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Under the radar: The hidden champions of the Australian market

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Agenda

1 Australian Small Cap Equities – is now the time?

2 Recession risk – what does that mean for Australian small caps?

3 Artificial Intelligence – what are the risks & opportunities in Australian small caps?

Australian Small Cap opportunities

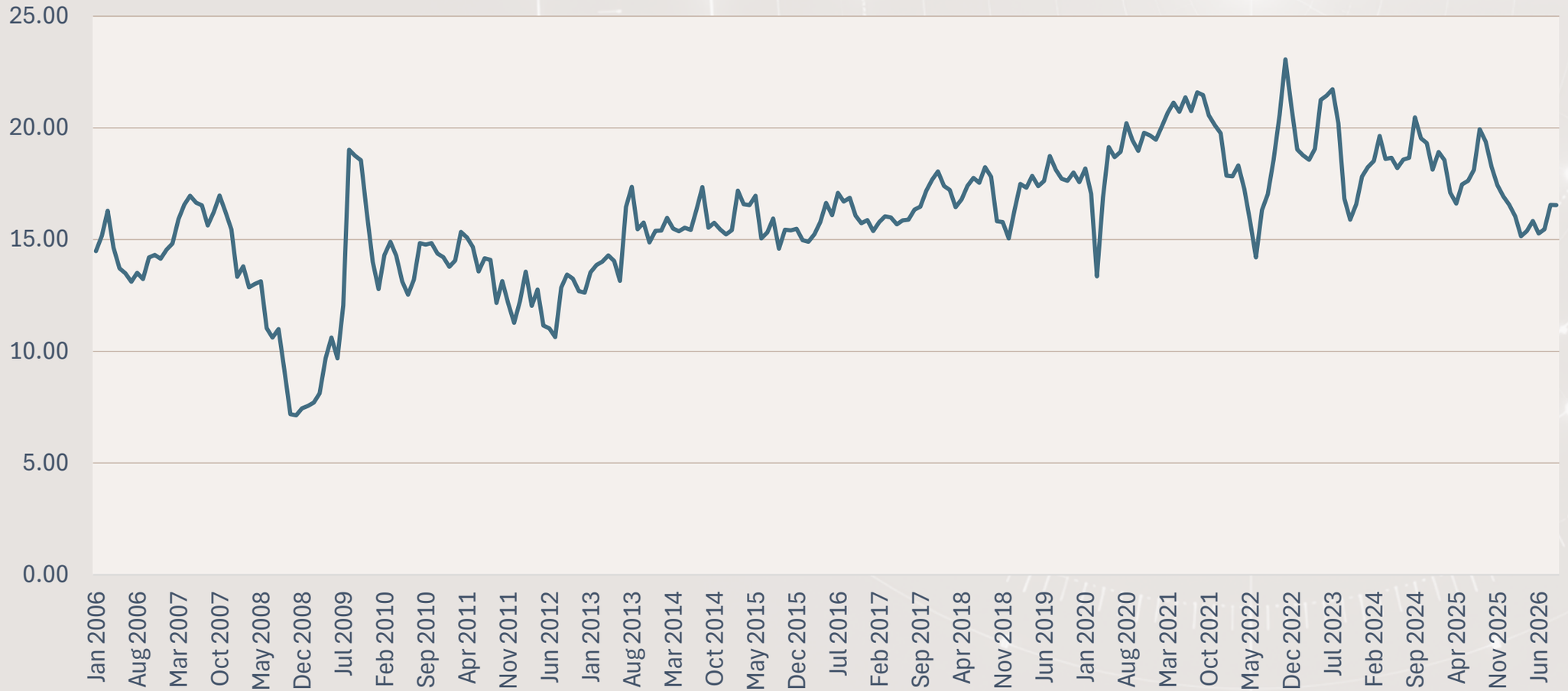
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- Absolute valuation support ✓
- Relative valuation support ✓
- Dividend yield support ✓
- Earnings growth support ✓

Past performance is not a guide to current or future results. Please refer to “Important information” at the conclusion of this presentation.

