

Market Commentary

Major equity indices were higher through January 2023 as disinflationary signals and hopes of an economic soft landing dominated headlines. China's economic reopening since ending strict COVID-related restrictions and continued improvements to global supply chains also circulated headlines. In the U.S., the S&P 500 Total Return Index returned 6.3% over the month. Annual CPI inflation in the U.S. slowed for a sixth straight month to 6.5% in December, the lowest reading since October 2021. Wage pressure eased somewhat with the average hourly earnings in the U.S. increasing by 0.3% in December, down from the 0.4% gain in November. Nevertheless, the job market remained robust with non-farm payrolls increasing by 223 thousand in December. In Europe, the Euro STOXX 50, Germany DAX, and FTSE 100 total return indices returned 9.9%, 8.7%, and 4.3%, respectively, over the month. Annual inflation in the Euro Area continued to slow for the second month, decelerating to 9.2% in December (from 10.1% in November). In Australia, the S&P/ASX 300 Index returned 6.3% over January. Inflation continues to be elevated in Australia with the annual CPI inflation rate accelerating to 7.3% in November with housing the largest contributor.

Fund Update and Outlook

The Hyperion Australian Growth Companies Fund returned 10.8% for January, outperforming its benchmark (S&P/ASX 300 Accumulation Index) by 4.5%. Block Inc, Wisetech Global Ltd. and James Hardie Industries PLC saw the largest positive share price performance for the month while HUB24 Limited and Brambles Ltd were the only holdings to see share price declines.

January saw a strong start to the year for the Hyperion Australian Growth strategy after a period of capitulation into the close of 2022. While short-term results are pleasing to see, we look forward to the upcoming half year financial reporting season to confirm our longer-term fundamental views of our portfolio companies. It is our view that the portfolio continues to trade at an attractive discount to our long-term valuations. 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.

As stated previously, Hyperion believes that a cyclical recession is probable. However, we believe a recession is unlikely to impact the long-term earnings per share forecast of our portfolio's holdings due to the strong value propositions of our portfolio companies relative to their peers, their high levels of innovation and their low penetration rates of their addressable markets.

Hyperion's latest White Paper [Long-term "Signal" versus Short-term "Noise"](#) explores these factors and focuses on why the macro environment should be more favourable for our investment style as we move from growth abundance to growth scarcity. We will also be holding a webinar on February 21 where Hyperion's CIO, Mark Arnold, and Deputy CIO, Jason Orthman, will provide an update on the strategy. Register [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.

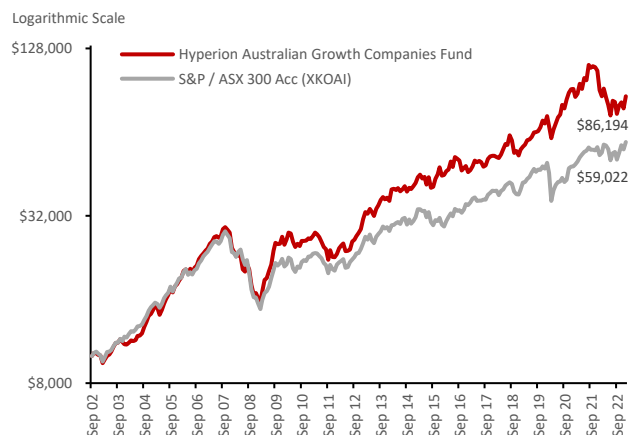
Our Philosophy

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

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	10.8	6.3	4.5
3 Month	8.1	9.5	-1.3
1 Year	-4.8	11.6	-16.4
3 Year (p.a.)	5.6	6.0	-0.3
5 Year (p.a.)	10.4	8.5	1.9
7 Year (p.a.)	9.9	10.3	-0.4
10 Years (p.a.)	10.7	8.7	2.0
15 Years (p.a.)	8.7	6.3	2.5
20 Years (p.a.)	11.3	9.3	2.1
Inception (p.a.)*	11.2	9.1	2.0
Inception (TR)*^A	761.9	490.2	271.7

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 January 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 (%)
Block Inc.	11.3	0.2
Wisetech Global Ltd.	10.8	0.5
Resmed Inc.	9.5	0.6
CSL Limited	8.8	6.3
Fisher & Paykel Healthcare	7.8	0.2

