

# HYPERION SMALL GROWTH COMPANIES FUND

## FEBRUARY 2019



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 <sup>^</sup> (%)	Excess Performance (%)
1 month	4.1	6.8	-2.7
3 months	4.4	8.0	-3.6
1 year	13.3	3.5	9.8
3 years p.a.	9.3	13.4	-4.1
5 years p.a.	9.2	7.7	1.5
10 years p.a.	17.8	9.4	8.4

Past performance is not a reliable indicator of future performance. Returns are net of applicable fees, costs and taxes. <sup>^</sup>S&P/ASX Small Ordinaries Accumulation Index. Data as at 28<sup>th</sup> February 2019.

### Fund Review

Nick Scali Limited (NCK-AU) released a market update for the first half of FY19, reporting sales revenue growth of 10% to \$141m, gross margin expansion of 21bps to 63%, and NPAT growth of 8% to \$25m. During the period the company successfully launched a bedroom and bedding category across 24 stores. In addition, it opened 4 new stores during the first half of FY19 and 6 stores during FY18, all contributing to the strong result. 3 of the 4 new stores were opened across Queensland with the company opening its second store in New Zealand in the city of Hamilton. NCK-AU now expects to open a further 2 stores during the second half of FY19, taking the total store count to 57 by the end of the financial year.

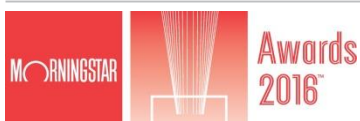
Pushpay Holdings Limited (PPH-AU) released a market update for the third quarter ending 31 December 2018, reporting total revenue growth of 35% to \$28m. Annualised processing volume increased 29% to \$5b, with the average revenue per customer increasing 26% to \$1,548 per month. The company's customer base was up 6% to 7,585 customers, with 56 of the 100 largest churches in the U.S. using Pushpay's digital giving solution. Management reiterated FY19 guidance for revenue of between \$97.5m to \$100.5m and for the full year gross margin to be greater than 60%.

### Market Outlook

February saw most of our domestic portfolio companies release their half or full year results. The results were generally positive with the companies reporting solid sales and EPS growth. While some of the companies cited adverse macroeconomic conditions and other short-term challenges, we maintain a long-term perspective of a company's performance and growth potential. REA-AU performed particularly well, delivering a strong result despite a backdrop of challenging domestic property market conditions, further highlighting the strong value proposition the company offers all stakeholders.

We remain confident that the companies in the portfolios will achieve attractive rates of revenue, EPS and DPS growth over the next five years, well ahead of the broader market.

**OBJECTIVE: MEDIUM TO LONG-TERM CAPITAL GROWTH AND INCOME BY INVESTING IN HIGH CALIBRE AUSTRALIAN COMPANIES PRIMARILY LISTED OUTSIDE THE S&P/ASX 100 INDEX AT THE TIME OF INVESTMENT.**



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

HYPERION ASSET MANAGEMENT FUND UPDATE | FOR FINANCIAL ADVISORS ONLY

## Top 5 Holdings

	Portfolio (%)	Benchmark (%)
REA Group	8.7	--
Wisetech Global	7.4	1.2
Domino's Pizza Enterprises	6.8	--
Technology One	6.8	1.0
Corporate Travel Mgmt	6.1	1.2

## Top 5 Contributors (rolling 12 months)

Contributors	Avg Weight (%)	Price change (%)	Contribution to return (%)
Wisetech Global	6.7	84.7	5.3
Technology One	6.4	53.8	3.0
Trade Me Group	4.7	49.3	2.3
Xero	3.7	49.6	1.6
Nanosonics	2.7	56.6	1.4
Detractors			
Class	2.3	-45.9	-1.5
Pushpay Holdings	4.4	-14.2	-1.0
ARB Corporation	5.6	-14.8	-0.8
Beacon Lighting	2.6	-28.6	-0.8
Pendal Group	2.6	-18.4	-0.6

## Portfolio Fundamentals

	Portfolio	Benchmark
Price to Earnings*	17.7	18.2
Return on Equity (%)*	24	8.4
Dividend Yield (%)*	1.7	2.9

\* trailing

### CONTACT US

#### DISTRIBUTION PARTNER

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## Market Capitalisation

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-50	--	--	--	--
S&P/ASX 51-100	23.9	--	23.9	5
S&P/ASX 101-200	47.2	78.1	-30.9	9
S&P/ASX 201-300	12.1	21.9	-9.8	4
Ex S&P/ASX 300	5.9	--	5.9	2
Cash	10.9	--	10.9	--
Total	100	100	--	20

## Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	11.8	5.9
Consumer Discretionary	24.4	15.1
Consumer Staples	1.3	7.8
Financial-x-Property Trusts	11.5	8.0
Health Care	11.9	6.4
Information Technology	28.1	11.9
Cash	10.9	--

### Domicile

Australia, authorised by ASIC

### Universe

Ex S&P/ASX 100

### Launch

Managed by Hyperion since September 2002, launched October 1996

### Fees

MER 1.25% (plus 15% of outperformance above the S&P/ASX Small Ordinaries Accumulation Index)

### Distribution

AUD 0.3616 CPU at 31 December 2018  
AUD 2.6929 CPU at 30 September 2018  
AUD 91.9209 CPU at 30 June 2018  
AUD 0.5869 CPU at 31 March 2018

### Fund Size

\$299.0 million

### APIR Code

BNT0101AU

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

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