HYPERION ASSET MANAGEMENT

Fund Update June 2023

Hyperion Australian Growth Companies Fund

ARSN: 089 548 443

Market Commentary

Major equity indices were higher through June as lower inflation prints, resilient economic data, and optimism around potential earnings growth from AI made headlines. In the U.S., the S&P 500 Total Return Index rose 6.6% over the month. Annual CPI inflation in the U.S. fell to 4.0% in May 2023, down from 4.9% in April and the lowest reading since May 2021. At its June meeting, the U.S. Federal Reserve left the fed funds rate unchanged for the first time in 11 meetings however the updated Summary of Economic Projections showed that the median participant expects the fed funds rate to increase by 50bps by calendar-year end. In Europe, the Euro STOXX 50, Germany DAX, and FTSE 100 total return indices returned 4.4%, 3.1%, and 1.4%, respectively, over the month. The European Central Bank raised key interest rates by 25bps in June and signalled that it would likely continue raising rates in July as inflation remains high. In Australia, the S&P/ASX 300 Total Return Index rose by 1.7% over June. The Reserve Bank of Australia raised the cash rate target by 25bps to 4.1% in its June meeting though held it steady in July. Annual CPI inflation eased to 5.6% in May, down from 6.8% in April, marking the lowest print since April 2022.

Fund Update and Outlook

The Hyperion Australian Growth Companies Fund returned 1.5% for June, underperforming its benchmark (S&P/ASX 300 Accumulation Index) by 0.3%. Netwealth Group Ltd., Xero Limited, and Block, Inc. saw the largest positive share price movements, while CSL Limited, Seek Limited, and Cochlear Limited saw the largest share price declines.

The month of June closed off a strong financial year for the domestic strategy, and investors with long-term mindsets are being rewarded for their patience as a more stable macroeconomic environment has helped the attractive economics of our portfolio produce positive results.

Hyperion has always believed that our portfolio would recover from what we viewed as a non-fundamental drawdown period and the negative duration impact from higher bond yields continues to provide an opportunity for long-term investors to increase exposure to some of the best listed businesses in Australia at attractive prices. The domestic strategies continue to offer above average forecast 10-year returns at current prices. Our portfolios have robust fundamentals with high and sustainable returns on capital, low financial gearing and the ability to produce positive free cash flows.

Our portfolio's ability to take market share tends to increase during economic downturns when weaker competitors are suffering. This ability to grow by taking market share enables our stocks to handle cyclical earnings downturns relatively better than most listed companies.

In our most recent webinar (watch the replay here), we reminded our investors why we believe investing in high quality structural growth companies is important and discussed why we remain confident in our portfolio companies and their ability to produce excess returns.

Objective

Long-term capital growth by investing in high-calibre Australian companies primarily listed within the S&P/ASX 300 at the time of investment.

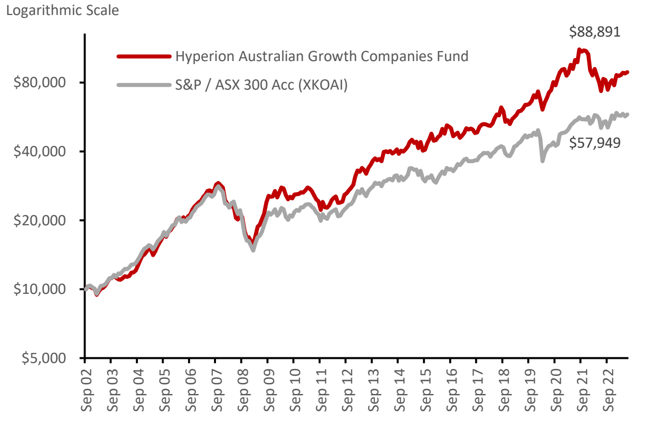
Our Philosophy

The highest proven quality businesses with the strongest competitive advantages and organic growth opportunities produce superior shareholder returns over the long term.

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: 30th September 2002. Source: Hyperion Asset Management. Past performance is for illustrative purposes only and is not indicative of future performance.

Fund Performance

	Portfolio – Net (%)	Benchmark[1] (%)	Excess Performance (%)
1 Month	1.5	1.7	-0.3
3 Month	2.9	1.0	2.0
1 Year	21.1	14.4	6.7
3 Year (p.a.)	7.2	11.1	-3.9
5 Year (p.a.)	8.9	7.1	1.8
7 Year (p.a.)	9.2	8.9	0.3
10 Years (p.a.)	10.8	8.6	2.2
15 Years (p.a.)	10.3	6.6	3.7
20 Years (p.a.)	11.3	8.9	2.4
Inception (p.a.)*	11.1	8.8	2.3
Inception (TR)*^	788.9	479.5	309.4

1. S&P/ASX 300 Accumulation Index. *Inception date that Hyperion became Investment Manager: 30th September 2002. ^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 June 2023. 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.

