

Where Active Managers Are Finding Opportunities in Small Caps



April 2026



April saw a strong **rebound in Australian small caps** following the sharp volatility experienced earlier in the year.



Across the Third Link Growth Fund's underlying managers, a common theme emerged: active managers are finding compelling opportunities in structurally growing businesses tied to **AI infrastructure, data centres, electrification, and high-quality domestic growth companies.**



Managers are selectively navigating volatility in resources and consumer-facing sectors while focusing on businesses with strong fundamentals and **long-term growth potential.**

SMALL CAP UNDERLYING MANAGERS OF THE THIRD LINK GROWTH FUND

1851 | CAPITAL



Firetrail
Invest with Conviction

LENNOX
CAPITAL PARTNERS



Diversified
Active Management



Meaningful Impact
1% of FUM contributed
to Australian charities



Long-term
Growth Potential



Investing for a
Better Future



Emerging Companies Fund

April 2026 insights



The Fund returned **+6.1%** in April, outperforming the Small Ordinaries benchmark by **2.8%**.

1851 Capital highlighted the continued strength in companies leveraged to the AI and data centre thematic, alongside resilient earnings growth in select financial and infrastructure businesses.



A standout contributor was **SKS Technologies**, which rallied 69% after upgrading contract sizes at a hyperscale data centre development in Melbourne.

1851 noted ongoing investor demand for companies exposed to data centre infrastructure and digital connectivity. The manager originally purchased SKS at \$0.37 in March 2024, with the stock now one of the Fund's strongest performers since inception.

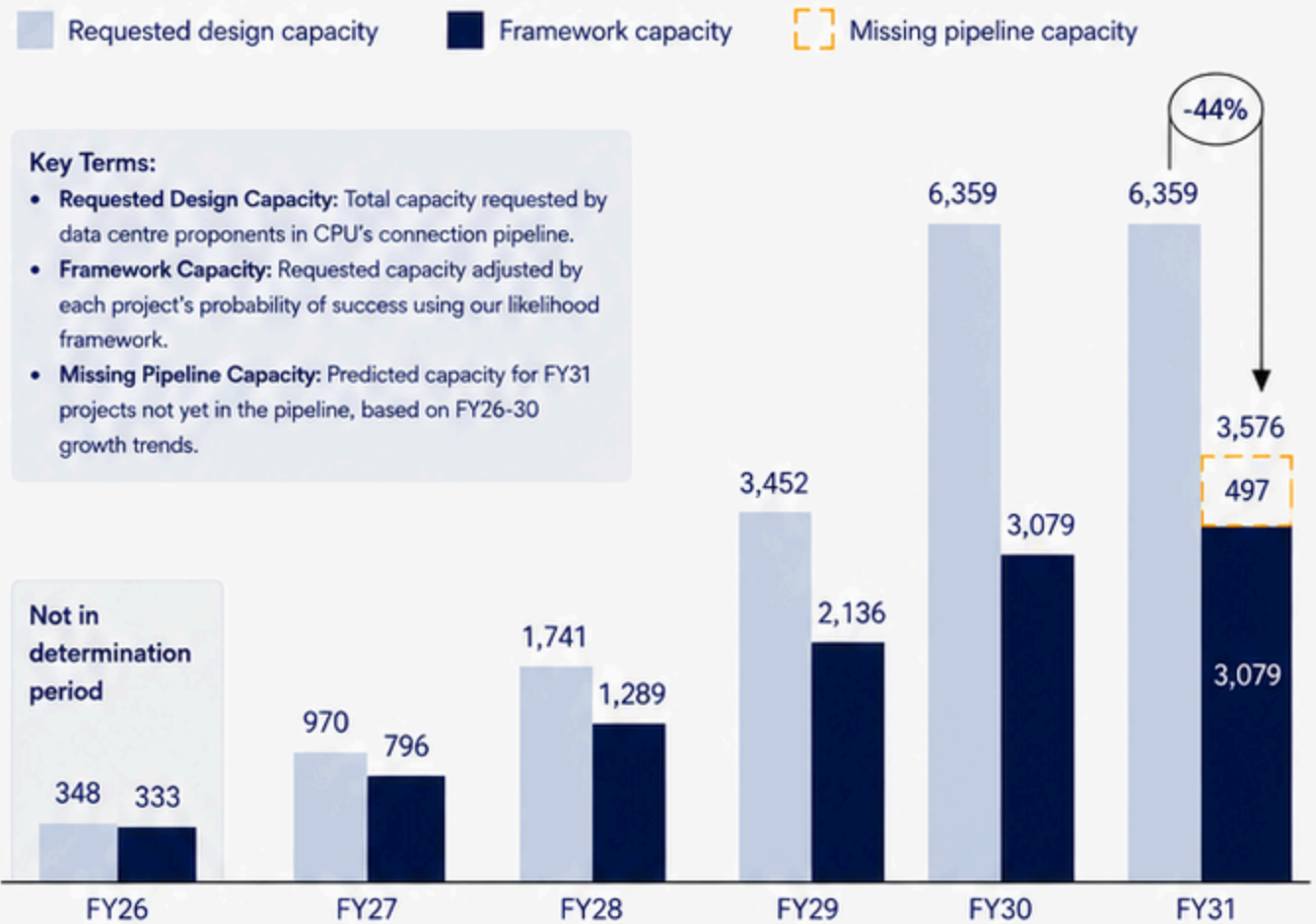


Other contributors included:

- Southern Cross Electrical (ASX: SXE)
- IPD Group (ASX: IPD)
- Zip Co (ASX: ZIP)
- Cuscal (ASX: CCL)

Exhibit 2: Requested design and framework probability adjusted data centre capacity

MW, FY26-31, CPU catchment



Source: Evans & Partners

Key Terms:

- **Requested Design Capacity:** Total capacity requested by data centre proponents in CPU's connection pipeline.
- **Framework Capacity:** Requested capacity adjusted by each project's probability of success using our likelihood framework.
- **Missing Pipeline Capacity:** Predicted capacity for FY31 projects not yet in the pipeline, based on FY26-30 growth trends.



