HYPERION GLOBAL GROWTH COMPANIES FUND (CLASS B)

NOVEMBER 2018

HYPERION ASSET MANAGEMENT

a different horizon...

OBJECTIVE: LONG-TERM CAPITAL GROWTH AND INCOME BY INVESTING IN HIGH QUALITY GLOBAL COMPANIES.

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

Our Philosophy

High quality, structural growth businesses produce attractive shareholder returns over the long-term.

Long-term capital preservation is paramount.

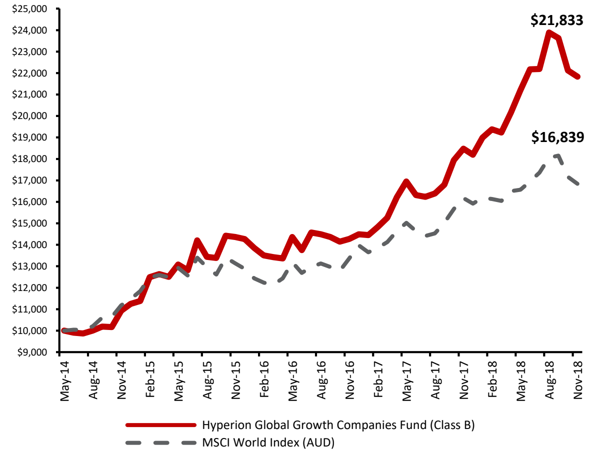
We believe companies in our portfolio have:

- 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 markets rose modestly during November but failed to recover all of October's decline. Rising global economic growth concerns continued to weigh on markets despite signs of moderating trade tensions between the U.S. and China. During the G20 summit, U.S. President Trump and Chinese President Xi both agreed to pause the introduction of new tariffs for 90 days and intensify their efforts to reach a trade agreement. In the U.S., the S&P 500 returned +2.0%, after the Federal Reserve left rates unchanged noting the economy remained strong, the labour market was healthy and that rates are just below the neutral level. In Europe, the Euro STOXX 50, FTSE 100 and German DAX finished lower, returning -0.7%, -1.6% and -1.7% respectively after third quarter Eurozone GDP growth remained unchanged, PMI declined and an agreement between the U.K. and European Union was reached on Brexit. In Australia, the S&P/ASX 300 Accumulation Index returned -2.2%. REITs (+5.3%), information technology (+4.5%), and energy (+4.3%) were the best performing sectors, whilst communication services (-1.6%), financials (0.0%) and consumer discretionary (+0.9%) were the worst performers. Global bond yields fell during November. Bulk commodity prices generally fell during the month, with coking coal prices trading higher, whilst iron ore, thermal coal and oil declined. The U.S. Dollar rose against half of the G10 currencies with the exception of the New Zealand Dollar, Australian Dollar, Swiss Franc, Swedish Krona and Euro.

Net Performance - Growth of AUD $10,000*



	Portfolio – Net (%)	Benchmark^ (%)	Excess Performance (%)
1 Month	-1.3	-1.9	0.6
3 Months	-8.6	-6.7	-1.9
1 Year	18.2	4.0	14.2
3 Years (p.a.)	15.0	7.9	7.1
Inception (p.a)**	18.9	11.5	7.4

*Investment of $10k since inception. **Inception date: 1st June 2014. ^ MSCI World Index (AUD).
Returns are net of applicable fees, costs and taxes.
Past performance is not a reliable indicator of future performance.
Data as at 30th November 2018.

MORNINGSTAR Awards 2016

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

PORTFOLIO HOLDINGS UPDATE

Intuit Inc (INTU-US)

Primary Exchange	NASDAQ
GICS Sector	Information Technology
Market Cap (US$m)	55,678

Intuit Inc (INTU-US) released results for the first quarter ended 31 October 2018, reporting group revenue growth of 12% to $1.0b with EPS growing from -$0.01 in Q1 FY18 to $0.13 per share. Divisionally, the company's Small Business & Self-Employed revenue increased 11% to $908m, Consumer revenue was up 22% to $90m and Strategic Partner revenue increased 6% to $18m. The company's online ecosystem revenue increased 42% to $371m, while desktop ecosystem revenue decreased 4% to $537m. QuickBooks Online subscriptions in the U.S. increased 35% and grew 61% internationally resulting in a subscriber base of nearly 3.6m at the end of the quarter. Management expects revenue growth of 10% to 11% and EPS to reach $0.85 to $0.88 per share for the second quarter.

