

## Fund Update January 2023

### Market Commentary

Major equity indices were higher through January 2023 as disinflationary signals and hopes of an economic soft landing dominated headlines. China's economic reopening since ending strict COVID-19-related restrictions and continued improvements to global supply chains also circulated headlines. In the U.S., the S&P 500 Total Return Index returned 6.3% over the month. Annual CPI inflation in the U.S. slowed for a sixth straight month to 6.5% in December, the lowest reading since October 2021. Wage pressure eased somewhat with the average hourly earnings in the U.S. increasing by 0.3% in December, down from the 0.4% gain in November. Nevertheless, the job market remained robust with non-farm payrolls increasing by 223 thousand in December. In Europe, the Euro STOXX 50, Germany DAX, and FTSE 100 total return indices returned 9.9%, 8.7%, and 4.3%, respectively, over the month. Annual inflation in the Euro Area continued to slow for the second month, decelerating to 9.2% in December (from 10.1% in November), driven by lower energy inflation.

### Fund Update and Outlook

The Hyperion Global Growth Companies Fund (Managed Fund)\* returned 15.0% for January, outperforming its benchmark (MSCI World Accumulation Index (AUD)) by 11.9%. Spotify Technology SA, Roku Inc. and Tesla Inc saw the largest positive share price return while Intuitive Surgical Inc and Microsoft Corporation were the only companies to see share price declines over the month.

In the last week of January, several of our portfolio companies released their full year 2022 financial results which saw a strong start to the year for the global strategy after a period of capitulation into the close of 2022. Two of the portfolio's largest weights, Tesla Inc. and ServiceNow Inc., produced particularly strong results. Tesla's 4Q result beat market expectations and was a record-breaking quarter with the highest ever quarterly revenue and net profit. On their earnings call, Tesla's CEO, Elon Musk, noted that the company had experienced its strongest year-to-date order book ever in its history at almost twice the rate of production. ServiceNow also exceeded the high end of guidance for the quarter on both revenue and margins. While short-term results are pleasing to see, we will continue to assess the remainder of reporting season with our focus on the long-term fundamentals of our portfolio companies. It is our view that the global portfolio continues to trade at an attractive discount to our long-term valuations. Businesses that grow by taking market share will become more valuable and should be in a better position to produce attractive returns over the long term.

As stated previously, Hyperion believes that a cyclical recession is probable. However, we believe a recession is unlikely to impact the long-term earnings per share forecast of our portfolio's holdings due to the strong value propositions of our portfolio companies relative to their peers, their high levels of innovation and their low penetration rates of their addressable markets. Hyperion's latest White Paper [Long-term "Signal" versus Short-term "Noise"](#) explores these factors in greater detail. We will also be holding a webinar on February 21 where Hyperion's CIO, Mark Arnold, and Deputy CIO, Jason Orthman, will provide an update on the strategy. Register [here](#).

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/>. Companies mentioned are illustrative only and not a recommendation to buy or sell any particular security.

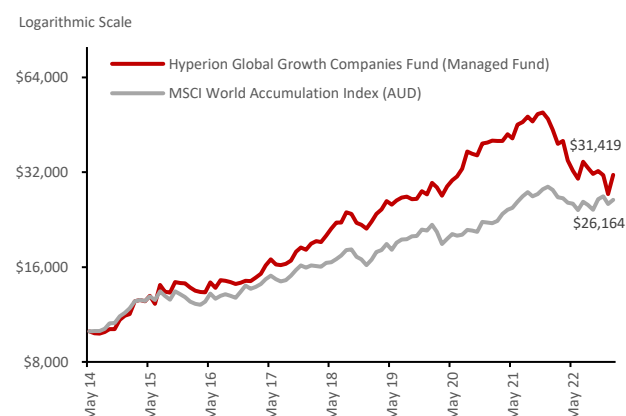
### Fund Features

- High-conviction portfolio of quality global listed equities from a research driven, bottom-up investment philosophy
- Investors can buy or sell units on ASX like any other listed security, or apply and redeem directly with the Responsible Entity
- This product is likely to be appropriate for a consumer seeking capital growth to be used as a small allocation within a portfolio where the consumer has a minimum investment timeframe of 5 years, and a high risk/return profile