1851 Capital believes elevated volatility is continuing to create attractive entry points in quality small companies, particularly where markets have overreacted to macro uncertainty. The Fund currently retains a **healthy cash weighting** to capitalise on future opportunities.



Firetrail

Invest with Conviction

Australian Small Companies Fund

Firetrail delivered another strong month, returning **+5.17%** and outperforming the benchmark by **1.84%**.



The manager noted that April was dominated by:



AI infrastructure demand



Data centre expansion



Electrification themes



Rising demand for energy and battery storage solutions



STOCK CASE STUDY

NextDC (ASX: NXT)

One of the Fund's strongest contributors was NextDC (ASX: NXT), which announced a major increase in contracted capacity.



Firetrail noted contracted utilisation rose **60%** to **667 megawatts**, implying a potential **5–6x** increase in future revenue and earnings over coming years as new data centre capacity comes online.

OTHER KEY OPPORTUNITIES

Firetrail also highlighted:



Elevra Lithium (ASX: ELV), benefiting from renewed optimism around EV and battery demand



Greatland Resources (ASX: GGP), driven by strong gold production and cash flow generation



Selective AI beneficiaries across semiconductors, compute infrastructure and energy providers



Firetrail believes AI adoption is now beginning to materially impact real-world earnings outcomes, creating both **winners and losers** across the small-cap universe.

EIGER CAPITAL AUSTRALIAN SMALL COMPANIES FUND

APRIL 2026 INSIGHTS



Eiger described April as a reminder that **“volatility is the new normal,”** with sharp swings continuing to create opportunities for long-term investors.

THE MANAGER IS FINDING OPPORTUNITIES IN:



high-quality technology and fintech names that sold off heavily earlier in the year



gold and lithium producers benefiting from structural commodity demand



companies exposed to defence and energy transition themes



STOCK CASE STUDY: **CODAN** (ASX: CDA)

One of the strongest contributors was Codan, which surged following a major earnings upgrade. The company guided FY26 EBIT and NPAT growth of more than 60%, driven by structural demand for defence-linked communication systems.

Eiger highlighted that Codan’s communications division reached its target margins a year ahead of schedule, demonstrating the scalability of the business.

LITHIUM OPPORTUNITY **RE-EMERGING**

Eiger also pointed to a strong rebound in lithium markets. Liontown Resources (ASX: LTR) rallied 43% during the month after delivering its first positive net cash flow since commencing production.

Supply disruptions and recovering EV and battery storage demand are tightening lithium markets globally.



Eiger believes periods of market dislocation continue to provide opportunities to accumulate businesses capable of **doubling earnings** over a five-year horizon.



<https://www.eigercapital.com/>

We are conviction investors

We form long term views

We invest consistently

AUSTRALIAN SMALL COMPANIES FUND

APRIL INSIGHTS



Lennox noted that April reinforced the importance of disciplined stock selection in small caps, with market performance heavily driven by company-specific outcomes rather than broad market beta.

THE MANAGER CONTINUES TO FOCUS ON:



High-quality businesses



Strong balance sheets



Sustainable earnings growth



Structural growth themes such as digital infrastructure and media consolidation

STOCK CASE STUDY:

NextDC

(ASX: NXT)



- ✓ Like several active managers, Lennox benefited from exposure to **NextDC**.
- ✓ Renewed optimism around AI infrastructure demand and hyperscale data centre investment globally.
- ✓ Announced a significant increase in contracted utilisation alongside a large equity raising to accelerate expansion of its Sydney data centre footprint.



ADDITIONAL OPPORTUNITY:

oOh!media

(ASX: OML)



- ✓ Lennox also highlighted **oOh!media**, which rallied following a takeover proposal from private equity firm Pacific Equity Partners, reinforcing the strategic value of premium outdoor media assets.



Importantly, Lennox remains structurally underweight speculative mining exposures, preferring businesses with clearer long-term earnings visibility and stronger free cash flow characteristics.



Despite differing investment styles, several common themes emerged across the Third Link Growth Fund's underlying managers in April.

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AI & Data Centre Infrastructure

Managers continue to find opportunities in businesses benefiting from:

- AI adoption,
- hyperscale data centre demand,
- digital infrastructure buildouts,
- power and connectivity requirements.

Examples:

- NextDC
- SKS Technologies
- Southern Cross Electrical

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Electrification & Energy Transition

Several managers highlighted renewed optimism toward:

- lithium,
- battery storage,
- electrification infrastructure,
- EV supply chains.

Examples:

- Liontown Resources
- Elevra Lithium

3



Quality Growth at Attractive Valuations

After periods of heightened volatility earlier in the year, active managers are increasingly rebuilding positions in:

- technology,
- fintech,
- premium consumer brands,
- infrastructure-linked businesses.

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Stock Selection Matters More Than Ever

Managers consistently noted that performance dispersion within small caps remains elevated, reinforcing the importance of:

- bottom-up research,
- active management,
- selective capital deployment,
- balance sheet discipline.

In an environment where macro uncertainty, AI disruption, geopolitical tensions and interest rate volatility continue to impact markets, active small-cap managers remain focused on identifying businesses with **durable growth drivers and long-term earnings potential**.



We are grateful to the underlying investment managers of the Third Link Growth Fund, whose ongoing support and generosity make the Fund's unique model possible.

By rebating their management and performance fees, our managers enable the Fund to **donate approximately 1% pa of FUM directly to charitable organisations** creating meaningful community impact.

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