

Fund Update September 2023

Market Commentary

Major equity indices trended lower through September as higher treasury yields, resilient macro-economic data, and dampened disinflationary momentum made headlines. In the U.S., the S&P 500 Total Return Index was down 4.8% over the month. Annual CPI inflation in the U.S. accelerated for a consecutive month in August to 3.7%. The Federal Reserve kept its federal funds rate target at 5.25-5.50%, signalling potential for another hike this year. The updated Summary of Economic Projections still sees the federal funds rate at 5.6% by the end of 2023, though the 2024 forecast was revised up to 5.1% (from the previous 4.6% in June), while the expected real GDP growth for 2023 and 2024 was revised markedly higher. In Europe, the Germany DAX, Euro STOXX 50, and FTSE 100 total return indices returned -3.5%, -2.8%, and +2.4%, respectively, over the month. The HCOB Eurozone Composite PMI indicated a further contraction in private sector activity with both manufacturing and services output declining. Preliminary estimates indicate inflation in the Euro area slowed to 4.3% year-on-year in September. In Australia, the S&P/ASX 300 Total Return Index returned -2.9% over the month. The Reserve Bank of Australia held the cash rate target at 4.1% in its September and October meetings with the board still indicating that while peak inflation has passed, it remains too high.

Fund Update and Outlook

The Global Growth Companies Fund (Managed Fund) returned -5.5% for September, underperforming its benchmark (MSCI World Accumulation Index (AUD)) by 1.5%. Palantir Technologies Inc., Airbnb Inc., and Costco Wholesale Corp. saw the largest share price increases, while Block Inc., Kering SA, and Roku Inc. saw the largest declines over the month.

The global strategy produced mixed returns over the September quarter. The quarter started strong following an encouraging U.S. financial reporting season in July. However, economic uncertainty centering around further interest rate rises in the U.S. dampened returns into September. This short-term uncertainty and volatility in global bond markets, which we believe is neither fundamental nor entrenched, is a headwind for longer duration assets like those in our global strategy. Short-term volatility often provides a brief opportunity for investors with a long-term mindset.

Hyperion believes the strong underlying fundamental and earnings characteristics of our portfolio holdings will be reflected in market valuations over the long term. As we enter the third-quarter global reporting season in October and November, we are hopeful that underlying results will lead to a rebasing of valuations after the recent rise in bond yields.

Our long-term view remains unchanged that we will revert to a lower growth, lower inflation, and lower interest rate world which is starting to be seen in parts of Asia. A lower growth environment is much more favourable for growth investing.

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

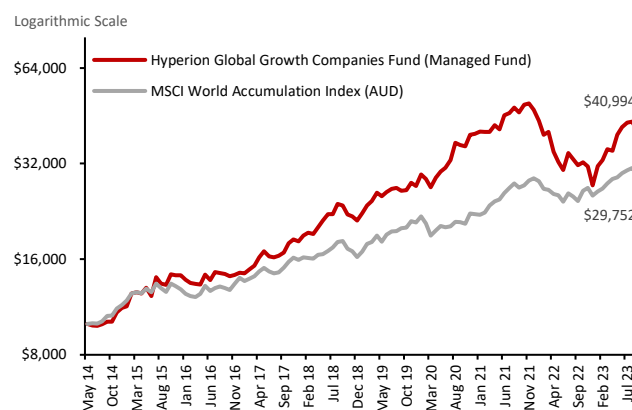
Fund Features

- 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	-5.5	-3.9	-1.5
3 Month	-1.7	-0.3	-1.4
1 Year	29.7	22.1	7.5
3 Year (p.a.)	3.8	12.5	-8.6
5 Year (p.a.)	11.7	10.3	1.4
7 Year (p.a.)	16.2	12.6	3.6
Inception (p.a.)**	16.3	12.4	3.9
Inception (TR)**	309.9	197.5	112.44

*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 30th September 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

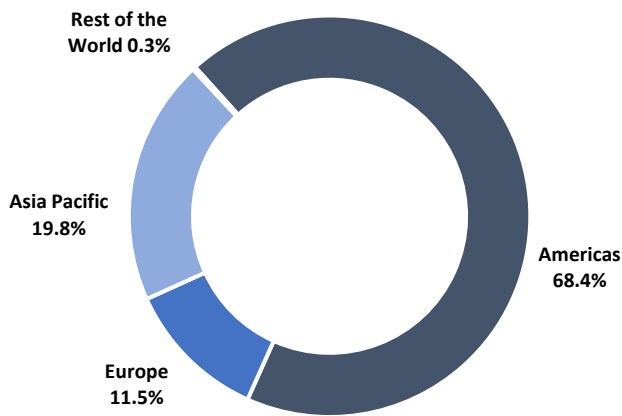
	Portfolio (%)	Benchmark (%)
ServiceNow, Inc.	12.7	0.2
Tesla, Inc.	12.6	1.3
Amazon.com, Inc.	11.6	2.2
Microsoft Corporation	11.4	4.1
Spotify Technology SA	6.7	--

Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	11.7	7.3
Consumer Discretionary	33.1	10.9
Consumer Staples	2.3	7.2
Financials	10.6	15.0
Health Care	1.9	12.8
Information Technology	39.1	21.7
Cash	1.3	--

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	11.9	3
\$50 - \$100bn	9.8	3
\$100bn +	77.1	15
Cash	1.3	--
Total	100	21

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

All data as at 30th September 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.	47.5	11.9	5.6
Microsoft Corporation	35.1	11.4	4.2
Spotify Technology SA	78.5	5.1	3.4
Hermes International SCA	53.0	3.9	2.4
Workday, Inc.	40.6	5.8	2.3

Detractors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Tesla Inc.	-6.0	12.3	-1.0
Block, Inc.	-19.8	5.6	-0.3

Portfolio Characteristics ^

	Portfolio
Number of Holdings	21
Top 10 Security Holdings (%)	77.1
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)	\$2,220.9 million
NAV Price	\$3.9376
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

Costco Wholesale Corporation (COST-US)

Primary Exchange **NASDAQ**
GICS Sector **Consumer Staples**
Market Cap (US\$m) **250,361**



Costco Wholesale Corporation (Costco) reported its FY23 Q4 and full year results for the period ended 3rd September 2023. For FY23 Q4, revenue was up 9.5% to US\$78.9b on the prior corresponding period (pcp) while net income was up 15.6% to US\$2.2b. Net sales grew 9.4% supported by 9 net new warehouse openings, including 5 in the U.S., 2 in China, 1 in Japan, and 1 in Australia. Comparable sales were up 1.1% driven by a 5.2% increase in traffic volume worldwide, partially offset by the average ticket being down 3.9%, primarily due to a drop in spending on big-ticket non-discretionary items. Household memberships increased by 7.9% worldwide to 71.0m, while total cardholders increased by 7.6% to 127.9m. Executive members increased to 32.3m, while renewal rates remained strong. Q4 gross margins also increased by 42bps to 10.6%, owing to fewer markdowns from better inventory positions. The company expects to open 10 new warehouses next quarter, all of which will be in North America.

Intuit Inc. (INTU-US)

Primary Exchange **NASDAQ**
GICS Sector **Information Technology**
Market Cap (US\$m) **143,196**



Intuit Inc. (Intuit) held its FY23 Investor Day on September 28, 2023, showcasing a strategic focus on driving subscriber and ARPU (Average Revenue Per User) growth through artificial intelligence (AI) and platform integration. The event highlighted key aspects of their AI monetisation strategy, with a particular emphasis on the recently introduced 'Intuit Assist' AI assistant. This strategy involves cross-selling services such as payments, payroll, and CRM to enhance ARPU and reduce adoption friction. Additionally, Intuit aims to leverage its ecosystem to promote customer growth between products including QuickBooks Online, Mailchimp, TurboTax, and Credit Karma. The CEO emphasised price increases are expected to have a smaller impact on growth relative to subscriber volumes and ARPU, adding to an already strong customer value proposition. The presentation also pointed out the vast growth potential in both subscriber numbers and ARPU, citing Intuit's 5% penetration of a US\$312b Total Addressable Market (TAM). The company's long-term segment revenue guidance remains strong at 15-20% p.a., backed by data advantages and a focus on product integration and innovation. While the discussion primarily centred on the U.S. market, the global strategy, led by Mailchimp in select markets, was briefly mentioned. Management reiterated FY24 guidance for strong growth across revenue (+11 to +12%), EBIT (+12 to +14%), and EPS (+12 to +14%).

Workday Inc. (WDAY-US)

Primary Exchange **NASDAQ**
GICS Sector **Information Technology**
Market Cap (US\$m) **44,474**



Workday Inc. (Workday) held its analyst day during September, providing valuable insights into the company's growth prospects and strategic focus. Management emphasised the substantial market opportunity (with a TAM of US\$142b), potential for new customer wins, and upsell opportunity within their existing customer base. Key investments in Financials, international expansion, partner networks, and AI/ML were highlighted as avenues for driving growth. The company guided to a target annual subscription revenue growth of 17 to 19% through to FY27, and a non-GAAP operating margin of 25%+ by FY27. Hyperion believes the targets appear somewhat conservative, given the recent strong performance of their HCM and Financials segments and the growth options discussed which should more than offset the still challenging macroeconomic environment. Overall, the Analyst Day offered a detailed overview of Workday's growth drivers, AI/ML capabilities, and sales strategies.

