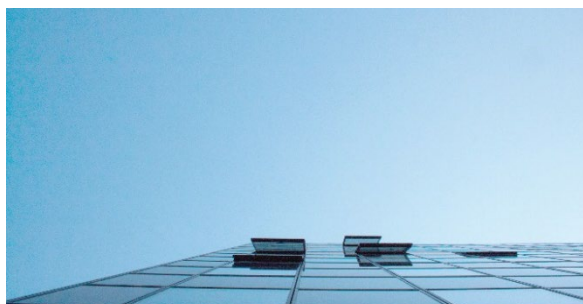


**OBJECTIVE: LONG-TERM CAPITAL GROWTH AND INCOME BY INVESTING IN HIGH CALIBRE AUSTRALIAN COMPANIES PRIMARILY LISTED WITHIN THE S&P/ASX 300 INDEX AT THE TIME OF INVESTMENT.**



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**

Major global equity indices broadly rose during the month, except for the Hang Seng Index which returned -0.1% during August. News of the Delta COVID-19 variant in the U.S. and its resurgence in China continued to dominate headlines. In the U.S., the S&P 500 Index returned +3.0% during August. The Chicago Fed National Activity Index increased to 0.53 in July, up from -0.01 in June. The JOLTS job openings survey reflected a series high increase, with the August employment data also showing a decline in the unemployment rate to 5.2%. Despite this, the NFIB Small Business Optimism survey showed a decrease to 99.7, contrasting from the gain recorded in June. Housing starts were also down in July by -7.0% from June levels. In Europe, the Euro STOXX 50, German DAX and FTSE 100 returned +2.6%, +1.9% and +2.1%, respectively. The Euro Area unemployment rate declined to 7.6% in July, while the annual Harmonised Index of Consumer Prices (HICP) increased to 2.2% in July. This marks the highest level since October 2018. Further, the Euro Area Business Climate Indicator moderated to 1.75 in August, down from 1.88 points in July. In Australia, the ASX 300 Index returned +2.6%. July data revealed retail trade declined by 2.7% during the month while unemployment declined to 4.6%. Meanwhile, the underemployment rate increased to 8.3% as the Flash PMIs for August reflected 15-month lows in the Composite Output, Services Business Activity indices and a 14-month low in the Manufacturing Output index. This data is on the back of continued lockdowns across several Australian states due to the spread of the Delta variant, as well as historically elevated input price inflation. Information Technology (+16.2%), Consumer Staples (+6.8%), and Health Care (+6.6%) were the best performing S&P/ASX 300 Index sectors, whilst Materials (-6.9%), Energy (-3.8%), and Utilities (+1.0%) were the worst performers. The U.S. dollar was broadly stronger against most G10 currencies during August, except against the New Zealand Dollar and Norwegian Krone.

**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>	<b>13.7</b>	<b>22.0</b>	<b>39.2</b>	<b>21.5</b>	<b>16.8</b>	<b>15.5</b>	<b>16.5</b>	<b>11.9</b>	<b>13.6</b>	<b>1017.6</b>
Benchmark (%) <sup>1</sup>	2.6	6.1	28.6	10.1	11.1	8.7	10.3	7.0	9.6	463.7
Relative Performance – Net (%)	11.1	15.9	10.6	11.4	5.8	6.8	6.2	4.8	4.0	553.8

1. S&P/ASX 300 Accumulation Index. \*Inception date: 30<sup>th</sup> September 2002. <sup>^</sup>Total return. All p.a. returns are annualised.

Returns are net of applicable fees, costs and taxes.

Past performance is not a reliable indicator of future performance.

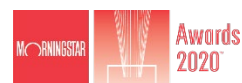
Data as at 31<sup>st</sup> August 2021. Due to rounding, excess performance figures may not equate perfectly to the difference between Hyperion Australian Growth Companies Performance and the S&P/ASX 300 Accumulation Index Performance.



