

Fund Update July 2023

Market Commentary

Major equity indices were higher through July as lower inflation prints, resilient economic data, and expectations of an end to central bank monetary tightening fuelled optimism for a soft landing. The U.S. saw the start of the Q2 reporting season and the S&P 500 Total Return Index rose 3.2% over the month. Annual CPI inflation in the U.S. decelerated to 3.0% in June 2023, down from 4.1% in May and the lowest reading since March 2021, attributed largely to a reduction in energy and food prices. U.S. real GDP also grew at an annual rate of 2.4% in Q2, accelerating from the 2.0% growth in the prior quarter. The U.S. Federal Reserve raised the federal funds rate target by 25bps in its July meeting and maintained that future monetary policy decisions will be made meeting-by-meeting pending incoming data. In Europe, the FTSE 100, Germany DAX, and Euro STOXX 50 total return indices returned 2.3%, 1.9%, and 1.8%, respectively, over the month. The European Central Bank raised key interest rates by another 25bps in July though removed wording that policy rates will be “brought to sufficiently restrictive” in its press release. Annual inflation in the Euro area and the U.K. slowed from 5.5% to 5.3% and from 8.7% to 7.9%, respectively.

Fund Update and Outlook

The Hyperion Global Growth Companies Fund (Managed Fund)* returned 3.3% for July, outperforming its benchmark (MSCI World Accumulation Index (AUD)) by 1.1%. Roku, Inc., Palantir Technologies Inc., and Block, Inc. saw the largest positive share price movements, while Spotify Technology SA, Intuitive Surgical, Inc., and Microsoft Corp. (Microsoft) saw the largest share price declines over the month.

Our global strategy saw continued strength in the month of July as many of our portfolios companies reported their quarterly financial results, which have broadly been positive and in line with our long-term forecasts. We believe several positive emerging themes will continue throughout the year and beyond. The first is a shift in corporations focusing more on efficiencies within their businesses, particularly at the bottom line (earnings). We believe the ability for companies to run their businesses harder by being more astute with their spending and sizing their workforce appropriately can help them achieve earnings leverage; this may produce considerable upside to margins, which is starting to be seen in several companies' second-quarter 2023 results. The second positive has been around artificial intelligence (AI) and machine learning (ML), where we are starting to see inflection points, for example, Microsoft trialling their “Copilot” product and ServiceNow, Inc. launching a customer service AI tool, which we believe in time may provide revenue uplifts. A key structural theme that Hyperion identified approximately 10 years ago was AI and ML, however the potential upgrades to revenue streams, efficiencies in productivity and eventually earnings are only now starting to be recognised by market participants. Read more about the benefits of AI and ML within our Global strategy [here](#).

Although we have seen strong performance for the year to date, we believe the long-term return outlook for our portfolio remains attractive, with forecast internal rates of return above their long-run averages.

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.

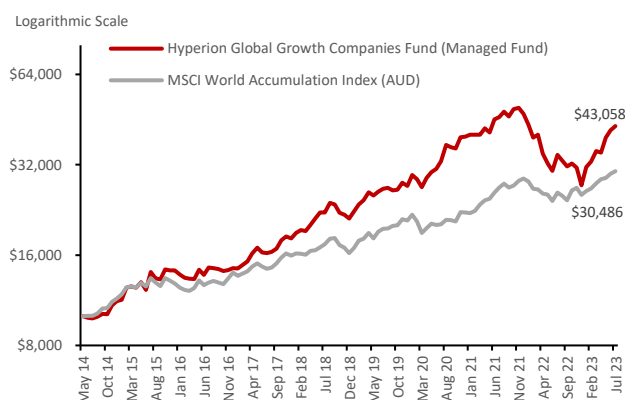
Fund Features

- 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: 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 | 3.3 | 2.1 | 1.1 |
| 3 Month | 22.5 | 6.6 | 16.0 |
| 1 Year | 24.7 | 18.1 | 6.6 |
| 3 Year (p.a.) | 9.4 | 14.6 | -5.1 |
| 5 Year (p.a.) | 14.2 | 11.9 | 2.3 |
| 7 Year (p.a.) | 16.8 | 13.0 | 3.8 |
| Inception (p.a.)** | 17.3 | 12.9 | 4.3 |
| Inception (TR)** | 330.6 | 204.8 | 125.7 |

*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 July 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

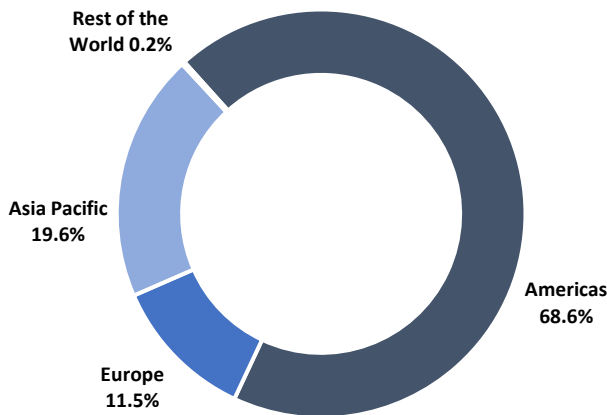
| | Portfolio (%) | Benchmark (%) |
|-----------------------|---------------|---------------|
| Tesla, Inc. | 12.3 | 1.3 |
| ServiceNow, Inc. | 12.1 | 0.2 |
| Amazon.com, Inc. | 10.8 | 2.1 |
| Microsoft Corporation | 10.8 | 4.0 |
| Workday, Inc. | 6.8 | 0.1 |

Sector Allocation

| | Portfolio (%) | Benchmark (%) |
|------------------------|---------------|---------------|
| Communication Services | 10.7 | 7.2 |
| Consumer Discretionary | 32.5 | 11.1 |
| Consumer Staples | 2.0 | 7.3 |
| Financials | 13.3 | 14.9 |
| Health Care | 1.9 | 12.5 |
| Information Technology | 38.3 | 22.1 |
| Cash | 1.4 | -- |

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 | 7.0 | 2 |
| \$50 - \$100bn | 16.1 | 3 |
| \$100bn + | 75.6 | 16 |
| Cash | 1.3 | -- |
| Total | 100 | 21 |

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

All data as at 31st July 2023. Source: Hyperion Asset Management
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 All companies shown are illustrative only and not a recommendation to buy or sell any particular security.