### 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

### Growth of \$10,000 Since Inception, Post-Fees\*



Inception date: 1<sup>st</sup> 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 <sup>^</sup> (%)	Excess Performance (%)
1 Month	15.0	3.1	11.9
3 Month	-2.7	-0.4	-2.3
1 Year	-28.0	-7.0	-21.0
3 Year (p.a.)	2.0	6.3	-4.3
5 Year (p.a.)	10.6	10.1	0.5
7 Year (p.a.)	12.5	11.2	1.3
Inception (p.a.)**	14.1	11.7	2.4
Inception (TR)**	214.2	161.6	52.6

\*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: 1<sup>st</sup> June 2014. NAV to NAV, with all distributions reinvested.

<sup>^</sup> MSCI World Accumulation Index (AUD) <sup>^</sup> 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 31<sup>st</sup> January 2023.

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.

**Top 5 Holdings**

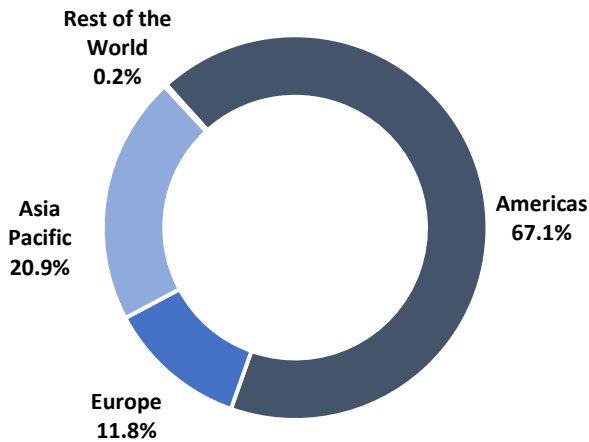
	Portfolio (%)	Benchmark (%)
Tesla Inc.	12.3	0.9
ServiceNow, Inc.	12.1	0.2
Amazon.com, Inc.	11.4	1.8
Microsoft Corporation	11.0	3.3
Block, Inc.	6.6	0.1

**Sector Allocation**

	Portfolio (%)	Benchmark (%)
Communication Services	7.5	6.7
Consumer Discretionary	36.2	10.7
Consumer Staples	2.4	7.5
Health Care	1.6	13.5
Information Technology	50.0	20.7
Cash	2.4	--

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	6.0	3
\$50 - \$100bn	15.7	3
\$100bn +	75.9	15
Cash	2.4	--
Total	100	21

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

All data as at 31<sup>st</sup> January 2023. Source: Hyperion Asset Management  
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**Top Contributors and Detractors (rolling 12 months)**

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Hermes International SCA	26.0	2.8	1.1
Visa Inc.	1.8	4.0	0.4
LVMH	7.2	1.0	0.3
Mastercard Incorporated	-4.1	2.7	0.1
Costco Wholesale Corp.	1.2	3.3	0.1

Detractors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Tesla Inc.	-44.5	12.4	-6.7
Amazon.com, Inc.	-31.1	11.5	-3.2
Roku, Inc.	-65.0	2.0	-2.3
Block, Inc.	-33.2	6.9	-2.3
PayPal Holdings, Inc.*	-51.4	0.7	-2.1

\*Stock not currently held in the portfolio.

**Portfolio Characteristics ^**

	Portfolio
Number of Holdings	21
Top 10 Security Holdings (%)	74.9
Dividend Yield (%)**	0.3
Portfolio Beta	1.5

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)	\$1,863.9 million
NAV Price	\$3.0180
Pricing Frequency	Daily
Registry	Automatic
Risk/Return Profile	The Fund's risk band is 6 (high)

^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

### Tesla Inc (TSLA-US)

Primary Exchange

NASDAQ

GICS Sector

Consumer Discretionary

Market Cap (US\$m)

