

HYPERION AUSTRALIAN GROWTH COMPANIES FUND

NOVEMBER 2018



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

	Portfolio – Net (%)	Benchmark [^] (%)	Excess Performance (%)
1 month	1.5	-2.2	3.7
3 months	-12.2	-9.3	-2.9
1 year	4.7	-1.0	5.7
3 years p.a.	6.7	7.7	-1.0
5 years p.a.	8.4	5.8	2.6
10 years p.a.	12.6	8.9	3.7

Past performance is not a reliable indicator of future performance. Returns are net of applicable fees, costs and taxes. [^]S&P/ASX 300 Accumulation Index. Data as at 30th November 2018.

Fund Review

REA Group Limited (REA-AU) released a market update for the first quarter ended 30 September 2018, reporting revenue growth of 17% to \$222m and EBITDA growth of 23% to \$131m. Despite tougher market conditions, with listing volumes down 3%, the company noted the strong revenue growth was driven by the Australian Residential business, the inclusion of the Hometrack Australia business and a full quarter's contribution from the Smartline business. Price increases from 1 July 2018, an improved product mix, increased depth penetration and a stronger contribution from newer products such as Audience Maximiser and Front Page also contributed to the strong result. REA-AU continued to extend its engagement lead in Australia, with 2.8x the amount of site visits, 2.7x more app launches and 3.8x more time spent on its app compared to its nearest competitor, Domain (DHG-AU). The company also announced that Tracey Fellows will be stepping down from her role as Chief Executive Officer in January 2019 to become the President of Global Digital Real Estate at News Corp.

Technology One Limited (TNE-AU) reported results for the full year ended 30 September 2018, announcing revenue growth of 9% to \$299m, net profit growth of 15% to \$51m and EPS growth of 14% to \$0.16 per share. The company's Initial License Fees revenue increased 6% to \$65m, Consulting revenue decreased 11% to \$63m and Annual Recurring Revenue (ARR) increased 22% to \$169m. TNE-AU's SaaS Platform continues to perform strongly after achieving ARR growth of 41% to \$38m and adding 77 new customers during the year, taking the total number of enterprise customers to 347. Research and development (R&D) costs increased 8% to \$54m as the company continues to invest across its entire Ci Enterprise Suite, the TechnologyOne SaaS Platform and into early research for its Digital Experience Platform. Management noted that the sales pipeline for FY19 remains strong, with further growth expected to continue in the SaaS business, both supporting strong profit growth for the coming year.

Xero Limited (XRO-AU) reported results for the first half ended 30 September 2018, announcing operating revenue growth of 37% to \$257m, gross margin expansion of 300bps to 83% and EBITDA growth of 8% to \$17m. Geographically, ANZ achieved operating revenue growth of 30% to \$169m, subscribers increased by 24% to 981,000 with the Average Revenue Per User (ARPU) up 7% to \$32.00. XRO-AU's International segment achieved operating revenue growth of 52% to \$87m, with subscribers increasing by 46% to 598,000 and ARPU up 5% to \$29.70. Divisionally, Core Accounting represented 91% of operating revenue and achieved revenue growth of 36%, Platform accounted for 4% and was up 96%, WorkflowMax represented 3% and was up 18% and Non-recurring revenue accounted for 2% and was up 40%. The company will continue to focus on growing its global small business platform and maintained its guidance for break-even cash flow in FY19. XRO-AU also noted that it is comfortable with FY19 analyst consensus expectations for revenue of \$528m to \$558m and EBITDA of \$66m to \$94m.

OBJECTIVE: MEDIUM TO 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.



**Awards
2016™**

Hyperion named AUSTRALIAN FUND MANAGER OF THE YEAR
in the Morningstar 2016 Awards, Australia.

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Top 5 Holdings

	Portfolio (%)	Benchmark (%)
Seek	11.5	0.4
Domino's Pizza	9.4	0.2
REA Group	9.2	0.2
Cochlear	8.8	0.6
Macquarie Group	5.8	2.3

Top 5 Contributors (rolling 12 months)

Contributors	Avg Weight (%)	Price change (%)	Contribution to return (%)
Macquarie Group	8.2	16.6	1.8
Trade Me Group	3.2	33.3	1.3
Wisetech Global	2.0	52.9	1.3
Netwealth Group	2.0	60.4	0.9
Xero	2.2	41.2	0.8
Detractors			
Pendal Group	3.3	-23.0	-0.7
Carsales.Com	3.1	-18.5	-0.5
Ramsay Health Care	1.7	-22.3	-0.5
Cochlear	9.5	-6.3	-0.4
Blackmores	0.9	-26.0	-0.3

Portfolio Fundamentals

	Portfolio	Benchmark
Price to Earnings*	24.6	14.5
Return on Equity (%)*	31	11.7
Dividend Yield (%)*	2.5	4.3

* trailing

CONTACT US

DISTRIBUTION PARTNER

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Market Capitalisation

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-50	22.7	76.4	-53.7	5
S&P/ASX 51-100	37.1	12.4	24.7	6
S&P/ASX 101-200	23.1	8.6	14.5	8
S&P/ASX 201-300	4.8	2.5	2.3	2
Cash	12.4	--	12.4	-
Total	100	100	--	21

Sector Allocation

	Portfolio (%)	Benchmark (%)
Consumer Discretionary	17.7	6.5
Consumer Staples	0.9	5.6
Financials	12.4	32.8
Health Care	17.5	8.4
Industrials	14.9	8.0
Information Technology	12.1	2.3
Communication Services	12.3	3.7
Cash	12.4	--

Domicile Australia, authorised by ASIC

Universe S&P/ASX 300

Launch Managed by Hyperion since September 2002, launched October 1996

Fees MER 0.95%

Distribution AUD 3.1911 CPU at 30 September 2018
AUD 16.2785 CPU at 30 June 2018
AUD 1.4040 CPU at 31 March 2018
AUD 1.7289 CPU at 31 December 2017

Fund Size \$1033.4 million

APIR Code BNT0003AU

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

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