

Market Commentary

Global equity indices finished mostly higher in July with high inflation prints, central bank policy tightening, weakening economic indicators, and company earnings making headlines. In the U.S., the S&P 500 Index returned +9.2% over the month. Annual CPI inflation in the U.S. rose to 9.1% in June while U.S. GDP contracted 0.9% year-on-year in the June quarter, putting the U.S. economy into a technical recession. The U.S. Federal Reserve raised the federal funds rate by 75bps citing a tight labour market and high inflation while acknowledging a softening of spending and production indicators. In Europe, the Euro STOXX 50, Germany DAX, and FTSE 100 total return indices returned positive 7.5%, 5.5%, and 3.7%, respectively. The European Central Bank increased its key interest rates for the first time since 2011, with the 50bps hike higher than the 25bps raise they signalled in their previous meeting. In Australia, the S&P/ASX 300 total return index returned +6.0% over June. The Reserve Bank of Australia raised the cash rate target by another 50bps, forecasting inflation to peak later this year. The Australian CPI rose at an annual rate of 6.1% in the June 2022 quarter, while the trimmed mean inflation rose 4.9% annually, the highest reading since the series began in 2003.

Fund Update and Outlook

The Hyperion Australian Growth Companies Fund returned 13.1% for the month of July, outperforming its benchmark (S&P/ASX 300 Accumulation Index) by 7.2%. Nanosonics Ltd, Wisetech Global Ltd, and Xero Ltd saw the strongest share price performance during the month while Iress Ltd and GQG Partners, Inc. saw share prices decline.

As we have stated throughout the year, the selloff in high quality growth-oriented, long duration companies has undoubtedly been challenging for investors. Rather than being fundamentally driven, we believe that the sharp selloff in these companies has largely been driven by short-term macro-economic factors, contagion, and fear (read more [here](#)).

Although domestic companies are yet to report, pleasingly, many of our companies have provided positive trading updates ahead of their results. As we move through the current reporting season, we would expect to see further evidence that our portfolio companies are able to produce attractive levels of growth in arguably one of the more challenging economic landscapes we have seen since the GFC. The market is beginning to take notice of the strong underlying fundamentals of these companies. We believe the earnings streams of our portfolios are more robust than the broader market, particularly in a weak or recessionary environment.

As discussed in our latest Whitepaper ([here](#)) we believe it is likely that nominal GDP growth will slow over the next 12 months and as this slowing occurs, capital allocators are likely to switch back towards structural growth stocks. The declines in the prices of our portfolio companies in the first half of 2022 represents the largest dislocation of share prices compared with long run fundamentals we have seen in many years. This dislocation continues to offer an attractive opportunity to investors who are prepared to take a longer-term view.

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.

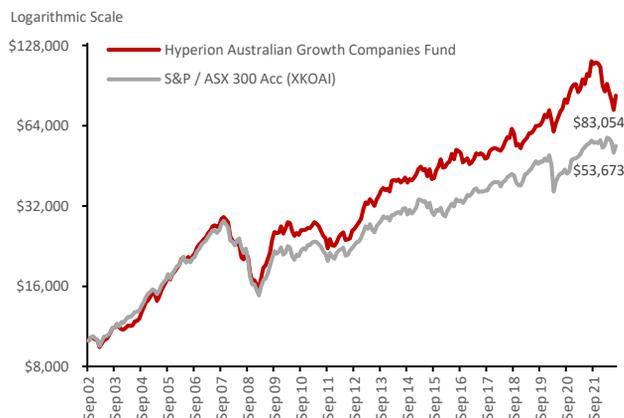
Our Philosophy

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

Performance Chart growth of \$10,000 since inception



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	13.1	6.0	7.2
3 Month	-2.8	-6.2	3.4
1 Year	-15.5	-2.3	-13.2
3 Year (p.a.)	9.2	4.4	4.7
5 Year (p.a.)	10.7	8.1	2.6
7 Year (p.a.)	9.5	7.2	2.3
10 Years (p.a.)	13.1	9.4	3.7
15 Years (p.a.)	7.9	5.1	2.7
Inception (p.a.)*	11.3	8.8	2.4
Inception (TR)*^A	730.5	436.7	293.8

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, costs and taxes. Past performance is not a reliable indicator of future performance. Data as at 31st July 2022. 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 (%)
Xero Ltd	11.1	0.6
Resmed Inc.	9.8	0.6
Block, Inc.	9.1	0.2
CSL Ltd	9.1	6.6
Fisher & Paykel Healthcare	7.1	0.1

Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	9.4	3.9
Consumer Discretionary	6.3	6.7
Financials	10.8	28.5
Health Care	31.9	10.2
Industrials	2.4	6.1
Information Technology	32.0	3.3
Materials	4.0	22.3
Cash	3.2	--

