

**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 market indices broadly rose during May, as inflation expectations in the U.S. and COVID-19 restrictions across Europe remained topical. In the U.S., the S&P 500 Index returned +0.7% with data revealing that the IHS Markit U.S. Composite PMI climbed to an all-time high of 68.1 in May, whilst the core Personal Consumption Expenditure Index, the Fed’s preferred measure of inflation, rose to an annual rate of 3.1% in April. In Europe, the Euro STOXX 50, German DAX, and FTSE 100 indices returned +3.3%, +2.5% and +1.1%, respectively. The IHS Markit Eurozone Composite PMI increased to 56.9 in May, with manufacturing continuing to perform strongly whilst services improved to a rate not seen since June 2018 as the easing of COVID-19 related restrictions facilitated a revival in demand. Furthermore, the Bank of England increased its 2021 growth forecast for the U.K. from 5.00% to 7.25% and maintained its quantitative easing target of £875b, but reduced its weekly asset purchases from £4.4b to £3.4b. In Australia, the S&P/ASX 300 Index returned +2.3%. Economic data revealed that the unemployment rate declined to 5.5% and the IHS Markit Australia Composite PMI fell to 58.1 in May following a slight slowdown in aggregate new order growth due to supply constraints. Additionally, the Australian Federal Budget was released and forecasts a deficit of \$106.6b or 5% of GDP for the 2021-22 Year, peaking at 40.9% of GDP in 2025, and then declines over time. Financials (+5.7%), Health Care (+3.5%) and Consumer Discretionary (+3.2%) were the best performing S&P/ASX 300 Index sectors, whilst Information Technology (-9.1%), Utilities (-6.6%) and Energy (-1.5%) were the worst performers. The U.S. dollar was weaker against most G10 currencies during May, except against the Norwegian Krone and Japanese Yen.

**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>	-3.5	6.8	29.8	17.6	13.1	13.9	15.8	13.5	15.8	1460.8
Benchmark (%) <sup>1</sup>	0.3	6.1	26.7	7.9	10.3	9.4	5.1	4.2	7.8	303.2
Relative Performance – Net (%)	-3.8	0.7	3.0	9.7	2.8	4.5	10.7	9.2	8.1	1157.6

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> May 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

### Fisher & Paykel Healthcare Corporation Limited (FPH-AU)

Primary Exchange	ASX
GICS Sector	Health Care
Market Cap (AUD\$m)	16,101



Fisher & Paykel Healthcare (Fisher & Paykel) released its results for the full year ended 31 March 2021, reporting total operating revenue growth of 56% to NZ\$2.0b, NPAT growth of 82% to NZ\$524m and DPS growth of 38% to NZ\$0.38 per share. Divisionally, the Hospital segment achieved strong revenue growth of 87% to NZ\$1.5b, driven by hospital hardware revenue growth of 337% and consumables revenue growth of 37%. Growth across the hospital business was driven by strong demand due to the adoption of nasal high flow therapy to treat COVID-19 patients. In the Homecare segment, revenue grew 2% to NZ\$466m as the segment continues to be challenged by sleep clinic closures and lower new patient numbers due to the effects of COVID-19. Geographically, revenue increased 45% in North America to NZ\$826m, +73% in Europe to NZ\$634m, +27% in Asia Pacific to NZ\$348m, and +204% in Other Regions to NZ\$163m.

### REA Group Limited (REA-AU)

Primary Exchange	ASX
GICS Sector	Communication Services
Market Cap (AUD\$m)	21,622



REA Group Limited (REA) released a trading update for the third quarter ended 31 March 2021, reporting revenue growth of 8% to AU\$225.6m and EBITDA growth of 8% to AU\$121.9m. Results were primarily driven by strong trading conditions in the Australian residential market that supported both listings growth and an improved product mix. Australian residential volumes increased 8% during the third quarter, with Sydney and Melbourne performing well, up 5% and 13%, respectively. Operationally, REA maintained its strong engagement lead in Australia, receiving 3.2x more visits than its nearest competitor, whilst average monthly app launches increased 63% to 59.9m, average monthly visits were up 47% to 130.7m, and 12.5m people visited the property site each month on average. Performance was mixed internationally, with Move, Inc. in the U.S. performing strongly, offset by continued weakness in Asia, predominantly in Malaysia as it continues to be impacted by COVID-19 movement restrictions.

