

Market Commentary

Major global equity indices were broadly down through September 2022 as high inflation prints, Central Bank rate hikes, and increased economic uncertainty dominated headlines. In the U.S., the S&P 500 Index returned -9.2% over the month. The U.S. CPI report showed headline annual inflation eased for a second straight month in August but remained elevated at 8.3%. At their September meeting, the U.S. Federal Reserve raised the federal funds rate by 75bps to 3.00-3.25% and the Summary of Economic Projections showed FOMC members expected the federal funds rate to reach 4.4% by December 2022, 1% higher than the projections provided in June. Members also revised down their forecasts for real GDP growth this year to 0.2% and the median projection for the unemployment rate at 2023 year-end was revised up to 4.4%. In Europe, the Germany DAX, Euro STOXX 50, and FTSE 100 returned -5.6%, -5.5%, and -5.2%, respectively. The European Central Bank raised policy rates by 75bps in its September meeting as annual inflation continued to accelerate in the Euro area, reaching a high of 9.1% in August. In Australia, the S&P/ASX 300 Total Return Index returned -6.3% for the month. The RBA raised the cash rate target by 50bps to 2.35% in their August meeting.

Fund Update and Outlook

The Hyperion Australian Growth Companies Fund returned -9.3% for the month of September, underperforming its benchmark (S&P/ASX 300 Accumulation Index) by 3.0%. Resmed Inc. saw positive share price performance for the month while Iress Limited, Domino’s Pizza Enterprises Limited, and Block, Inc. saw the largest share price declines.

Throughout the month of September, we saw continued volatility across capital markets with all industry sectors feeling the negative reverberations of the RBA’s fifth consecutive rate rise.

Hyperion believes that the global economy is transitioning from [growth abundance to growth scarcity](#). There are several economic indicators suggesting that the global economy is heading towards a period of low economic growth, including declining PMIs, inverted yield curves and low consumer confidence. Hyperion believes that low growth and inflation still appears to be the most likely long-term scenario and in the long run, this is the best environment for our investment style.

While short-term performance has been unpredictable and it has been a difficult period for investors, Hyperion believes that we have allocated capital to businesses that will produce superior long-term results. Our domestic portfolio continues to produce strong short-term financial results which are consistent with the assumptions that underpin our long-term valuations. Broadly, we have seen strong organic sales growth, robust free cash flow generation and strong balance sheets. The long-term intrinsic value for the portfolio remains unchanged and we believe our portfolio should perform relatively well in an economic downturn.

Hear more of our thoughts in our latest webinar ([here](#)).

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.

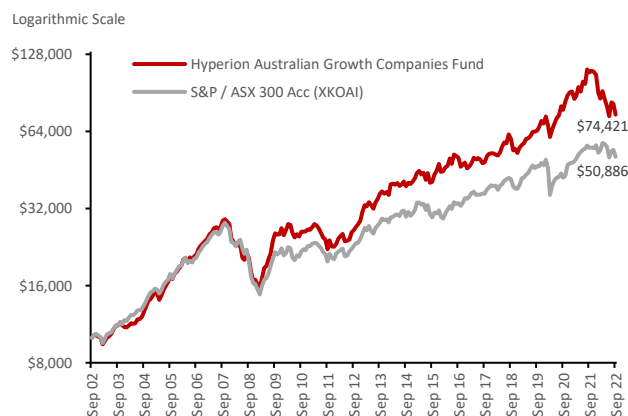
Our Philosophy

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	-9.3	-6.3	-3.0
3 Month	1.4	0.5	0.9
1 Year	-31.8	-8.0	-23.8
3 Year (p.a.)	4.9	2.7	2.2
5 Year (p.a.)	8.9	6.8	2.1
7 Year (p.a.)	9.0	8.1	0.9
10 Years (p.a.)	11.0	8.4	2.6
15 Years (p.a.)	6.6	4.2	2.3
Inception (p.a.)*	10.5	8.5	2.1
Inception (TR)*^A	644.2	408.9	235.3

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 30th September 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.	10.7	0.7
CSL Limited	10.2	6.9
Block Inc.	9.5	0.2
Xero Limited	8.7	0.5
Wisetech Global Ltd	7.6	0.5

Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	9.4	3.9
Consumer Discretionary	6.2	6.5
Financials	10.5	28.0
Health Care	33.9	10.5
Industrials	2.6	6.0
Information Technology	31.6	3.1
Materials	3.9	23.4
Cash	2.0	--

