Pinnacle

HYPERION ASSET MANAGEMENT
a different horizon...

15 November 2022

By Electronic Lodgement

Market Announcements Office
ASX Ltd
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Hyperion Global Growth Companies Fund (Managed Fund) (ASX:HYGG) – Monthly Investment Update

Please find attached a copy of the investment update for the month ending 31 October 2022.

For further information, please contact 1300 010 311.

Authorised by:

Calvin Kwok
Company Secretary

Pinnacle Fund Services Limited as responsible entity of Hyperion Global Growth Companies Fund (Managed Fund) (ASX:HYGG)

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HYPERION ASSET MANAGEMENT

Fund Update October 2022

Hyperion Global Growth Companies Fund (Managed Fund)*

Ticker: HYGG

ARSN: 611 084 229

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. On the economic front, the September 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 the UK, Prime Minister Liz Truss reversed most of her previously announced economic plans before resigning and being replaced by Rishi Sunak as Prime Minister.

Fund Update and Outlook

The Hyperion Global Growth Companies Fund (Managed Fund)* returned 2.1% for the month of October, underperforming its benchmark (MSCI World Accumulation Index (AUD)) by 5.7%. Intuitive Surgical, Inc., Visa Inc., and Mastercard Incorporated saw the strongest share price performance for the month while Meta Platforms Inc., Tesla Inc. and Amazon.com, Inc. saw the largest share price declines.

The recent quarterly reporting season for our global strategy was solid, with strong short-term results from Tesla, ServiceNow, Airbnb, Block, our luxury brand holdings, and payment companies, although this did not guarantee positive share price movement. Growth rates for some companies such as Amazon.com, Inc and Microsoft Corporation appear to have temporarily moderated but remained consistent with our long-term valuations. Unsurprisingly, some businesses are starting to lower their earnings and forward guidance as consumers begin to reduce their spending to more normalised levels, and broader macroeconomic pressures are felt throughout the economy. Equity markets are currently being ruthless in their short-sighted nature and allocating capital quickly away from companies that are not producing positive short-term results (quarter-on-quarter).

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.

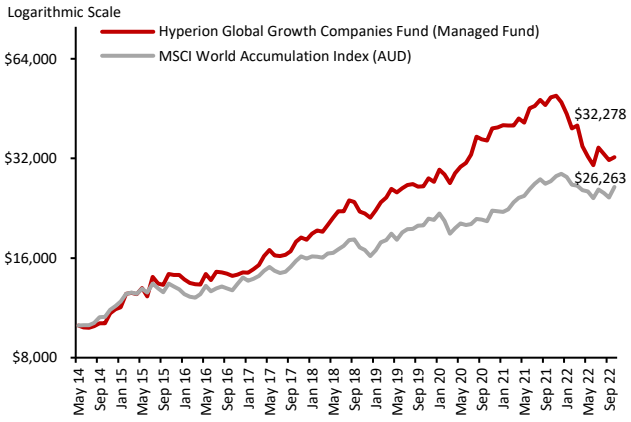
Fund Features

- High-conviction portfolio of quality global listed equities from a research driven, bottom-up investment philosophy
- Benchmark unaware
- Investors can buy or sell units on ASX like any other listed security, or apply and redeem directly with the Responsible Entity

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: 1st June 2014. Source: Hyperion Asset Management. Past performance is for illustrative purposes only and is not indicative of future performance.

Fund Performance*

	Portfolio – Net (%)	Benchmark^ (%)	Excess Performance (%)
1 Month	2.1	7.8	-5.7
3 Month	-6.5	1.8	-8.3
1 Year	-34.1	-3.8	-30.3
3 Year (p.a.)	7.0	9.3	-2.3
5 Year (p.a.)	12.5	10.9	1.6
7 Year (p.a.)	12.3	10.1	2.2
Inception (p.a.)**	14.9	12.1	2.8
Inception (TR)**	222.8	162.6	60.2

*The fund changed its name from Hyperion Global Growth Companies Fund - Class B to Hyperion Global Growth Companies Fund (Managed Fund) on 5 February 2021 in order to facilitate quotation of the fund on the ASX.
**Inception date: 1st June 2014. NAV to NAV, with all distributions reinvested.
^ MSCI World Accumulation Index (AUD) #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.

