

HYPERION AUSTRALIAN GROWTH COMPANIES FUND

OCTOBER 2020

OBJECTIVE: LONG-TERM CAPITAL GROWTH AND INCOME BY INVESTING IN HIGH CALIBRE AUSTRALIAN COMPANIES PRIMARILY LISTED WITHIN THE S&P/ASX 300 INDEX AT THE TIME OF INVESTMENT.



High-conviction portfolio of quality Australian listed equities from a research driven, bottom-up investment philosophy

Our Philosophy

The highest proven quality businesses with the strongest competitive advantages and organic growth opportunities produce superior shareholder returns over the long-term.

Long term capital preservation is paramount.

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

Global Market Overview

Global equity markets continued to decline in October as the U.S. presidential election, spikes in COVID-19 infections in the U.S. and a second COVID-19 wave in Europe dominated headlines. In the U.S., the S&P 500 Index returned -2.7% with economic data revealing real GDP increased at an annualised rate of 33.1% in 3Q20 after declining 31.4% during 2Q20, as record fiscal stimulus measures began to assist households and businesses. In addition, the IHS Markit Flash U.S. Composite PMI edged slightly higher to 55.5 as output growth regained momentum following a rise in business activity across the services and manufacturing sectors. In Europe, the FTSE 100, Euro STOXX 50 and German DAX indices returned -4.7%, -7.3% and -9.4%, respectively. During the month, the IHS Markit Eurozone Composite PMI slipped to 50.0 following stagnant private sector economic activity. The headline index figure masked a two-speed economy, which saw continued growth in manufacturing output but deteriorating services sector activity. In Australia, the S&P/ASX 300 Index returned +1.9%. Australian economic data revealed that the unemployment rate rose to 6.9% and preliminary September retail sales fell 1.5%. Information technology (+8.6%), financials (+6.3%) and consumer staples (+4.6%) were the best performing S&P/ASX 300 Index sectors. Industrials (-3.5%), utilities (-1.5%) and materials (-1.1%) were the worst performers. Global commodity prices fell during the month, partly driven by an appreciating U.S. dollar which was mostly down against G10 currencies except the Norwegian Krone, Australian Dollar, Euro and New Zealand Dollar.

Performance

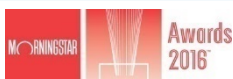
	1 month	3 month	1 year	3 Years (p.a.)	5 Years (p.a.)	7 Years (p.a.)	10 Years (p.a.)	15 Years (p.a.)	Since Inception* (p.a.)	Inception* [^]
Portfolio – Net (%)	7.8	13.3	26.2	17.9	14.1	12.3	12.4	11.2	12.5	739.5
Benchmark (%) ¹	1.9	1.2	-7.9	4.2	6.9	5.7	6.9	6.4	8.4	330.6
Relative Performance – Net (%)	5.9	12.1	34.1	13.7	7.2	6.6	5.6	4.9	4.1	408.8

1. S&P/ASX 300 Accumulation Index. *Inception date: 30th September 2002. [^]Total return

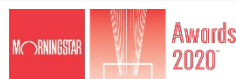
Returns are net of applicable fees, costs and taxes.

Past performance is not a reliable indicator of future performance.

Data as at 31st October 2020. 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.



Hyperion named Winner,
FUND MANAGER OF THE YEAR
Morningstar 2016 Awards, Australia.



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



Hyperion named Finalist
FUND MANAGER OF THE YEAR
Morningstar 2020 Awards, Australia.



Hyperion named Finalist,
DOMESTIC EQUITIES SMALL CAP
Morningstar 2020 Awards, Australia.

PORTFOLIO HOLDINGS UPDATE

Afterpay Limited (APT-AU)

Primary Exchange	ASX
GICS Sector	Information Technology
Market Cap (AUD\$m)	27,505



Afterpay Limited (Afterpay) released a market update for the first quarter ended 30 September 2020, reporting underlying sales growth of 115% to \$4.1b. The business also highlighted that total active customers increased 98% to 11.2m and global active merchants were up 70% to 63,800. Geographically, ANZ achieved underlying sales growth of 63% to \$2.2b, a 15% increase in active customers to 3.4m, and a 50% increase in active merchants to 48,000. Underlying sales from SMBs increased 79% compared to 1Q20. Of note, in-store underlying sales recovered to represent 20% of the underlying ANZ sales, despite Victoria's stage 4 lockdown restrictions. In the U.S. underlying sales increased 229% to \$1.6b, active customers were up 175% to 6.5m, and active merchants increased 159% to 13,900. The region saw approximately 12,500 new customers join the platform per day during the quarter, with the company noting that during October the average number of new customers per day increased to 15,000. In the U.K. underlying sales increased 346% to \$0.3b, active customers were up 282% to 1.2m, and active merchants increased 1038% to 1,900. Afterpay's acquisition of Pagantis is on track for completion by the end of 2020, pending regulatory approval from the Bank of Spain, which will provide the company with a licence to operate in Spain, France, Italy and Portugal. Afterpay also awaits pending licence passport applications to operate in Germany and Poland. Notably during the month, Afterpay entered into a collaboration agreement with Westpac to offer Afterpay savings accounts and cash flow tools to customers. The new money management services will complement the company's existing business model by offering additional, customer-centric alternatives to traditional banking products.

