HYPERION GLOBAL GROWTH COMPANIES FUND (CLASS B)

FEBRUARY 2019

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 experienced a positive February, ending the month higher for the second time this year. In the U.S., the S&P 500 returned +3.2%, after economic growth remained above trend, core CPI increased to 2.2%, however the unemployment rate increased by 10bps to 4.0%. Further tariff increases on $200b worth of Chinese exports were postponed following constructive trade talks between the U.S. and China. In Europe, the Euro STOXX 50, German DAX and FTSE 100 all finished higher, returning +4.4%, +3.1% and +2.3% respectively. Eurozone composite PMI rose slightly to 51.4 but manufacturing PMI fell to 49.2, indicating an outright contraction in manufacturing activity. In the U.K., Prime Minister Theresa May reopened Brexit negotiations with the E.U. after the U.K. parliament voted down the previously agreed Brexit deal. In Australia, the S&P/ASX 300 Accumulation Index returned +6.0%, despite private sector credit growth slowing and dwelling prices decreasing 6.3% over the year, whilst the unemployment rate remained unchanged at 5.0%. Health care (+7.0%), consumer staples (+2.1%), and information technology (+1.7%) were the best performing sectors, whilst communication services (-6.2%), energy (-3.7%) and REITs (-3.2%) were the worst performers. Global bond yields ended February higher. Bulk commodity prices generally rose during the month, with iron ore, hard coking coal and oil prices trading higher, whilst thermal coal and gold declined. The U.S. Dollar gained against all G10 currencies except the British Pound.

Net Performance - Growth of AUD $10,000*

Source: Hyperion Asset Management

	Portfolio – Net (%)	Benchmark^ (%)	Excess Performance (%)
1 Month	5.7	5.6	0.1
3 Months	8.2	5.4	2.8
1 Year	21.9	10.6	11.3
3 Years (p.a.)	20.6	13.4	7.2
Inception (p.a)**	19.8	13.0	6.8

*Investment of $10k since inception. **Inception date: 1st June 2014. ^ MSCI World Index Gross (AUD).
Returns are net of applicable fees, costs and taxes.
Past performance is not a reliable indicator of future performance.
Data as at 28th February 2019.

MORNINGSTAR Awards 2016

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

PORTFOLIO HOLDINGS UPDATE

Alphabet Inc. (GOOGL-US)

Primary Exchange	NASDAQ
GICS Sector	Communication Services
Market Cap (US$m)	780,692

Alphabet Inc. (GOOGL-US) released its full year 2018 results, reporting revenue growth of 22% to $136.8b and EPS growth of 244% to $44.22 per share. Regionally, U.S. revenue (46% of revenue) was up 21% to $63.3b, EMEA (33% of revenue) +24% to $44.6b, APAC (16% of revenue) +32% to $21.3b, and Other Americas (6% of revenue) +24% to $7.6b. At the segment level, Google advertising revenue grew 22% to $116.3b driven by the continued shift of consumers to using mobile search, while Other Revenue was up 33% to $19.9b driven by Google Cloud, Google Play and Hardware. Other Bets revenue increased 25% to $595m which was primarily generated by Fiber, an internet and television service provider and Verily, GOOGL-US's research organisation dedicated to the study of life sciences. Management highlighted that it now has 8 products with more the 1 billion users each and that YouTube Music and YouTube Premium is now available in nearly 30 countries, up from 5 countries at the start of 2018.

Intuit Inc. (INTU-US)

Primary Exchange	NASDAQ
GICS Sector	Information Technology
Market Cap (US$m)	64,025

Intuit Inc (INTU-US) released its result for the second quarter ending 31 January 2019, reporting group revenue growth of 12% to $1.5b, operating income margin expansion of 102bps to 16% and operating income growth of 20% to $233m. Divisionally, the company's Small Business & Self-Employed division achieved revenue growth of 17% to $833m, operating income margin expansion of 223bps to 38% and operating income growth of 24% to $320m. Consumer revenue increased 11% to $461m and operating income was up 9% to $164m, whilst Strategic Partner revenue was down 1% to $208m but achieved operating income margin expansion of 171bps to 80%. The company's online ecosystem revenue increased 38% to $394m, while desktop ecosystem revenue was up 3% to $439m. QuickBooks Online subscriptions increased 38% resulting in a subscriber base of nearly 3.9m at the end of the quarter. Management expects revenue growth of 8% to 10% and EPS growth of 3% to 5% share for the full fiscal year.