Ferrari NV (RACE-IT)

Primary Exchange	Borsa Italiana
GICS Sector	Consumer Discretionary
Market Cap (US$m)	18,273

Ferrari NV (RACE-IT) released a market update for the third quarter ended 30 September 2018, announcing group net revenue growth of 0.3% to €838m, EBITDA growth of 5% to €278m and underlying EPS growth of 5% to €0.78 per share. Shipments for the company totaled 2,262 units during the quarter, up 216 units or 11%, supported by an 8% increase in V12 models and an 11% increase in V8 models. All regions contributed positively to shipments, with EMEA up +11% (45% of shipments), Americas +5% (34% of shipments), China, Hong Kong and Taiwan +7% (7% of shipments), and Rest of APAC +28% (14% of shipments). Management confirmed FY18 guidance of net revenue of greater than €3.4b, EBITDA greater than or equal to €1.1b and shipment volumes of greater than 9,000 units.

Wayfair Inc (W-US)

Primary Exchange	NASDAQ
GICS Sector	Consumer Discretionary
Market Cap (US$m)	9,594

Wayfair Inc (W-US) released results for the third quarter ended 30 September 2018, reporting Direct Retail net revenue growth of 43% to $1.7b. Geographically, the company continues to see growth in both its U.S. and International businesses, with Direct Retail revenue up 41% to $1.5b and up 58% to $232m respectively. The number of active customers in its direct retail business increased 35% to 13.9m, with net revenue per active customer increasing 9% to $443. 66% of total orders during the quarter were from repeat customers with orders from these customers increasing by 60% to 4.6m with an average order value of $244. Management expects its gross margin for the fourth quarter to be in line with the third quarter and for Direct Retail revenue of $1.9b to $1.95b.

HYPERION ARTICLES

Beware the index!

Last month we discussed the challenges facing a number of the constituent companies across key market indices, from a combination of technology-based disruption and a structurally low growth economic environment. This month, we continue our review of our recent article Beware the index! (Part 1), discussing in more detail the four key observations of broad-based equity indices which are important considerations for savvy investors.

Low interest rates driving a significant reduction in discount rates

Discount rates are a function of risk perceptions and interest rates. Risk perceptions relate to the uncertainty associated with future free cash flows. Interest rates influence the rate at which future cash flows are discounted back to a value today. In this article, we included a graph of the all important 10 year US treasury rate, which showed rates climbing dramatically to peak in the early 1980s, driven by high rates of inflation. Since this time, rates have largely been in decline, providing a significant multi-decade tailwind for global stock markets.

Going forward, we believe that interest rates and inflation are likely to remain low, however the multi-decade tailwind of material declines in interest rates will not be present. Therefore, future equity market index returns will have to rely more heavily on earnings growth and dividends to produce total real returns.

Significant shift from profitability mean reversion to a winner-takes-all economic reality

The world continues to migrate to a winner-takes-all model where average and below average companies continue to suffer from low industry demand growth and a structural decline in the relative strength of their value proposition to customers. However, in a difficult macro economic environment, we believe the return and performance profile of a select group of quality companies will persist. Post the GFC, mean reversion in return on capital and rate of sales growth have declined as large global disruptors with strong value propositions have taken market share from traditional businesses.

These businesses still have relatively small index weights or no weights in key equity indices, meaning the future returns of most indices will suffer more from the failure of old-world business models than they will benefit from the success of these disruptive modern businesses.

Old-world business manufacturing growth through mergers and acquisitions

In a low growth environment, characterised by multiple structural headwinds, many businesses will attempt to create the illusion of growth through acquisitions and the associated targeted "financial synergies". However, the conversion of revenue and cost synergies projected by merger models into actual reported earnings tends to be illusionary.

We are sceptical of management teams willing to "empire build" with the underlying motivation often being related to the receipt of larger remuneration from managing a larger economic entity. In our view, real economic value is created by investing in innovative products or services that solve real world problems. Our observation, based on M&A activity over the past two decades is that most large acquisitions do not achieve their expected synergies and in fact they tend to destroy value.

