

Market Commentary

Global equity indices finished mostly lower in June with global inflation, rising interest rates, and the prospects of an economic recession dominating headlines. In the U.S., the S&P 500 Index returned -8.3% over the month. The U.S. May CPI Report revealed headline annual inflation of 8.6%, marginally higher than the 8.5% figure recorded in March and the highest reading since December 1981. The U.S. Federal Reserve raised the federal funds rate by 75bps in June to 1.50-1.75%, higher than the 50bps hike it signalled in its May meeting. In his press conference, Chair Powell noted that a 75bps increase is unusually large though maintained that either a 50bps or 75bps increase seemed most likely in their July meeting. In Europe, the German DAX, Euro STOXX 50, and FTSE 100 indices returned -11.2%, -8.7%, and -5.5%, respectively. The European Central Bank (ECB) left interest rates unchanged, announced that it will end its asset purchase programme on 1 July 2022 and indicated that it intends to raise key interest rates by 25bps in its July meeting. In Australia, the S&P/ASX 300 Index returned -9.0% over June. The Reserve Bank of Australia raised the cash rate by 50bps to 0.85%, the largest increase in 22 years. The Australian Fair Work Commission also raised the minimum wage by \$40/week, equivalent to a 5.2% increase.

Fund Update and Outlook

The Hyperion Australian Growth Companies Fund returned -8.5% for the month of June, outperforming its benchmark (S&P/ASX 300 Accumulation Index) by 0.5%. Iress Limited, Resmed Inc. and Technology One Limited saw the strongest share price performance during the month. Block Inc., HUB24 Limited and Xero Limited declined.

It has undoubtedly been a challenging time for long duration stock investors. Short-term market valuations of high quality, structural growth stocks have been heavily influenced by significant changes in long-term bond yields.

Rather than being fundamentally driven, we believe that the sharp sell-off in high quality, structural growth stocks has been largely driven by short-term macroeconomic factors including a significant increase in long-term government bond yields and an “abundance” of nominal economic growth (read more [here](#)). We expect both factors to be temporary in nature and to reverse in the future.

As discussed in our latest Whitepaper ([here](#)), there are increasing signs that economic growth is slowing from the high levels achieved during the cyclical recovery following COVID-19, with leading indicators suggesting further declines in growth over the next six to twelve months. A material economic slowdown should mean that inflation returns to low levels over the short to medium term.

As this slowing occurs, we expect capital allocator shifts to accelerate into quality structural growth companies. We believe the long run fundamental risk associated with high quality, structural growth companies that Hyperion invests in is relatively low and our portfolio companies continue to trade at an attractive discount compared to our long-term valuations.

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.

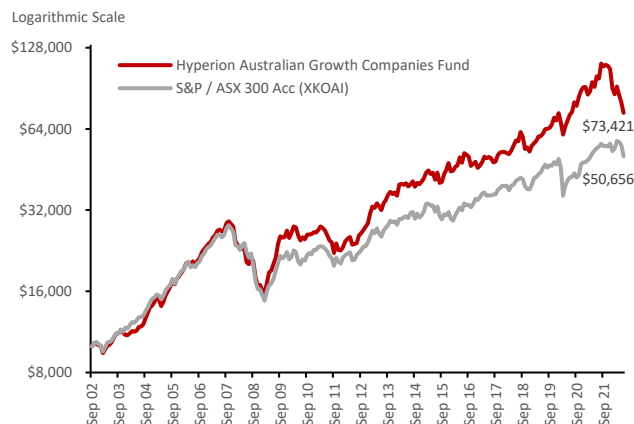
Our Philosophy

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

Performance Chart growth of \$10,000 since inception



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	-8.5	-9.0	0.5
3 Month	-20.1	-12.2	-7.8
1 Year	-26.7	-6.8	-20.0
3 Year (p.a.)	6.1	3.4	2.6
5 Year (p.a.)	7.8	6.9	0.9
7 Year (p.a.)	8.5	7.0	1.5
10 Years (p.a.)	11.9	9.2	2.6
15 Years (p.a.)	6.9	4.6	2.3
Inception (p.a.)*	10.6	8.6	2.1
Inception (TR)*^A	634.2	406.6	227.6

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, costs and taxes. Past performance is not a reliable indicator of future performance. Data as at 30th June 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.

