

Market Commentary

Major equity indices were higher through July as lower inflation prints, resilient economic data, and expectations of an end to central bank monetary tightening fuelled optimism for a soft landing. The U.S. saw the start of the Q2 reporting season and the S&P 500 Total Return Index rose 3.2% over the month. Annual CPI inflation in the U.S. decelerated to 3.0% in June 2023, down from 4.1% in May and the lowest reading since March 2021, attributed largely to a reduction in energy and food prices. The U.S. Federal Reserve raised the federal funds rate target by 25bps in its July meeting and maintained that future monetary policy decisions will be made meeting-by-meeting pending incoming data. In Europe, the FTSE 100, Germany DAX, and Euro STOXX 50 total return indices returned 2.3%, 1.9%, and 1.8%, respectively, over the month. The European Central Bank raised key interest rates by another 25bps in July though removed wording that policy rates will be “brought to sufficiently restrictive” in its press release. Annual inflation in the Euro area and the U.K. slowed from 5.5% to 5.3% and from 8.7% to 7.9%, respectively. In Australia, the S&P/ASX 300 Total Return Index rose by 2.9% over July. The Reserve Bank of Australia held the cash rate target at 4.1% in its July meeting.

Fund Update and Outlook

The Hyperion Australian Growth Companies Fund returned 5.5% for July, outperforming its benchmark (S&P/ASX 300 Accumulation Index) by 2.6%. Block Inc., GQG Partners, and Seek Ltd., saw the most positive share price movements, and CSL Ltd., Brambles Ltd. and Macquarie Group Ltd saw the largest share price declines.

Our domestic strategy saw ongoing strength in July. With our companies reporting their full year financial results in August, we believe the moderating macroeconomic conditions will see a more favourable environment for our investment style.

We believe several positive emerging themes will continue during the year and beyond. The first is a shift in corporations focusing more on efficiencies within their businesses, particularly at the bottom line (earnings). We believe the ability for companies to run their businesses harder by being more astute with their spending and sizing their workforce appropriately can help them achieve earnings leverage; this may produce considerable upside to margins.

The second theme includes artificial intelligence (AI) and machine learning (ML), where we are starting to see inflection points. Many of our domestic companies have been using AI/ML in some form for over a decade, be it REA Group Ltd., Xero Ltd., Wisetech Global Ltd., or Carsales.Com Ltd. A key structural theme identified by Hyperion around 10 years ago was AI/ML, however the potential upgrades to revenue streams, efficiencies in productivity and eventually earnings are only starting to be recognised by market participants. Read about AI/ML benefits within our Global strategy ([here](#)).

We have seen strong performance during the year and believe the long-term return outlook continues to look attractive with forecast internal rates of return above their long-run averages.

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.

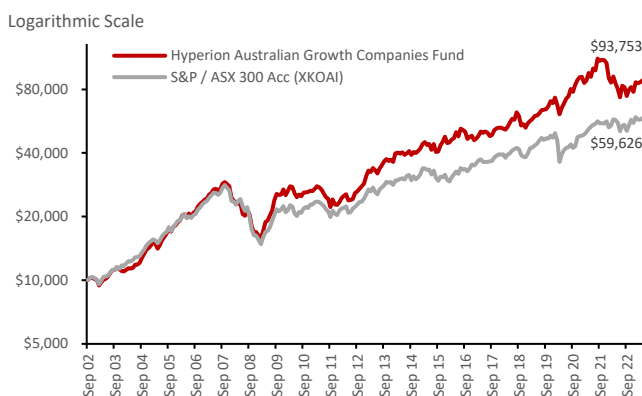
Our Philosophy

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	5.5	2.9	2.6
3 Month	6.3	2.0	4.2
1 Year	12.9	11.1	1.8
3 Year (p.a.)	8.2	11.9	-3.7
5 Year (p.a.)	10.3	7.5	2.8
7 Year (p.a.)	8.8	8.4	0.4
10 Years (p.a.)	10.7	8.3	2.4
15 Years (p.a.)	10.8	7.1	3.7
20 Years (p.a.)	11.4	8.9	2.5
Inception (p.a.)*	11.3	8.9	2.4
Inception (TR)*^A	837.5	496.3	341.3

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 July 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.	12.6	0.2
Xero Ltd	10.3	0.8
Resmed, Inc.	8.7	0.6
Fisher & Paykel Healthcare	8.3	0.2
Wisetech Global Ltd.	8.0	0.7

