

HYPERION AUSTRALIAN GROWTH COMPANIES FUND

FEBRUARY 2021

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

Global equity market indices exhibited positive results during February, with the declining global daily rate of COVID-19 cases and continued global vaccine rollout dominating headlines. In the U.S., the S&P 500 Index returned +2.8%. Economic data continues to indicate a domestic recovery in the U.S., revealing that the International Trade Deficit declined by -3.5% in December 2020. The IHS Markit Manufacturing and Services PMIs improved to 58.6 and 59.8 respectively, the highest expansion in production output and business activity in over six-and-a-half years. The US\$1.9t "American Rescue Plan" was also passed by the House of Representatives and awaits approval from the Senate. In Europe, the FTSE 100, Euro STOXX 50 and German DAX indices returned +1.6%, +4.6% and +2.6%, respectively. In Asia, the Hang Seng, Shanghai SE Composite and Nikkei 225 indices returned +2.5%, +0.6% and +4.8%, respectively. Japanese economic data showed preliminary month-on-month Industrial Production growth of 4.2%. Meanwhile, the Caixin PMI data revealed a fall in the pace of the COVID-19 recovery in mainland China as both the Manufacturing and General Composite figures decreased to 50.9 and 51.7, respectively. In Australia, the S&P/ASX 300 Index returned +1.5%. The unemployment rate fell further to 6.4% in January as preliminary economic data revealed month-on-month growth in Retail Sales of 0.6%. Materials (+7.1%), Financials (+5.1%) and Energy (+2.5%) were the best performing S&P/ASX 300 Index sectors. Information Technology (-8.0%), Utilities (-8.0%) and Consumer Staples (-4.5%) were the worst performers. The U.S. dollar was mixed during the month against the G10 currencies, down against the Pound Sterling and Australian Dollar, while rising against the Swiss Franc and Japanese Yen.

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 (%)	-6.5	-3.4	27.2	18.1	13.8	11.6	12.2	10.5	12.4	756.7
<i>Benchmark (%)²</i>	1.5	3.2	7.1	7.5	10.8	7.5	7.7	6.5	9.0	389.7
Relative Performance – Net (%)	-8.0	-6.5	20.1	10.5	3.0	4.1	4.5	4.0	3.4	367.0

1. S&P/ASX 300 Accumulation Index. *Inception date: 30th September 2002. [^]Total return Returns are net of applicable fees, costs and taxes.

Past performance is not a reliable indicator of future performance.

Data as at 28th February 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.



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



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



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



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



Hyperion named Winner,
FUND MANAGER OF THE YEAR
Morningstar 2016 Awards, Australia.

PORTFOLIO HOLDINGS UPDATE

Domino's Pizza Enterprises Limited (DMP-AU)

Primary Exchange	ASX
GICS Sector	Consumer Discretionary
Market Cap (AUD\$m)	7,783



Domino's Pizza Enterprises Limited (Domino's) released their 1H21 result, reporting group revenue growth of 21% to \$1.1b and EBITDA growth of 24% to \$219m. The main highlights of the result were the firm's performance in Japan and Germany. Network sales in Japan increased 39% to \$483m, revenue increased 38% and EBIT increased 106% to \$55m. There were 68 new stores added to the region's network in the period, bringing the total to 742 stores compared to the long-term target of 1,500. Japan's strong sales growth was largely driven by favourable impacts from COVID as well as executing pre-COVID plans to reach more customers, including new menu and pricing initiatives, as well as breaking down customer barriers via removing minimum delivery amounts and offering half-price carry-out. In Europe, network sales increased 15% to \$712m, revenue increased 16% and EBIT increased 19% to \$44m. There were 50 new stores added to the European region network, taking the total to 1,207 stores. ANZ network sales increased 6% to \$648m, revenue increased 12% and EBIT increased 10% to \$64m. There were 13 new stores added to the region's network, bringing the total to 846 stores. Management reaffirmed its 3 to 5 year guidance of Annual Same Stores Sales Growth of 3% to 6% and Annual Organic New Store Additions of 7% to 9%. Franchisee profitability is at record levels across many regions with strong demand from existing franchisees and store managers for new store openings.