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	57.7	-41.0	2
S&P/ASX 21-50	44.3	17.5	26.8	7
S&P/ASX 51-100	23.6	13.1	10.5	6
S&P/ASX 101-200	11.5	8.2	3.3	6
S&P/ASX 201-300	--	3.2	-3.2	--
Ex S&P/ASX 300	2.0	0.3	1.7	1
Cash	2.0	--	2.0	--
Total	100	100	--	22

Portfolio weights may not sum perfectly to 100.0% due to rounding.
All data as at 30th September 2022

Top 5 Contributors and Detractors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Wisetech Global Ltd	-3.1	6.7	0.3
Brambles Limited	5.9	2.0	0.2
CSL Limited	-2.9	9.3	0.2
Detractors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Block, Inc.	-52.1	6.7	-6.3
Xero Limited	-47.1	10.4	-5.5
Afterpay Limited*	-45.2	3.2	-4.3
Domino's Pizza Enterprises	-67.9	4.1	-3.6
Fisher & Paykel Healthcare	-47.0	6.4	-3.4

*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	\$1,807.6 million
APIR Code	BNT0003AU

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

Portfolio Holdings Update

Seek Limited (SEK-AU)

Primary Exchange	ASX
GICS Sector	Communication Services
Market Cap (\$m)	6,800



SEEK Limited (SEEK) released its full year FY22 results, with group revenue up 47% to \$1,117m and EBITDA up 53% to \$509m. SEEK's Australian and New Zealand business segment was the highlight with record ad volumes (+39% year-on-year (YoY)) and revenue growth and EBITDA growth of 53% and 60% respectively. The business saw higher job ad volumes across all its markets. Operating expenses were up 42% on YoY due to a combination of a restored cost base following COVID-19, building of organisational capability (mostly product and technology), and investment in strategic initiatives such as Platform Unification. SEEK's EBITDA margin expanded to 46%, representing growth of 2 percentage points on the prior year. SEEK's strategic priorities remain to progress platform scaling and unification, increase brand presence, capture and improve data analysis, and aligning its pricing with customer value creation. Management noted the uncertainty in macroeconomic conditions and guided to FY23 revenue of \$1.25b to \$1.30b (+12% to +16.5%), EBITDA of \$560m to \$590m (+10% to +16.0%) and NPAT of \$250 to \$270m (+2.0% to +10.0%). SEEK continues to maintain its strong market position in a competitive environment, having an estimated 30% share of Australian placements and an unpromoted brand awareness of 89%.

Netwealth Group Ltd. (NWL-AU)

Primary Exchange	ASX
GICS Sector	Financials
Market Cap (\$m)	2,958



Netwealth Group Limited (Netwealth) announced its FY22 full year results, reporting Funds Under Administration of \$55.7b, an increase of \$8.5b or 18.1% YoY. This was primarily driven by net inflow growth of 32.4% to \$13.0b, offset somewhat by market movements of -\$4.5b. Total Funds Under Management increased to \$13.1b, up 11.3% YoY, largely attributed to managed account YoY growth of 13.6% to \$11.2b. Netwealth's platform member accounts also grew strongly during the year, increasing by 18,323 accounts or 19% to 115,642. Based on the latest Plan for Life quarterly platform market update, Netwealth increased its market share to 5.8% as of 31 March 2022, up from 4.6% 12 months earlier. In addition, for the tenth year in a row, the Investment Trends May 2022 Planner Technology Report ranked Netwealth as the number one in the industry for overall satisfaction, and in May 2022, for the fifth year in a row, the Netwealth Super Accelerator product won the Chant West Best Advised Product of the Year. Management outlook continues to focus on profitable growth, revenue diversification, client base expansion, and market share gains.

Carsales.Com Limited (CAR-AU)