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

Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	10.2	4.0
Consumer Discretionary	5.0	6.6
Financials	22.3	28.0
Health Care	30.3	9.4
Industrials	2.9	7.2
Information Technology	23.6	2.7
Materials	2.9	24.2
Cash	2.7	--

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

Market Capitalisation (AUD)

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-20	13.3	60.3	-47.1	2
S&P/ASX 21-50	38.3	16.9	21.4	6
S&P/ASX 51-100	41.1	12.4	28.7	9
S&P/ASX 101-200	3.7	7.6	-3.9	4
S&P/ASX 201-300	--	2.7	-2.7	--
Ex S&P/ASX 300	1.0	0.2	0.9	1
Cash	2.7	--	2.7	--
Total	100	100	--	22

Portfolio weights may not sum perfectly to 100.0% due to rounding.
All data as at 31st July 2023

Top Contributors and Detractors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Wisetech Global Ltd.	71.2	8.7	5.3
Fisher & Paykel Healthcare	18.7	7.8	1.9
Xero Ltd	31.4	8.6	1.8
Block, Inc.	8.4	10.6	1.3
REA Group Ltd	26.0	3.4	0.9

Detractors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Domino's Pizza Enterprises	-32.2	4.0	-1.3
CSL Limited	-7.4	8.9	-0.6
IDP Education Ltd.	-12.8	2.1	-0.2
Resmed Inc.	-1.7	9.6	-0.1
IRESS Limited	-8.5	0.5	-0.0

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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 0.8597 CPU at 30 June 2023 AUD 0.2380 CPU at 31 March 2023 AUD 0.2177 CPU at 31 December 2022 AUD 1.2532 CPU at 30 September 2022
Fund Size	\$2,193.4 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

Macquarie Group Limited (MQG-AU)

Primary Exchange
GICS Sector
Market Cap (\$m)

ASX
Financials
67,637



Macquarie Group Limited (Macquarie) gave its 1Q24 update ahead of its 2023 Annual General Meeting. The update missed expectations with Operating Group contribution substantially down on 1Q23. Macquarie’s annuity-style businesses, Macquarie Asset Management (MAM) and Banking and Financial Services (BFS), combined 1Q24 net profit contribution was down on the prior corresponding period (PCP), primarily due to lower investment related income from green energy investments in MAM. MAM had assets under management of \$864b as at June 2023, broadly in line with March 2023. The BFS contribution was up on the PCP, driven by growth in the loan portfolio and BFS deposits together with improved margins. Macquarie’s markets-facing businesses, Commodities and Global Markets (CGM) and Macquarie Capital, combined 1Q24 net profit decreased on the PCP, due to strong results across the Commodities platform in CGM during the PCP. Macquarie Capital saw lower investment-related income on the PCP with fewer material asset realisations partially offset by an increase in income from the private credit portfolio, and fee and commission income was down on the PCP. Macquarie’s financial position continued to comfortably exceed APRA regulatory requirements. Group capital surplus was \$10.8b on 30 June 2023, down from \$12.6b on 31 March 2023 primarily attributed to payment of the 2H23 dividend and FY23 MEREP awards, partially offset by 1Q24 NPAT. Macquarie maintained a cautious stance on outlook, with a conservative approach to capital, funding and liquidity with a view to position the company well to respond to the current environment, including global economic conditions, inflation and interest rates, significant volatility events, and geopolitical events.

HUB24 Limited (HUB-AU)

Primary Exchange
GICS Sector
Market Cap (\$m)

ASX
Financials
2,293



HUB24 Limited (HUB24) released a market update for the quarter ended June 2023, achieving net inflows of \$2.1b, down 14.7% on the PCP. Total funds under administration (FUA) grew 22.5% on PCP to \$80.3b, comprising Platform FUA of \$62.7b (up 26.2% on PCP) and Portfolio, Administration and Reporting Services (PARS) FUA of \$17.6b (up 11.1% on PCP). HUB24’s market share also grew over the 12 months to March 2023, reaching 6.05% from 5.1%. Over the June quarter, HUB24 signed 28 new distribution agreements. Meanwhile, the pipeline of future flows remains strong with the addition of 263 advisors to the platform over the quarter, increasing the total to 4,011 (up 15.1% on pcp). The recent acquisition of myprosperity Pty Ltd (myprosperity), now an operational business unit within the HUB24 Group, is expected to deliver both increased customer advocacy and new avenues to further increase market share.

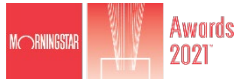
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Hyperion named Winner
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Morningstar 2021 Awards, Australia.



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



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

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