

# Hyperion Asset Management

Leaders in structural growth and sustainability



## HYPERION GLOBAL GROWTH COMPANIES FUND (MANAGED FUND) (ASX:HYGG) EQMF

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# Lead Portfolio Manager Biographies



## **MARK ARNOLD – LEAD PORTFOLIO MANAGER, CHIEF INVESTMENT OFFICER & MANAGING DIRECTOR**

CFA, B.Com, LLB, CA, SF Fin

Mark has been a key contributor to the investment returns Hyperion has achieved since its inception in 1996. He has played an integral role in the design of Hyperion’s investment process and was instrumental in establishing the organisational culture that has underpinned Hyperion’s long-term success.

Mark is Lead Portfolio Manager, Chief Investment Officer and Managing Director of Hyperion. Mark is the most senior and experienced Portfolio Manager in the investment team and has the most influence over Hyperion’s investment decision making. He has portfolio management responsibilities across all of Hyperion’s equity strategies. He is also the Chair of Hyperion’s Investment Committee.

Mark has been professionally analysing listed companies since 1991. He originally worked as a research analyst at Stockbroker Lance Jones Limited and then at Wilsons. Wilsons was the creator and original 100% equity owner of Hyperion. Mark is a qualified chartered accountant. Prior to establishing himself in the investment industry, Mark worked for KPMG. He holds undergraduate qualifications in Commerce and Law. Mark is a CFA Charterholder and a substantial shareholder in Hyperion.

## **JASON ORTHMAN – LEAD PORTFOLIO MANAGER & DEPUTY CHIEF INVESTMENT OFFICER**

CFA, B.Eng (Chemical), B.Bus.

Jason was promoted to Deputy Chief Investment Officer in 2017 in recognition of his contribution to Hyperion’s alpha and strong communication skills within the broader team. Jason is also an Executive Board member of Hyperion Asset Management and serves as Deputy Chair of the Hyperion Executive Committee.

He continues to serve as a lead portfolio manager across its three equity strategies (Australian Equities, Small Cap and Global Equities). The two lead portfolio managers have the majority of the influence in setting stock weights and are responsible for what stocks enter and exit the portfolios.

Jason joined Hyperion in 2008 as an Investment Analyst and was promoted to Portfolio Manager in 2009. Jason continues to be responsible for the research of equities in support of the team’s investment decisions across Hyperion’s product range. Jason gained 6 years industry experience as a Senior Research Analyst with a stock broker, Wilsons, prior to joining Hyperion. He joined Wilsons in 2002 and spent most of his time at the firm in Research as a small to mid-cap Equity Analyst. He has covered a wide range of sectors including mining services, retail, manufacturing and waste.

Jason has a Bachelor of Chemical Engineering (1st Class Honours) and a Bachelor of Business Management from the University of Queensland. He also completed a Graduate Diploma of Applied Finance and Investment from the Australian professional body (now called FINSIA). Jason is a CFA Charterholder and significant shareholder of Hyperion.

“Investing is an intellectual challenge that includes unpacking different companies, business models and trends. It’s a thrill to find new opportunities that create value over time.”



# Hyperion's Mission, Values & Beliefs

**Hyperion's mission is to protect and grow our clients' capital sustainably over the long term.**

Our values are:

1. Research driven, not marketing driven
2. Evidence based and merit based
3. Alpha focused
4. Think long term
5. Business owners, not share traders
6. Collective first

Hyperion's total FUM is predominantly from investment performance, not client inflows. The table below shows that alpha generation related FUM is currently approximately \$3.9 billion (41% of total FUM), this compares to approximately \$1.5 billion (16% of total FUM) that is from net client contributions.

FUM Generation		\$B (AUD)
Net Flows from Clients	16%	1.5
Market Return	43%	4.2
Alpha	41%	3.9
<b><u>Total FUM*</u></b>	<b><u>100%</u></b>	<b><u>9.7</u></b>

\*Total FUM as of 31<sup>st</sup> March 2021.

Due to rounding the summation of FUM and Percentage components presented above may not exactly equal total FUM presented and/or 100%.