Primary Exchange	ASX
GICS Sector	Communication Services
Market Cap (\$m)	6,604



Carsales.Com Limited (Carsales) announced its FY22 full-year results, reporting strong YoY revenue growth of 19% to \$509.1m, EBITDA growth of 12% to \$269.9m and NPAT growth of 23% to \$161.5m. The Australian business reported private revenue growth of 26% to \$69.4m driven by growth in private ad volumes and yield. The company reported strong growth in the Media and Dealer business, with adjusted revenue increasing by 15% and 6% respectively. The International business reported double-digit revenue and EBITDA growth in its three largest assets U.S., Korea and Brazil. Encar's revenue grew over the year by 14% (17% in constant currency (CC)) to \$80.1m, driven by a 76% revenue increase from dealer direct, reflecting growth in transaction volumes, the growth in the online trade-in market and an increasing market share. Webmotors also performed strongly growing revenue by 34% (+26% CC) led by continued dealer subscription growth, improving inventory levels and increasing dealer yield. In the Americas segment Chileautos saw revenue grow by +3% (+10% CC) and Soloautos saw a revenue decline of 34% (-40% CC). The difficult trading conditions in Chile and Mexico were partly mitigated by strong cost management. Trader Interactive's revenue increased by +14% (11% CC) with revenue growth across all four verticals, while EBITDA margins expanded 250bps to 56.8% due to operating leverage and strong cost discipline. The board declared a final dividend of 24.5c per share, taking full year dividends to 50c per share.

ESG Overview

Board Diversity

Board diversity is an increasingly important issue for investors with its assessment and implementation becoming commonplace within ESG frameworks. Whilst there are various ways to assess board diversity, targets for gender balance in leadership roles have emerged as a preliminary step for companies to address risks and opportunities relating to diversity, inclusion and gender pay gaps. Globally, the topic has come under increased government scrutiny such as the law passed in the U.K. in 2017 where companies with more than 250 employees must report on their gender pay gaps or the California Women on Boards law passed in 2018 mandating female representation on the boards of publicly listed companies. Whilst there are no quotas set in Australia for female board representation, various recommendations and voluntary targets such as those set by the ASX Corporate Governance Council, the AICD and Workplace Gender Equality Act (WGEA) seek to drive progress.

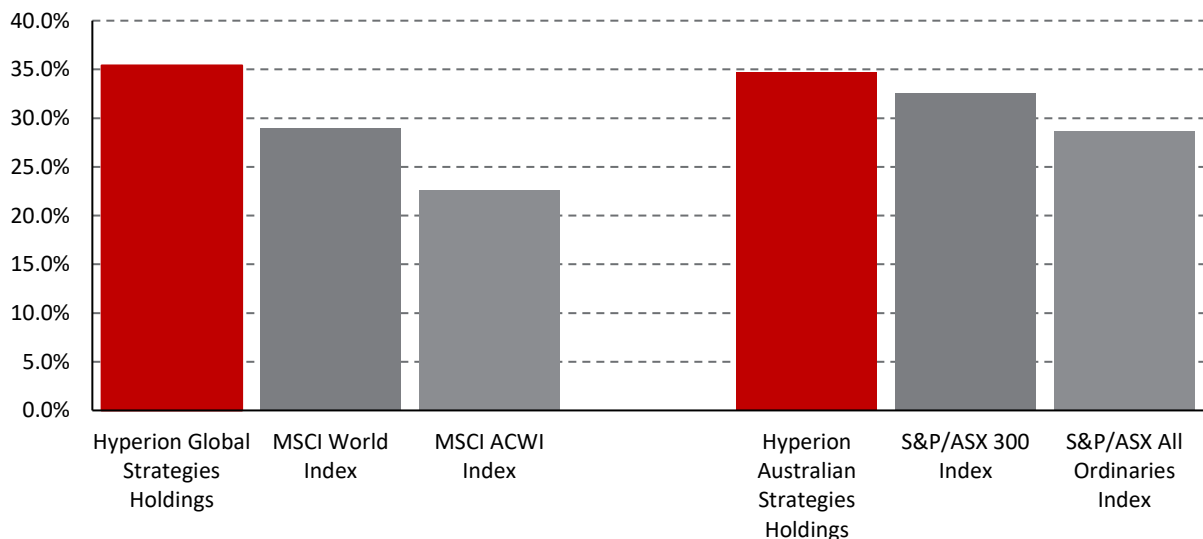
Hyperion believes that diversity across management and the board provides protection and alignment of interests with outside stakeholders as well as encouraging long-term, evidence-based thinking and decision-making. Hyperion incorporates elements of board and management diversity into the investment process, where analysts are required to assess and answer specific questions relating to management and board structure, culture, depth and quality.

Portfolio Stock Highlights

Kering Group (Hyperion Global Strategy Holding) As of September 2022, 56% of Kering Group’s leadership roles are filled by women – women comprise 45% of the Board of Directors and 33% of the Executive Committee. This compares to an average of 29% of board members being women for companies within the MSCI World Index. Kering is listed in the 2021 Bloomberg Gender Equality Index and amongst the top female representation companies in the CAC40 index.

