

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

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* [^]
Portfolio – Net (%)	14.1	21.6	38.6	21.3	16.7	16.5	18.0	14.6	16.8	1797.4
Benchmark (%) ¹	5.0	8.9	29.5	10.1	11.0	9.8	6.7	4.5	8.1	339.3
Relative Performance – Net (%)	9.1	12.6	9.1	11.2	5.7	6.7	11.3	10.1	8.7	1458.0

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

Past performance is not a reliable indicator of future performance.

Data as at 31st August 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

Nanosonics Limited (NAN-AU)

Primary Exchange	ASX
GICS Sector	Health Care
Market Cap (AUD\$m)	1,996



Nanosonics Limited (Nanosonics) released its results for FY21. A strong second half of FY21 saw revenue growth of 3% for the year to \$103.1m, where second half revenues grew by 39% over the first half revenue to \$60m. Consumables and Service revenue grew by 7% to \$76.4m for the full year period, while Capital revenue declined 11% to \$26.7m as the business was impacted by restricted hospital access. Despite profit after income taxes declining by 15% on FY20 levels, management highlighted the increases to operating expenditures were a result of increased re-investment into the business. Sales, general and administration, and research and development expenses increased by 13% and 11% respectively over the year. The global growth opportunity for Nanosonics remains a focus, with the installed base growing by 13% year-over-year to 26,750 units. Management provided an updated market penetration breakdown supportive of a long runway of growth, with penetration rates in the APAC and EMEA regions remaining in single digits, while the North American total addressable market was upgraded from 40,000 to 60,000 trophon units. Nanosonics also provided preliminary details on their new product, Nanosonics Coris, which provides an automated cleaning solution for flexible endoscopes and has an expected release date in calendar year 2023. Amongst these results, Nanosonics reiterated the significance of the trophon in over 150 procedural use cases, the new Auditpro product, providing data-led management of infection prevention to users, and the business' continued focus on research and development. Management provided guidance of double-digit revenue growth in FY22, a gross profit margin of greater than 75% and signalled to continued business investments as they look beyond FY22 to promote growth and global expansion.

Lovisa Holdings Ltd. (LOV-AU)

Primary Exchange	ASX
GICS Sector	Consumer Discretionary
Market Cap (AUD\$m)	2,121



Lovisa Holdings Limited (Lovisa) announced FY21 results, noting strong re-opening sales in the second half of the year, which led to comparable store sales growth of 8.1% compared to the prior corresponding period. Revenue grew by 18.9% to \$288m, and net profit after taxes also increased by 43.3% to \$24.8m for the full year. Lovisa reported a store count of 544 at the end of FY21, marking a net increase of 109 over the year. In the company's global ventures, management noted that all stores from the Beeline acquisition have been converted to Lovisa-branded enterprises. As part of this process, 87 stores remained and 27 closed. Lovisa's Vietnam franchisee terminated during the second half of FY21 with all stores closing, whilst the U.S. segment of the business opened the most stores. Despite a decline in the gross profit margin of 60 basis points, a result of increased freight costs and a conservative level of inventory provisions, the business maintained a strong cash position, reporting net cash of \$35.5m alongside a cash conversion ratio of 110% at the end of the period. Management highlighted the resilience of the business due to its strong comparable period sales growth during the first 8 weeks of FY22, despite the store closures from lockdowns domestically, and potential return to lockdowns in other regions such as the U.S. and Europe.

Pro Medicus Limited (PME-AU)

Primary Exchange	ASX
GICS Sector	Health Care
Market Cap (AUD\$m)	6,584



Pro Medicus Limited (Pro Medicus) released its result for FY21. Group revenue increased by 20% year-over-year to \$68.1m and earnings before interest and taxes (EBIT) improved by 43% to \$42.9m, generating an EBIT margin increase of 10.4% to 63.2%. Management noted FY21 was the most successful year on history for contract wins, signalling a pipeline which continues to grow significantly. Further, the business is yet to experience an impact from hospital capital budgets which were anticipated to tighten due to the COVID-19 pandemic. During the year, Pro Medicus launched various new products including the Open Archive 3, Worklist, AI Accelerator, and the Breast Imaging AI algorithm with Yale. Medium term, Pro Medicus is looking to other ologies, with testing being done in the cardiology space. This expansion was noted by management as an important part of increasing Pro Medicus' total addressable market. The growing list of research partnerships established by Pro Medicus was also highlighted. This list now includes partnerships with Yale, NYU Langone and the Mayo Clinic. Pro Medicus also remained debt-free during the year, with cash levels increasing 42% to \$61.8m. Management believe the business continues to offer value to customers across a wide breadth of products and offerings. Importantly, these offerings have the ability to be run on consumer grade internet, as evidenced by the contract wins in non-academic integrated delivery network (IDN) clients, Medstar and Intermountain.

Top 5 Holdings

	Portfolio (%)	Benchmark (%)
Domino's Pizza Ltd	12.6	--
Xero Ltd	12.0	--
Wisetech Global Ltd	11.3	--
Fisher & Paykel Ltd	10.2	--
REA Group Ltd	6.7	--

Top 5 Contributors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Domino's Pizza Ltd	94.1	11.0	9.2
Pro Medicus Ltd	143.0	6.0	6.9
Wisetech Global Ltd	71.5	11.3	6.8
Xero Ltd	50.4	10.5	6.2
HUB24 Ltd	85.9	4.3	3.8

Detractors

Kogan.com Ltd	-21.1	1.4	-0.4
ELMO Software Ltd	-16.2	2.1	-0.6
Bravura Solutions Ltd	-17.4	3.1	-0.6
Whispir Ltd	-45.1	2.1	-0.9
Pushpay Holdings Ltd	-14.0	3.4	-1.0

All data as at 31st August 2021

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Market Capitalisation

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-50	12.0	--	12.0	1
S&P/ASX 51-100	43.4	3.2	40.1	5
S&P/ASX 101-200	21.3	69.0	-47.8	9
S&P/ASX 201-300	14.6	26.0	-11.4	6
Ex S&P/ASX 300	2.4	1.8	0.6	4
Cash	6.4	--	6.4	--
Total	100.0	100.0		25

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

Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	9.2	5.6
Consumer Discretionary	29.0	16.0
Financials	5.4	14.9
Health Care	19.0	6.7
Information Technology	31.1	8.2
Cash	6.4	--

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

Fund Characteristics

Universe	Ex S&P/ASX 100
Launch	Managed by Hyperion since September 2002, launched October 1996
Fees	MER 1.25% (plus 15% of outperformance above the S&P/ASX Small Ordinaries Accumulation Index)
Distribution	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
Fund Size	\$896.8 million
APIR Code	BNT0101AU

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

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