Quarterly Stock Spotlight

Costco Wholesale Corporation (COST-US)

Primary Exchange

NASDAQ

GICS Sector

Consumer Staples

Market Cap (US\$m)

250,361



Costco Wholesale Corporation (Costco) is currently the world's third-largest retailer, featuring a membership-based model and a network of over 861 warehouses across the United States, Europe, Asia, and Oceania. Founded in 1983, Costco has become a leader in providing its members with quality goods and services at competitive prices. Costco's net sales are comprised of its core merchandise categories (foods and sundries, non-foods, and fresh foods), warehouse ancillary (gasoline, pharmacy, optical, food court, hearing aids, and tire installation) and other businesses (e-commerce, business centres, travel and other). Costco listed on the NASDAQ in 1985 and is headquartered in Seattle.

Hyperion's View:

In the highly competitive and fragmented retail landscape, Costco has carved out a unique niche, serving both consumers and small businesses. Its customer base includes discerning shoppers who appreciate the savings from bulk purchases. Costco's approach centres on membership fees, bulk offerings, and efficient operations, all of which combine to enable the company to provide its members high-quality products at everyday low prices. Despite fierce industry competition, formidable barriers to entry exist due to the substantial capital required to establish warehouses, replicate supply chains, and match Costco's extensive footprint.

With a membership base of 127.9 million cardholders, Costco's core value proposition revolves around offering high-quality products at consistently low prices. Its membership model, significant scale and streamlined cost structure make this value proposition possible. The strategy includes a narrow, carefully curated selection of approximately 3,700 products per warehouse (compared to over 100,000 for some hyperscale retailers), facilitating bulk procurement and favourable pricing for members. The membership model fosters an exclusive and loyal customer base, which drives increased shopping frequency. The company's strong brand reputation instils trust, reinforcing the belief among members that they won't find better quality and prices elsewhere, leading to a no-price-match policy with competitors.

Costco's value proposition continues to grow alongside its expanding scale, resulting in cost savings that are passed on to its members. Costco commits to pricing goods at just 10-12% above their cost, effectively covering the operational expenses of the business. The introduction of the Visa co-branded card in June 2016 enhanced customer benefits, with most savings redirected into improved card rewards. Costco's disciplined management team is unlikely to deviate from this strategy, with CEO Craig Jelinek emphasising the importance of resisting the temptation to extract more from customers. As long as Costco maintains its ability to offer a broad range of products at prices lower than competitors, the value proposition remains robust. The company anticipates that any operational efficiencies will be reinvested into lowering prices for its members, aligning with its prudent approach.

Costco's sustainable competitive advantage lies in its strong brand, unwavering member and employee loyalty, and a highly efficient operating model. The company continually gives back the majority of margin savings to customers, which creates additional network effects as it attracts more consumers and increases revenue. As Costco continues to scale its business, it can increase its bargaining power with suppliers, resulting in margin savings which are again passed on to delivering greater value to its members. Costco also invests heavily in their own private label (Kirkland Signature) to provide goods where management believes supplier prices are not low enough and which it leverages when bargaining with suppliers.

Hyperion believes Costco retains strong growth opportunities through both warehouse expansion and comparable store sales growth. Historically, the company has generally opened at least 20 warehouses per annum and Hyperion believes there remains considerable scope for Costco to increase this rate over the long term, particularly in global (ex. U.S.) markets where there are only 270 warehouses currently. Sales growth is also expected to be driven through growing the membership base, providing subscription revenue, and higher traffic and sales per store from increasing the value proposition to its members over time.

Ultimately, Costco has established a strong value proposition, sustainable competitive advantage, and high barriers to entry on both the supply and operations side of its business. Costco has a brand renowned globally for its customer-centric focus on delivering quality products at everyday low prices. Hyperion believes Costco's revenue growth will be driven by increasing sales density in existing stores and the ability to increase annual warehouse openings. Hyperion believes Costco is positioned to grow and further solidify its core position in the retail industry.

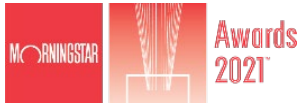
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**Hyperion named Winner
FUND MANAGER OF THE YEAR**
Morningstar 2021 Awards, Australia.



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