Investors who apply for units directly with the Responsible Entity may pay a different price per unit to an investor who purchases those units on the ASX at the same time, and such differences may have a material impact on the performance of that investment. The above performance reflects the performance of the fund where units are purchased and redeemed directly with the Responsible Entity only.

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/.

Top 5 Holdings

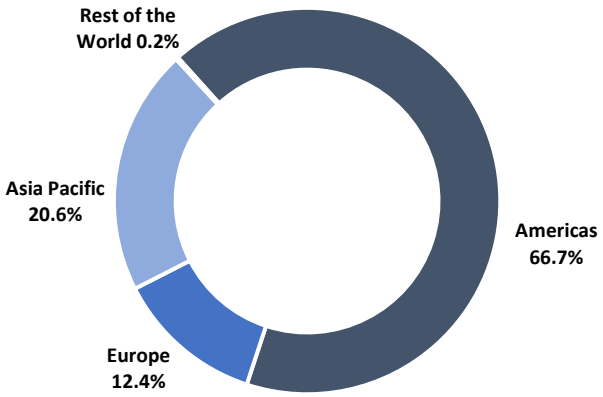
	Portfolio (%)	Benchmark (%)
Tesla Inc.	12.7	1.2
ServiceNow, Inc.	11.5	0.2
Microsoft Corporation	11.2	3.4
Amazon.com, Inc.	11.0	1.9
Block, Inc.	5.8	0.1

Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	9.7	6.7
Consumer Discretionary	33.1	10.7
Consumer Staples	3.1	7.7
Health Care	2.5	14.3
Information Technology	50.0	21.1
Cash	1.6	--

Due to rounding, portfolio weights may not sum perfectly to 100.0%

Geographical Weight by Source of Revenue



Due to rounding, portfolio weights may not sum perfectly to 100.0%

Market Capitalisation (AUD)

	Portfolio (%)	# Stocks
$0 - $50bn	7.4	3
$50 - $100bn	12.0	3
$100bn +	79.1	15
Cash	1.6	--
Total	100	21

Due to rounding, portfolio weights may not sum perfectly to 100.0%

All data as at 31st October 2022. Source: Hyperion Asset Management
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Top 5 Contributors and Detractors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Visa Inc.	14.9	3.2	0.6
Costco Wholesale Corp.	19.8	3.3	0.5
Mastercard Incorporated	14.9	2.1	0.2
Hermes International SCA	-4.1	2.4	0.0
LVMH	-5.3	0.9	0.0
Detractors	**Price change (%)**	**Avg Weight (%)**	**Contribution to return (%)**
Block Inc.	-72.3	6.9	-6.8
Spotify Technology SA	-67.3	4.4	-4.0
Roku, Inc.	-78.6	2.6	-3.5
Tesla Inc.	-28.0	12.4	-3.4
PayPal Holdings, Inc.[1]	-61.7	2.2	-3.1

[1] Stock not currently held in the portfolio.

Portfolio Characteristics ^

	Portfolio
Number of Holdings	21
Top 10 Security Holdings (%)	73.1
Dividend Yield (%)**	0.3
Portfolio Beta	1.4

Before fees. **Trailing.

Fund Facts

Name	Hyperion Global Growth Companies Fund (Managed Fund)*
Inception Date	01/06/2014
ARSN	611 084 229
APIR Code	WHT8435AU
Ticker	HYGG
Currency	Australian Dollar, Unhedged
Mgt. Fee (% p.a.)	0.70% per annum
Buy/Sell Spread^	0.30%/0.30%
Perf. Fee (% p.a.)	20% over Benchmark, net of Mgt Fee
Benchmark	MSCI World Accumulation Index (AUD)
Fund Size (AUD)	$1,900.5 million
NAV Price	$3.1004
Pricing Frequency	Daily
Registry	Automic

^Only applicable for investors who apply for units directly with the Responsible Entity

Investors can buy or sell units on the ASX	
Ticker	HYGG
Exchange	ASX
Trading Currency	Australian Dollar
iNAV Provider	Solactive
Market Making Agent	Citigroup Global Markets Australia
Pricing	Intra-day