548,086



Tesla Inc. (Tesla) released a strong Q4 FY22 result for the quarter ended December 2022, reporting its highest ever quarterly revenue of US\$24.3b, up 37% year-on-year (YoY) and GAAP net income of US\$3.7b, up 59% YoY. Q4 Automotive revenues grew 33% YoY to US\$21.3b driven by an increase in total deliveries (up 31% to 405,278 vehicles) and a higher average selling price compared to the year prior, while FX movements had a negative impact. Automotive gross margin declined by 466bps from Q4 FY21 to 25.9% attributed to higher raw material, commodity, logistics, and warranty costs and the ramping of production of 4680 cells while Tesla's operating margin increased 129bps over the same period to an industry-leading 16.0%. On Tesla's Energy Generation and Storage segment, storage deployed over the quarter grew 152% YoY to a record 2,462MWh and revenue growth continued to outpace that of the Automotive segment, growing 90% YoY to US\$1.3b. On vehicle demand, CEO Elon Musk noted that Tesla is seeing the strongest order YTD than ever in its history with orders at almost twice the rate of production. The company have guided for total deliveries of 1.8m vehicles for 2023, up from the 1.3m vehicles delivered in the past year. Cybertruck remains on track to begin production in 2023, with volume production in 2024. Tesla will hold an investor day on 1st March 2023 where it is expected to share additional details of its product roadmap.

### Microsoft Corporation (MSFT-US)

Primary Exchange

NASDAQ

GICS Sector

Information Technology

Market Cap (US\$m)

1,844,649



Microsoft Corporation (Microsoft) released its Q2 FY23 results for the quarter ended December 2022, with revenue increasing 2% YoY (or +7% YoY in constant currency (CC)) to US\$52.7b and operating income down 3% YoY (+6% YoY in CC) to US\$21.6b. Revenue growth was driven by strong performance in Azure and Office offerings while Microsoft's consumer-facing businesses such as Windows and devices saw a considerable slowdown on a weaker PC market. On a segment basis when compared to the prior year, Productivity and Business Processes grew 7% (+13% in CC) to US\$17.0b, Intelligent Cloud grew by 18% (+24% in CC) to US\$21.5b and More Personal Computing decreased by 19% (-16% in CC) to US\$14.2b. Microsoft Cloud revenue was up 22% YoY (+29% YoY in CC) to US\$27.1b and now accounts for 51.4% of total group revenue. For Q3 FY23, revenue growth will continue to be driven by Azure albeit Microsoft noted a sequential 4-5 percentage point deceleration in revenue growth. The company guided for Q3 FY23 CC revenue growth of 11%-13% YoY in the Productivity and Business Processes segment, 17%-19% YoY growth in the Intelligent Cloud segment, and a decline of 15%-18% YoY in the More Personal Computing segment. While Azure growth is being impacted by customers optimising their budgets in an uncertain economic environment, the long-term market opportunity remains unchanged.

### ServiceNow, Inc. (NOW-US)

Primary Exchange

NYSE

GICS Sector

Information Technology

Market Cap (US\$m)

92,391



ServiceNow announced its financial results for its fourth quarter ended December 2022, reporting strong subscription revenue of US\$1.86b (representing YoY growth of 22% or 27.5% in CC) exceeding the company's guidance. Total revenue increased 20% YoY (25.5% in CC) to US\$1.94b while ServiceNow's operating margin of 28% exceeded guidance. Current remaining performance obligations (cRPO), which is contract revenue that will be recognised as revenue over the next 12 months, was US\$6.94b, up 22% YoY (or 25.5% in CC) driven by strong net new annual contract value growth of over 30% YoY and slightly offset by less early renewals than anticipated. On a full year basis, FY22 group revenue was US\$7.24b, an increase of 23% YoY (28% in CC). The company guided to Q1 2023 subscription revenues of US\$1.99b-US2.00b (representing YoY growth of 22%-22.5%) and cRPO growth of 21% YoY, both including an anticipated 300 basis point FX headwind. As ServiceNow enters 2023, the company is confident its technology-first business strategy, that focuses on automation and productivity, will remain resilient to the macroeconomic challenges faced by many enterprises.

Commentary sourced from Hyperion Asset Management. Market capitalisation as at 31<sup>st</sup> January 2023. Companies mentioned are illustrative only and not a recommendation to buy or sell any particular security.

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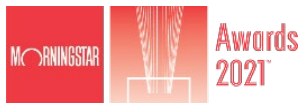
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**Hyperion named Winner  
FUND MANAGER OF THE YEAR**  
Morningstar 2021 Awards, Australia.

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