Absolute valuation support

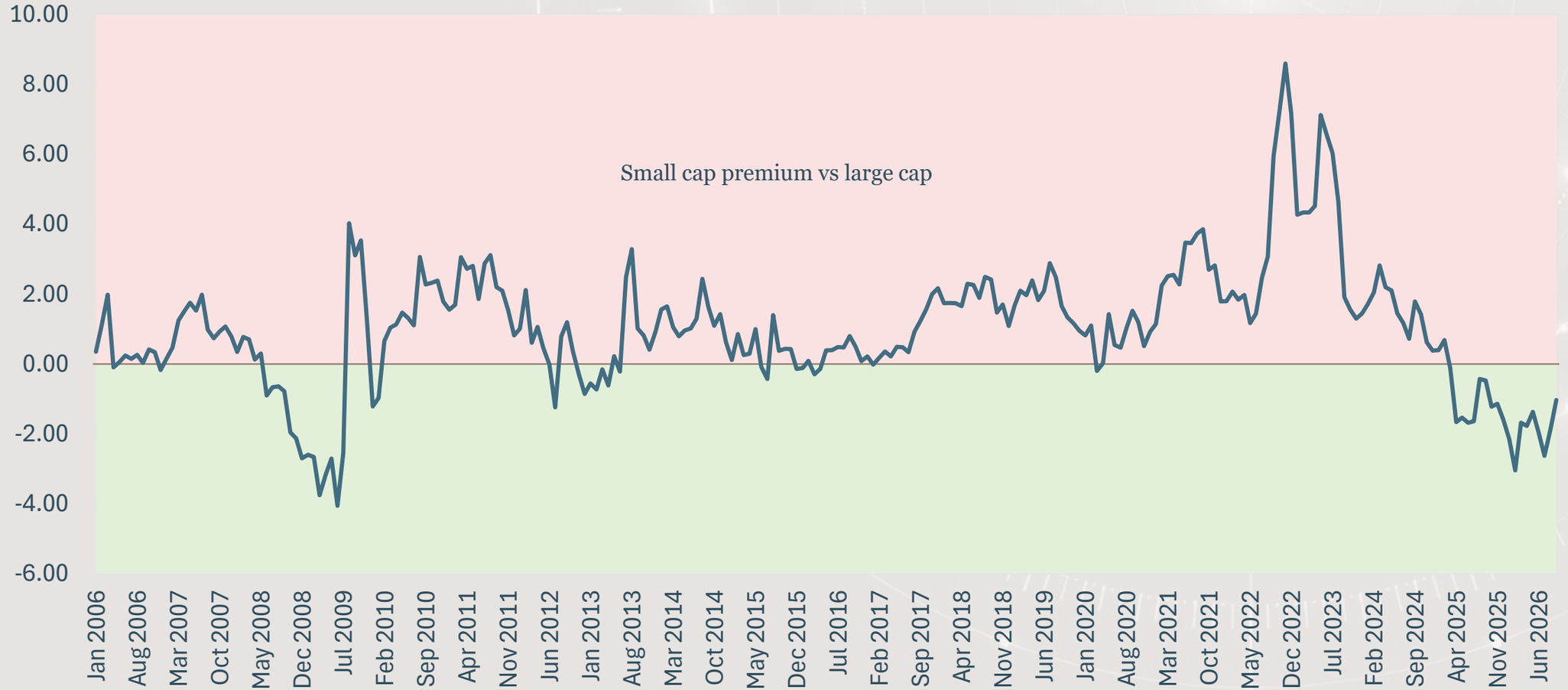
12-month forward price to earnings of the S&P/ASX Small Ords (2006 to present)



Source: FactSet, Bloomberg, Macquarie Capital Markets (1 Jan 2006 to 30 Sept 2026). Past performance is not a guide to current or future results.
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Relative valuation support

