

### Market Commentary

Major equity indices were lower through December 2022 as central bank narratives and fears of an economic recession dominated headlines. In the U.S., the S&P 500 Total Return Index returned -5.8% over the month. U.S. annual CPI inflation fell for the fifth consecutive month to 7.1% in November while the U.S. Federal Reserve raised the federal funds rate by 50bps at its December meeting. The updated Summary of Economic Projections also showed a higher 2023 year-end federal funds rate of 5.1% while the core PCE inflation and the unemployment rate were both revised up to 3.5% and 4.6%, respectively, for 2023 year-end. In Europe, the Euro STOXX 50, Germany DAX and FTSE 100 total return indices fell 4.3%, 3.3%, and 1.5%, respectively, over the month. Annual inflation in the Euro Area slowed for the first time since June 2021 to 10.1% in November. In Australia, the S&P/ASX 300 Index returned -3.3% over December. The Reserve Bank of Australia raised the cash rate target by another 25bps to 3.1% acknowledging that while inflation remained elevated, the full effects of its monetary tightening would take time to flow through the economy.

### Fund Update and Outlook

The Hyperion Australian Growth Companies Fund returned -5.0% for December, underperforming its benchmark (S&P/ASX 300 Accumulation Index) by 1.7%. Iress Limited was the only holding to see positive share price performance for the month while Netwealth Group Ltd., Wisetech Global Ltd., and REA Group Ltd. saw the largest share price declines.

2022 was a very challenging year for the portfolio and has been one of the more hostile equity markets we have seen in over 20 years. We believe the rapid change in long-term bond yields over the past 12 months has been the primary cause of the decline in the market value of the portfolio. The portfolio's underlying earnings per share (EPS) growth has been unable to offset the valuation impact from lower Price to Earnings (P/E) ratios due to this rapid change. This inability of EPS growth to offset the duration impact of higher bond yields is because EPS growth is time-dependent, whereas bond yield and P/E ratio changes are not time constrained. EPS growth tends to dominate valuations over more extended periods, but significant changes in bond yields over short periods can overwhelm the impact of EPS growth.

Despite the recent decline in our portfolio, we believe the underlying fundamentals have not deteriorated, with our companies' competitive positions and long-term earnings growth profiles remaining strong. In our view, the portfolio continues to trade at an attractive discount to our long-term valuations and in a world where growth should again become scarce, we believe our companies' competitive positions and long-term earnings growth profiles should remain strong. Businesses that grow by taking market share will become more valuable and should be in a better position to produce attractive returns over the long term. Hyperion's latest White Paper [Long-term "Signal" versus Short-term "Noise"](#) explores these factors in greater detail.

### 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.

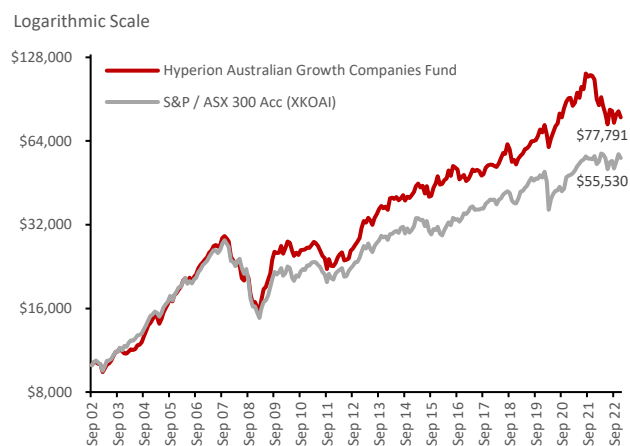
### Our Philosophy

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

### Growth of \$10,000 Since Inception, Post-Fees



Inception date: 30<sup>th</sup> 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 <sup>1</sup> (%)	Excess Performance (%)
1 Month	-5.0	-3.3	-1.7
3 Month	4.5	9.1	-4.6
1 Year	-26.9	-1.8	-25.1
3 Year (p.a.)	4.2	5.5	-1.3
5 Year (p.a.)	8.1	7.1	1.0
7 Year (p.a.)	7.2	8.4	-1.2
10 Years (p.a.)	10.5	8.6	1.9
15 Years (p.a.)	7.1	5.0	2.1
20 Years (p.a.)	10.7	8.8	1.9
Inception (p.a.)*	10.7	8.8	1.8
Inception (TR)*^A	677.9	455.3	222.6

1. S&P/ASX 300 Accumulation Index. \*Inception date that Hyperion became Investment Manager: 30<sup>th</sup> 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 31<sup>st</sup> December 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/>. Companies mentioned are illustrative only and not a recommendation to buy or sell any particular security.