The Australian stock market

The Australian stock market has the advantages of a relatively large economy, high living standards with a large middle class, below average levels of corruption and a good legal system. However, we argue that the main constituents of the key Australian equity indices are low growth and low quality. The main indices are dominated by materials and energy businesses which are inherently low quality and financials (mainly banks) which are highly geared and heavily reliant for growth on an already highly geared household sector and a structurally challenged old-world business sector.

The table we included in this article shows the significant difference between the S&P/ASX 300 index weights by industry sector to those of the MSCI World index. The S&P/ASX 300 is relatively over exposed to highly leveraged and low growth banks, low quality materials businesses and low growth, capital intensive real estate sectors, whilst being underweight to the information technology sector. We estimate over 65% of the top 20 companies (by market capitalisation) is within financials, resources and REITs. Many of these companies look to be in structural decline in the long-term.

Hyperion's investment philosophy is not based on benchmark stock weights but instead is focused on the long-term business economics. We invest exclusively in the highest quality, structural growth businesses available within the relevant investable universe. We believe a low growth world suits our investment style and presents a favourable environment for long-term alpha generation.

Next month, we will take a closer look at the key sectors that make up the S&P/ASX 300 index and their outlook.

More insights from the Hyperion investment team can be found on our website.

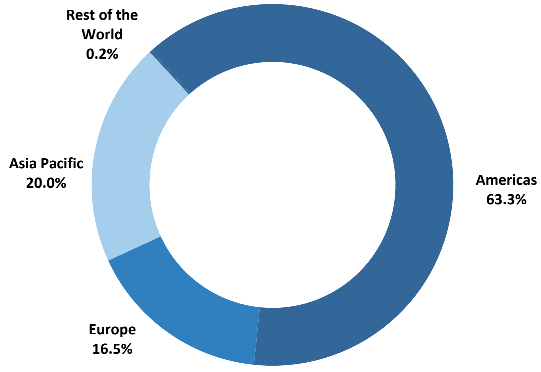
Top 5 Holdings

	Portfolio (%)	Benchmark (%)
Alphabet Inc. Class A	11.1	0.9
Amazon.com, Inc	7.8	1.8
Facebook, Inc. Class A	7.6	0.9
PayPal Holdings	7.4	0.2
Microsoft Corporation	6.5	2.1

Market Capitalisation (AUD)

	Portfolio (%)	# Stocks
$0 - $50bn	20.7	10
$50 - $100bn	7.3	2
$100bn +	55.0	8
Cash	17.0	--
Total	100	20

Geographical Weight by Source of Revenue



Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	21.6	8.2
Consumer Discretionary	20.4	10.3
Consumer Staples	4.5	8.6
Financials	2.4	16.5
Health Care	3.5	13.5
Industrials	2.0	11.0
Information Technology	28.6	15.0
Cash	17.0	--

Portfolio Characteristics ^

	Portfolio
Price to Earnings*	25
Dividend Yield (%)*	1.0
5-Year IRR (% p.a.) [1]	17.2

^ Data relates to the Composite * Trailing [1] Before fees

Top 5 Contributors (rolling 12 months) ^

Contributors	Avg Weight (%)	Price change (%)	Contribution to return (%)
Amazon.com, Inc.	8.9	49.3	4.6
Mastercard Incorporated Class A	6.2	38.9	2.4
Intuit Inc.	5.6	41.9	2.2
Domino's Pizza, Inc.	3.7	54.9	2.0
PayPal Holdings Inc	8.1	17.8	1.9
Detractors			
Facebook, Inc. Class A	9.3	-17.5	-1.1
Starbucks Corporation	0.6	-2.0	-0.1
Pendal Group	0.2	-6.2	0.0
Ferrari NV	1.5	-2.3	0.0
Cochlear	2.3	-6.3	0.0

^ Data relates to the Composite * Stock not currently held

Fund Characteristics

Domicile	Australia, authorised by ASIC
Fees	Management fee of 0.70% p.a. of the gross asset value of the Fund, plus a performance fee of 20% of the Fund's excess return versus the MSCI World Index (AUD), net of management fee.
Composite size	$86.1 million
Fund size	$72.4 million
APIR Code	WHT8435AU

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

CONTACT HYPERION ASSET MANAGEMENT Tel: 1300 497 374 or Email: clientservices@hyperion.com.au