

Market Commentary

Major global equity indices were mixed through October 2022, as uncertainty around inflation, economic activity, and central bank policy stance continued to dominate headlines. In the U.S., the S&P 500 Total Return Index returned +8.1% over the month. The September U.S. ISM Manufacturing PMI reading of 50.9 pointed to the slowest growth in U.S. factory activity since mid-2020, while the annual CPI inflation rate slowed for a third consecutive month to 8.2% in September. Numerous companies in the U.S. reported their quarterly results with many highlighting the increased macroeconomic uncertainty. In Europe, the Germany DAX, Euro STOXX 50, and FTSE 100 Indices rose 9.4%, 9.1%, and 3.0%, respectively, over the month. Annual inflation in the Euro Area continued to surge, reaching a new record high of 9.9% in September, with energy the largest contributor. The European Central Bank raised policy rates by 75bps at its October meeting, bringing key interest rates to the highest level since early 2009. In Australia, the S&P/ASX 300 Total Return Index returned +6.0% for the month. The Reserve Bank of Australia raised the cash rate target by 25bps to 2.60% at their October meeting and reiterated the need to continue raising interest rates as inflation remains elevated. The Australia CPI rose 7.3% in the 12 months to September 2022 quarter marking the highest reading since 1990.

Fund Update and Outlook

The Hyperion Australian Growth Companies Fund returned 7.1% for the month of October, outperforming its benchmark (S&P/ASX 300 Accumulation Index) by 1.1%. Domino's Pizza Enterprises Limited, HUB24 Limited and Nanosonics Limited saw the strongest share price performance for the month while GQG Partners Inc. and CSL Limited were the only stocks to decline.

The RBA slowed the magnitude of their rate rises from four consecutive rises of 50bps to 25bps at their October meeting. This slowing appeared to have had a positive effect on equity markets and our strategy, with all but two holdings producing positive returns for the month.

Capital markets globally continue to take their lead from the U.S. where volatility is at elevated levels. Several leading economic indicators are suggesting the global economy is heading towards a period of low economic growth, such as declining PMIs, inverted yield curves, low consumer confidence, and large inventory builds.

While we are seeing persistent short-termism from market participants, we are confident that once economic and bond yield volatility stabilises, our portfolio's strong fundamentals and sustainable competitive advantages will become a focus of capital allocators. Hyperion believes that lower growth and lower inflation still appear to be the most likely long-term scenario and in the long run, this is the best environment for our investment style. We believe our portfolio companies will produce materially higher earnings growth than the broader market over the long term due to their superior value propositions, strong pricing power and low penetration rates.

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.

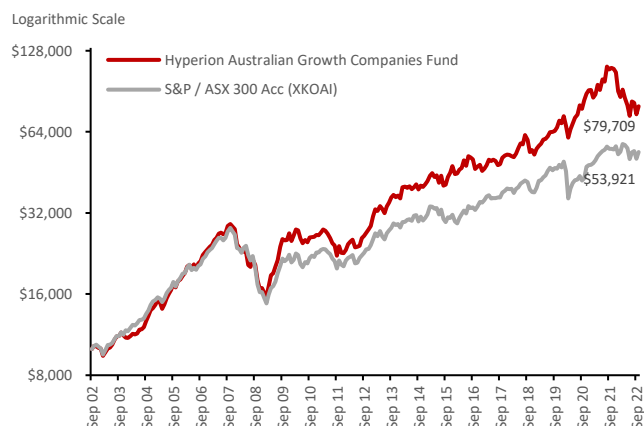
Our Philosophy

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	7.1	6.0	1.1
3 Month	-4.0	0.5	-4.5
1 Year	-27.8	-2.6	-25.2
3 Year (p.a.)	6.2	4.9	1.4
5 Year (p.a.)	9.3	7.2	2.0
7 Year (p.a.)	9.1	8.3	0.8
10 Years (p.a.)	11.4	8.7	2.7
15 Years (p.a.)	6.9	4.4	2.5
20 Years (p.a.)	10.8	8.6	2.1
Inception (p.a.)*	10.9	8.7	2.1
Inception (TR)*^A	697.1	439.2	257.9

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 October 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.	9.9	0.2
Resmed Inc.	9.5	0.6
CSL Limited	9.4	6.5
Wisetech Global Ltd.	8.9	0.5
Xero Limited	8.7	0.5

Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	9.5	3.9
Consumer Discretionary	6.9	6.7
Financials	10.5	29.6
Health Care	31.8	10.0
Industrials	2.5	6.0
Information Technology	32.9	3.1
Materials	4.0	22.0
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	16.1	57.6	-41.5	2
S&P/ASX 21-50	43.3	17.7	25.6	7
S&P/ASX 51-100	25.2	12.9	12.4	6
S&P/ASX 101-200	12.0	8.4	3.5	6
S&P/ASX 201-300	--	3.1	-3.1	--
Ex S&P/ASX 300	1.6	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 31st October 2022

Top Contributors and Detractors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Wisetech Global Ltd	13.9	6.9	1.5
Brambles Limited	16.3	2.1	0.3
Technology One Ltd	-1.3	1.3	0.1
Pendal Group Limited*	2.3	0.0	0.0
Detractors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Xero Limited	-47.8	10.4	-5.9
Block, Inc.	-46.8	7.5	-5.7
Afterpay Limited*	-46.1	2.3	-4.8
Fisher & Paykel Healthcare	-39.2	6.5	-2.7
Domino's Pizza Enterprises	-52.9	4.2	-2.4

*Stock not currently held in the portfolio.