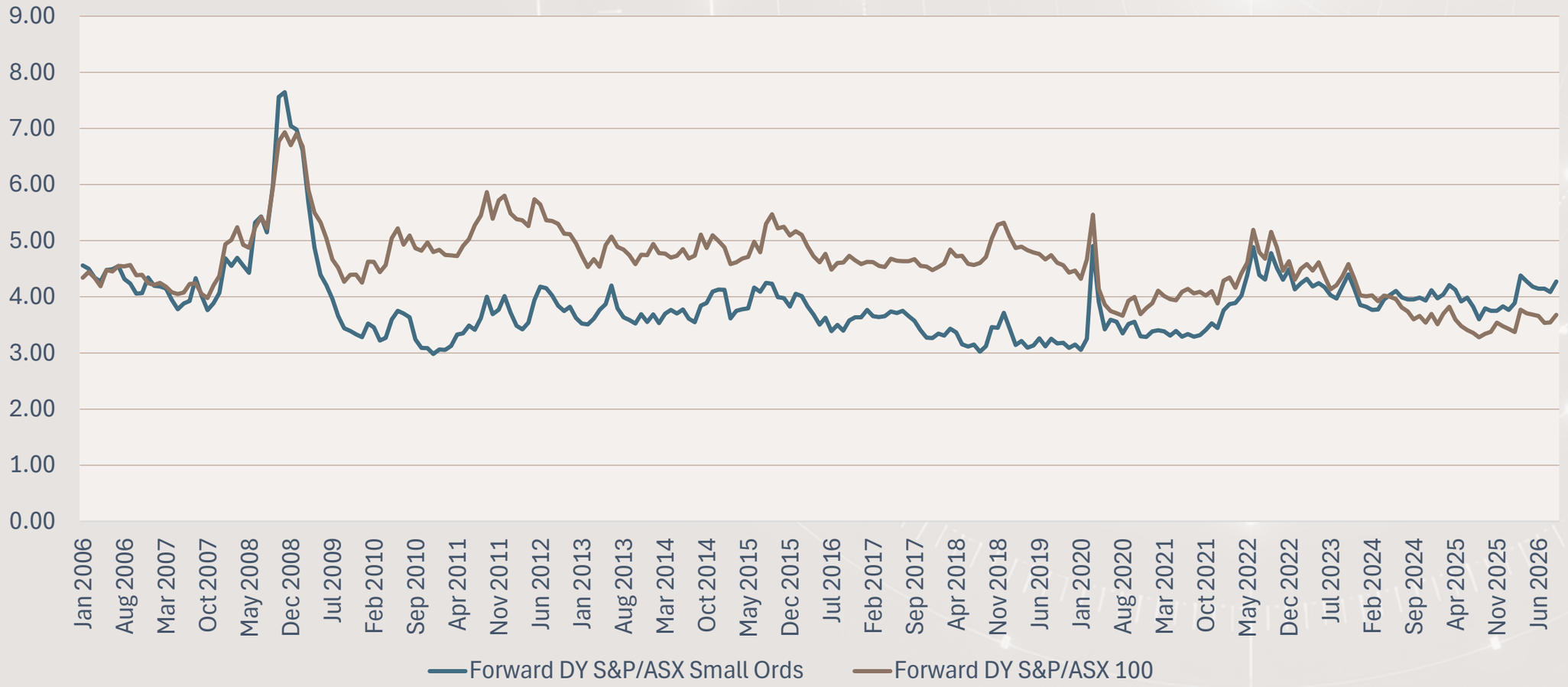
S&P/ASX Small Ords PE less S&P/ASX100 PE (2006 to present)



Source: FactSet, Bloomberg, Macquarie Capital Markets (1 Jan 2006 to 30 Sept 2026). Past performance is not a guide to current or future results.
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Dividend yield support