Top 5 Holdings

	Portfolio (%)	Benchmark (%)
Resmed Inc.	10.4	0.6
CSL Limited	10.1	6.5
Xero Limited	10.0	0.5
Block Inc.	8.0	0.2
Fisher & Paykel Healthcare	7.0	0.1

Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	9.6	4.1
Consumer Discretionary	7.0	6.6
Financials	11.2	27.4
Health Care	33.3	10.1
Industrials	2.4	6.2
Information Technology	29.8	3.0
Materials	4.0	23.7
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	17.0	57.9	-40.9	2
S&P/ASX 21-50	43.6	18.0	25.6	7
S&P/ASX 51-100	22.4	12.4	10.0	6
S&P/ASX 101-200	12.0	8.4	3.6	6
S&P/ASX 201-300	--	3.0	-3.0	--
Ex S&P/ASX 300	2.3	0.3	2.0	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 30th June 2022

Top 5 Contributors and Detractors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Wisetech Global Ltd	18.5	6.2	0.2
Technology One Limited	15.0	1.2	0.1
Carsales.com Limited	-4.2	1.8	0.1
IRESS Limited	-10.8	0.5	0.0
ARB Corporation Limited*	2.8	0.0	0.0

Detractors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Block Inc.^	-48.8	4.3	-5.3
Xero Limited	-43.9	10.3	-5.0
Afterpay Limited*^	-43.8	6.3	-3.8
Fisher & Paykel Healthcare	-38.3	6.0	-2.4
Domino's Pizza Enterprises	-43.6	4.1	-1.7

*Stock not currently held in the portfolio. ^Afterpay Ltd commenced trading as Block Inc. on 20th January 2022

Fund Characteristics

Universe	S&P/ASX 300
Launch	Managed by Hyperion since September 2002, launched October 1996
Fees	MER 0.95%
Distribution	AUD 23.7305 CPU at 30 June 2022 AUD 0.6988 CPU at 30 September 2021 AUD 86.6742 CPU at 30 June 2021 AUD 0.4324 CPU at 31 March 2021
Fund Size	\$1,828.1 million
APIR Code	BNT0003AU

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

Portfolio Holdings Update

Domino's Pizza Enterprises Limited (DMP-AU)

Primary Exchange	ASX
GICS Sector	Consumer Discretionary
Market Cap (\$m)	5,886



Domino's Pizza Enterprises Limited (Domino's) held its Asia Investor Day in Japan earlier this month. Despite volatility in customer demand in Japan due to lockdowns, Domino's continues to improve on a pre-COVID basis, seeing on a per store basis customers levels were up 20%, average weekly sales up 10%, and franchisee profitability up by over 35%. Domino's continues to highlight delivery as a significant opportunity, noting that the total online food delivery market across all regions in which Domino's operates, is expected to increase by 47% by 2026. Management also flagged the significant cost reductions in delivered orders which can be realised through fortressing territories, resulting in stores being closer to consumers and reducing the time for delivery. This will not only increase unit economics through lower labour cost per delivery, but will also increase the value proposition to consumers. Domino's announced the appointment of Martin Steenks (previously the CEO of Domino's Taiwan) to CEO of Domino's Japan, while Ronald Dekker (previously the Chief Development & Brand Design Officer) will replace him as CEO of Domino's Taiwan. Over the long term, management have guided for 3,600 stores in APAC (an increase of 84% on its current store count of 1,959) and for 3,050 stores in Europe (more than double their current number of 1,368).

REA Group Ltd (REA-AU)

Primary Exchange	ASX
GICS Sector	Communication Services
Market Cap (\$m)	14,775



REA Group Ltd (REA) held an Investor Day in June 2022, guiding for double-digit revenue and EBITDA growth through the business cycle. The company outlined several ancillary growth opportunities which will progressively diversify revenues over the medium to long term. Among these, the newly announced Premiere+ bundle builds on REA's existing Premiere product and should drive multi-year yield growth from FY23. Also contributing to yield growth will be the reintroduction of a vendor-lead subscription offering in H2 FY23 with monetisation to follow from FY24. Realestate.com.au remains Australia's dominant residential property platform, attracting 127m monthly visits, 3.3 times its closest competitor (Domain). Management remains confident that REA's strong value proposition and leading market position will offset any cyclical listings weakness. The company sees substantial opportunity in REA India, where it is investing to establish market leadership within a AU\$7b total addressable market of which digital real estate classifieds is forecast to reach AU\$310m by FY25 (growing at over 20% per annum). Over the past year, REA India achieved audience leadership, 43% customer growth year-on-year, and generated a 2-year CAGR of 108% for app traffic.