Wayfair Inc. (W-US)

Primary Exchange	NYSE
GICS Sector	Consumer Discretionary
Market Cap (US$m)	15,094

Wayfair Inc (W-US) released its full year 2018 result, reporting Direct Retail net revenue growth of 44% to $6.8b. Geographically, the company continues to see growth across both the U.S. and Internationally, with Direct Retail revenue up 40% to $5.8b and up 70% to $966m respectively. The number of active customers in the company's direct retail business increased 38% to 15.2m, with net revenue per active customer increasing 5% to $443. 66% of total orders during the fourth quarter were from repeat customers with orders from these customers increasing by 51% to 5.8m, each placing 1.85 orders at an average order value of $227.

HYPERION ARTICLES

How Hyperion Aims to Protect and Grow Your Investment

Hyperion Asset Management "Hyperion" is a client-centric, alpha seeking business; our primary objective is to protect and grow your capital investment over the long-term through our philosophy of investing in the highest quality businesses. Our approach has resulted in above benchmark returns for our clients over the long-term. Hyperion has been successfully managing listed equity portfolios for clients since 1996 and currently manages more than $6 billion on behalf of our clients, including $0.4 billion in internationally listed equities.

Economic outlook and portfolio construction

When economic conditions are favourable most businesses are able to do well and in the short-term, portfolios containing average and low-quality firms may well have strong performance. However, over the longer-term there are both upturns and downturns in economic cycles, sometimes for prolonged periods of time and in the longer-run, returns of portfolios containing average and low-quality businesses suffer. Prior to the GFC, many below average businesses steadily grew their earnings, often assisted by financial leverage. In reality, the earnings and the associated share price appreciation produced in these buoyant economic conditions were illusionary and not sustainable in more modest economic conditions.

Hyperion aims to maintain a portfolio of stocks that are robust and resilient even in downturns and difficult economic environments in-order to maximise long-term returns to clients. The investment processes of Hyperion are designed to weed out average and low-quality businesses allowing the investment team to focus their research efforts on only high-quality businesses that are positioned to sustain and grow even in harsh economic climates. For example, Hyperion's portfolios have been stress tested and significantly outperformed through difficult economic conditions such as the GFC and European debt crisis.

Over the past decade, since the GFC, economic conditions have been subdued. In recent times, global growth rates have been improving after a long period of expansive monetary and fiscal policy has inflated asset prices and reduced unemployment levels. More importantly however, the long-term macro-economic outlook is for continued low levels of economic growth globally. Compared with the strong economic conditions the global economy enjoyed in the six decades between the end of WW2 and the GFC, the long-term growth outlook is modest at best. We believe the world is likely to continue to experience low inflation, low growth and low interest rate conditions for decades to come.

The key structural headwinds impeding the economic growth outlook include; ageing populations, high consumer and government debt levels, rising levels of inequality in most developed countries, the increasingly disruptive impacts of climate change, artificial intelligence (AI) and robotics. Under these low growth economic conditions, it will be difficult for average businesses to thrive or even survive; whereas high quality businesses are the last to be affected by difficult economic conditions and are ultimately positioned to take market share. Businesses with structural tailwinds, innovative cultures that can adapt to and drive change and sustainable capital structures (i.e. strong balance sheets) have a significant advantage over average and low-quality businesses.

What characteristics do high quality businesses have that gives them an advantage even in economic downturns?

Three key characteristics that the investment team seeks when identifying high quality businesses are:

1. Proven structural growth (tailwinds);

2. Innovative cultures; and

3. Low debt levels.

HYPERION ARTICLES

How Hyperion Aims to Protect and Grow Your Investment

Proven structural growth (tailwinds)

Businesses that have structural growth tailwinds, include those businesses that can grow by utilising disruptive technologies that are the cause of fundamental change in industries. Lower quality businesses tend to be those that are enmeshed in old technology, are unable to recognise and/or respond to disruption and are beholden to economic cycles. These businesses are either unwilling to accept change or not in a position to quickly or efficiently transfer to the disruptive technology. As such, these companies lose market share: an outcome that is likely to be detrimental to longer-term survival and a problem that increases in magnitude in a low growth economy. In contrast to these lower quality businesses, the Hyperion investment team looks for firms that have created products with strong value propositions that have the potential to expand addressable markets and take revenues away from traditional competitors. Examples of portfolio firms that have successfully disrupted industries and have structural growth tailwinds are Amazon in the retail sector; Alphabet in media and advertising; and Paypal in the payments sector.