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Hyperion named Category Winner  
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Morningstar 2021 Awards, Australia.



Hyperion named Category Winner,  
DOMESTIC EQUITIES LARGE CAP  
Morningstar 2020 Awards, Australia.

## PORTFOLIO HOLDINGS UPDATE

### Afterpay Limited (APT-AU)

**Primary Exchange** ASX  
**GICS Sector** Information Technology  
**Market Cap (AUD\$m)** 39,043



On August 2, 2021, Square, Inc. (Square) announced plans to acquire Afterpay Limited (Afterpay) through a Scheme Implementation Deed. Square intends to integrate the Afterpay product into its Seller Ecosystem and Cash App product to further expand its current offering. The acquisition will see the unison of two founder-led businesses, with the potential for long-term growth synergies through the combination of both company's large and complimentary customer bases of consumers and merchants. The two businesses have aligned goals, and the acquisition will accelerate Afterpay's market leadership, while providing Square with highly valuable global consumer and enterprise merchant relationships. The transaction is worth an implied value of US\$29b, and Afterpay shareholders will receive a fixed exchange ratio of Square stock in exchange for each Afterpay share owned. Afterpay also announced its FY21 results at the end of August. The company now has over 16 million active customers, and direct relationships with over 100,000 merchants. Afterpay continues to add meaningful value for merchants evidenced by a stable merchant margin of 3.9% over the FY21 period, despite elevated competition levels. In its most mature markets, Australia and New Zealand, Afterpay's underlying sales grew 44% on the prior corresponding period to \$9.4b, with in-store and online sales both achieving strong growth of 48% and 43%, respectively. The company's prominence in the North America market also continued its upward trajectory. Active merchants grew to 28,400, an increase of 148% on the prior corresponding period, the active customer base is now over 10.5m, and the Afterpay App was downloaded by over 6.5 million North American consumers in FY21. In Europe, Clearpay saw 93% of monthly orders from returning customers at the end of June, with merchant acceptance also growing strongly during the year with over 5,000 new active merchant additions. Management also noted the business' strong balance sheet position with net debt of \$125.4m and liquidity of \$2,563.2m which can support over \$60b in underlying sales.

### Domino's Pizza Enterprises Limited (DMP-AU)

**Primary Exchange** ASX  
**GICS Sector** Consumer Discretionary  
**Market Cap (AUD\$m)** 13,564



Domino's Pizza Enterprises Limited (Domino's) announced their FY21 results in August. The business reported group revenue growth of 15.4% year-over-year, with Network Sales and Online Sales growing by 14.6% and 21.5% to \$3,744m and \$2,930m, respectively. Domino's management adjusted their medium-term business outlook, with the target new store openings growth increasing to 9-12%, up from the previous target of 7-9%. During the year, the business reported a net store opening count of 285, an increase of 10.7% over the period. Various other store targets were increased in the announcement, with Japan's target reaching 2,000 stores and the Benelux store target increasing by 200. In addition, Japan and Europe segment revenue increased by 19.3% and 18.7%, respectively. In both segments, franchisee profitability improved and franchisee appetite for new store openings continues to increase. Outside of Japan, management highlighted the continued opportunity in Asia with the acquisition of Domino's Taiwan. Over the long-term, management reiterated Germany and France as being the two biggest engines for future growth. In the domestic market, Domino's highlighted the meaningful improvement in its franchisee cohort as a result of the Operations 360 initiative, as well as the launch of Project Ignite, which is aimed at providing incentives to the network over the next four years to drive store openings. Management noted the long-term growth plans for the Domino's Group is to operate 6,650 stores by 2033 which represents a 126% increase on the 2,949 stores open at the end of FY21. Domino's intends on opening over 500 stores in FY22, achieved through organic and acquired growth, namely through the Taiwan acquisition.

