

**OBJECTIVE: LONG-TERM CAPITAL GROWTH AND INCOME BY INVESTING IN HIGH CALIBRE AUSTRALIAN COMPANIES PRIMARILY LISTED OUTSIDE THE S&P/ASX 100 INDEX AT THE TIME OF INVESTMENT.**



High-conviction portfolio of quality Australian listed equities from a research driven, bottom-up investment philosophy

**Our Philosophy**

The highest proven quality businesses with the strongest competitive advantages and organic growth opportunities produce superior shareholder returns over the long-term.

Long term capital preservation is paramount.

**We believe companies in our portfolio have:**

- Predictable earnings
- Low debt
- High interest cover
- Sustainable competitive advantages
- High return on capital
- Strong free cash flow
- Organic growth options
- Experienced and proven management teams

**Global Market Overview**

Global equity markets experienced mixed results during July as the spread of the Delta COVID-19 variant dominated headlines. On the economic front, the IMF maintained its 2021 global growth forecast of 6% and upgraded its 2022 forecast to 4.9%, but warned of a widening divergence in the global economic recovery between advanced and developing economies. In the U.S., the S&P 500 returned +2.4%, second quarter GDP increased at an annualised rate of 6.5% in June, the Composite PMI fell to 59.7 in July, whilst the core Personal Consumption Expenditure Index, the Fed’s preferred inflation measure, rose to annualised rate of 4.0% in June. The Federal Reserve maintained its target range for the federal funds rate at 0.00% to 0.25% and expects to maintain an accommodative stance on monetary policy until labour market conditions improve and inflation is expected to moderately exceed 2% for some time. In Europe, the Euro STOXX 50, German DAX and FTSE 100 returned +0.8%, +0.1% and +0.1%, respectively. During the month, the IHS Markit Eurozone Composite PMI increased to 60.2 in July, reflecting the highest reading since July 2000, whilst second quarter GDP increased at an annualised rate of 13.7% in June. The European Central Bank held its refinancing operations, marginal lending facility and deposit facility rates at 0.00%, 0.25% and -0.50%, respectively, and will continue to conduct net asset purchases under the pandemic emergency purchase programme worth €1,850b until at least the end of March 2022. In Australia, the ASX 300 returned +1.1%, the unemployment rate fell to 4.9% in June, and the Composite PMI fell to a 14-month low of 45.2 in July, as private sector output and demand across both the manufacturing and services sectors declined. Materials (+7.1%), Industrials (+4.1%), and Utilities (+1.6%) were the best performing S&P/ASX 300 Index sectors, whilst Information Technology (-6.4%), Energy (-2.4%), and Communication Services (-1.5%) were the worst performers. The U.S. dollar was broadly stronger against most G10 currencies during July, except against the Pound Sterling, Japanese Yen, and Swiss Franc.

**Performance**

	1 Month	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	7 Years (p.a.)	10 Years (p.a.)	15 Years (p.a.)	Since Inception* (p.a.)	Inception* <sup>^</sup>
<b>Portfolio – Net (%)</b>	-1.1	2.8	33.8	19.8	13.9	15.2	17.1	14.0	16.1	1563.1
<i>Benchmark (%)<sup>1</sup></i>	0.7	4.1	32.3	9.2	9.6	9.4	5.9	4.5	7.9	318.5
Relative Performance – Net (%)	-1.8	-1.3	1.5	10.6	4.3	5.7	11.1	9.6	8.2	1244.6

1. S&P/ASX Small Ordinaries Accumulation Index. \*Inception date: 30<sup>th</sup> September 2002. All p.a. returns are annualised. <sup>^</sup>Total return. Returns are net of applicable fees and costs.

Past performance is not a reliable indicator of future performance.

Data as at 31<sup>st</sup> July 2021. Due to rounding excess performance figures may not equate perfectly to the difference between Hyperion Small Growth Performance and the S&P/ASX Small Ordinaries Accumulation Index Performance.



## PORTFOLIO HOLDINGS UPDATE

### HUB24 Limited (HUB-AU)

Primary Exchange	ASX
GICS Sector	Financials
Market Cap (AU\$m)	1,644



HUB24 Limited (HUB24) released a flow update for the fourth quarter ended 30 June 2021. The company reported a record total net inflow for the quarter of \$3.9b, comprised of \$2.2b from the HUB24 platform, \$1.4b from the completion of the ClearView transition, and \$0.3b from Xplore Wealth. During FY21, HUB24 also delivered record annual inflows totalling \$8.9b. This marks growth of 80% from the prior corresponding period. The business attributed these strong inflows to HUB24's focus on providing innovative solutions as a market-leading platform. Strategic Insights 2021 data reported HUB24's market share within the Australian platform market had increased to 3.9%. The PARS Funds Under Administration ("FUA") increased over the quarter to \$17.2b, as the Ord Minnett PARS and Xplore segments showed growth in FUA and accounts. HUB24 noted the separation of PARS from Ord Minnett systems to HUB24 is on track for completion by the end of Q2 FY22. Given the significant expansion seen throughout FY21, HUB24 highlighted its efforts to support future growth by expanding its team and infrastructure with an update to be provided during the FY21 result in August. The business saw continued recognition as a favoured product for advisors, achieving first for Overall Satisfaction in the 2021 Wealth Insights Platform Service Level Report. HUB24 was also ranked Best Platform Overall and Best Platform Managed Accounts Functionality for the fifth year in a row by the Investment Trends 2020 Platform Benchmarking and Competitive Analysis Report.