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

Market Capitalisation (AUD)

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-20	16.1	57.5	-41.4	2
S&P/ASX 21-50	45.4	17.7	27.8	7
S&P/ASX 51-100	21.9	12.8	9.0	6
S&P/ASX 101-200	11.7	8.6	3.1	6
S&P/ASX 201-300	--	3.2	-3.2	--
Ex S&P/ASX 300	1.7	0.3	1.4	1
Cash	3.2	--	3.2	--
Total	100	100	--	22

Portfolio weights may not sum perfectly to 100.0% due to rounding.
All data as at 31st July 2022

Top 5 Contributors and Detractors (rolling 12 months)

Contributors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Wisetech Global Ltd	62.7	6.4	2.5
Macquarie Group Ltd	15.4	7.0	0.5
CSL Ltd	0.3	9.1	0.4
Technology One Ltd	24.2	1.3	0.2
Resmed Inc.	-5.3	9.8	0.2

Detractors	Price change (%)	Avg Weight (%)	Contribution to return (%)
Block Inc.^	-38.6	5.0	-4.4
Xero Ltd	-33.7	10.3	-3.7
Fisher & Paykel Healthcare	-36.0	6.1	-2.4
Afterpay Ltd*^	-31.2	5.3	-2.3
Domino's Pizza Enterprises	-37.9	4.2	-1.5

*Stock not currently held in the portfolio. ^Afterpay Ltd commenced trading as Block Inc. on 20th January 2022

Fund Characteristics

Universe	S&P/ASX 300
Launch	Managed by Hyperion since September 2002, launched October 1996
Fees	MER 0.95%
Distribution	AUD 23.7305 CPU at 30 June 2022 AUD 0.6988 CPU at 30 September 2021 AUD 86.6742 CPU at 30 June 2021 AUD 0.4324 CPU at 31 March 2021
Fund Size	\$1,997.2 million
APIR Code	BNT0003AU

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

Portfolio Holdings Update

Wisetech Global Ltd (WTC-AU)

Primary Exchange	ASX
GICS Sector	Information Technology
Market Cap (\$m)	16,352



WiseTech Global Ltd (WiseTech) upgraded their FY22 guidance in July, with FY22 revenue expected to come in at the top of end of the \$600-635m range guided in February 2022. The FY22 EBITDA range was also increased from \$275-295m to \$310-320m, attributed to “strong top line growth and cost efficiencies ahead of expectations”. These numbers represent revenue growth of 18-25% on FY21 and EBITDA growth of 50-55%. Separately, the company also announced the acquisition of UK-headquartered Bolero.net Limited (Bolero) for an undisclosed amount. Bolero provides fully digital solutions for carriers to digitise Bills of Lading, removing the need to rekey paper-based and scanned documents and facilitating secure information transfer for the global trade industry. WiseTech is expected to release its full year audited results on 24 August 2022.

Nanosonics Limited (NAN-AU)

Primary Exchange	ASX
GICS Sector	Health Care
Market Cap (\$m)	1,422



Nanosonics Limited (Nanosonics) provided a strong business update to the market, with revenues expected to grow 17% in FY22 to \$120.3m. The global installed base grew 12% in FY22 to 29,850 with 91% of all new installed base units sold in FY22 Q4 by Nanosonics’ North American team. 2,650 new units were installed in North America (up 11% on FY21) and new installed base was up 21% in FY22 H2 versus H1 in a sign of improving momentum. The update noted that Nanosonics’ transition from GE to a more direct sales model has progressed positively with the majority of customers either transitioned or in the process of transitioning to Nanosonics for the ongoing supply of consumables. Volumes through Nanosonics’ logistics facility in Indianapolis are also up over 100% compared to pre-transition and the company is experiencing no disruption in supply to customers. The company expects to announce its full year results on 23 August 2022.

HUB24 Limited (HUB-AU)

Primary Exchange	ASX
GICS Sector	Financials
Market Cap (\$m)	1,950



HUB24 Limited (HUB24) provided a market update for FY22 Q4 with Platform Funds Under Administration (FUA) increasing 19.9% year-on-year (YoY) to \$49.7b as at 30 June 2022. This was driven by record platform annual net inflows of \$11.7b (up 31.7% compared to FY21) offset by negative market movement of \$3.5b. Portfolio, Administration and Reporting Services FUA declined 7.7% on the prior year to \$15.9b impacted by negative market movement of \$17.2b over the year. Adviser activity in the industry has slowed as a result of general market volatility and a focus on registering fee consent forms with product providers in order to meet new regulatory obligations. The total number of advisers grew by 1.6% over FY22 Q4 and 13.8% over FY22 to 3,486. The company also provided an update on Class which saw the strongest June quarter for total account growth since 2019 with growth in total net accounts across Class Super, Class Portfolio and Class Trust products.

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