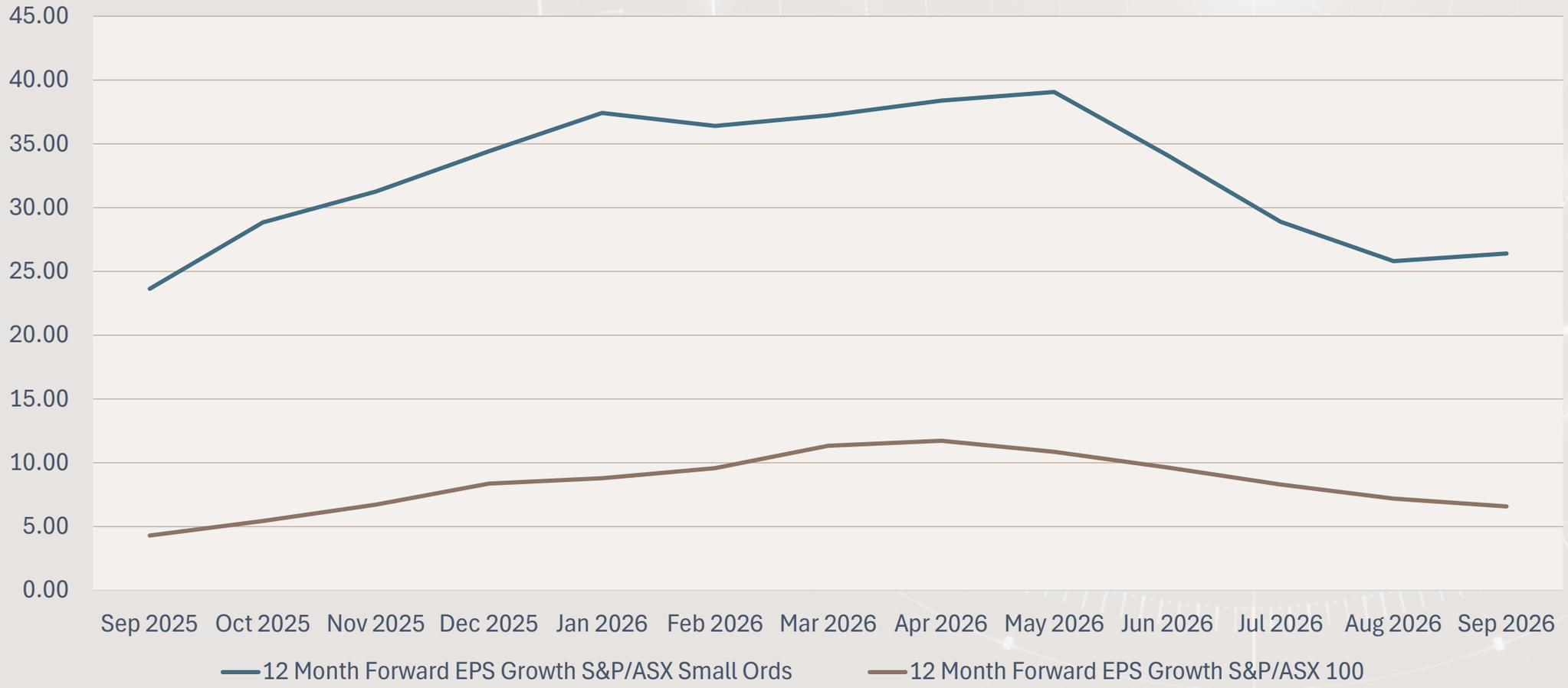
Forward dividend yield S&P/ASX Small Ords vs S&P/ASX100 (2006 to present)



Source: FactSet, Bloomberg, Macquarie Capital Markets (1 Jan 2006 to 30 Sept 2026). Past performance is not a guide to current or future results.
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Earnings growth support

12-month forward EPS growth forecast S&P/ASX Small Ords vs S&P/ASX100



Source: FactSet, Bloomberg, Macquarie Capital Markets (30 Sept 2025 to 30 Sept 2026). Past performance is not a guide to current or future results.
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Australian Small Caps - opportunity or value trap?

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Investor concern

Higher interest rates = sell small caps

As the late Rudi Dornbusch, MIT economist put it...

Expansions don't die of old age, they're murdered by the Fed.

US 10 Year Treasury



Shaded areas indicate US recessions

Source: Board of Governors of the Federal Reserve System (US) via FRED ® fred.stlouisfed.org Jan 2000 – 15 Oct 2026. Past performance is not a guide to current or future results.
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Australian Small Caps - opportunity or value trap?

Underneath, Australia's inflation is stickier

Australia – core inflation

3.6%

Official **4.0%**

USA – core inflation

2.6%

Official **3.7%**

Source: Bloomberg, 15 Oct 2026. Past performance is not a guide to current or future results. Please refer to "Important information" at the conclusion of this presentation.

Australian Small Caps – resilience in a recession?