HUB24 Limited (HUB-AU)

Primary Exchange	ASX
GICS Sector	Financials
Market Cap (\$m)	1,623



HUB24 Limited (HUB24) held its Investor & Analyst Briefing in June 2022. Management reaffirmed their guidance for platform Funds Under Administration to grow to \$83-92b in FY24 (from \$51.0b as at 31 March 2022) with Q4 FY22 net flows expected to be in-line with Q4 FY21. The Xplore Wealth integration is on track to deliver \$10m in synergies by FY24 (including both revenue and expense synergies) as well as 13% EPS growth in FY22. An initial view of benefits from the recent Class acquisition was also provided, with the announcement that Class is expected to provide a self managed super fund (SMSF) service targeting mass affluents (\$90-180k per annum earners) who have until now, been typically priced out of traditional SMSF offerings. The company also sees opportunities for growth in Managed Accounts (with HUB24 currently holding a 12% market share of the \$131.7bn Funds Under Management market) as advisor adoption has risen from 44% in 2021 to 53%, while HUB24 remains the market leader in managed account functionality.

ESG Overview

Modern Slavery

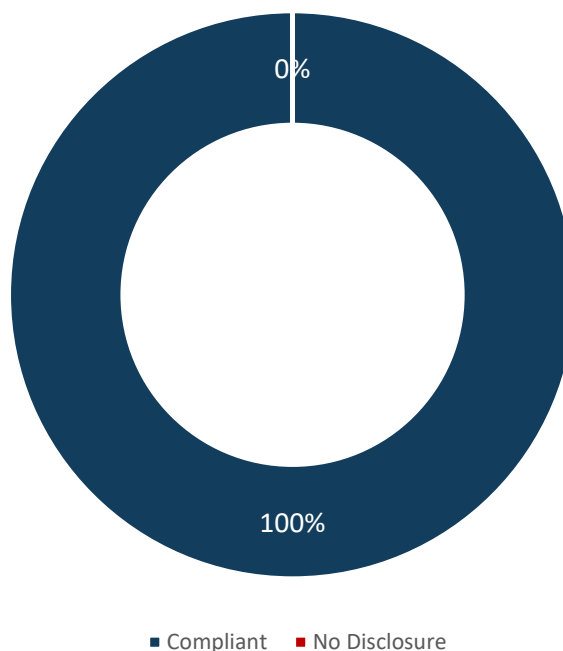
The assessment of Modern Slavery risks is now widely applied since the *Modern Slavery Act 2018 (Cth.)* was codified into law. The Act was introduced to urge companies to address problems in relation to labour malpractice within the supply chain and company operations. Hyperion incorporates elements of the Modern Slavery Act into the investment process, where analysts are required to complete specific ESG items as part of the qualitative step. These items include analysis around sustainability, stability, and predictability.

Hyperion is also tracking Modern Slavery reporting obligations and compliance for every company in the portfolio and is directly engaging with any companies who fail to report. In addition, as part of continuously improving our understanding of each portfolio holding, Hyperion regularly speaks with other company stakeholders such as employees and suppliers, as well as industry contacts such as customers, competitors, industry specialists and ex-employees. Through this mosaic we are constantly seeking to identify additional risks, including Modern Slavery risks, that may detract from a company’s long-term sustainability.

Portfolio Stock Highlight

Healthcare. Cochlear Limited has an explicit policy statement on Modern Slavery and has also signed up to the United Nations Sustainable Development Goals framework, including Target 8.7 with the goal of taking immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking. Furthermore, the company conducts mandatory training on its Global Code of Conduct, including modern slavery risks, for all staff on an annual basis, as well as carry out a screening process on new critical direct suppliers in Australian and European manufacturing sites.

Modern Slavery Statement Reporting Compliance Hyperion Australian Growth Companies Fund



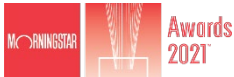
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