

**OBJECTIVE:** LONG-TERM CAPITAL GROWTH 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 market indices were broadly up during December as the rapid spread of the new Omicron COVID-19 variant continued to dominate headlines. In the U.S., the S&P 500 Index returned +4.5%. Economic data revealed the Core Personal Consumption Expenditure Price Index, the Fed’s preferred inflation measure, rose at an annualised rate of 4.7% in November, the IHS Markit Composite PMI decreased to 57.0 in December, and the third estimate of real GDP revealed it increased at an annual rate of 2.3% during the third quarter of 2021. In addition, the Federal Reserve (Fed) maintained the federal funds rate at 0.00% to 0.25%, noting that despite inflation exceeding its +2% target for some time it will maintain the federal funds rate until labour market conditions reach levels of maximum employment. The Fed will also reduce the monthly pace of its net asset purchases by \$20b for Treasury securities and \$10b for agency mortgage-backed securities. In Europe, the Euro STOXX 50, German DAX, and FTSE 100 indices returned +5.8%, +5.2% and +4.8%, respectively. During the month, the IHS Markit Eurozone Composite PMI decreased to 53.3 in December, seasonally adjusted GDP increased by 2.2% during the third quarter of 2021, and the annual inflation rate increased to 4.9% in November. The European Central Bank held its refinancing operations, marginal lending facility and deposit facility rates at 0.00%, 0.25% and -0.50%, respectively, and will discontinue net asset purchases under its pandemic emergency purchase programme at the end of March 2022. In Australia, the S&P/ASX 300 Index returned +2.7%. Economic data revealed the unemployment rate decreased to 4.6% in November, CPI rose to an annual rate of 3.0% during September, GDP increased at an annual rate of 3.9% during the third quarter, and the Markit Composite PMI decreased to 54.9 in December. Utilities (+7.9%), Materials (+6.2%), and REITs (+5.2%) were the best performing S&P/ASX 300 Index sectors, Information Technology (-5.8%), Consumer Staples (-2.3%), and Health Care (-2.2%) were the worst performers. The U.S. dollar was weaker against most G10 currencies during December, except against the Japanese Yen.

**Performance**

	1 Month	3 Months	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* <sup>^</sup>
<b>Portfolio – Net (%)</b>	<b>-3.1</b>	<b>-2.5</b>	<b>16.5</b>	<b>26.3</b>	<b>17.1</b>	<b>14.7</b>	<b>16.7</b>	<b>10.6</b>	<b>13.1</b>	<b>963.4</b>
<i>Benchmark (%)<sup>1</sup></i>	2.7	2.2	17.5	14.0	9.9	9.1	10.8	6.2	9.4	465.3
Relative Performance – Net (%)	-5.7	-4.7	-1.0	12.4	7.2	5.5	5.9	4.4	3.6	498.2

1. S&P/ASX 300 Accumulation Index. \*Inception date that Hyperion became Investment Manager: 30<sup>th</sup> September 2002. <sup>^</sup>Total return. All p.a. returns are annualised. Returns are net of applicable fees, costs and taxes. Past performance is not a reliable indicator of future performance. Data as at 31<sup>st</sup> December 2021. 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 2021 Awards, Australia.



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



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## PORTFOLIO HOLDINGS UPDATE

### Technology One Limited (TNE-AU)

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Primary Exchange **ASX**  
GICS Sector **Information Technology**  
Market Cap (AUD\$m) **4,139**



TechnologyOne Limited (TechnologyOne) announced its FY21 result ended 30 September 2021, reporting growth in total annual recurring revenue (ARR) of 16% to \$257.5m. The company's Global SaaS ERP solution grew ARR by 43% to \$192.3m, driven by total SaaS customer growth of 18% to 637 large scale enterprise customers, making it the largest single instance SaaS ERP offering in Australia. This growth was partially offset by the Legacy on-premise licence business, where revenue decreased by 38%. Earlier in the year, TechnologyOne announced its on-premise business will cease by October 2024, and expect 90%+ of all remaining on-premise customers to move to its SaaS solution and thus continue to drive its growth. The company also reported a 1.4% customer churn rate and a net revenue retention rate of 112%, up from 107% in FY20. Management reiterated the company is on track to achieve its \$500m ARR target by FY26 and expect to grow total revenue by 15% p.a. from FY24, with the cessation of the on-premise business.

### Xero Limited (XRO-AU)

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Primary Exchange **ASX**  
GICS Sector **Information Technology**  
Market Cap (AUD\$m) **21,071**



Xero Limited (Xero) announced the acquisition of Trilogy Software Inc. (TaxCycle), a Canadian tax preparation software company, for CA\$75m (NZ\$86m). Based in Calgary, TaxCycle's has almost 4,000 tax firms and over 16,000 individual accountants, bookkeepers and tax preparers using its product. The purchase will provide Xero with immediate access to an established Canadian income tax solution and customer base, whilst extending Xero's value proposition to Canadian customers. TaxCycle will continue to operate as a standalone brand under founder Cameron Peters, however Xero plans to use TaxCycle's resources and tax management capabilities to develop a local cloud-based offering. This acquisition supports the company's strategy to drive cloud accounting adoption globally and deliver the best compliance experience in all markets.

