

**Market Commentary**

Major equity indices were higher through November 2022 as inflationary pressures and expectations of a potential shift in central banks' policies dominated global headlines. In the U.S., the S&P 500 Total Return Index returned 5.6% over the month. Headline annual CPI inflation slowed for the fourth consecutive month to 7.7% in October which was the lowest reading since January 2022. The U.S. Federal Reserve raised the federal funds rate by another 75bps at its November meeting to 3.75%-4.0%. In his prepared remarks at the Brookings Institution, chair Powell noted that the terminal federal funds rate will likely be higher than thought in the September Summary of Economic Projections though a moderation in the pace of rate increases may be appropriate as soon as the December meeting. In Europe, the Euro STOXX 50, Germany DAX and FTSE 100 total return indices rose 9.7%, 8.6%, and 7.1%, respectively, over the month. Annual inflation in the Euro Area continued to rise, reaching 10.6% in October. In Australia, the S&P/ASX 300 Index rose 6.5% over November. The unemployment rate in Australia fell to 3.4% in October and the newly released monthly CPI series showed annual inflation easing to 6.9% in October from 7.3% in September. The Reserve Bank of Australia raised the cash rate target by another 25bps at its November meeting.

**Fund Update and Outlook**

The Hyperion Australian Growth Companies Fund returned 2.7% for November, underperforming its benchmark (S&P/ASX 300 Accumulation Index) by 3.7%. Fisher & Paykel Healthcare, Nanosonics Ltd., and Netwealth Group Ltd. saw the strongest share price performance while James Hardie Industries, Xero Ltd., and Iress Ltd. saw the largest share price declines.

Domestic markets continued their positive run through November as the impact of a softer rate rise of 25bps from the Reserve Bank of Australia was viewed more favourably by equity markets. All S&P/ASX 300 sectors produced positive returns over the month, with Utilities and Materials leading the way. On a relative basis, Hyperion was impacted by low to no exposure to materials and commodities, respectively.

For the year ahead, while Hyperion believes that a cyclical recession is probable, we believe that a recession is unlikely to impact our portfolios' long-term earnings per share forecast and valuations due to the strong value propositions of our portfolio companies relative to their peers, their high levels of innovation and their low penetration rates.

Our portfolio continues to trade at an attractive discount to our long-term valuations and in a world where growth will again become scarce, we believe our companies' competitive positions and long-term earnings growth profiles will remain strong. 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. Our 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.

**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.

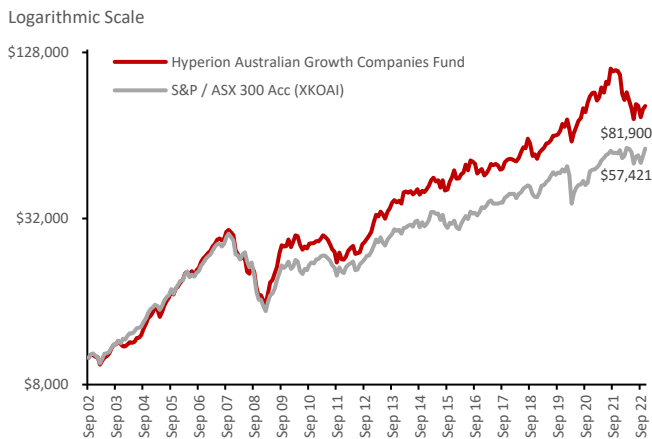
**Our Philosophy**

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: 30<sup>th</sup> 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 <sup>1</sup> (%)	Excess Performance (%)
1 Month	2.7	6.5	-3.7
3 Month	-0.2	5.7	-5.9
1 Year	-25.3	4.3	-29.6
3 Year (p.a.)	5.2	6.0	-0.8
5 Year (p.a.)	9.4	8.2	1.2
7 Year (p.a.)	8.9	9.4	-0.5
10 Years (p.a.)	11.4	9.3	2.1
15 Years (p.a.)	7.3	5.1	2.2
20 Years (p.a.)	10.9	8.9	2.0
Inception (p.a.)*	11.0	9.0	1.9
Inception (TR)*^A	719.0	474.2	244.8

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 30<sup>th</sup> November 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 (%)
Block Inc.	10.0	0.2
CSL Limited	9.7	6.5
Resmed Inc.	9.2	0.6
Wisetech Global Ltd.	8.7	0.4
Fisher & Paykel Healthcare	8.0	0.1

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**Sector Allocation**

	Portfolio (%)	Benchmark (%)
Communication Services	9.5	3.8
Consumer Discretionary	6.9	6.5
Financials	10.8	28.3
Health Care	32.8	10.0
Industrials	3.2	6.0
Information Technology	32.1	3.0
Materials	2.9	24.1
Cash	1.8	--