Fund Characteristics

Universe	S&P/ASX 300
Launch	Managed by Hyperion since September 2002, launched October 1996
Fees	MER 0.95%
Distribution	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
Fund Size	\$1,932.3 million
APIR Code	BNT0003AU

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

Portfolio Holdings Update

Macquarie Group, Ltd. (MQG-AU)

Primary Exchange
GICS Sector
Market Cap (\$m)

ASX
Financials
65,508



Macquarie Group Limited (Macquarie) released its 1H23 result for the period ended 30 September 2022. The business reported a net profit after tax of \$2,305 million, up 13% on 1H22 but down 13% on 2H22. Major operating groups performed strongly against prior corresponding periods (pcp), with net profit contribution for Macquarie Asset Management of \$1,402m (+28%), Banking and Financial Services of \$580m (+20%), and Commodities and Global Markets of \$1,996m (+15%). Macquarie Capital was the only major operating group to see a decline against the pcp of 12% (\$595m), impacted by lower fee and commission income due to weakening market conditions and lower M&A activity. Total Group 1H23 net operating income was up 11% on pcp, with the increase primarily driven by higher Net interest and trading income (\$4,210m or +39% on pcp). Operating expenses were similarly up 11% on pcp, with increases across most expense categories, being primarily driven by a 14% increase in employment expenses to \$3,613m (higher average headcount and wage inflation). Macquarie's regulatory ratios remain above minimum APRA thresholds, with the Company remaining well capitalized with APRA Basel III Group capital of \$37.2 billion as at 30 September 2022 (a Group surplus of \$12.2b, up from \$10.7b at FY22). An interim dividend for the half year of \$3.00 per share was declared. The company outlook maintained a cautious stance with the group having a conservative approach to capital, funding and liquidity in response to the noted uncertainty of global market and economic conditions (such as interest rates, inflation and geopolitical events).

Resmed Inc. (RMD-AU)

Primary Exchange
GICS Sector
Market Cap (\$m)

ASX
Health Care
51,242



ResMed Inc. (ResMed) announced its 1Q23 results, reporting year-over-year (YoY) revenue growth of 5% (9% in constant currency (CC)) to US\$950.3 million. Gross margin increased by 90 basis points YoY to 56.9%, supported by an increase in average selling prices, which was partially offset by unfavourable product mix and foreign currency movements. Revenue in the U.S., Canada, and Latin America sleep business grew by 18% YoY to US\$678.1m. This was primarily driven by the ongoing recovery of new sleep patient flow that was previously impacted by COVID-19 and ResMed increasing supply of devices to meet the heightened demand for devices following a recall at their nearest competitor. Management referred to an improvement in the supply of semiconductors used in these devices by the end of the quarter and remain confident of sequential quarter-on-quarter improvements in device volumes through FY23. In Europe, Asia, and other markets, revenue declined by 6% (CC) to US\$266.3m, with fewer higher-priced ventilator sales than the prior corresponding period and lower demand for ResMed's card-to-cloud device. Software-as-a-Service revenue increased by 9% YoY to US\$105.9m, supported by continued growth in the Home Medical Equipment vertical.

HUB24 Limited (HUB-AU)

Primary Exchange
GICS Sector
Market Cap (\$m)

ASX
Financials
2,029



HUB24 Limited (HUB24) provided a market update for Q1 FY23 with total Funds Under Administration (FUA) increasing by 4.2% quarter-over-quarter (QoQ) to \$68,354m. Platform FUA increased 5.3% QoQ to \$52,362m, driven by platform net inflows of \$2,985m, which was partially offset by negative market movements of \$325m. Portfolio, Administration and Reporting Services FUA remain steady, rising 0.8% QoQ to \$15,992m. Additionally, during Q1 FY23, 32 new distribution agreements were signed and the total number of advisers using the platform grew to 3,639, a 4.4% increase on the previous quarter. The company also provided an update on Class which saw growth in total net accounts across Class Super, Class Portfolio and Class Trust products. NowInfinity also performed well finishing the quarter with document orders up 3.4% QoQ and an increase of 4.1% QoQ for companies using the Corporate Messenger service.

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