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

Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	8.9	3.8
Consumer Discretionary	6.9	6.5
Financials	10.5	28.0
Health Care	31.7	9.7
Industrials	3.0	5.8
Information Technology	34.7	2.9
Materials	2.6	25.3
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	15.7	59.5	-43.8	2
S&P/ASX 21-50	27.0	17.2	9.8	5
S&P/ASX 51-100	43.0	12.3	30.8	9
S&P/ASX 101-200	11.0	7.9	3.1	5
S&P/ASX 201-300	--	2.8	-2.8	--
Ex S&P/ASX 300	1.4	0.3	1.1	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 January 2023

Top Contributors and Detractors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Wisetech Global Ltd.	33.6	7.6	2.8
CSL Limited	14.5	9.4	1.5
Resmed Inc.	0.5	9.4	0.7
Technology One Limited	38.8	1.4	0.5
Brambles Limited	24.0	2.4	0.5

Detractors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Xero Limited	-32.0	9.7	-4.4
Block, Inc.	-29.9	9.9	-3.1
James Hardie Industries	-33.2	4.0	-1.9
Domino's Pizza Enterprises	-26.8	4.3	-1.0
Seek Limited	-16.5	3.8	-0.7

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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	\$2,086.7 million
APIR Code	BNT0003AU

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

Portfolio Holdings Update

Resmed Inc. CHES Depository Interests (RMD-AU)

Primary Exchange	ASX
GICS Sector	Health Care
Market Cap (\$m)	47,612



ResMed Inc. (ResMed) announced its Q2 FY23 results reporting group revenue of US\$1,033.7m, up 16% year-over-year (YoY) or 20% on a constant currency (CC) basis. Its gross margin contracted 30 basis points to 56.1% from a year prior attributed predominantly to the product mix shift to devices as well as unfavourable currency movements, partially offset by an increase in average selling prices. Revenue in the U.S., Canada and Latin America grew by 26% YoY, due to an increase in production and delivery of flow generator devices to meet increased demand and reduced competitor supply. ResMed has been able to significantly increase manufacturing and delivery of devices in the Americas as access to chips has improved with more predictable supply. The company is confident to be able to fulfil all customer demand by the end of CY23. Revenue in Europe, Asia and other markets grew by 8% (CC). Software-as-a-Service (SaaS) revenue increased 18% supported by the MEDIFOX DAN acquisition, expanding ResMed's SaaS business outside the U.S.

Wisetech Global Limited (WTC-AU)

Primary Exchange	ASX
GICS Sector	Information Technology
Market Cap (\$m)	19,799



WiseTech Global Ltd. (Wisetech) recently announced the acquisition of Envasse Technologies (Envasse). Envasse is a leading provider of transport management system software in North America. Envasse's software for intermodal truck and landside logistics provides visibility to container movement across import and export haulage operations from port and rail terminals to destination. The transaction, valued at US\$230m, is funded 70% in cash (held in existing reserves) and 30% in stock, which will be subject to a 12-month escrow. Envasse is expected to generate revenue of US\$35m in CY2023, with an EBITDA margin in the low to mid 20% range. This is seen as a strategically significant acquisition in landside logistics which extends and strengthens Wisetech's position in one of six key CargoWise development priority areas. The transaction is expected to complete in February 2023.

Nanosonics Limited (NAN-AU)

Primary Exchange	ASX
GICS Sector	Health Care
Market Cap (\$m)	1,459



Nanosonics Limited (Nanosonics) provided a H1 FY23 trading update in January with total revenue for the 6 months ended December 2022 expected to be approximately \$81.6m, up 35% YoY. This was driven by favourable pricing of both capital and consumables in North America as a result of Nanosonics' recent transition to a more direct sales model as well as growth in sales of consumables and Trophon2 upgrade units. Profit before tax is expected to be approximately \$11.4m, an increase of 245% on H1 FY22. The global total installed base is expected to have grown to 31,120 with sequential growth between Q1 and Q2. Nanosonics also upgraded their FY23 full year guidance, with revenue growth now expected to be 36%-41% (from 20%-25%) while gross margin was raised to 77%-79% (from 75%-76%). Operating expenses are also expected to grow between 22%-27% for the full year compared to 15%-18% previously.

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