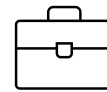


# Future returns will be concentrated in a limited number of winners

## Typical Characteristics:



Modern businesses



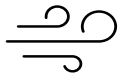
Capital light business models



Disruptive products/strategies



Large addressable markets



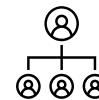
Structural tailwinds



Low debt levels



Innovative & creative cultures



Management with long-term focus



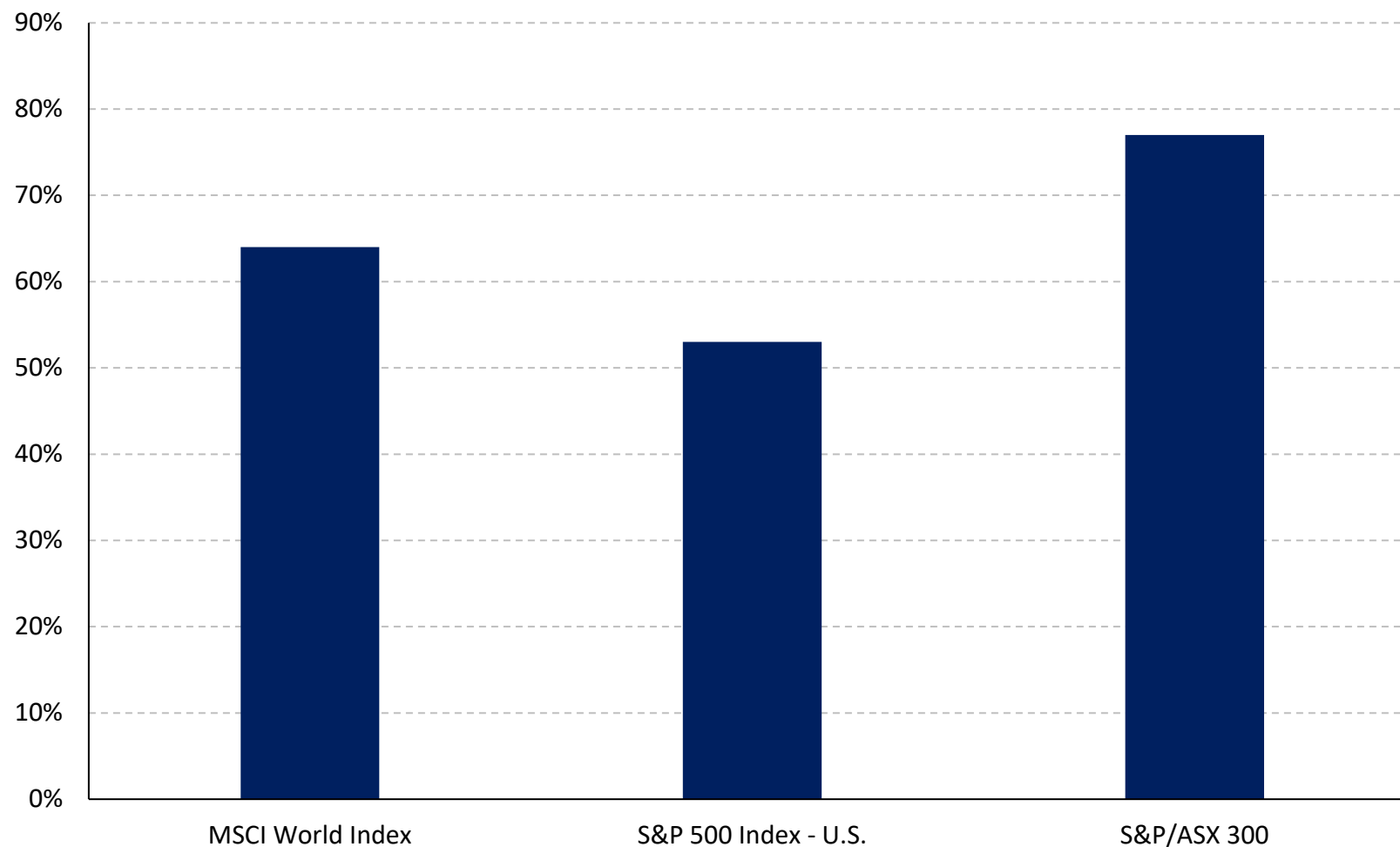
Sustainable competitive advantages



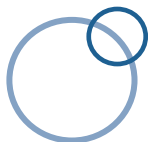
Customer-centric mentality



# Key broad-based indices are dominated by “old world” businesses



Source: Hyperion. Hyperion has assigned companies with no or low expected EPS growth and/or with risk of permanent business model disruption as “Old World”.