Innovative Culture

In order to position a business to recognise and benefit from disruption and structural change it needs to have an organisational culture that embraces innovation. The Hyperion investment team views high quality firms as having a culture of innovation. This culture needs to be observed through the whole of the business from top management down. Examples of things associated with an innovative culture would be: (i) senior management's understanding and insight regarding the influences of change on their product and market; (ii) appropriate investment in research and development; and (iii) creation of environments structured to encourage an innovative workforce (e.g. Google's campuses built to facilitate "smart creatives"). These are just some of the characteristics the Hyperion investment team seeks when identifying high quality businesses. Furthermore, senior management needs to be able to convert this culture into a successful commercial reality.

A strong balance sheet

The Hyperion investment team view high quality firms as having low debt levels. The reason for this is that shareholders in firms that have low debt levels are less likely to experience binomial outcomes during difficult economic times. Having low debt levels affords businesses the ability to make decisions without the threat of liquidation if the business goes through periods of adverse change or low growth.

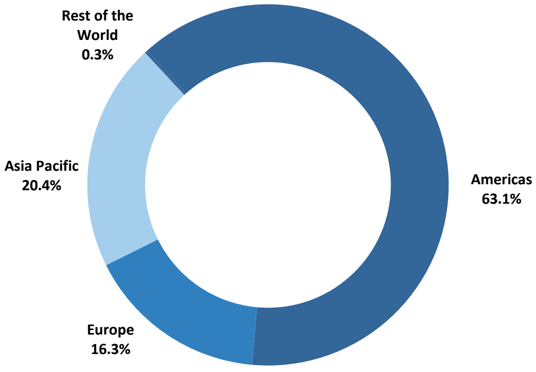
These are just three attributes the investment team at Hyperion considers when researching companies. We look for structural growth, innovative cultures and a strong balance sheets when identifying potential new investments but we also focus on ensuring the companies in the portfolio maintain these attributes over time. We believe that in a low growth, low inflation and low interest rate environment these three attributes are critical characteristics of high quality businesses. By investing only in the highest quality businesses, we aim to protect and grow your capital investment over the long term.

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	8.9	1.7
Facebook, Inc. Class A	8.2	1.0
PayPal Holdings	7.5	0.3
Mastercard Incorporated Class A	6.3	0.5

Geographical Weight by Source of Revenue



Source: Hyperion Asset Management

Portfolio Characteristics ^

	Portfolio
Price to Earnings*	30
Dividend Yield (%)*	1.0
5-Year IRR (% p.a.) [1]	16.1

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

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	$118.4 million
Fund size	$103.1 million
APIR Code	WHT8435AU

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

Market Capitalisation (AUD)

	Portfolio (%)	# Stocks
$0 - $50bn	18.0	10
$50 - $100bn	9.0	3
$100bn +	56.5	8
Cash	16.5	--
Total	100	21

Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	22.5	8.2
Consumer Discretionary	22.0	10.4
Consumer Staples	3.5	8.4
Financials	2.4	16.2
Health Care	3.1	12.9
Industrials	0.5	11.3
Information Technology	29.5	15.4
Cash	16.5	--

Top 5 Contributors (rolling 12 months) ^

Contributors	Avg Weight (%)	Price change (%)	Contribution to return (%)
PayPal Holdings	8.0	35.3	2.9
Intuit Inc.	5.4	62.2	2.9
Wayfair, Inc. Class A	1.9	134.4	2.6
Mastercard Incorporated Class A	6.1	40.1	2.4
Amazon.com, Inc	8.6	18.8	2.4
Detractors			
Seek	2.5	-8.9	-0.2
Starbucks Corporation*	0.1	1.8	0.0
Cochlear	1.6	-7.3	0.1
Ferrari NV	1.7	12.9	0.2
Kering SA	0.1	15.0	0.2

^ Data relates to the Composite * Stock not currently held

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