Macquarie Group (Hyperion Australian Strategy Holding) In FY22, Macquarie Group had 63% female representation on its board, compared to an average of 32% for companies within the ASX 300 Index. More broadly, 43% of its workforce are female. Macquarie reports in compliance with the U.K. Gender Pay Gap standards as well as the WGEA in Australia. Female representation has increased year-on-year across Macquarie’s workforce as it seeks to continue its efforts in gender balance.

Board Diversity - Female Representation on Boards



CONTACT US

HYPERION DISTRIBUTION

Jolon Knight
Mob: 0414 805 862
Jolon.knight@hyperion.com.au

INVESTOR SERVICES

Tel: 1300 497 374
Investorservices@hyperion.com.au



**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.

DISCLAIMER – HYPERION AUSTRALIAN GROWTH COMPANIES FUND

This communication is prepared by Hyperion Asset Management Limited (ABN 80 080 135 897 AFSL 238 380) ('Hyperion'), as the investment manager of the Hyperion Australian Growth Companies Fund (ARSN 089 548 443) ('the Fund'). Pinnacle Fund Services Limited (ABN 29 082 494 362 AFSL 238 371) ('PFSL') is the product issuer of the Fund. PFSL is not licensed to provide financial product advice. PFSL is a wholly-owned subsidiary of the Pinnacle Investment Management Group Limited ('Pinnacle') (ABN 22 100 325 184). The Product Disclosure Statement ('PDS') and Target Market Determination ('TMD') of the Fund is available at <https://www.hyperion.com.au/>. Any potential investor should consider the PDS and TMD before deciding whether to acquire, or continue to hold units in, the Fund. For historic TMD's please contact Pinnacle client service Phone 1300 010 311 or Email service@pinnacleinvestment.com.

This communication is for general information only. It is not intended as a securities recommendation or statement of opinion intended to influence a person or persons in making a decision in relation to investment. It has been prepared without taking account of any person's objectives, financial situation or needs. Any persons relying on this information should obtain professional advice before doing so. Past performance is for illustrative purposes only and is not indicative of future performance. Unless otherwise specified, all amounts are in AUD. Due to rounding, numbers presented throughout this report may not sum precisely to the total indicated and performance percentages may not precisely reflect the absolute returns.

Whilst Hyperion, PFSL and Pinnacle believe the information contained in this communication is reliable, no warranty is given as to its accuracy, reliability or completeness and persons relying on this information do so at their own risk. Subject to any liability which cannot be excluded under the relevant laws, Hyperion, PFSL and Pinnacle disclaim all liability to any person relying on the information contained in this communication in respect of any loss or damage (including consequential loss or damage), however caused, which may be suffered or arise directly or indirectly in respect of such information. This disclaimer extends to any entity that may distribute this communication.

Any opinions and forecasts reflect the judgment and assumptions of Hyperion and its representatives on the basis of information available as at the date of publication and may later change without notice. Any projections contained in this presentation are estimates only and may not be realised in the future.

Unauthorised use, copying, distribution, replication, posting, transmitting, publication, display, or reproduction in whole or in part of the information contained in this communication is prohibited without obtaining prior written permission from Hyperion. Pinnacle and its associates may have interests in financial products and may receive fees from companies referred to during this communication.

This may contain the trade names or trademarks of various third parties, and if so, any such use is solely for illustrative purposes only. All product and company names are trademarks™ or registered® trademarks of their respective holders. Use of them does not imply any affiliation with, endorsement by, or association of any kind between them and Hyperion.

Morningstar Disclaimer: Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'classservice' have been prepared by Morningstar Australasia Pty Ltd (ABN:95090665544, AFSL:240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to Morningstar Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement (Australian products) or Investment Statement (New Zealand products) before making any decision to invest. Morningstar publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance is for illustrative purposes only and is not indicative of future performance. To obtain advice tailored to your situation, contact a professional financial adviser. Some material is copyright and published under licence from ASX Operations Pty Ltd ACN004523782 ("ASXO").

Morningstar Awards 2021 (c). Morningstar, Inc. All Rights Reserved. Hyperion Asset Management has been Awarded the Overall Fund Manager of the Year in Australia. Awarded in both the categories Domestic Equities - Large Cap and Domestic Equities - Small Cap. Morningstar Awards 2020©. Morningstar, Inc. All Rights Reserved. Awarded to Hyperion Australian Growth Companies Fund for Winner, Domestic Equities Large Cap, Australia.