# Hyperion's long-term thematic have accelerated



Shift from traditional media to online/digital



Shift from cash to electronic payments



Shift from traditional retail to E-commerce



Software moving from edge to core (of society and business)



Shift from linear consumption to on-demand content



Digital transformation of the workplace (productivity)



Structural growth in demand for ultra luxury goods



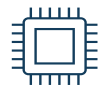
Serving the value conscious consumer



Ageing population



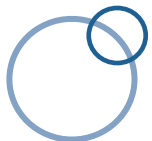
Transition to sustainable energy and transport



Technology advancement and innovation



Transition to the gig economy



# Disruptive companies of the future – Hyperion stocks

- Future returns will be concentrated in a small number of stocks with the potential to outperform & with the following attributes:
  - Structural tailwinds
  - Large addressable markets
  - Sustainable competitive advantages
  - Capital light, proven business models
  - Low debt levels
  - Management with long-term focus

Global Growth Fund Portfolio				
Airbnb, Inc.	Facebook, Inc.	Kering SA	PayPal Holdings Inc.	Square, Inc.
Alibaba Group Holding Ltd	Ferrari NV	LVMH Moet Hennessy Louis Vuitton SE	Roku, Inc.	Tencent Holdings Ltd
Alphabet Inc.	Hermes International SCA	MarketAxess Holdings Inc.	Salesforce.com, Inc.	Tesla Inc.
Amazon.com, Inc.	Intuit Inc.	Mastercard Inc.	ServiceNow, Inc.	Visa Inc.
Costco Wholesale Corporation	Intuitive Surgical, Inc.	Microsoft Corporation	Spotify Technology SA	Workday, Inc.





# Software moving from edge to core of society

Accelerating the world's  
transition to sustainable  
energy



Exploiting cloud infrastructure  
to improve company  
workloads and providing an  
unrivalled shopping  
experience to consumers



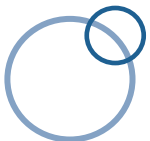
# Shift from linear consumption to on-demand content

Affordable streaming on one device, replacing the traditional cable TV offering

**ROKU**<sup>®</sup>

Transforming audio content to an “access-based” business model through stream on demand capabilities

 **Spotify**



# Spotify and Roku – market penetration

Spotify*	
Total Advertising Revenue	€745.0m
Global Audio Advertising Dollars	€22,765.0m
<b>Penetration Rate (%)</b>	<b>3.3%</b>

Total Subscribers (MUAs)	345.0m
Global weekly radio listeners <sup>1</sup>	3.0b
<b>Penetration Rate (%)</b>	<b>11.5%</b>

Roku^	
U.S. Active Accounts	48.6m
U.S. Households with TV	120.0m
<b>Penetration Rate (%)</b>	<b>40.5%</b>

Total Global Active Accounts	51.2m
Global Households with TV	2,337.0m
<b>Penetration Rate (%)</b>	<b>2.2%</b>



\*Sources include company filings, Morgan Stanley Audio Entertainment Research (2020) and PwC FY2019 Podcast Ad Revenue Study (2020) .

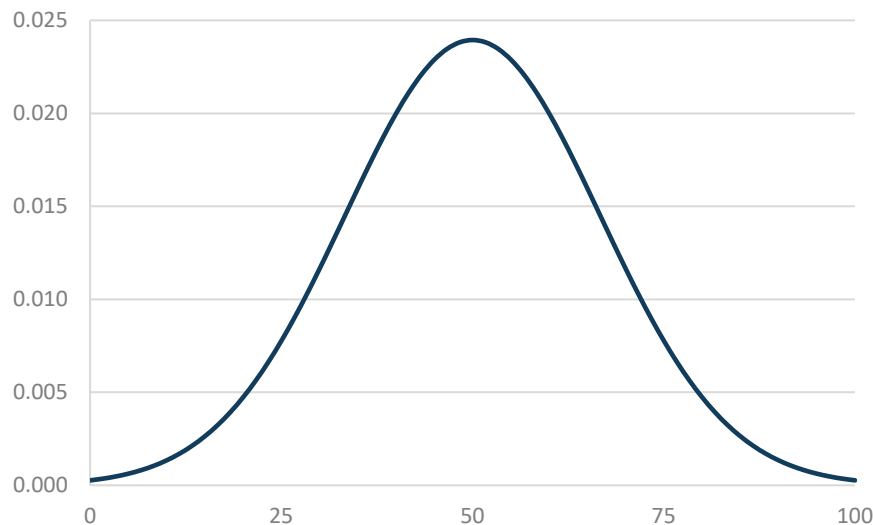
<sup>1</sup>Source: Deloitte Insights. (2019). Report titled: “Technology, Media, and Telecommunications and Predictions 2019”.