### Xero Limited (XRO-AU)

Primary Exchange	ASX
GICS Sector	Information Technology
Market Cap (AUD\$m)	19,623



Xero Limited (Xero) released a market update for the full year ended 31 March 2021, announcing operating revenue growth of 18% to NZ\$849m, gross margin expansion of 80bps to 86.0% and net profit growth of 493% to NZ\$20m. Geographically, ANZ achieved operating revenue growth of 18% to NZ\$515m, subscribers increased by 20% to 1.56m with the Average Revenue Per User (ARPU) up 5% to NZ\$31.23. The ARPU increase was driven by a price increase to Xero Business Edition plans across Australia in March 2021, slightly offset by shifts in product mix to lower priced products. Xero's International segment achieved operating revenue growth of 19% to NZ\$334m, subscribers increased by 21% to 1.18m and ARPU was down 11% to NZ\$26.74 driven by a greater mix of subscribers from the lower ARPU partner channel, as well as the appreciation of the NZD versus the USD. Divisionally, Core Accounting revenue increased 20% to NZ\$772m, Platform revenue increased 21% to NZ\$59m and Other revenue decreased 28% to NZ\$17m, primarily due to cancellation of Xerocon and other in-person events. During the year Xero was certified carbon neutral by the Australian Government's Climate Active program and was also included in the 2021 Bloomberg Gender-Equality Index as one of only 13 companies headquartered in Australia or New Zealand. Management reiterated its focus on growth and reinvestment of operating cashflows versus profit margin expansion. Total operating expenses as a percentage of operating revenue for FY22 are expected to range between 80% to 85%, consistent with levels seen during the pre-pandemic period.

## Top 5 Holdings

	Portfolio (%)	Benchmark (%)
Domino's Pizza Ltd	11.3	--
Xero Ltd	10.8	--
Wisetech Global Ltd	9.9	--
REA Group Ltd	7.3	--
Fisher & Paykel Ltd	6.5	--

## Top 5 Contributors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Domino's Pizza Ltd	77.0	10.4	6.8
Xero Ltd	55.6	9.7	5.4
HUB24 Ltd	152.4	4.6	5.0
Wisetech Global Ltd	38.5	11.2	4.8
Pro Medicus Ltd	59.9	5.6	3.5

### Detractors

Technology One Ltd	0.7	3.4	-0.5
ELMO Software Ltd	-28.2	2.4	-0.6
Kogan.com Ltd	-29.3	0.5	-0.7
Nanosonics Ltd	-23.2	4.3	-1.4
Bravura Solutions Ltd	-29.3	3.6	-1.8

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

### CONTACT US

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## Market Capitalisation

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-50	10.8	--	10.8	1
S&P/ASX 51-100	36.5	--	36.5	5
S&P/ASX 101-200	23.4	70.6	-47.2	9
S&P/ASX 201-300	17.9	29.4	-11.5	6
Ex S&P/ASX 300	5.6	--	5.6	4
Cash	5.8	--	5.8	--
Total	100.0	100.0		25

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

## Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	8.8	5.8
Consumer Discretionary	29.2	17.2
Financials	6.8	13.9
Health Care	16.2	6.5
Information Technology	33.2	7.4
Cash	5.8	--

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 0.01681 CPU at 31 March 2021 AUD 0.4685 CPU at 30 September 2020 AUD 54.6883 CPU at 30 June 2020 AUD 0.7586 CPU at 31 March 2020
<b>Fund Size</b>	\$715.2 million
<b>APIR Code</b>	BNT0101AU
The Fund's PDS contains more complete information on risks and fees	

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