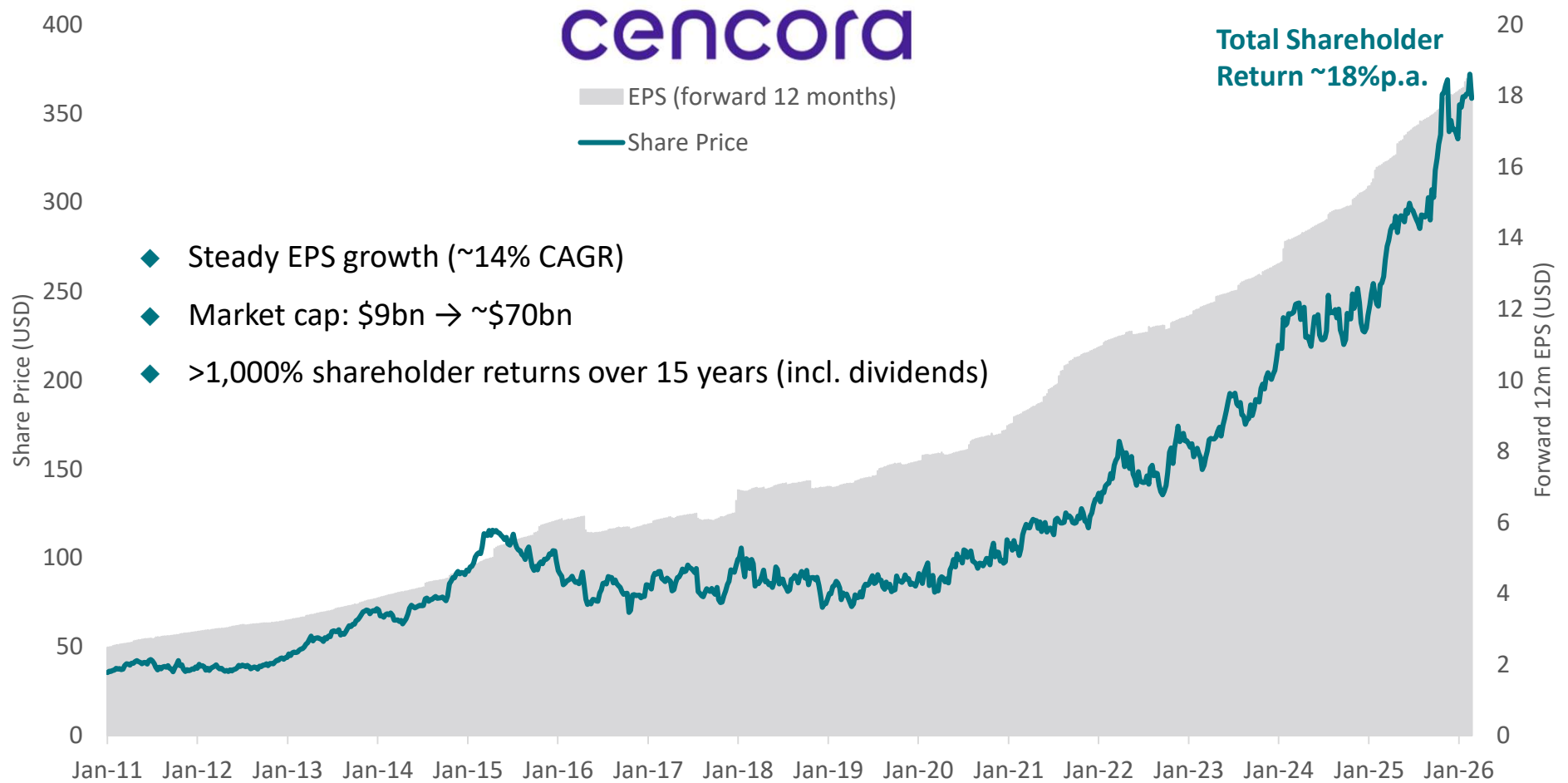


**AI capex flows across multiple infrastructure layers — many critical suppliers sit in the global SMID universe.**

Source(s): Bell Asset Management, MSCI, Bloomberg Finance L.P. Data in USD as at 28 Feb 2026. Please refer to "Important information" at the conclusion of this presentation. Includes capex from hyperscalers: Amazon, Microsoft, Alphabet, Meta and Oracle. 2026E and 2027E based on Bell Asset estimates.

# The Power of the "Boring" SMID Compounder

Some of the best long-term returns come from identifying steady compounders early while they are still SMID caps.



Source(s): Bell Asset Management, MSCI, Bloomberg Finance L.P. Data in USD as of 6 March 2026. Total Shareholder Return includes capital appreciation and dividends. Past performance is not a guide to current or future results. Please refer to "Important information" at the conclusion of this presentation.

# Potential Catalysts for Global Quality SMID Caps

## 1. SMID Catalysts

- Strong SMID earnings growth
- Declining interest rates
- Uptick in M&A activity
- Easing geopolitical tensions
- Rotation from crowded mega-caps
- Institutional reallocation to SMID
- Valuation re-rating potential

## 2. Rotation back to Quality

- **Quality earnings resilience** rewarded
- Market better distinguishes **AI winners from losers** (quality shines through)
- **Macro volatility** could drive investors away from riskier areas of the market
- **AI hype normalises & speculative activity fades;** focus returns to fundamentals

**Multiple catalysts across macro, style and valuation create an attractive setup for a Quality SMID recovery.**

# Summary: Why Allocate to Global Quality SMID Caps?



**Superior Growth:** Structural revenue and earnings growth advantage



**Valuation Opportunity:** SMID caps trading at a rare discount



**Diversification:** Stock, sector and regional diversification benefits



**Alpha from Inefficiencies:** Less analyst coverage & insto ownership = alpha opportunity



**Quality Rebound Potential:** Quality investing has historically rebounded following periods of weakness



**Multiple Tailwinds:** Various positive catalysts could drive outperformance in coming years

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