Hyperion Australian Growth Companies Fund

HYPERION ASSET MANAGEMENT

Fund Update August 2022

ARSN: 089 548 443

Market Commentary

Global equity indices performance was mixed in August 2022 as U.S. and European Central Bank policy stance, weakening economic indicators, and European energy concerns dominated headlines. In the U.S., the S&P 500 Index returned -4.1% over the month. In his speech at the Jackson Hole symposium, Federal Reserve (Fed) Chair Jerome Powell noted that "restoring price stability will likely require maintaining a restrictive policy stance for some time" and warned that higher interest rates will "bring some pain to households and businesses". Meanwhile, in a sign of inflation slowing, the PCE Index, the Fed's preferred measure of inflation, rose at an annual rate of 6.3% in July, down from 6.8% in June 2022. In Europe, the Euro STOXX 50, Germany DAX, and FTSE 100 returned -5.1%, -4.8%, and -1.1%, respectively. European CPI inflation reached a record high in July, rising 8.9% year-on-year with almost half of the increase attributed to higher energy prices. In Australia, the S&P/ASX 300 Accumulation index returned +1.2% over August as most companies reported their earnings. The Reserve Bank of Australia raised the cash rate target by another 50bps to 1.85% at the August meeting.

Fund Update and Outlook

The Hyperion Australian Growth Companies Fund returned -1.2% for the month of August, underperforming the S&P/ASX 300 Accumulation Index by 2.4%. Altium, Wisetech Global Ltd., and GQG Partners, Inc. saw the strongest share price performance for the month. Nanosonics Limited, Domino's Pizza Enterprises Limited, and Seek Limited saw the largest share price declines.

We believe the recent domestic reporting season provided further evidence that the fundamentals of our portfolio businesses remain robust and that structural themes are intact. Broadly, we have seen strong organic sales growth, robust free cash flow generation and strong balance sheets. The results our portfolio companies have delivered are what we consider to be strong and consistent with our long-term expectations and we are especially pleased with the growth our domestic portfolio has achieved in this difficult period.

We think the rotation from long duration, high quality, structural growth companies into lower quality, lower duration, "old world" cyclical businesses over the past nine months has been largely driven by short-term macroeconomic factors, including a sharp increase in long-term government bond yields over a very short time period and elevated short-term nominal GDP growth. However, over the long run, it is the compounding effect of sustained earnings growth that dominates share price returns, not changes in bond yields. We believe the earnings strength of the companies within our portfolios will vastly outweigh short-term macroeconomic factors in the long run. We think the new world businesses in Hyperion's portfolios are transforming industries and will likely be able to produce high sustained relative growth rates in the long run by expanding into large addressable markets and sustaining their innovative cultures.

Hear more of our thoughts in our latest webinar (here).

Objective

Long-term capital growth by investing in high-calibre Australian companies primarily listed within the S&P/ASX 300 at the time of investment.

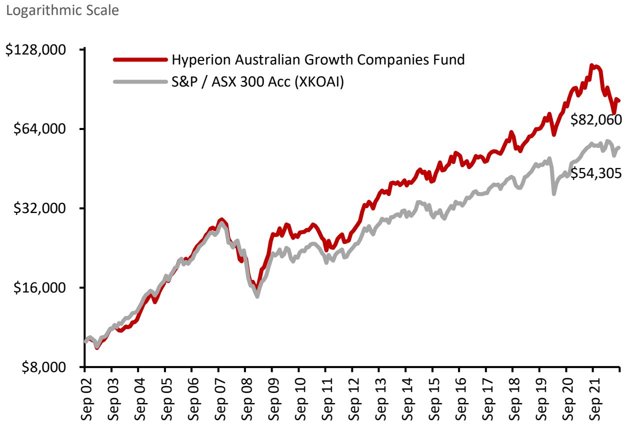
Our Philosophy

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

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

Performance Chart Growth of $10,000 Since Inception



Inception date: 30th September 2002. Source: Hyperion Asset Management. Past performance is for illustrative purposes only and is not indicative of future performance.

