

Market Commentary

Major equity indices performance were mixed through March as the collapse of multiple U.S. regional banks and its implications for Central Bank policy dominated headlines. In an attempt to quell contagion fears from the bank failures, the U.S. Federal Reserve, FDIC, and the Treasury issued a joint statement, effectively allowing all depositors to access their deposits in full at Silicon Valley Bank and Signature Bank. In the U.S., the S&P 500 Total Return Index returned 3.7% over the month. The Federal Reserve raised the federal funds rate by 25bps to 4.75%-5.0% at their March meeting, noting that while the banking system is sound and resilient, the evolving situation is likely to result in tighter credit conditions for households and businesses. In Australia, the S&P/ASX 300 Index returned -0.2% over March. The Consumer Price Index rose at an annual rate of 6.8% in February, continuing the trend lower from 7.4% in January. The Reserve Bank of Australia raised its cash rate target by another 25bps in March to 3.6% which was held at the April meeting.

Fund Update and Outlook

The Hyperion Australian Growth Companies Fund returned 1.1% for March, outperforming its benchmark (S&P/ASX 300 Accumulation Index) by 1.3%. Xero Ltd., REA Group Ltd., and Nanosonics Ltd. saw the largest positive share price performance for the month while GQG Partners, Inc., Block Inc. (Block), and Macquarie Group Ltd. saw the largest share price declines.

It has been a very encouraging start to the year for our domestic strategy which has pleasingly responded well to several factors, including a strong reporting season and a continued decline in inflation which has seen a stabilisation in 10-year US Treasury yields. While many of Hyperion’s portfolio companies have risen strongly since the start of the year, Block has underperformed recently after being the target of a short seller’s report. Overall, it is not unusual for Hyperion’s portfolio companies to face short sellers; this has occurred numerous times in the past. It is a function of our holdings being highly innovative businesses that are often difficult to assess. Our ability to deeply analyse businesses is a key driver of our long-term success. We are however humble and cognisant that ‘short’ reports can in certain instances present information that may not be known to the market and/or ourselves. Following our initial review, we believe the evidence provided by Hindenburg’s short report is largely anecdotal and subjective and in our view is sensationalised.

Furthermore, the recent volatility in the highly leveraged banking sector is a good reminder of the high barriers to entry for Hyperion’s portfolios. Our companies are structurally resilient, highly profitable and produce positive free cash flows, with most having net cash. Over time, these characteristics have proven to be highly valuable. We believe the recent developments in the banking system may result in slowing credit growth and should be a net positive for long duration and higher quality assets.

Looking forward, we remain confident in our portfolio companies and their ability to produce excess returns. The forecast 10-year IRR for our domestic strategy remains elevated relative to its historical average.

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.

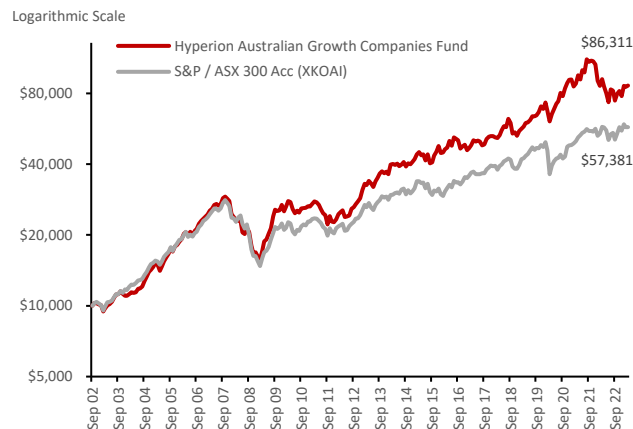
Our Philosophy

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	1.1	-0.2	1.3
3 Month	11.0	3.3	7.7
1 Year	-6.0	-0.6	-5.4
3 Year (p.a.)	12.4	16.6	-4.2
5 Year (p.a.)	10.8	8.6	2.2
7 Year (p.a.)	9.3	9.4	-0.1
10 Years (p.a.)	10.2	8.1	2.1
15 Years (p.a.)	9.2	6.4	2.8
20 Years (p.a.)	11.5	9.2	2.4
Inception (p.a.)*	11.1	8.9	2.2
Inception (TR)*^A	763.6	473.8	289.7