### ResMed Inc (RMD-AU)

**Primary Exchange** ASX  
**GICS Sector** Health Care  
**Market Cap (AUD\$m)** 58,549



ResMed released results for FY21 in early August. Revenue increased by 8% over the year to US\$3.2b, with Sleep and Respiratory Care, and SaaS revenue growing by 8% and 5% to US\$2.8b and US\$373.6m, respectively. The business experienced increased patient flow to ResMed Sleep Devices during the fourth quarter of FY21, an improvement from COVID-impacted levels in the fourth quarter of FY20, whilst year-over-year demand for ventilators and related accessories was down. Management emphasized that the product recall of its competitor, Philips, has led to increased demand for ResMed devices, with the business under pressure to meet this demand. Management noted the main pressure points were a result of component shortages, higher freight costs as well as the global chip shortage. ResMed estimates between US\$60m to US\$70m incremental revenue was gained as a result of the Philips recall in the fourth quarter. Excluding Software as a Service sales in the U.S., Canada and Latin America segment, ResMed achieved net revenue growth of 8% over the year. Total Sleep and Respiratory Care revenue grew by 9% in the Europe, Asia and other markets segments. Revenue from Sleep and Respiratory Care for FY21 was US\$1.7b and US\$1.1b respectively in these geographies. News of the earlier than expected launch of the AirSense 11 device was announced during the month for U.S. customers. This product will provide more patient engagement features and other enhancements such as the ability for remote software updates. Management reflected on the strong performance across the business over the past five years, with revenue, operating income and earnings per share (EPS) growing at 12%, 16% and 15% per annum on average. ResMed holds over 8,120 patents and designs, and expects to continue to invest 7-8% of revenue into research and development into the near future. Management anticipates business growth will continue to accelerate during the second half of FY22 driven by the ongoing recovery of new patient starts, the AirSense 11 product release and market share gains.

## Top 5 Holdings

	Portfolio (%)	Benchmark (%)
Afterpay Ltd	12.1	1.5
Resmed Inc.	11.2	0.6
Xero Ltd	9.3	0.8
CSL Ltd	7.9	6.5
James Hardie Industries	6.6	1.1

## Top 5 Contributors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Afterpay Ltd	47.2	10.6	7.1
Xero Ltd	50.4	10.1	5.8
Resmed Inc.	65.0	6.2	5.7
James Hardie Industries	72.0	6.8	4.5
Domino's Pizza Ltd	94.1	6.1	4.4

Detractors			
Ramsay Health Care Ltd*	-2.8	0.7	-0.0
Altium	-18.2	2.0	-0.2
Fisher & Paykel Ltd	-5.2	7.3	-1.0

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

\*Stock no longer held in the portfolio

### CONTACT US

#### DISTRIBUTION PARTNER

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distribution@pinnacleinvestment.com.au

## Market Capitalisation

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-20	32.4	56.9	-24.5	4
S&P/ASX 21-50	30.8	17.9	12.9	5
S&P/ASX 51-100	25.5	12.4	13.1	7
S&P/ASX 101-300	4.8	12.8	-8.0	6
Cash	6.5	--	6.5	--
Total	100.0	100.0	--	22

Portfolio weights may not equate to 100.0% due to rounding.

## Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	9.9	4.2
Consumer Discretionary	7.1	8.3
Financials	8.0	29.2
Health Care	29.8	10.6
Industrials	1.9	7.0
Information Technology	30.3	4.6
Materials	6.6	19.2
Cash	6.5	--

Portfolio weights may not equate to 100.0% due to rounding.

## Fund Characteristics

Universe	S&P/ASX 300
Launch	Managed by Hyperion since September 2002, launched October 1996
Fees	MER 0.95%
Distribution	AUD 86.6742 CPU at 30 June 2021 AUD 0.4324 CPU at 31 March 2021 AUD 0.7676 CPU at 30 September 2020 AUD 51.4675 CPU at 30 June 2020
Fund Size	\$2,579.5 million
APIR Code	BNT0003AU

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

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