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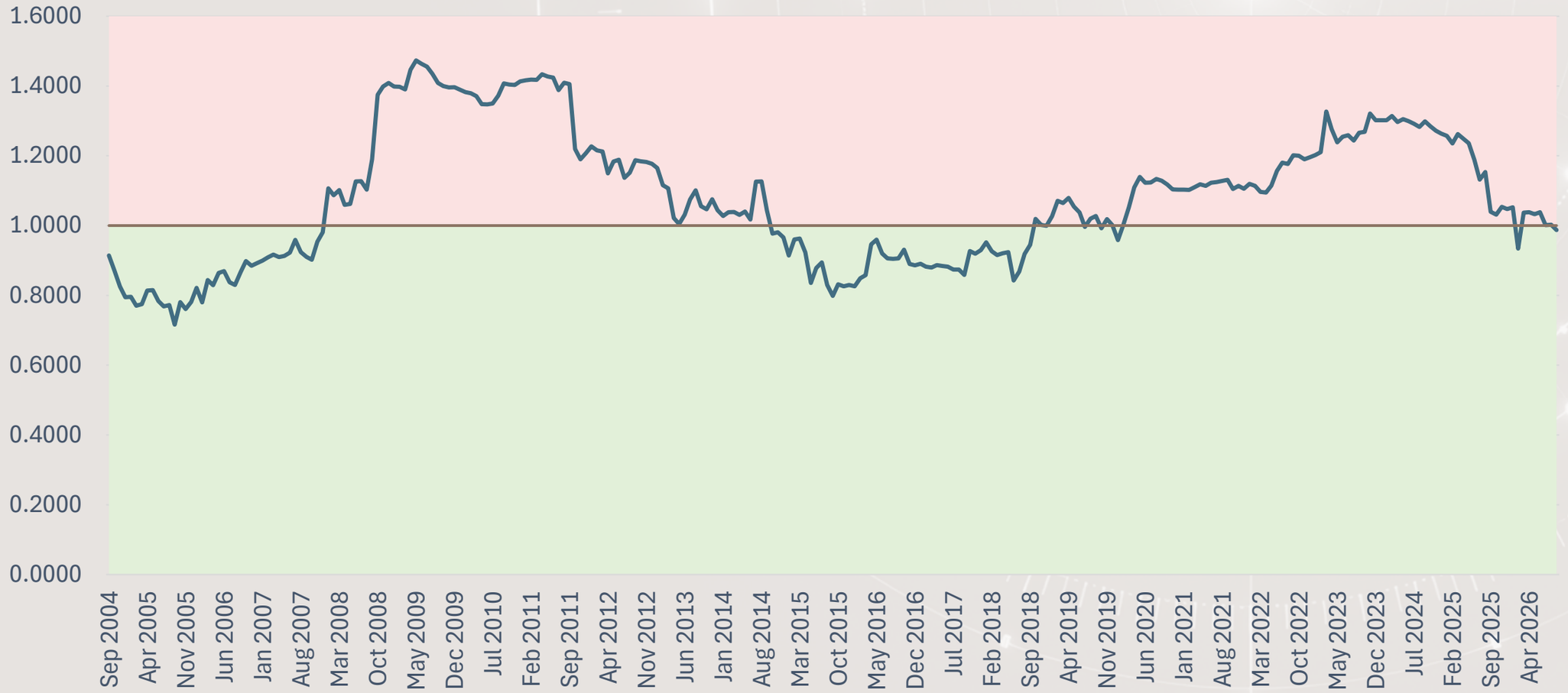
S&P/ASX Small Ords Index by GICS Sector

GICS Sector	Weighting 30/9/2016	Weighting 30/9/2026
Energy	2.8%	5.5%
Materials	19.2%	28.4%
Industrials	16.0%	17.1%
Consumer Discretionary	14.9%	8.7%
Consumer Staples	6.5%	4.0%
Health Care	7.5%	5.1%
Financials	8.3%	11.3%
Information Technology	7.0%	5.5%
Communication Services	6.1%	4.8%
Utilities	0.7%	0.0%
Real Estate	11.0%	9.5%