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 March 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.	10.6	0.1
Wisetech Global Ltd.	10.0	0.5
Resmed Inc.	9.8	0.6
CSL Limited	8.5	6.4
Fisher & Paykel Healthcare	8.4	0.2

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

Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	9.9	4.0
Consumer Discretionary	5.9	6.7
Financials	20.6	26.7
Health Care	33.5	10.1
Industrials	3.0	6.9
Information Technology	23.3	2.2
Materials	2.4	25.6
Cash	1.3	--

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

Market Capitalisation (AUD)

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-20	15.2	59.6	-44.5	2
S&P/ASX 21-50	38.8	17.6	21.2	6
S&P/ASX 51-100	31.7	11.6	20.0	8
S&P/ASX 101-200	12.0	7.9	4.0	5
S&P/ASX 201-300	--	2.9	-2.9	--
Ex S&P/ASX 300	1.1	0.3	0.8	1
Cash	1.3	--	1.3	--
Total	100	100	--	22

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

Top Contributors and Detractors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Wisetech Global Ltd.	27.5	8.1	2.6
Fisher & Paykel Healthcare	10.7	7.4	1.4
CSL Limited	7.5	9.4	1.0
Brambles Limited	35.5	2.6	0.8
Resmed Inc.	-0.1	9.5	0.6

Detractors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Block, Inc.	-44.3	10.1	-6.3
Xero Limited	-13.0	9.1	-2.2
Domino's Pizza Enterprises	-43.2	4.2	-1.8
James Hardie Industries	-21.6	3.5	-1.2
Seek Limited	-19.8	3.7	-0.9

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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 0.2400 CPU at 31 March 2023 AUD 0.2177 CPU at 31 December 2022 AUD 1.2532 CPU at 30 September 2022 AUD 23.7305 CPU at 30 June 2022
Fund Size	\$2,039.1 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)	8,330



Carsales.com Limited (Carsales) announced that it will acquire a further 40% of Brazilian automotive digital marketplace Webmotors for approximately AU\$353m from Banco Santander SA (Santander), becoming the majority owner with a 70% stake post acquisition. Santander will retain commercial exclusivity, continuing as the credit and financial solutions partner for finance and insurance transactions for Webmotors' platform. The transaction values Webmotors on a 100% Enterprise Value basis at BRL\$3,100m, approximately AU\$883m equivalent and is expected to be earnings per share neutral in the first full year after completion and accretive thereafter. Carsales expects the additional equity to allow Webmotors to strengthen its market position while retaining strong support from Santander, improving the offering for dealerships, franchises, OEMs and consumers. The company completed a \$500m equity raise to fund the acquisition and strengthen its balance sheet.

Xero Limited (XRO-AU)

Primary Exchange	ASX
GICS Sector	Information Technology
Market Cap (\$m)	13,434



Xero Ltd (Xero) announced a staff reduction of between 700 to 800 roles across its business this month as part of a program to balance growth and profitability, streamline operations and drive operating leverage. Management is targeting an operating expense to revenue ratio in FY24 of ~75%. While limited details have been provided of where the staff reductions are occurring, Xero noted they will provide further details with their FY23 annual reporting in May. Xero maintains current FY23 guidance that total operating expenses as a percentage of operating revenue is expected to be at the lower end of the 80-85% range. This excludes the NZ\$25-30m in associated restructuring charges from the staff reduction, the majority of which are expected in FY24 and are therefore expected to have an immaterial impact on FY23 cashflow.

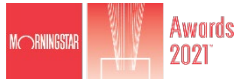
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Hyperion named Winner
FUND MANAGER OF THE YEAR
Morningstar 2021 Awards, Australia.



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



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DOMESTIC EQUITIES LARGE CAP
Morningstar 2020 Awards, Australia.

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