^Sources include Hyperion estimates using United Nations and IHS estimates, company filings, and management commentary provided by Citi (2019).

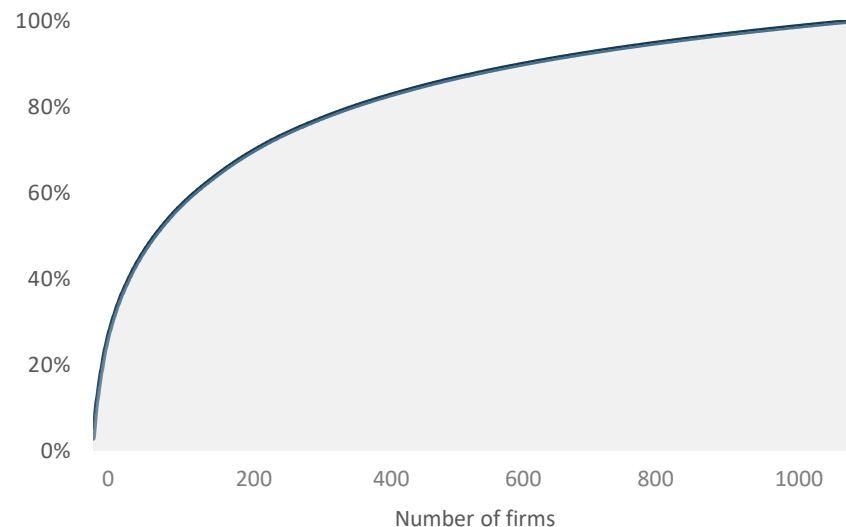
# Disruptive companies of the future - narrow set of winners

- Equity markets have always been driven higher by a narrow range of huge winners. Normal distributions are not relevant in investing in equities.
- The excess returns (relative to treasury bills) produced by US equities from 1926 to 2016 is extremely narrow. This is replicated in markets including Australia, NZ and UK.
- The best-performing **4% of US listed companies explain the entire net gain for the US stock market** since 1926.

Characteristic Bell Curve



Cumulative percent of wealth creation, top 1,100



# Hyperion Net Fund Performance – 31 March 2021

\$AUD Net Performance (%)	Inception* Total Return	Inception* p.a.	5 Year p.a.	3 Year p.a.	1 Year
<b>Hyperion Global Growth Companies Fund (Managed Fund)</b>	<b>302.5</b>	<b>22.6</b>	<b>24.7</b>	<b>27.9</b>	<b>49.3</b>
MSCI World Index <sup>1</sup>	135.9	13.4	14.2	13.7	24.4
<i>Excess Performance</i>	<i>166.7</i>	<i>9.2</i>	<i>10.5</i>	<i>14.3</i>	<i>25.0</i>

\$AUD Net Performance (%)	Inception^ Total Return	Inception^ p.a.	10 Year p.a.	5 Year p.a.	3 Year p.a.	1 Year
<b>Hyperion Australian Growth Companies Fund</b>	<b>780.2</b>	<b>12.5</b>	<b>12.2</b>	<b>13.7</b>	<b>19.5</b>	<b>44.6</b>
S&P/ASX 300 Accumulation Index <sup>2</sup>	400.9	9.1	7.9	10.3	9.7	38.3
<i>Excess Performance</i>	<i>379.4</i>	<i>3.4</i>	<i>4.4</i>	<i>3.4</i>	<i>9.7</i>	<i>6.3</i>

Past performance is not a reliable indicator of future performance. Data as at 31<sup>st</sup> March 2021.

\*Hyperion Global Growth Companies Fund (Managed Fund) inception date: 1<sup>st</sup> June 2014 – the date the composite strategy was first implemented. <sup>1</sup>Benchmark: MSCI World Index DTR (Gross) AUD. ^Hyperion Australian Growth Companies Fund Inception Date: 30<sup>th</sup> September 2002. <sup>2</sup>Benchmark: S&P/ASX 300 Accumulation Index.

The name of the fund was changed from Hyperion Global Growth Companies Fund – Class B to Hyperion Global Growth Companies Fund (Managed Fund) on 5 February 2021 to facilitate quotation of the fund on the ASX

Due to rounding excess performance figures may not equate perfectly to the difference between Hyperion fund and respective index.