**Top 5 Holdings**

	Portfolio (%)	Benchmark (%)
Block Inc.	10.7	0.2
CSL Limited	9.7	6.5
Resmed Inc.	9.5	0.6
Wisetech Global Ltd.	8.5	0.4
Xero Limited	8.0	0.5

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**Sector Allocation**

	Portfolio (%)	Benchmark (%)
Communication Services	9.2	3.8
Consumer Discretionary	7.0	6.2
Financials	10.7	28.2
Health Care	32.9	9.9
Industrials	3.3	5.9
Information Technology	32.8	2.9
Materials	2.4	24.7
Cash	1.6	--

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

**Market Capitalisation (AUD)**

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-20	16.6	59.4	-42.8	2
S&P/ASX 21-50	28.5	16.8	11.6	5
S&P/ASX 51-100	39.1	12.6	26.4	8
S&P/ASX 101-200	12.7	8.0	4.7	6
S&P/ASX 201-300	--	2.8	-2.8	--
Ex S&P/ASX 300	1.5	0.3	1.3	1
Cash	1.6	--	1.6	--
Total	100	100	--	22

Portfolio weights may not sum perfectly to 100.0% due to rounding.  
All data as at 31<sup>st</sup> December 2022

**Top Contributors and Detractors (rolling 12 months)**

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Brambles Limited	13.5	2.3	0.4
CSL Limited	-1.0	9.5	0.3
Technology One Limited	2.6	1.3	0.1
Detractors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Xero Limited	-50.3	10.0	-6.3
Block, Inc.	-47.9	9.3	-5.8
James Hardie Industries	-52.3	4.2	-2.8
Domino's Pizza Enterprises	-43.9	4.2	-1.9
Afterpay Limited*	-19.9	0.5	-1.8

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\*Stock not currently held in the portfolio.

**Fund Characteristics**

<b>Universe</b>	S&P/ASX 300
<b>Launch</b>	Managed by Hyperion since September 2002, launched October 1996
<b>Risk/Return Profile</b>	The Fund's risk band is 6 (high)
<b>Fees</b>	MER 0.95%
<b>Distribution</b>	AUD 0.2177 CPU at 31 December 2022 AUD 1.2532 CPU at 30 September 2022 AUD 23.7305 CPU at 30 June 2022 AUD 0.6988 CPU at 30 September 2021
<b>Fund Size</b>	\$1,884.6 million
<b>APIR Code</b>	BNT0003AU

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

## Portfolio Holdings Update

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

Primary Exchange

ASX

GICS Sector

Health Care

Market Cap (\$m)

12,207



Fisher & Paykel Healthcare Corporation Limited (Fisher & Paykel) announced its FY23 half-year results for the six months ended 30 September 2022 with total operating revenue of NZ\$690.6m and net profit after tax of NZ\$95.9m both exceeding the company's previous guidance provided in August. Revenue was down 23% YoY (or down 27% in constant currency (CC)) as its Hospitals segment cycled significant pandemic-related demand for its hospital consumables in the previous year though revenue was still up 21% on the comparable pre-pandemic period. Homecare operating revenue increased 10% (4% in CC), with Homecare masks (primarily CPAP masks to treat obstructive sleep apnea) growing 10% in CC. The company saw positive signs that hospital customers are working through their excess inventories from considerable purchases last year, with total group sales of hospital consumables increasing sequentially on a month-by-month basis since May. While gross margins of 59.8% remain under pressure due to elevated freight costs and labour and manufacturing inefficiencies, management expect these headwinds to ease in the second half of FY23. Management also expect second half group revenue to be higher than the first half, supported by an ongoing recovery in the Hospitals segment and ongoing demand for the new Evora full face mask amid improvements in the global supply of CPAP hardware.

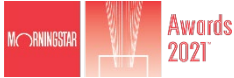
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**Hyperion named Winner  
FUND MANAGER OF THE YEAR**  
Morningstar 2021 Awards, Australia.



**Hyperion named Category Winner  
DOMESTIC EQUITIES LARGE CAP**  
Morningstar 2021 Awards, Australia.



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DOMESTIC EQUITIES LARGE CAP**  
Morningstar 2020 Awards, Australia.

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