	Ticker	iNAV Ticker
Bloomberg	HYGG AU Equity	HYGGAUIV
Reuters/Refinitiv	HYGG.AX	HYGGAUDINAV=SOLA
IRESS	HYGG.AXW	HYGGAUDINAV

Portfolio Holdings Update

ServiceNow, Inc. (NOW-US)

Primary Exchange	**NYSE**
GICS Sector	**Information Technology**
Market Cap (US$m)	**85,158**

servicenow

ServiceNow, Inc. (ServiceNow) released its Q3 FY22 financial results, reporting subscription revenue of US$1.7b, up 28.5% year-on-year (YoY) in constant currency (CC) and income from operations of US$480m (representing a margin of 26%) both exceeding the company's guidance. Current remaining performance obligations (representing contract revenue that will be recognised as revenue in the next 12 months) grew 25% YoY in CC to US$5.9b again beating the company's guidance of 23.5%. The number of customers with an annual contract value greater than US$1m grew 22% YoY to 1,530 while the customer renewal rate remains industry leading at 98%. Despite the challenging broader macroeconomic environment, management remain confident that the value proposition for ServiceNow's offering remains stronger than ever. Management noted that companies are increasingly prioritising projects which can deliver returns within shorter time frames, a trend that is playing favourably into ServiceNow's offerings. The company increased its guidance for FY22, now expecting subscription revenue growth in CC of 28.5% from 28% and a non-GAAP operating margin of 25%.

Amazon.com, Inc. (AMZN-US)

Primary Exchange	**NASDAQ**
GICS Sector	**Consumer Discretionary**
Market Cap (US$m)	**1,045,057**

amazon

Amazon.com, Inc. (Amazon) announced its Q3 FY22 results, reporting net sales of US$127.1b, representing growth of 19% YoY in CC and operating income of US$2.5b, both in line with the company's guidance. By segment, revenues grew 20% in North America and 12% (CC) in International which were impacted by a tougher recessionary environment particularly in Europe. AWS segment revenue grew 28% in CC with the company seeing some customers optimising their cloud computing spend in the short run. Management highlighted the significant value proposition of the AWS offering in converting fixed costs into variable costs and believe the current environment to be supportive of long-term cloud adoption. In terms of costs, Amazon's North America and International segments realised productivity savings of US$1b in the quarter which fell short of the US$1.5b that the company had planned previously. Management have identified numerous opportunities to continue to improve productivity and drive cost efficiencies which should see further improvements in the quarters ahead. Margins at AWS were also impacted by wage inflation and higher energy prices. For Q4 FY22, management guided to net sales growth of between 2% and 8% YoY incorporating an unfavourable foreign exchange impact of approximately 460bps, and operating income of between US$0.0-4.0b. Hyperion continues to have high conviction in the value proposition that Amazon provides and believe the secular shifts towards Amazon's businesses will drive attractive earnings growth opportunities over the long term.

Tesla Inc. (TSLA-US)

Primary Exchange	**NASDAQ**
GICS Sector	**Consumer Discretionary**
Market Cap (US$m)	**718,515**

TESLA

Tesla Inc. (Tesla) released its Q3 FY22 results, reporting total revenue of US$21.5b, up 56% YoY despite negative currency headwinds and net income of US$3.3b, up 103% YoY. Automotive revenues increased 55% YoY to US$18.7b with total vehicle production growing 54% YoY to 365,923 vehicles over the quarter. In the coming quarter, Tesla expects to go to a wide release of Full Self-Driving Beta in North America as well as make first deliveries of the Tesla Semi which management confirmed will have a 500 mile range including cargo. Tesla's Austin and Berlin Gigafactories continued to scale, with Berlin producing more than 2,000 model Y vehicles in a single week towards quarter end. The Energy business also continued to improve with storage deployed up 62% YoY to 2,100MWh setting a new record. In terms of costs, automotive gross margins of 27.9% were lower by 258bps compared to Q3 FY21, attributed to Austin and Berlin scaling and higher raw material costs. Nevertheless, operating margins of 17.2% were higher by 262bps compared to Q3 FY21, reflecting significant operating leverage. Management noted that demand for Tesla vehicles remains strong and that the number of vehicles produced will continue to grow above 50% annually in the years ahead.

Commentary sourced from Hyperion Asset Management. Market capitalisation as at 31st October 2022.

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

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