Source: S&P/ASX Small Ords Index 30 Sept 2016 to 30 Sept 2026. Past performance is not a guide to current or future results.
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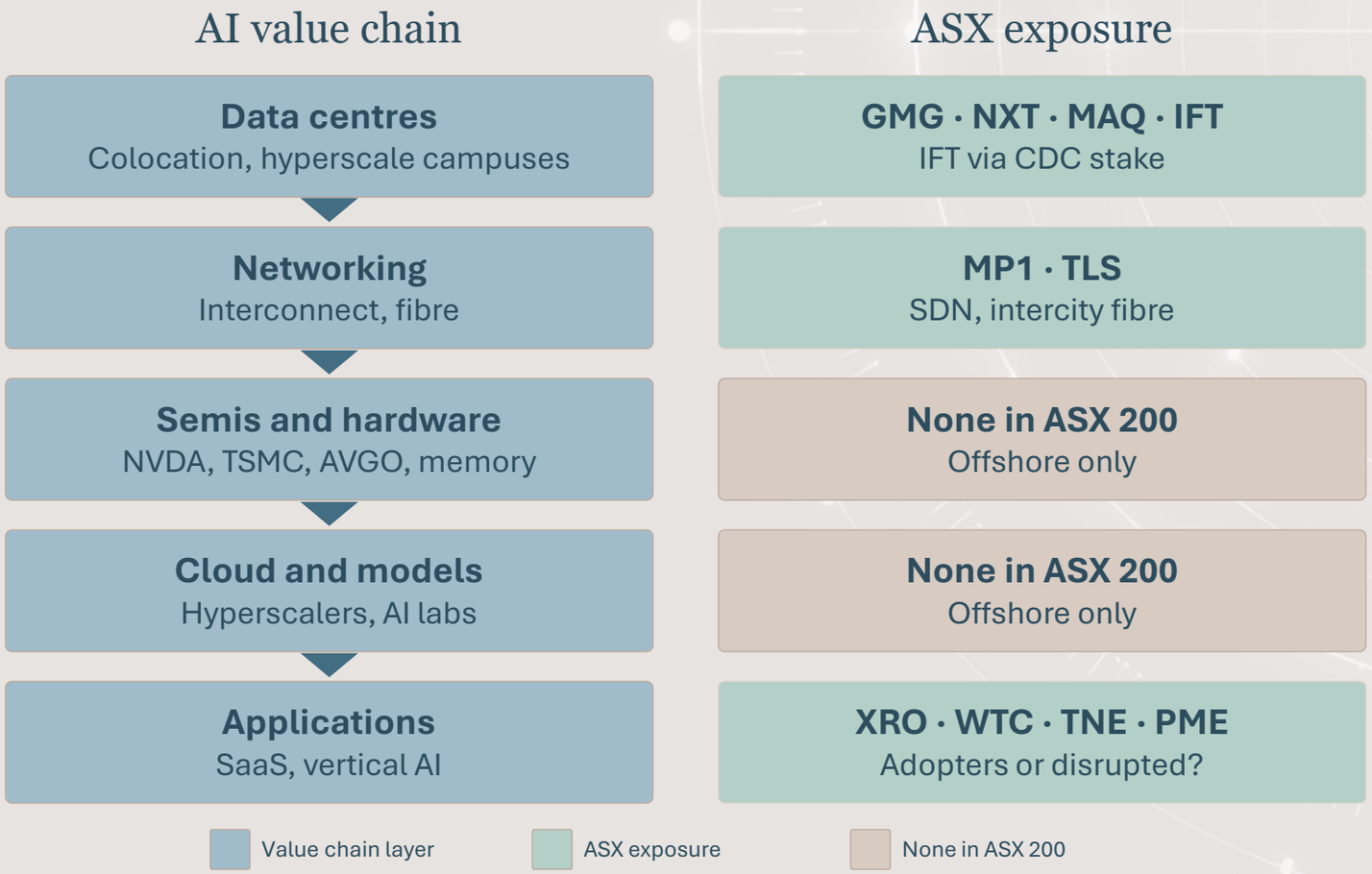
Australian Small Caps – resilience in a recession?

Beta (rolling 3 years) of the S&P/ASX Small Ords against the S&P/ASX 100 (2004 - 2026)



Source: FactSet, Bloomberg, Macquarie Capital Markets (1 Jan 2004 to 30 Sept 2026) Past performance is not a guide to current or future results.
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Artificial Intelligence – the value chain & ASX exposure



Capex flows down the stack; revenue must flow back up from applications to justify it

Source: Bell Asset Management. The securities identified above are not necessarily held in our portfolios and should not be considered as recommended for purchase or sale. Past performance is not a guide to current or future results. Please refer to "Important information" at the conclusion of this presentation.

Artificial Intelligence – Think outside the box!