Top Contributors and Detractors (rolling 12 months)

| Contributors | Price change (%) | Avg Weight (%) | Contribution to return (%) |
|--------------------------|------------------|----------------|----------------------------|
| ServiceNow, Inc. | 35.2 | 11.3 | 4.7 |
| Microsoft Corporation | 23.9 | 11.3 | 3.2 |
| Workday, Inc. | 58.3 | 5.3 | 3.1 |
| Hermes International SCA | 69.3 | 3.8 | 2.9 |
| Spotify Technology SA | 36.9 | 4.8 | 2.2 |

| Detractors | Price change (%) | Avg Weight (%) | Contribution to return (%) |
|---------------|------------------|----------------|----------------------------|
| Tesla, Inc. | -6.8 | 12.4 | -1.3 |
| Alphabet Inc. | 18.2 | 2.6 | -0.3 |

Portfolio Characteristics ^

| | Portfolio |
|------------------------------|-----------|
| Number of Holdings | 21 |
| Top 10 Security Holdings (%) | 76.7 |
| Dividend Yield (%)** | 0.2 |
| 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) | \$2,392.0 million |
| NAV Price | \$4.1359 |
| 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) **848,821**



Tesla, Inc. (Tesla) delivered a strong Q2 FY23 result, reporting quarterly revenue of US\$24.9b and non-GAAP EPS of US\$0.91, up 47% and 20%, respectively, year-on-year (YoY). Operating margin of 9.6% was down 493bps YoY, primarily attributed to vehicle price cuts throughout the year and a changing product mix. In order to continue expanding their vehicle fleet, management did not rule out the potential for further price cuts should the macro-environment deteriorate, showing a willingness to sacrifice short-term margins for long-term value. Longer-term, Tesla's prospects remain exciting in our view with the company making several positive announcements. Tesla reinforced their commitment to being at the forefront of AI development, beginning production of their Dojo supercomputers, and investing over US\$1b in R&D and capital expenditure over the next year in order to significantly reduce the cost of neural net training. FSD Beta also saw a significant acceleration in the miles driven with over 150 million miles driven in Q2, doubling the amount of data collected since launch in 2021 in one quarter alone. Tesla also announced that it was currently in discussions with a major (unnamed) OEM to license their FSD technology which would drive direct licensing fees in the future. The company continues to believe that autonomy will be the key driver of the company's value over the long term and reaffirmed their commitment to a future dedicated robotaxi product.

Hermès International SCA (RMS-FR)

Primary Exchange **PAR**
GICS Sector **Consumer Discretionary**
Market Cap (EURm) **212,881**



Hermès International SCA (Hermès) released its 1H23 results, reporting YoY revenue growth of 25% to €6.7b at constant currency (CC) rates. Operating income increased 28% YoY to €2.9b, with the group's operating margin expanding 190bps to 44%. Sales increased notably in both group stores (+25%), and in wholesale activities (+26%), which benefitted from the rebound in travel retail. Strong growth was seen across all regions, with Asia, Europe, and Americas growing at 28%, 22%, and 20% respectively. All main business lines saw double digit growth with Ready-to-wear and Accessories, Other Hermès Business Lines (Jewellery and Homeware), and Watches particular standouts with growth rates of 35%, 32%, and 24%, respectively. During 1H23, Hermès opened 2 new stores in the U.S., and completed renovations on 5 stores across China, Japan, UAE, and Germany. Hermès also inaugurated 3 new leather goods workshops in France, with 4 more expected to be rolled out over the next 4 years. The company continues its focus on growing productivity of existing stores, maintaining an exclusive and balanced distribution network, whilst reiterating its medium-term goal of growing revenue.

Alphabet Inc. (GOOGL-US)

Primary Exchange **NASDAQ**
GICS Sector **Communication Services**
Market Cap (US\$m) **1,559,599**



Alphabet Inc. (Alphabet) released its Q2 FY23 result for the quarter ended June 30, 2023, highlighting its strong margin expansion on an accelerated revenue performance and disciplined cost management. Group revenue of US\$74.6b was up 7.1% YoY (or 9% in CC), driven by revenue increases across Google Search (+4.8%), YouTube ads (+4.4%), Google Cloud (+28%), Google Other (+24.2%), and Other Bets (+48%). Underlying operating income was up 14% YoY at US\$27.7bn, and the operating margin increased by 2.3 percentage points. Google Cloud margin was once again positive with EBIT of US\$395m compared to an operating loss of US\$590m in the PCP. This quarter saw the launch of Alphabet's Search Generative Experience which draws on artificial intelligence to make Search more seamless and intuitive. It was also announced that Alphabet and Google CFO Ruth Porat will assume the new role of President and Chief Investment Officer of Alphabet and Google, effective September 1, 2023. In this new role, Porat will work closely with CEO Sundar Pichai to lead Alphabet's 2024 strategy and will remain as CFO until the company finds her successor.

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



CERTIFIED BY RIAA

The Hyperion Global Growth Companies Fund (Managed Fund)* has been certified by the Responsible Investment Association Australasia (RIAA) according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsiblereturns.com.au for details.¹

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