James Hardie Industries plc (JHX-AU)

Primary Exchange	ASX
GICS Sector	Materials
Market Cap (AUD\$m)	16,217



James Hardie Industries plc (James Hardie) released its results for the third quarter ended 31 December 2020, reporting net sales growth of 20% to US\$739m, adjusted EBIT growth of 57% to US\$168m and adjusted net operating profit growth of 59% to US\$123m. Geographically, the North American Fibre Cement segment achieved net sales growth of 20% to US\$518m and EBIT margin expansion of 390bps to 30%, after sales volume increased 17% and the average net sales price rose by 3% following a strategic pricing increase effective from April 2020. Across Asia Pacific, Fibre Cement segment net sales increased 9% to AU\$163m and the EBIT margin expanded 520bps to 28.1%, driven by sales volume growth of 9% and by the average net sales price increasing 2% following an improved product mix and a first quarter strategic price increase across ANZ. In Europe, the Building Products segment achieved net sales growth of 12% to €85m and the EBIT margin expanded 740bps to 10.2% after sales volume increased 17%, but was offset by a decrease in the average net sales price of 4% primarily driven by a favourable customer rebate adjustment taken in the prior year. Management also announced a special FY21 dividend of 70c and upgraded FY21 guidance. The company now expects adjusted net operating profit after tax to range between US\$440m to US\$450m compared to the previous range of US\$380m to US\$420m.

REA Group Limited (REA-AU)

Primary Exchange	ASX
GICS Sector	Communication Services
Market Cap (AUD\$m)	18,074



REA Group Limited (REA) released a market update for the first half of the year ended 31 December 2020, reporting a decline in revenue of 2% to \$430m, but again demonstrating strong cost control with operating expenses down by 13%. During the period, national listing volumes increased 4%, with listing volumes up 19% in Sydney but down 11% in Melbourne. REA's position as the dominant property portal is evidenced by continued strong engagement metrics in Australia, with 3.3x more visits than the nearest competitor, and monthly visits to the portal increasing 36% to 115m. Internationally, Asia experienced a decline in revenue of 38% to \$17m due to COVID-related lockdowns. In North America, Move, Inc (20% ownership) revenue increased 20% with realtor.com achieving average monthly active user growth of 37% to 80m.

Top 5 Holdings

	Portfolio (%)	Benchmark (%)
Xero Ltd	10.7	0.7
James Hardie Industries PLC	9.5	0.8
Wisetech Global Ltd	8.7	0.2
Afterpay Ltd	7.9	1.4
Domino's Pizza Ltd	7.2	0.3

Top 5 Contributors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Afterpay Ltd	150.3	6.6	8.5
Wisetech Global Ltd	80.6	8.0	5.4
Xero Ltd	60.8	8.2	4.6
James Hardie Industries	136.3	5.6	4.4
Domino's Pizza Ltd	61.8	8.0	4.4

Detractors			
	Price change (%)	Avg Weight (%)	Contribution to return (%)
Corporate Travel Mgmt*	-28.3	0.0	-0.5
IRESS Ltd	-22.5	1.7	-0.6
Cochlear Ltd	1.8	5.1	-0.7
Macquarie Group Ltd	5.7	5.6	-1.1
CSL Ltd	-15.1	8.7	-1.3

* Stock not currently held

Portfolio Fundamentals

	Portfolio	Benchmark
10-year Forecast IRR (%) ¹	17.9	-
Return on Equity (%)*	22.4	10.6
Dividend Yield (%)*	1.2	2.6

¹Before fees * Trailing**CONTACT US****DISTRIBUTION PARTNER****Pinnacle Investment Management Limited**

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Market Capitalisation

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-20	22.5	57.9	-35.4	4
S&P/ASX 21-50	27.0	16.5	10.5	4
S&P/ASX 51-100	40.0	13.2	26.8	8
S&P/ASX 101-300	7.9	12.4	-4.5	7
Cash	2.6	--	2.6	--
Total	100.0	100.0	--	23

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

Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	11.0	4.1
Consumer Discretionary	7.5	7.6
Financials	9.2	28.6
Health Care	27.6	10.0
Industrials	1.6	6.7
Information Technology	31.0	4.2
Materials	9.5	21.4
Cash	2.6	--

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

Fund Characteristics

Domicile	Australia, authorised by ASIC
Universe	S&P/ASX 300
Launch	Managed by Hyperion since September 2002, launched October 1996
Fees	MER 0.95%
Distribution	AUD 0.7676 CPU at 30 September 2020 AUD 51.4675 CPU at 30 June 2020 AUD 0.2551 CPU at 31 March 2020 AUD 0.7700 CPU at 31 December 2019 AUD 1.6080 CPU at 30 September 2019
Fund Size	\$1,907.4 million
APIR Code	BNT0003AU

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

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