# ... and the Return and Return Outlook is Still Positive

Strong forecast EPS growth underpins the forecast 10 year IRR.

	Hyperion Global Growth Companies Fund (Managed Fund)	Hyperion Small Growth Companies Fund
<b>10-year projected EPS Growth*</b>	25% p.a.	24% p.a.
<b>PE expansion (10 year)</b>	-4% p.a.	-7% p.a.
<b>Dividend Return</b>	0% p.a.	1% p.a.
<b>10-year projected IRR*</b>	21% p.a.	18% p.a.

As at 31<sup>st</sup> March 2021. Forecasts are before fees.

\*Any opinions and forecasts reflect the judgment and assumptions of Hyperion and its representatives on the basis of information available as at the date of publication and may later change without notice. Any projections contained in this presentation are estimates only and may not be realised in the future. Actual returns may differ from projected returns.

Source: Hyperion



# Exchange Quoted Managed Fund (Active ETF) – ASX:HYGG

## Hyperion Global Growth Companies Fund (managed fund)

ASX Ticker	HYGG FUM (\$m)*	Fund total FUM (\$m)*	Strategy	Fee	Listing Date	Exchange	Market Maker	iNAV providers	Share registry
HYGG	182.6	1,324.2	Global equity (Same portfolio as unlisted units)	70bps / 20% (Same as unlisted units)	22 March 2021	ASX	Citi	Solactive (primary) ICE (secondary)	Automic

### 1. Fair and accurate price for on market investing in HYGG

- ✓ Accurate iNAV: Best in class iNAV (intraday indicative NAV) using futures proxies for individual stock movements during ASX trading hours ensures accurate prices – updated every 1 second and posted on the fund’s website and via data providers IRESS, Reuters etc.
- ✓ Tight spreads: Market maker will post volume at 1c spread either side of the iNAV (~25bp per side)
  - ✓ Since listing, HYGG total spread has averaged 1c (25bp)\*, the tightest spread of any global equity active ETF on the ASX\*\*

### 2. Liquidity

- ✓ Primary liquidity of an ETF is underpinned by the liquidity of the underlying portfolio of securities (as it is with an unlisted managed fund) and for HYGG this is large cap global equities which are very liquid
  - ✓ At all times during the ASX trading day, the market maker (on behalf of the fund) will quote bid and offers of 50 000 units (~\$200k)
- ✓ Secondary liquidity, or on-market volume is also important to investors as it gives them comfort they can get in and out with minimal hassle and cost and they’re used to thinking about the liquidity of a share being its traded volume.
  - ✓ Since listing, HYGG average daily value traded is \$3.7million a day\* which puts it up there with Magellan (MGOC) as the most liquid active ETF on the ASX\*\*

### 3. Benefits to investors of the quoted/dual unit structure – ‘one house, two doors’

- ✓ Same exact unit as the unlisted managed fund that has been available to retail investors since inception of the fund (2014)
- ✓ Same investment strategy/portfolio, track record, fees, platform access
- ✓ Can buy/sell HYGG on the ASX (quoted unit) or apply/redeem directly with the registry (unlisted unit)
- ✓ Can switch between HYGG and the unlisted unit and vice versa with no CGT and no costs (broker dependent)
- ✓ HYGG has no minimums
- ✓ Fund already has ~\$1.3bn of FUM\*, benefit from existing scale