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The "hidden" AI winners

Electrification transformation requires copper

(Capstone Copper, Austral Resources, Aeris Resources, Firefly Metals, Glencore) and aluminium (Alcoa)

Electrification needs battery and battery storage

Think lithium (Elevra Lithium, Patriot Metals, Wildcat Resources, Vulcan Energy)

Electrification needs magnets

Think rare earths (Viridis Mining, St George Mining, Iluka Resources, Arafura Rare Earths, Lindian Resources)

Data centres need reliable cheap power

Think uranium (NexGen, Bannerman, Deep Yellow, Lotus Resources)

Data centres need to be built & integrated into the grid

Think contractors (Genus Plus, Southern Cross Electrical, Tasmea, Maas Group, Symal, IPD Group, Mayfield Group)

Data centres and chips/servers require recycling

Think Sims Group

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Capstone Copper (*ASX:CSC | TSX:CS*)

Americas copper producer: Chile-led growth to 375ktpa

Asset portfolio

Asset	Location	Own.	2026G Cu (kt)
Mantoverde	Atacama, Chile	70%	89–102
Mantos Blancos	Antofagasta, Chile	100%	48–56
Pinto Valley	Arizona, USA	100%	42–48
Cozamin	Zacatecas, Mexico	100%	21–24
Santo Domingo	Atacama, Chile	75%	Dev. (FID Q4-26)
Consolidated			**200–230**

200–230kt

Copper production

2026 guidance (2025A: 225kt)

~375ktpa

Production ~2030

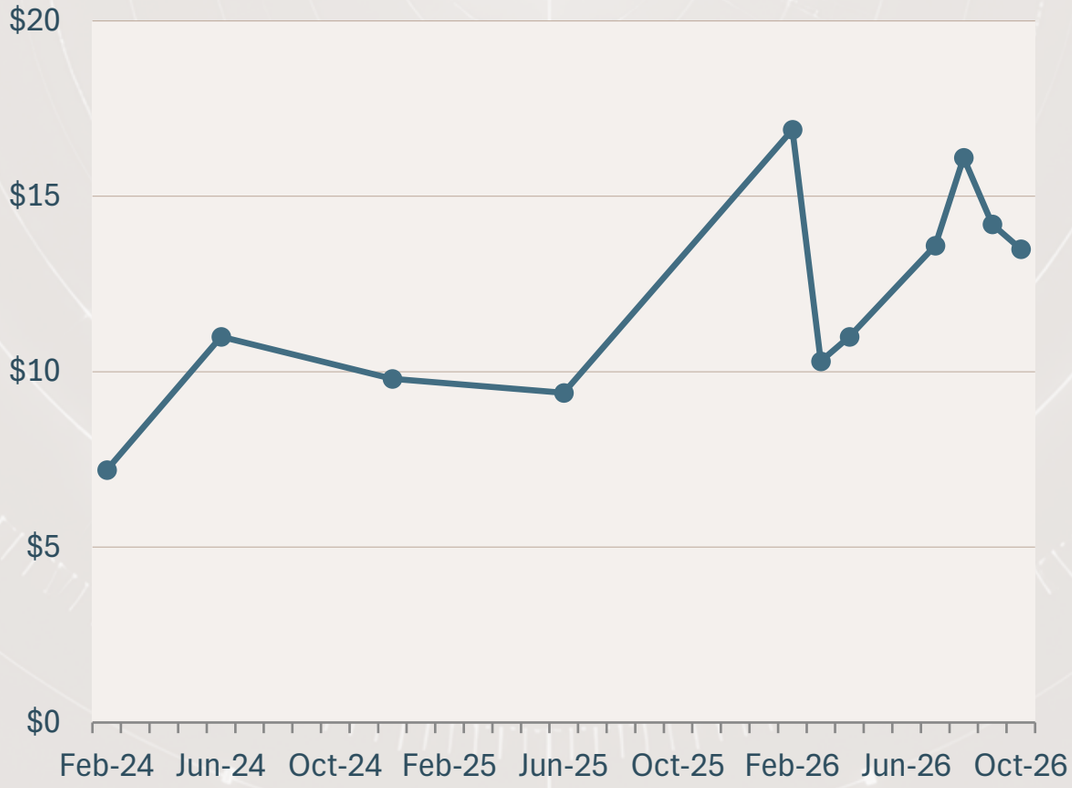
Co. target (~70% uplift); needs Santo Domingo

~5.5x / ~4.0x

Fwd EV/EBITDA

FY26E / FY27E, est.

ASX share price since listing (A$)



Source: IRESS; Bloomberg; FactSet; company releases, ASX as at 15 Oct 2026. The securities identified above are not necessarily held in our portfolios and should not be considered as recommended for purchase or sale. Past performance is not a guide to current or future results. Please refer to "Important information" at the conclusion of this presentation.