## Top 5 Holdings

	Portfolio (%)	Benchmark (%)
Afterpay Ltd	11.0	1.0
ResMed Inc.	10.1	0.6
Xero Ltd	9.5	0.8
CSL Ltd	9.2	6.3
Macquarie Group Ltd	6.9	3.3

## Market Capitalisation

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-20	32.5	55.4	-22.9	4
S&P/ASX 21-50	28.1	18.4	9.6	5
S&P/ASX 51-100	25.9	12.6	13.3	7
S&P/ASX 101-200	4.5	9.7	-5.3	5
S&P/ASX 201-300	0.0	3.6	-3.6	--
Ex S&P/ASX 300	1.9	0.3	1.6	1
Cash	7.1	0.0	7.1	--
Total	100	100		22

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

## Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	8.3	4.4
Consumer Discretionary	5.4	8.2
Financials	10.5	28.4
Health Care	29.5	10.5
Industrials	1.7	7.3
Information Technology	32.1	4.6
Materials	5.4	19.3
Cash	7.1	--

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

## Fund Characteristics

<b>Universe</b>	S&P/ASX 300
<b>Launch</b>	Managed by Hyperion since September 2002, launched October 1996
<b>Fees</b>	MER 0.95%
<b>Distribution</b>	AUD 0.6988 CPU at 30 September 2021 AUD 86.6742 CPU at 30 June 2021 AUD 0.4324 CPU at 31 March 2021 AUD 0.7676 CPU at 30 September 2020
<b>Fund Size</b>	\$2,641.5 million
<b>APIR Code</b>	BNT0003AU

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

## Top Contributors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Resmed Inc.	31.4	8.3	3.6
Wisetech Global Ltd.	90.5	6.1	3.3
James Hardie Industries	44.7	6.8	2.9
Macquarie Group Ltd	48.3	6.2	2.7
Domino's Pizza Ltd	36.2	5.0	2.5

### Detractors

Afterpay Ltd	-29.7	10.9	-2.1
Nanosonics Ltd	-21.4	1.6	-1.1
Fisher & Paykel Ltd	-1.4	5.9	-0.3
GQG Partners Inc.	-12.0	0.3	-0.3

All data as at 31<sup>st</sup> December 2021

\*Stock no longer held in the portfolio

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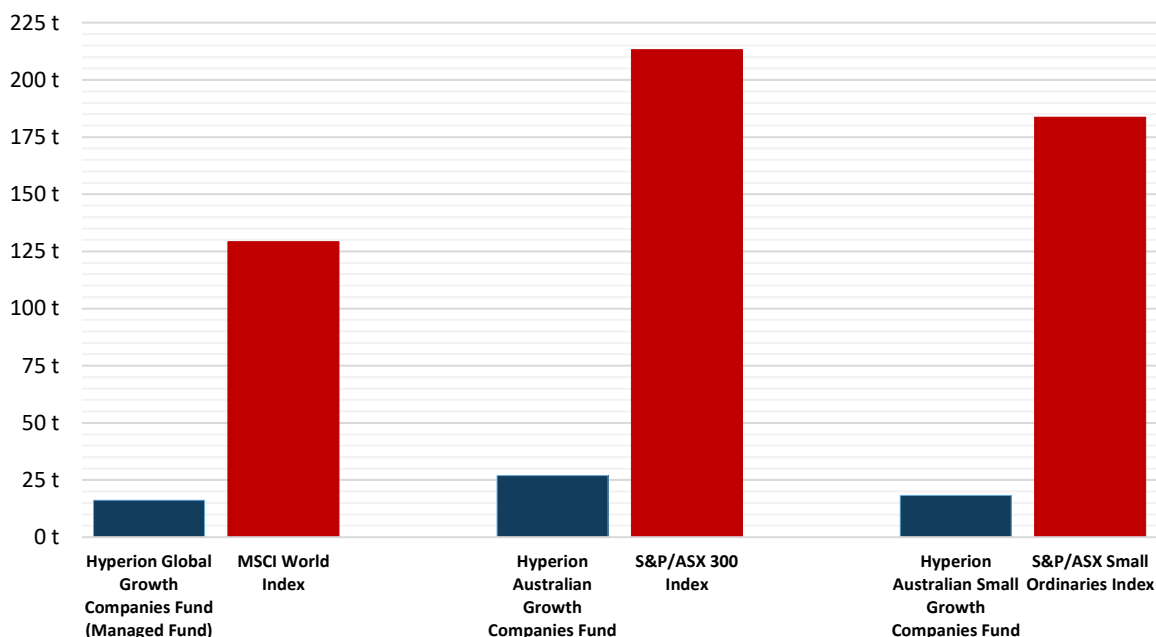
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## ESG OVERVIEW

As Hyperion continues to increase its already strong focus on ESG and Climate Change, we will now provide frequent ESG and Climate Change updates to you as clients. For your reference, our ESG, Proxy Voting, Sanctions, and Expert Network policies are all publicly available on our website. Additionally, as official Task Force on Climate-Related Financial Disclosures (TCFD) supporters, our inaugural TCFD report is also available on our website along with our ESG guidelines. Moreover, to further support a transition to a low carbon world, Hyperion is doing its part as a firm and is now certified 'Carbon Neutral' and we have also completely offset our historical carbon footprint. Furthermore, we will soon be providing all our 'Against' Management proxy votes on our website for your reference.

Moving forward this section will provide updates on company engagement, ESG process improvements and/or additions, proxy voting outcomes, the carbon intensity of our portfolios, and much more.

### Portfolio Carbon Intensity (Scope 1 & 2) Emissions (Tonnes) per U.S. Dollar of Revenue



**Awards  
2021**

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