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

**Market Capitalisation (AUD)**

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-20	16.7	59.3	-42.6	2
S&P/ASX 21-50	31.7	16.6	15.1	6
S&P/ASX 51-100	35.3	12.7	22.5	7
S&P/ASX 101-200	12.9	8.1	4.8	6
S&P/ASX 201-300	--	3.0	-3.0	--
Ex S&P/ASX 300	1.5	0.3	1.3	1
Cash	1.8	--	1.8	--
Total	100	100	--	22

Portfolio weights may not sum perfectly to 100.0% due to rounding.  
All data as at 30<sup>th</sup> November 2022

**Top Contributors and Detractors (rolling 12 months)**

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Wisetech Global Ltd	8.6	7.2	1.2
Brambles Limited	21.0	2.2	0.5
CSL Limited	-2.2	9.4	0.4
Technology One Limited	10.0	1.3	0.2
Carsales.com Limited	-6.8	1.9	0.1

Detractors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Xero Limited	-51.2	10.1	-6.7
Block, Inc.	-47.3	8.4	-5.9
Afterpay Limited*	-38.9	1.4	-4.1
James Hardie Industries	-47.5	4.4	-2.7
Domino's Pizza Enterprises	-48.8	4.2	-2.2

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\*Stock not currently held in the portfolio.

**Fund Characteristics**

<b>Universe</b>	S&P/ASX 300
<b>Launch</b>	Managed by Hyperion since September 2002, launched October 1996
<b>Risk/Return Profile</b>	The Fund's risk band is 6 (high)
<b>Fees</b>	MER 0.95%
<b>Distribution</b>	AUD 1.2532 CPU at 30 September 2022 AUD 23.7305 CPU at 30 June 2022 AUD 0.6988 CPU at 30 September 2021 AUD 86.6742 CPU at 30 June 2021
<b>Fund Size</b>	\$1,987.4 million
<b>APIR Code</b>	BNT0003AU

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

## Portfolio Holdings Update

### Block, Inc. (SQ2-AU)

Primary Exchange	ASX
GICS Sector	Information Technology
Market Cap (\$m)	50,485



Block, Inc. (Block) released its results for the third quarter ended September 2022. The business reported net revenue growth excluding Bitcoin of 36% year-on-year (YoY) to US\$2.75b and total gross profit growth of 38% YoY to US\$1.57bn. Block's Cash App segment achieved gross profit of US\$774m, up 51% YoY. The Cash App platform continues to expand with monthly transacting actives growing 20% YoY to 49 million while Cash Card monthly active users grew to almost 18 million. Inflows per transacting active also remained elevated at \$1,046 in the quarter despite government stimulus having now ended. The Square segment delivered gross profit of US\$783m, representing 29% growth YoY. The company continues to focus on enhancing their ecosystem of products, growing upmarket, and expanding internationally. The quarter saw Square's vertical-specific point of sale solutions grow 45% YoY while gross profit from mid-market sellers increased 22% YoY. Management continues to expect that, once integrated, Afterpay will provide a key link between the Cash App and Square ecosystems. For Q4 2022, gross profit growth is expected to remain relatively consistent with the third quarter YoY. Block is also showing meaningful expense discipline with non-GAAP operating expense growth plans having now been reduced \$590m over the course of the year.

### Technology One Limited (TNE-AU)

Primary Exchange	ASX
GICS Sector	Information Technology
Market Cap (\$m)	3,897



Technology One Limited (TechnologyOne) released its FY22 results ended 30 September 2022, reporting revenue growth of 18% year-on-year (YoY) to \$369.4m and group profit before tax of \$112.3m (up 15%). Software-as-a-Service (SaaS) and Continuing business revenue grew 22% YoY to \$358.7m. SaaS annual recurring revenue (ARR) increased to \$274.2m, up a record 43% YoY while Total ARR also grew at a record 25% YoY to \$320.7m. The total number of enterprise SaaS customers grew 27% YoY to 810. TechnologyOne also reported a net revenue retention ratio (excluding Scientia) of 116% and customer churn at 0.6% of ARR. All verticals performed strongly, led by the group's two largest markets, Local Government and Education, up 20% and 45% YoY, respectively. ARR in the UK grew to \$17.5m driven by their acquisition of Scientia. Over the coming years, management see significant upside in the UK market, estimating the total addressable market to be three times the size of the Asia Pacific region. Management also guided to exceeding its \$500m FY26 ARR target by FY26, and to continue doubling the business every 5 years. The Company announced a special dividend of 2.0c per share in addition to the final dividend of 10.82c per share, taking the full year dividend to 17.02c per share, up 22% YoY.

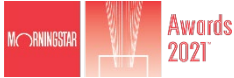
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**Hyperion named Winner  
FUND MANAGER OF THE YEAR**  
Morningstar 2021 Awards, Australia.



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



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

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