\*Data as at 19th April 2021

\*\* ASX March 2021 monthly investment products report



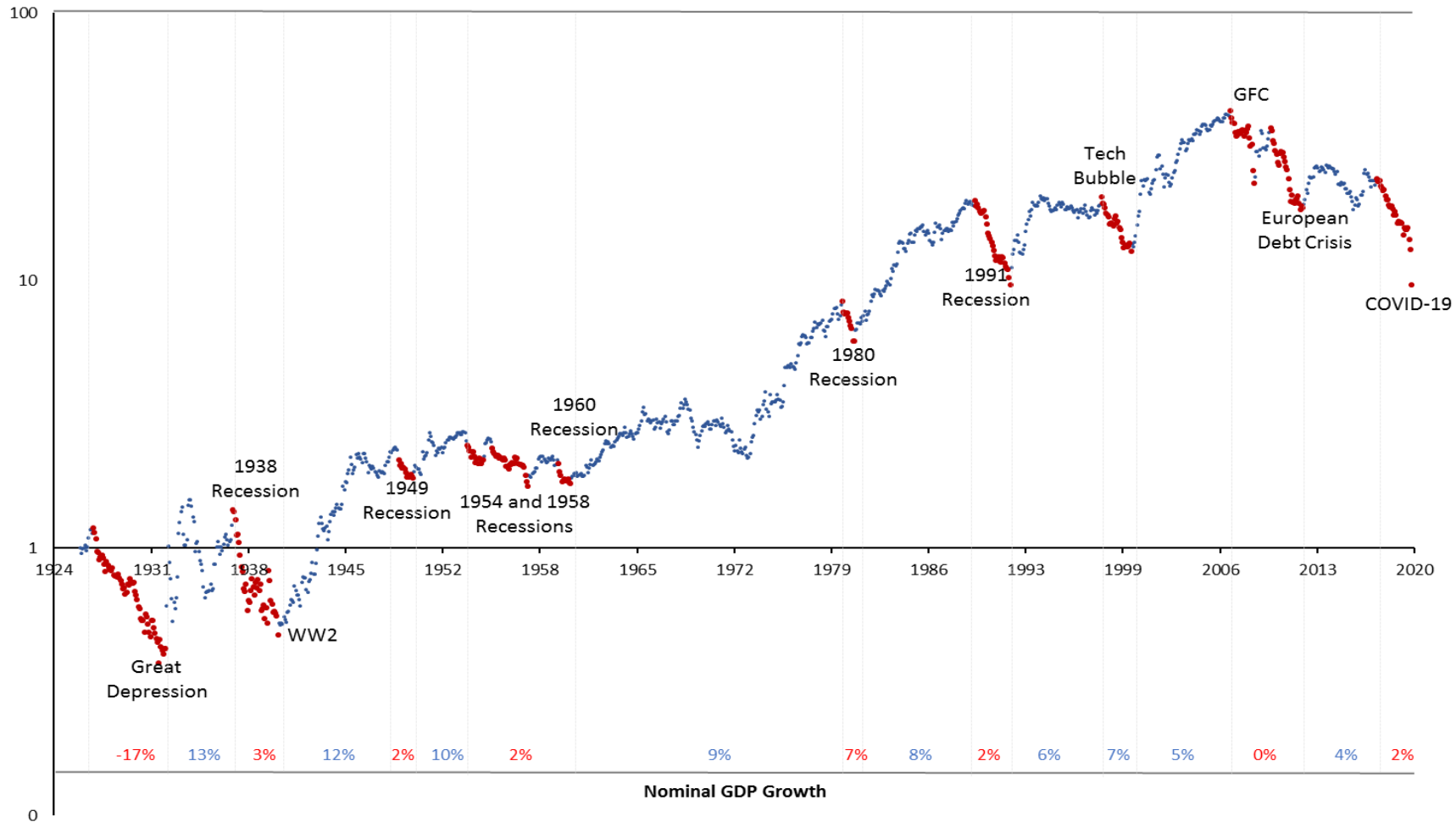
# Appendix





# The Value Anomaly Performs Poorly in Difficult Low Growth and Low Inflation Environments

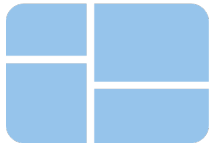
Fama French HML Index - Value Underperforms in Low Growth, Low Inflation, Low Confidence Environments



Sources: Kenneth French; Hyperion



# Software moving from edge to core of society



**1985** Microsoft's Windows operating system was introduced



**1998** Google Search function enabled by Alphabet



**2007** Apple launched the iPhone



**2010** Instagram photo sharing platform was released



**1990** The World Wide Web is created



**2005** The YouTube video sharing platform was created



**2009** Bitcoin was first mined by Satoshi Nakamoto



Historical logos as at time of product and/or service launch used.

# Software moving from edge to core of society

U B E R

**2011** Uber launched following its 2010 beta launch



U B E R  
E A T S

**2014** Uber launched its food delivery platform, Uber Eats



**2015** Apple officially launched the Apple Watch

**2012** Tesla Inc. released the Model S all-electric sedan



T E S L A

**2014** Amazon launched The Echo and Alexa



**2020** COVID-19 accelerated the modernization of the world



Historical logos as at time of product and/or service launch used.

## MORE INFORMATION

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