Fund Performance

	Portfolio – Net (%)	Benchmark[1] (%)	Excess Performance (%)
1 Month	-1.2	1.2	-2.4
3 Month	2.3	-2.4	4.7
1 Year	-26.6	-3.7	-22.9
3 Year (p.a.)	8.7	5.6	3.0
5 Year (p.a.)	11.3	8.2	3.0
7 Year (p.a.)	10.7	8.6	2.0
10 Years (p.a.)	12.3	9.3	2.9
15 Years (p.a.)	7.7	5.1	2.6
Inception (p.a.)*	11.1	8.9	2.3
Inception (TR)*^	720.6	443.0	277.6

1. S&P/ASX 300 Accumulation Index. *Inception date that Hyperion became Investment Manager: 30th September 2002. ^Total return. All p.a. returns are annualised.
Returns are net of applicable fees and costs.
Past performance is not a reliable indicator of future performance.
Data as at 31st August 2022. 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.

Please consider the Product Disclosure Statement (PDS) of the Fund, which provides more complete information on risks and fees, in its entirety and Target Market Determination (TMD) before making an investment decision. The current PDS and TMD of the Fund can be found at https://www.hyperion.com.au/.

Top 5 Holdings

	Portfolio (%)	Benchmark (%)
Xero Ltd	10.3	0.5
Block, Inc.	10.0	0.2
CSL Limited	9.6	6.7
Resmed Inc.	9.3	0.6
Wisetech Global Ltd	7.1	0.5

Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	9.7	3.9
Consumer Discretionary	6.3	6.7
Financials	10.9	27.9
Health Care	31.6	10.2
Industrials	2.6	6.1
Information Technology	33.2	3.2
Materials	3.9	23.0
Cash	1.9	--

Portfolio weights may not sum perfectly to 100.0% due to rounding.

Market Capitalisation (AUD)

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-20	16.5	57.2	-40.8	2
S&P/ASX 21-50	44.8	17.8	27.0	7
S&P/ASX 51-100	23.5	13.1	10.3	6
S&P/ASX 101-200	11.4	8.5	2.9	6
S&P/ASX 201-300	--	3.1	-3.1	--
Ex S&P/ASX 300	1.9	0.2	1.7	1
Cash	1.9	--	1.9	--
Total	100	100	--	22

Portfolio weights may not sum perfectly to 100.0% due to rounding.
All data as at 31st August 2022

Top 5 Contributors and Detractors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Wisetech Global Ltd	21.6	6.6	1.7
Brambles Limited	2.2	2.0	0.2
Technology One Ltd	20.1	1.3	0.2
IDP Education Ltd	0.7	2.3	0.2
Macquarie Group Ltd	6.3	7.0	0.1
Detractors	**Price change (%)**	**Avg Weight (%)**	**Contribution to return (%)**
Afterpay Ltd*^	-50.6	4.2	-5.7
Block, Inc.^	-42.1	5.9	-4.9
Xero Limited	-42.2	10.4	-4.9
Fisher & Paykel Healthcare	-44.9	6.3	-3.3
Domino's Pizza Enterprises	-59.5	4.1	-3.0

*Stock not currently held in the portfolio. ^Afterpay Ltd commenced trading as Block Inc. on 20th January 2022

Fund Characteristics

Universe	**S&P/ASX 300**
Launch	Managed by Hyperion since September 2002, launched October 1996
Fees	MER 0.95%
Distribution	AUD 23.7305 CPU at 30 June 2022 AUD 0.6988 CPU at 30 September 2021 AUD 86.6742 CPU at 30 June 2021 AUD 0.4324 CPU at 31 March 2021
Fund Size	$1,979.0 million
APIR Code	BNT0003AU

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

Portfolio Holdings Update

Wisetech Global Ltd (WTC-AU)