### Netwealth Group Limited (NWL-AU)

Primary Exchange	ASX
GICS Sector	Financials
Market Cap (AU\$m)	3,813



Netwealth Group Limited (Netwealth) released a market update for the fourth quarter ended 30 June 2021, reporting Funds Under Administration (FUA) of \$47.1b, an increase of \$5.3b or 13% for the quarter. On an annual basis, FUA increased by \$15.6b or 50%. Additionally, the company's Funds Under Management (FUM) increased by \$1.2b or 12% to \$11.7b during the quarter. Annually, FUM has grown by \$4.7b or 61%. Netwealth's platform member accounts also achieved strong growth during the quarter, increasing by 5,311 accounts or 6% to 97,319 member accounts. Based on the latest Strategic Insights quarterly platform market update, Netwealth increased its market share to 4.6% as at March 2021, achieving net inflows of \$3.0b during the quarter, making it the 6th largest platform in Australia. In addition, the Investment Trends June 2021 Planner Technology Report continues to rank Netwealth as the number one ranked in the industry for overall satisfaction for a ninth year in a row, and in May 2021 its Netwealth Super Accelerator product won the Chant West Best Advised Product of the Year for the fourth year in a row.

### Audinate Group Limited (AD8-AU)

Primary Exchange	ASX
GICS Sector	Information Technology
Market Cap (AU\$m)	760



Audinate Group Limited (Audinate) provided a trading update for FY21 that was indicative of a recovery following the peak of the COVID-19 pandemic. During FY21, the company generated US\$25 million in revenue, corresponding to a 23% increase from \$US20.4 million in revenue during FY20. Australian reported revenue increased 10.2% to A\$33.4m, lower than the US dollar growth rate due to the stronger Australian dollar. Uncertainty surrounding supply chains has caused chip manufacturers to request demand visibility for up to 12 months prior. The culmination of this request and increasing component lead times has resulted in a significant backlog of committed orders for FY22. Accordingly, Original Equipment Manufacturers (OEMs) are placing orders further into the future. The medium-term outlook for Audinate is favourable, with the company stating that they are well placed to achieve market expectations in FY22, and hence expect to return to the pre-COVID US dollar revenue growth range of between +30% to +35% per annum.

## Top 5 Holdings

	Portfolio (%)	Benchmark (%)
Xero Ltd	12.4	--
Domino's Pizza Ltd	11.6	--
Wisetech Global Ltd	10.1	--
Fisher & Paykel Ltd	9.4	--
REA Group Ltd	7.3	--

## Top 5 Contributors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Pro Medicus Ltd	142.4	6.0	6.2
Wisetech Global Ltd	49.1	11.3	5.9
Domino's Pizza Ltd	57.8	10.8	5.7
Xero Ltd	56.0	10.2	5.7
HUB24 Ltd	80.4	4.5	3.9

## Detractors

Kogan.com Ltd	-28.0	1.1	-0.7
Fisher & Paykel Ltd	-9.5	8.1	-0.7
Whispir Ltd	-40.6	2.1	-0.7
ELMO Software Ltd	-29.9	2.2	-0.8
Bravura Solutions Ltd	-18.9	3.2	-0.9

All data as at 31<sup>st</sup> July 2021

### CONTACT US

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## Market Capitalisation

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-50	12.4	--	12.4	1
S&P/ASX 51-100	40.5	--	40.5	5
S&P/ASX 101-200	22.3	72.1	-49.8	9
S&P/ASX 201-300	16.3	27.9	-11.6	6
Ex S&P/ASX 300	2.8	--	2.8	4
Cash	5.7	--	5.7	--
Total	100.0	100.0		25

Due to rounding, portfolio weights may not sum perfectly to 100.0%

## Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	9.4	5.3
Consumer Discretionary	28.6	16.0
Financials	5.2	14.2
Health Care	18.7	6.7
Information Technology	32.3	8.3
Cash	5.7	--

Due to rounding, portfolio weights may not sum perfectly to 100.0%

## Fund Characteristics

<b>Universe</b>	Ex S&P/ASX 100
<b>Launch</b>	Managed by Hyperion since September 2002, launched October 1996
<b>Fees</b>	MER 1.25% (plus 15% of outperformance above the S&P/ASX Small Ordinaries Accumulation Index)
<b>Distribution</b>	AUD 43.3954 CPU at 30 June 2021 AUD 0.01681 CPU at 31 March 2021 AUD 0.4685 CPU at 30 September 2020 AUD 54.6883 CPU at 30 June 2020
<b>Fund Size</b>	\$755.4 million
<b>APIR Code</b>	BNT0101AU

The Fund's PDS contains more complete information on risks and fees

#### **DISCLAIMER – HYPERION SMALL GROWTH COMPANIES FUND**

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