Top 5 Holdings

	Portfolio (%)	Benchmark (%)
Block, Inc.	11.0	0.1
Xero Ltd	10.6	0.8
Resmed, Inc.	9.2	0.6
Fisher & Paykel Healthcare	8.7	0.2
Wisetech Global Ltd.	8.2	0.6

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

Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	9.8	4.0
Consumer Discretionary	5.2	6.6
Financials	20.6	27.5
Health Care	31.9	9.8
Industrials	3.2	7.2
Information Technology	24.3	2.7
Materials	2.7	24.6
Cash	2.2	--

Portfolio weights may not sum perfectly to 100.0% due to rounding.

Market Capitalisation (AUD)

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-20	14.3	60.5	-46.2	2
S&P/ASX 21-50	39.4	17.0	22.4	6
S&P/ASX 51-100	39.9	12.0	27.9	8
S&P/ASX 101-200	3.3	7.6	-4.3	5
S&P/ASX 201-300	--	2.8	-2.8	--
Ex S&P/ASX 300	0.9	0.2	0.7	1
Cash	2.2	--	2.2	--
Total	100	100	--	22

Portfolio weights may not sum perfectly to 100.0% due to rounding.
All data as at 30th June 2023

Top Contributors and Detractors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Wisetech Global Ltd.	110.9	8.6	6.8
Xero Ltd	54.5	8.6	3.7
Fisher & Paykel Healthcare	26.3	7.7	2.4
Altium	37.2	3.6	1.3
REA Group Ltd	27.9	3.4	1.0
Detractors	**Price change (%)**	**Avg Weight (%)**	**Contribution to return (%)**
Domino's Pizza Enterprises	-31.7	4.1	-1.0
GQG Partners, Inc.	-5.1	1.5	-0.1
IRESS Ltd	-10.9	0.5	-0.1

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Fund Characteristics

Universe	**S&P/ASX 300**
Launch	Managed by Hyperion since September 2002, launched October 1996
Risk/Return Profile	The Fund's risk band is 6 (high)
Fees	MER 0.95%
Distribution	AUD 0.8597 CPU at 30 June 2023 AUD 0.2380 CPU at 31 March 2023 AUD 0.2177 CPU at 31 December 2022 AUD 1.2532 CPU at 30 September 2022
Fund Size	$2,083.5 million
APIR Code	BNT0003AU

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

CERTIFIED RESPONSIBLE INVESTMENT ™

CERTIFIED BY RIAA

RIAA Certified Fund

The Hyperion Australian Growth Companies 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 and the last page of this document for disclaimers.

Portfolio Holdings Update

Domino's Pizza Enterprises Limited (DMP-AU)

Primary Exchange	**ASX**
GICS Sector	**Consumer Discretionary**
Market Cap ($m)	**4,136**

Domino's Pizza Enterprises Limited (Domino's) provided a weak trading update in June, where despite positive trends in Q4, same-store-sales growth for FY23 are expected to come in below their medium-term outlook of 3-6% growth per year. New store openings are anticipated to miss their medium-term store growth target of 8-10% per year, though their long-term target of 7,100 stores by 2033 remains unchanged. The company also announced a series of cost-saving initiatives expected to deliver annualised savings of $53-59m, which includes the closing of Domino's Denmark business. Inflation post-COVID has created operational difficulties for Domino's and in order to protect franchisee profitability from the rising cost of inputs, Domino's implemented a series of price increases. We believe Domino's made pricing mistakes when attempting to offset rising prices which has resulted in a reduction in customer numbers. The weight of Domino's in the Portfolio had been reduced factoring in these challenges. While we continue to see the short term as challenged, including a weaker macro, tighter consumer budgets, and not meeting their short-term store targets, we remain constructive over the longer term. Recent initiatives such as the removal of the delivery surcharge fee, removing the loss-making Danish operation, and streamlining operations are long-term positives. Domino's continue to have a significant runway for store openings which, even at the lower end of their medium and long-term guidance would result in double-digit growth annually. Based on our continued work, we remain confident in the value proposition and the store rollout opportunity.

CSL Limited (CSL-AU)

Primary Exchange	**ASX**
GICS Sector	**Health Care**
Market Cap ($m)	**133,800**

CSL Limited (CSL) provided a market update stating FY23 NPATA would be skewed to the top end of guidance at US$2.8b in constant currency. A volatile currency environment has meant CSL now expects a foreign currency headwind of US$230m- US$250m, up from the US$175m headwind anticipated at the time of the half year result. CSL also provided FY24 NPATA guidance for the first time, which came in below initial market expectations. FY24 NPATA is expected to grow ~13%-18% or ~US$2.9b-US$3.0b. Primary drivers for this were a slower than expected gross margin recovery at Behring and generics competition in Europe for Vifor. A more gradual recovery in gross margin at Behring is expected to see a return to pre-covid levels over the course of 3-5 years. CSL has cautioned that donor fees won't reduce quickly and are unlikely to come back to pre-covid levels.

CONTACT US

HYPERION DISTRIBUTION
Jolon Knight
Mob: 0414 805 862
Jolon.knight@hyperion.com.au

INVESTOR SERVICES
Tel: 1300 497 374
Investorservices@hyperion.com.au

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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