Southern Cross Electrical Engineering (*ASX:SXE*)

48-year-old electrical contractor re-rated as a data centre and electrification play

What it does

- National electrical, instrumentation, communications, security, fire and maintenance services and products
- Three end markets: infrastructure, commercial (incl. data centres) and resources
- FY26 data centre revenue $120m; worked in 10 data centres for 6 hyperscale cloud operators
- ~27% recurring revenue; net cash, no material debt

History

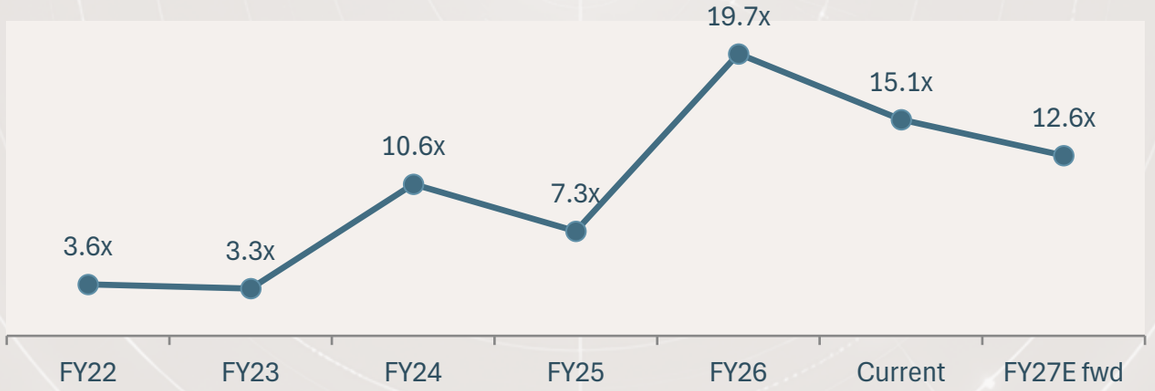
1978	Founded in WA
2007	Listed on ASX
2016–17	Datatel, Heyday acquired
2020	Trivantage Group acquired
2024–25	MDE Group, Force Fire acquired

$77.0m
FY26 und. EBITDA (+40.5%)

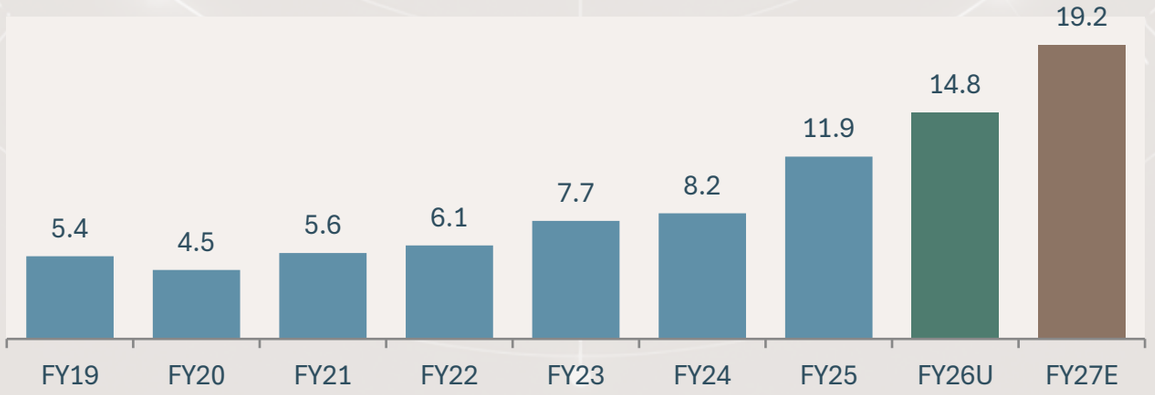
≥$100m
FY27 EBITDA guidance

$810m
Record order book

EV/EBITDA (x) – trailing at 30 June, current and forward



EPS (cps) – FY19 to FY27E



Source: IRESS; Bloomberg; FactSet; company releases, ASX as at 15 Oct 2026. The securities identified above are not necessarily held in our portfolios and should not be considered as recommended for purchase or sale. Past performance is not a guide to current or future results. Please refer to "Important information" at the conclusion of this presentation.

Key takeaways:

1. We believe there is an outstanding opportunity in small caps
2. There are misconceptions around the risk within small caps
3. Small caps offer a multitude of ways to play AI and other thematics

You just need the expertise and experience to know where to look

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