

Market Commentary

Major equity indices performance were mixed through February 2023 as uncertainty around inflation and resilient economic data dominated headlines. In the U.S., many companies released their December quarter results and the S&P 500 Total Return Index fell 2.4% over the month. While annual CPI inflation in the U.S. slowed for the seventh consecutive month to 6.4% in January, the U.S. Core PCE price index (the Federal Reserve’s preferred measure of inflation) rose by 4.7% annually in January, up from the 4.6% increase in December. At their February meeting, the FOMC raised the federal funds rate by 25bps with Chair Powell noting that “the disinflationary process has started”. A strong January employment report showed non-farm payrolls increased by 517,000 over the month, the highest since July 2022. In Australia, most companies released their H1 FY23 results and the S&P/ASX 300 Index returned -2.5% over February. Inflation continues to be elevated in Australia with the annual CPI inflation rate accelerating to 7.8% in Q4 of 2022, the highest since 1990.

Fund Update and Outlook

The Hyperion Australian Growth Companies Fund returned -1.0% for February, outperforming its benchmark (S&P/ASX 300 Accumulation Index) by 1.6%. HUB24 Ltd., Brambles Ltd. and Cochlear Ltd. saw the strongest share price performance for the month while Domino’s Pizza Enterprises Ltd., IDP Education Ltd. and Nanosonics Ltd. saw the largest share price declines.

As we progress through the year, Hyperion has been pleased with a number of our domestic companies’ half-year financial reports. Share prices have responded positively to favourable financial reports in general. However, one company that missed guidance was Domino’s who reported weaker-than-expected first-half revenue and profits. Domino’s has spent decades training their customers to be value-focused and the result was driven by the mishandling of price rises, especially in delivery, which was implemented to offset inflation but led to a stronger-than-expected drop off in customer volume. Domino’s management sound confident that they can fix this quite quickly with their new 'Flex Vouchers' which provide customers with a low headline price and the option to pay extra for upgrades. Pleasingly, the roll out of Flex Vouchers has already begun and anecdotally has been well received by customers. In our view, this is a rare misstep from Domino’s and we believe they have the management team to execute on their long-term strategies. Domino's is well positioned globally across ANZ, Asia and Europe, and they should be able to increase their store footprint over the next decade .

As we discussed in our most recent [webinar](#), Hyperion believes that macroeconomic factors are still relevant, but the period of higher-than-expected inflation and bond yields that had such a negative influence on our portfolio returns may have come to an end. We believe we are slowly returning to an environment of low, but positive economic growth, lower inflation, and eventually low bond yields. To that end, it is likely that we are in the process of returning to a macro environment that rewards investing in high quality structural growth stocks (read more on our view in our latest [whitepaper](#)).

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.

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.

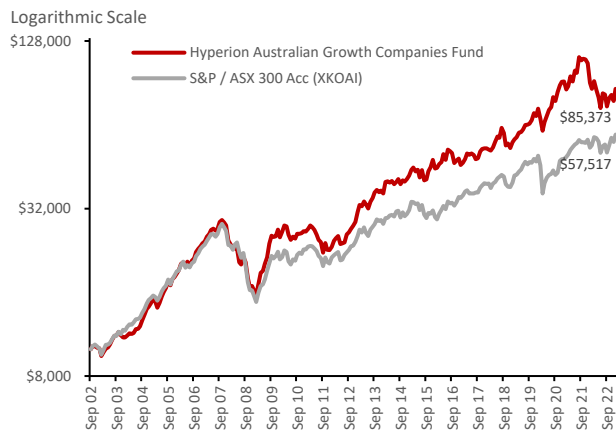
Our Philosophy

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: 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	-1.0	-2.5	1.6
3 Month	4.2	0.2	4.1
1 Year	-0.8	6.5	-7.4
3 Year (p.a.)	8.2	7.9	0.3
5 Year (p.a.)	10.4	7.9	2.5
7 Year (p.a.)	9.6	10.1	-0.5
10 Years (p.a.)	10.0	7.9	2.1
15 Years (p.a.)	8.9	6.1	2.8
20 Years (p.a.)	11.6	9.4	2.2
Inception (p.a.)*	11.1	8.9	2.1
Inception (TR)*^A	753.7	475.2	278.6

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 28th February 2023. 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.

Top 5 Holdings

	Portfolio (%)	Benchmark (%)
Wisetech Global Ltd.	11.3	0.5
Block, Inc.	11.0	0.2
Resmed Inc.	9.5	0.6
CSL Limited	8.7	6.5
Fisher & Paykel Healthcare	8.0	0.2

Companies shown are illustrative only and not a recommendation to buy or sell any particular security.

Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	9.2	3.9
Consumer Discretionary	5.2	6.6
Financials	10.9	27.7
Health Care	32.4	10.0
Industrials	2.9	6.0
Information Technology	34.7	3.0
Materials	2.4	24.3
Cash	2.4	--

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

Market Capitalisation (AUD)

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-20	15.8	59.9	-44.1	2
S&P/ASX 21-50	26.8	17.3	9.5	5
S&P/ASX 51-100	42.1	12.0	30.1	9
S&P/ASX 101-200	11.4	8.0	3.5	5
S&P/ASX 201-300	--	2.6	-2.6	--
Ex S&P/ASX 300	1.4	0.3	1.2	1
Cash	2.4	--	2.4	--
Total	100	100	--	22

Portfolio weights may not sum perfectly to 100.0% due to rounding.
All data as at 28th February 2023

Top Contributors and Detractors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Wisetech Global Ltd.	44.6	7.9	3.6
CSL Limited	14.0	9.4	1.5
Altium	21.7	3.5	0.8
Brambles Limited	30.0	2.5	0.7
Technology One Limited	51.0	1.4	0.6

Detractors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Block, Inc.	-28.2	10.1	-3.1
Xero Limited	-17.1	9.4	-2.2
James Hardie Industries	-30.5	3.8	-1.6
Domino's Pizza Enterprises	-36.7	4.3	-1.3
Seek Limited	-9.3	3.8	-0.4

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Fund Characteristics

Universe	S&P/ASX 300
Launch	Managed by Hyperion since September 2002, launched October 1996
Risk/Return Profile	The Fund's risk band is 6 (high)
Fees	MER 0.95%
Distribution	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
Fund Size	\$2,049.5 million
APIR Code	BNT0003AU

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



CERTIFIED BY RIAA

RIAA Certified Fund

The Hyperion Australian Growth Companies Fund has been certified by the Responsible Investment Association Australasia (RIAA) according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsiblereturns.com.au for details and the last page of this document for disclaimers.

Portfolio Holdings Update

Carsales.com Limited (CAR-AU)

Primary Exchange	ASX
GICS Sector	Communication Services
Market Cap (\$m)	7,972



Carsales.com Ltd (Carsales) announced its H1 FY23 results, reporting pro-forma revenue (which assumes 100% ownership of Trader Interactive (TI)) increasing 15% year-on-year (YoY) to \$388m while pro-forma EBITDA increased 17% to \$211m. Despite higher vehicle prices and the macroeconomic backdrop, consumer vehicle buying intent remains robust across all regions, with site traffic and lead volumes broadly higher when compared to pre-pandemic levels (with the exception of Encar). In Australia, adjusted revenue increased by 14% YoY to \$189.1m, driven by strong ad yield growth and outperformance of the Private segment on higher volumes. In Carsales' key international markets, the U.S. TI business performed strongly with revenue growing 11% YoY, while their South Korean business Encar reported revenue growth of 12% YoY and their Brazilian business Webmotors recorded revenue growth of 23% YoY. Management reaffirmed their FY23 guidance for good growth in revenue and EBITDA and noted positive momentum through January and February for Trader Interactive with growth expanding versus H1.

Cochlear Limited (COH-AU)

Primary Exchange	ASX
GICS Sector	Health Care
Market Cap (\$m)	14,618



Cochlear Limited (Cochlear) announced its H1 FY23 financial results, reporting revenues of \$893m, up 9% YoY (or 7% YoY in constant currency (CC)). This was driven by strong growth in Cochlear implant units of 14% YoY, reflecting growth of 10% in developed markets and 20% in emerging markets. By segment, Cochlear Implants, which made up 57% of group revenue, saw revenue growth of 12% YoY (9% YoY in CC) to \$513m while Services revenue grew by 1% YoY (flat in CC) to \$259m. Acoustics revenue increased by 20% YoY (17% YoY in CC) to \$121m, supported by Cochlear's strong product offering and the ongoing recovery in surgery volumes following COVID-19 delays. The release of the Nucleus 8 Sound Processor in October was well received, although presented a temporary headwind to services revenue as consumers delayed upgrades in anticipation of the launch. Underlying NPAT fell 10% YoY (-6% YoY in CC) to \$142m reflecting an increase in cloud computing expenses. The company reiterated its FY23 underlying net profit guidance of \$290-305m (excluding cloud-computing related expenses), representing growth of 8-13% YoY. The company also announced a progressive on-market share buy-back program of \$75m and a dividend of \$1.55 per share.

Wisetech Global Ltd.

Primary Exchange	ASX
GICS Sector	Information Technology
Market Cap (\$m)	20,721



Wisetech Global (Wisetech) released its HY23 financial results, reporting group revenue growth of 35% YoY (or 32% in CC) to \$378.2 million, of which 96% is recurring (1H22: 93%). CargoWise revenue reached \$289.2 million, a 46% organic increase on 1H22, driven by growth from existing and new customers, product rollouts and price increases during the year. WiseTech announced the signing of the world's largest freight forwarder, Kuehne + Nagel, in its first global customs rollout. This signing is considered a watershed moment for the company and industry. EBITDA was up 36% (42% in CC) to \$187.3 million, equating to a 50% margin (+1% on 1H22), reflecting enhanced operating leverage, pricing, new product releases, and ongoing financial discipline. R&D investment for the period was up 37% to \$115.1m, reflecting the company's continued investment in software development and its innovation pipeline. In 1H23 WiseTech delivered 577 new CargoWise product enhancements, bringing the total product enhancements to over 5200 over the past 5 years. In February 2023, the company announced the strategic acquisitions of the leading providers of landside logistics solutions in North America, Envase (US\$230m) and Blume (US\$414m). These acquisitions give WiseTech strong capability across both road and rail, and expand the company's value proposition and addressable market. Management confirmed FY23 guidance and increased revenue guidance to \$790-822 million (26-30% growth range). EBITDA excluding M&A costs was guided to \$380-412m, equating to 19-29% growth range.

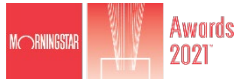
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Morningstar 2021 Awards, Australia.



Hyperion named Category Winner
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Morningstar 2021 Awards, Australia.



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