HUB24 Limited (HUB-AU)

Primary Exchange	ASX
GICS Sector	Financials
Market Cap (AUD\$m)	1,450



HUB24 Limited (HUB24) released a market update for the first quarter ended 30 September 2020, announcing funds under administration (FUA) of \$19.0b, an increase of \$1.8b or 10% for the quarter. On an annual basis, FUA increased by \$4.6b or 32% and net inflows were up 10% to \$1.4b. Additionally, 101 new advisors were introduced to the platform during the quarter, increasing the company's advisor base by 5% to 2,167 advisors. The platform also signed 27 new licensee agreements with both large boutique licensees and self-licensed practices. At the industry level, the latest Strategic Insights quarterly platform market update revealed that HUB24 increased its market share to 2.1% as at June 2020 and continues to rank 2nd across both quarterly and annual net inflows. Furthermore, HUB24 announced a proposal for a series of acquisitions, the largest being \$60m for Xplore Wealth, a specialist investment platform and superannuation services provider with FUA of approximately \$15.5b. The company will also acquire Ord Minnett's Portfolio Administration & Reporting Services (PARS) business with non-custody FUA of \$8b for \$10.5m. Together, PARS and Xplore Wealth will add material scale to the HUB24 platform, broaden its functionality and capabilities, and make HUB24 the largest non-custody platform in Australia. Lastly, HUB24 also proposed the acquisition of a 40% stake of Easton Investments Ltd (Easton), a provider of integrated accounting and wealth management services, for a total of \$18m which includes a divestment of Paragem for \$4m worth of Easton shares. The acquisitions of Xplore Wealth and Easton are subject to shareholder approval, with the Xplore Wealth Board unanimously recommending shareholders to vote in favour of the acquisition, and the Easton Board also intending to do so. Together, the acquisitions are expected to result in approximately 13% EPS accretion in FY22.

ResMed Inc. (RMD-AU)

Primary Exchange	ASX
GICS Sector	Healthcare
Market Cap (AUD\$m)	40,460



ResMed Inc. (ResMed) released its results for the first quarter ended 30 September 2020, reporting total revenue growth of 10% to \$752m, non-GAAP gross margin expansion of 30bps to 59.9% and diluted EPS growth of 37% to \$1.27 per share. Geographically, revenue in the U.S., Canada and Latin America, excluding Software as a Service (SaaS), increased by 9% to \$403m. Revenue growth was driven by strong sales across its mask product portfolio and increased demand for its ventilators due to COVID-19. This was offset by a decrease in demand for sleep devices as new patients return to sleep testing that was impacted by shelter-in-place restrictions. Revenue in the combined Europe, Asia and other Markets was up 15% to \$257m, driven by sales across its device and mask product portfolio, including increased demand for its ventilators due to COVID-19. SaaS revenue increased 6% to \$92m after continued growth in resupply service offerings and stabilising patient flow in out-of-hospital care settings. Looking forward, management expects COVID-related demand for its ventilators to continue to decline, and while headwinds in new patient starts may persist, these will be short-term headwinds and there should be a sequential improvement through FY21 in the core sleep business as conditions return to normal.

Top 5 Holdings

	Portfolio (%)	Benchmark (%)
Afterpay Ltd	11.0	1.3
Fisher & Paykel Ltd	10.1	0.2
Xero Ltd	10.0	0.8
Wisetech Global Ltd	10.0	0.3
Domino's Pizza Ltd	7.7	0.3

Top 5 Contributors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Afterpay Ltd	102.5	3.4	5.7
Domino's Pizza Ltd	66.1	8.5	4.7
Xero Ltd	59.7	7.1	4.4
James Hardie plc	123.8	3.3	4.0
Wisetech Global Ltd	10.4	6.0	3.5

Detractors

Corporate Travel Ltd*	-43.3	0.4	-0.7
IRESS Ltd	-28.0	2.4	-0.7
Seek Ltd	-5.2	4.7	-0.9
REA Group Ltd	8.9	7.2	-1.0
Macquarie Group Ltd	-5.4	6.3	-1.5

* Stock not currently held

Portfolio Fundamentals

	Portfolio	Benchmark
10-year Forecast IRR (%) ¹	16.1	-
Return on Equity (%) [*]	20.5	15.1
Dividend Yield (%) [*]	0.9	3.6

¹Before fees ^{*} Trailing**CONTACT US****DISTRIBUTION PARTNER****Pinnacle Investment Management Limited**

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Market Capitalisation

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-50	23.8	72.4	-48.6	6
S&P/ASX 51-100	64.7	15.1	49.6	10
S&P/ASX 101-200	5.6	8.9	-3.3	5
S&P/ASX 201-300	1.5	3.6	-2.1	1
Cash	4.3	--	4.3	--
Total	100.0	100.0		22

Portfolio weights may not equate to 100.0% due to rounding.

Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	9.5	4.0
Consumer Discretionary	8.0	7.8
Financials	7.9	26.3
Health Care	26.0	12.1
Industrials	1.6	7.4
Information Technology	36.4	4.5
Materials	6.4	19.4
Cash	4.3	--

Portfolio weights may not equate to 100.0% due to rounding.

Fund Characteristics

Domicile	Australia, authorised by ASIC
Universe	S&P/ASX 300
Launch	Managed by Hyperion since September 2002, launched October 1996
Fees	MER 0.95%
Distribution	AUD 0.7676 CPU at 30 September 2020 AUD 51.4675 CPU at 30 June 2020 AUD 0.2551 CPU at 31 March 2020 AUD 0.7700 CPU at 31 December 2019 AUD 1.6080 CPU at 30 September 2019
Fund Size	\$1,674.3 million
APIR Code	BNT0003AU

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

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