Primary Exchange	**ASX**
GICS Sector	**Information Technology**
Market Cap ($m)	**19,182**

Wisetech Global Limited (Wisetech) announced its FY22 full-year results, reporting strong Year-on-Year (YoY) revenue growth of 25% (26% excluding FX) to $632.2m, EBITDA growth of 54% to $319.0m and EBITDA margin expansion of 9 percentage points to 50%. CargoWise revenue increased 35% (37% excluding FX) to $447.9m, driven by new customer wins, large customer rollouts, increased usage from existing customers and higher pricing. 1,199 new product features and enhancements were delivered to the CargoWise ecosystem during the period. The business also completed two smaller 'tuck-in' acquisitions of Inobiz and Hazmatica in FY22 and acquired Bolero post 30 June 2022. The acquisitions will be integrated to provide direct benefits to the CargoWise ecosystem and its customers. During FY22, Wisetech secured five new global rollouts with FedEx, Access World, Brink's, Craft Multimodal and UPS with the company now supporting 10 of the top 25 Global Freight Forwarders. Management also provided guidance for FY23 revenue growth of 20-23% ($755m-$780m) and FY23 EBTIDA growth of 21-30% ($385m-$415m).

Altium (ALU-AU)

Primary Exchange	**ASX**
GICS Sector	**Information Technology**
Market Cap ($m)	**4,839**

Altium Limited (Altium) released its FY22 full-year results. The company reported strong revenue growth of 22.5% to US$220.8m, EBITDA growth of 33.1% to US$79.8m and EBITDA margin expansion of 240 basis points to 36.7%. Segmentally, Design Software showed resilience as the business continues its transition from perpetual licensing to subscription-based licensing, with revenue increasing 12.2% to US$169.3m. Double-digit revenue growth was achieved in all reporting regions except China, which continued to suffer from the disruptive impact of COVID-19 lockdowns. Cloud Platform revenue (which includes electrical part search engine, Octopart) increased 75.6% to US$51.5m. Octopart received 31.6 million offer clicks in FY22, representing a 100% increase from FY21. Additionally, Altium 365 monthly accounts and users increased to 9,224 and 23,560, respectively, representing a 59.8% and 93.5% increase on the prior corresponding period. Altium announced a final dividend of $0.26/share, taking full year dividends to $0.47/share. Management provided FY23 total revenue guidance between US$255m-$265m (15-20% growth) and underlying EBITDA margin guidance of 35-37%.

Cochlear Limited (COH-AU)

Primary Exchange	**ASX**
GICS Sector	**Health Care**
Market Cap ($m)	**14,097**

Cochlear Limited (Cochlear) released its FY22 results, with revenue growth of 10% (9% in constant currency) to $1,641m. Cochlear implants grew 5% to 38,182 units, although developed markets continue to be impacted by limited operating theatre capacity from COVID-19 restrictions and staffing shortages. Cochlear's Nucleus implant achieved FDA approval for unilateral hearing loss and single-sided deafness treatment in the U.S., expanding Cochlear's addressable patient pool. Services revenue grew 15% on the prior year and now represents 31% of group revenue. Cochlear announced the release of the new Nucleus 8 Sound Processor, with rollout to commence in 2Q23 in Europe, which should support growth in the Services segment over the coming years. Acoustics revenue grew 28%, accounting for 12% of group revenue, with strong demand for its new products, the Osia 2 System and the Baha 6 Max Sound Processor, as well as recovery from COVID-related surgery delays. Cochlear helped over 40,000 people during FY22, equating to an estimated net societal benefit greater than $6b over the lifetime of the recipients from improved health outcomes, educational cost savings and productivity gains.

Commentary sourced from Hyperion Asset Management. Market capitalisation as at 31st August 2022.

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Morningstar 2021 Awards, Australia.

Hyperion named Category Winner
DOMESTIC EQUITIES LARGE CAP
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