

HYPERION AUSTRALIAN GROWTH COMPANIES FUND

DECEMBER 2020

OBJECTIVE: LONG-TERM CAPITAL GROWTH AND INCOME BY INVESTING IN HIGH CALIBRE AUSTRALIAN COMPANIES PRIMARILY LISTED WITHIN THE S&P/ASX 300 INDEX AT THE TIME OF INVESTMENT.



High-conviction portfolio of quality Australian listed equities from a research driven, bottom-up investment philosophy

Our Philosophy

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

Long term capital preservation is paramount.

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

Global Market Overview

Global equity market indices extended their gains for a second consecutive month, ending December near all-time highs. Major global headlines featured the confirmation of the U.S. presidential election victory by the Biden-led Democratic Party while Great Britain and the European Union reached a Brexit Trade Deal after five years of negotiations. Headlines also featured news of the newly discovered highly contagious strain of COVID-19 which sparked strict Christmas border restrictions and shutdowns. In the U.S., the S&P 500 Index returned +3.8% during the month. New York Federal Reserve November economic data revealed one-year forward consumer inflation expectations beat consensus estimates, reaching 3.0%. In addition, the IHS Markit Manufacturing PMI increased to 57.1 in December, marking the sharpest observed recovery in U.S. manufacturing sector operating conditions since September 2014. In Europe, the FTSE 100, Euro STOXX 50 and German DAX indices returned +3.3%, +1.8% and +3.2%, respectively. During the month, the European Commission Economic Sentiment Indicator improved +2.7 points to 90.4 and Flash Consumer Confidence data revealed improved conditions with the indicator increasing to -13.9 from -17.6 in November. Lockdown restrictions continued leading into Christmas, as Eurozone retail sales decreased by -6.0% over the month. In Australia, the S&P/ASX 300 Index returned +1.3% during December. It was revealed by ANZ that Job Advertisements grew +13.9% in November as reopening throughout the country continued. During the month, the IHS Markit Manufacturing PMI declined slightly from the 35-month high reached in November to 55.7, while the seasonally adjusted Business Activity Index rose to 57.0, signalling boosted activity as restrictions were eased. The best performing S&P/ASX 300 Index sectors for the month were Materials (+8.8%), Information Technology (+8.6%) and Consumer Staples (+2.2%) while Utilities (-5.4%), Health Care (-4.7%) and Industrials (-2.2%) were the worst performers. Global commodity prices continued to rise across the board, with energy commodities and non-energy commodities increasing +15.0% and +4.7% respectively during the month. The U.S. dollar depreciated against all G10 currencies, most notably against the Australian Dollar (-4.5%), Swedish Krona (-3.9%) and Norwegian Krone (-3.3%).

Performance

	1 Month	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	7 Years (p.a.)	10 Years (p.a.)	15 Years (p.a.)	Since Inception* (p.a.)	Inception* [^]
Portfolio – Net (%)	2.9	17.2	32.6	20.1	13.8	13.7	13.2	11.4	12.9	812.5
<i>Benchmark (%)¹</i>	<i>1.3</i>	<i>13.8</i>	<i>1.7</i>	<i>6.9</i>	<i>8.8</i>	<i>7.4</i>	<i>7.7</i>	<i>6.6</i>	<i>9.0</i>	<i>380.9</i>
Relative Performance – Net (%)	1.6	3.4	30.9	13.2	5.0	6.3	5.4	4.7	3.9	431.6

1. S&P/ASX 300 Accumulation Index. *Inception date: 30th September 2002. [^]Total return

Returns are net of applicable fees and costs.

Past performance is not a reliable indicator of future performance.

Data as at 31st December 2020. 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.



PORTFOLIO HOLDINGS UPDATE

Wisetech Global Ltd (WTC-AU)

Primary Exchange	ASX
GICS Sector	Information Technology
Market Cap (AUD\$m)	9,956



WiseTech Global Ltd (WiseTech) held the 2020 WiseTech Global Digital Investor Day on 3 December 2020. The company noted its investments in product development with 1,100 product upgrades and enhancements throughout FY20, over 4.6 million hours spent on development as of FY20 and 51% of company employees focussing on product development. The event included discussions on WiseTech's Total Addressable Market, which is expected to be positively impacted by the accelerated adoption of e-commerce as a result of COVID-19. Armstrong & Associates estimate the global logistics market to be valued at approximately US\$9 trillion and growing at 5% p.a. through to 2023. Specifically, WiseTech's current target segment within the broader market, that being global supply chain software execution IT, was valued by Gartner at US\$4.7 billion in 2019. With an estimated 7% market share of this segment, WiseTech's growth opportunity remains significant. Throughout the day key employees noted that WiseTech will continue to capitalise on structural changes such as the move to digitalisation and growing business needs for integrated global logistics technology solutions in the midst of further industry consolidation, supported by CargoWise One and CargoWise Neo. Furthermore, the company provided evidence of its value proposition via compelling product demonstrations of CargoWise One and CargoWise Neo along with interviews with large users of CargoWise One.

Afterpay Limited (APT-AU)

Primary Exchange	ASX
GICS Sector	Information Technology
Market Cap (AUD\$m)	33,648



Afterpay Limited (Afterpay) released a trading update for the month ended 30 November 2020, reporting underlying sales growth of 112% to AU\$2.1 billion. Referrals to retailers were up 147% with Afterpay generating 35 million leads for its merchant partners during the month and 1.2 million on Black Friday alone. Geographically, U.S. underlying sales rose 186% to AU\$1.0 billion, overtaking the ANZ segment for the first time. U.S. active customers grew by 1 million, taking the total number of customers that have signed up to Afterpay in the U.S. to over 13 million. ANZ also exhibited strong underlying sales growth of 54% to US\$0.9 billion, with in store sales growth aided by the easing of COVID-19 restrictions. In the U.K., underlying sales increased 315% to AU\$0.2 billion, with the number of merchants in the region increasing by 800%. Over the Black Friday/Cyber Monday weekend trading records were broken across all regions, with underlying sales in ANZ increasing by 60% and basket sizes increasing 30% and 25% in the U.S. and the U.K., respectively.

Nanosonics Limited (NAN-AU)

Primary Exchange	ASX
GICS Sector	Health Care
Market Cap (AUD\$m)	2,417



Nanosonics Ltd (Nanosonics) provided a business update for the first four months of FY21 to 31 October 2020. The company reported unit purchases of consumables (Sonex / NanoNebulant) by end customers in the first four-month period increased 4% compared to the prior corresponding period preceding the COVID-19 pandemic. New Trophon units installed in the first four months of FY21 were 91% of the prior corresponding period, with North America at 90% and EMEA at 119%. Management commented on North American hospitals being better equipped during the second wave of COVID-19, resulting in a lesser impact on volumes than during the first wave. Nanosonics held their Annual General Meeting on 24 November 2020, reiterating growth in the global installed base, up 13% to 23,720 units as at FY20. For FY20 the company saw stronger growth in the Europe and Middle East installed base which was up 27%, while the North America and Asia Pacific installed bases increased 13% and 9% respectively. Furthermore, the company noted total revenue had grown 19% over the year to AU\$100.1 million. Nanosonics emphasised the continued significance and unmet need for their lead new product which is currently in development. In late November, I-MED Radiology Network announced an agreement to update their fleet of Trophon EPRs to the newer Trophon 2 model as well as expanding their installed base to ensure standardised practice for high level disinfection of ultrasound equipment. The I-MED Network is the largest user of the technology in Australia.

Top 5 Holdings

	Portfolio (%)	Benchmark (%)
Afterpay Ltd	10.0	1.4
Wisetech Global Ltd	9.7	0.3
Xero Ltd	8.9	0.9
Fisher & Paykel Ltd	8.6	0.2
Domino's Pizza Ltd	7.6	0.3

Top 5 Contributors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Afterpay Ltd	147.1	5.1	8.5
Xero Ltd	83.5	7.6	6.3
James Hardie Industries	147.4	4.4	5.1
Wisetech Global Ltd	31.6	7.0	5.0
Domino's Pizza Ltd	65.5	8.2	5.0
Detractors			
Pendal Group Ltd	-24.0	0.5	-0.3
IRESS Ltd	-18.6	2.0	-0.7
Corporate Travel Mgmt*	-51.2	0.2	-1.0
Macquarie Group Ltd	0.5	5.9	-1.7
Cochlear Ltd	-15.9	5.9	-2.0

* Stock not currently held

Portfolio Fundamentals

	Portfolio	Benchmark
Return on Equity (%)*	21.8	14.8
Dividend Yield (%)*	0.9	2.8

* Trailing

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Market Capitalisation

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-20	24.0	56.6	-32.6	4
S&P/ASX 21-50	20.5	17.2	3.3	4
S&P/ASX 51-100	42.0	13.5	28.5	8
S&P/ASX 101-300	9.7	12.6	-2.9	7
Cash	3.8	--	3.8	--
Total	100.0	100.0	--	23

Portfolio weights may not equate to 100.0% due to rounding.

Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	10.4	4.0
Consumer Discretionary	7.9	7.7
Financials	9.2	27.1
Health Care	28.1	10.6
Industrials	1.5	7.2
Information Technology	32.7	4.6
Materials	6.4	20.5
Cash	3.8	--

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Fund Characteristics

Universe	S&P/ASX 300
Launch	Managed by Hyperion since September 2002, launched October 1996
Fees	MER 0.95%
Distribution	AUD 0.7676 CPU at 30 September 2020 AUD 51.4675 CPU at 30 June 2020 AUD 0.2551 CPU at 31 March 2020 AUD 0.7700 CPU at 31 December 2019 AUD 1.6080 CPU at 30 September 2019
Fund Size	\$1,970.2 million
APIR Code	BNT0003AU
The Fund's PDS contains more complete information on risks and fees	

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