

# HYPERION GLOBAL GROWTH COMPANIES FUND (CLASS B) APRIL 2019

**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.

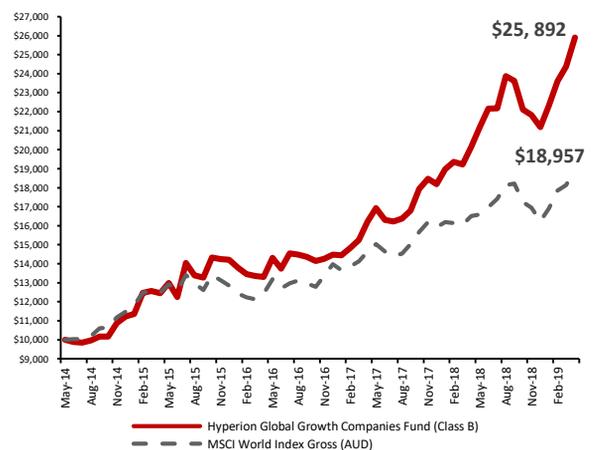
## We believe companies in our portfolio have:

- 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 continued to perform strongly during April, extending gains for a fourth consecutive month this year. In the U.S., the S&P 500 returned +4.0%, following strong employment data with the unemployment rate unchanged at 3.8%, and stronger than expected GDP growth of 3.2% for the March quarter. In Europe, the German DAX, Euro STOXX 50 and FTSE 100 all finished higher returning +7.1%, +5.5% and +2.3% respectively. During the month, the European Central Bank left interest rates unchanged, whilst Eurozone composite PMI fell to 51.3 and manufacturing PMI remained in contractionary territory at 47.8. In addition, the E.U. granted the U.K. an extension until the 31st of October to exit the E.U., reducing the likelihood of a no-deal Brexit. In Australia, the S&P/ASX 300 Index returned +2.5%, following strong employment data with the unemployment rate edging slightly higher to 5.0%, whilst Prime Minister Scott Morrison announced that the federal election will be held on the 18th of May. Information technology (+7.4%), consumer staples (+7.3%) and consumer discretionary (+5.5%) were the best performing sectors. REITs (-2.3%), materials (-2.1%) and utilities (-0.5%) were the worst performers. Bulk commodity prices were strong during the month, with iron ore, oil, thermal and hard coking coal prices trading higher, whilst gold declined. The U.S. Dollar gained against all G10 currencies except the Danish Krone.

## Net Performance - Growth of AUD \$10,000\*



Source: Hyperion Asset Management

	Portfolio – Net (%)	Benchmark <sup>^</sup> (%)	Excess Performance (%)
1 Month	6.2	4.6	1.6
3 Months	16.0	12.1	3.9
1 Year	28.5	14.8	13.7
3 Years (p.a.)	24.9	15.1	9.8
Inception (p.a)**	21.3	13.9	7.4

\*Investment of \$10k since inception. \*\*Inception date: 1<sup>st</sup> June 2014. <sup>^</sup> 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 30<sup>th</sup> April 2019.



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

## PORTFOLIO HOLDINGS UPDATE

### Amazon.com Inc (AMZN-US)

Primary Exchange **NASDAQ Stock Exchange**  
GICS Sector **Consumer Discretionary**  
Market Cap (US\$m) **948,487**



Amazon.com Inc. (AMZN-US) released its results of the first quarter ended 31 March 2019, reporting net sales growth of 17% to \$59.7b, operating income margin expansion of 363bps to 7.4% and EPS growth of 115% to \$7.24 per share. Divisionally, North America achieved net sales growth of 17% to \$35.8b, operating income margin expansion of 265bps to 6.4% and operating income growth of 99% to \$2.3b. Internationally, net sales grew 9% to \$16.2b with the operating loss decreasing from -\$622m to -\$90m as the company continued to expand its global footprint. Additionally, Amazon Web Services (AWS) achieved net sales growth of 41% to \$7.7b, operating income margin expansion of 316bps to 28.9% and operating income growth of 59% to \$2.2b. At the product level, Net Sales across Online Stores (49% of net sales) increased 9% to \$29.5b, Third-party Seller Services (19% of net sales) +20% to \$11.1b, AWS (13% of net sales) +41% to \$7.7b, Subscription Services (7% of net sales) +40% to \$4.3b, Physical Stores (7% of net sales) +1% to \$4.3b, and Other (5% of net sales), which primarily includes sales of advertising services, achieved net sales growth of 34% to \$2.7b. Management provided second quarter guidance and expects net sales to be between \$59.5b and \$63.5b, and for operating income to be between \$2.6b and \$3.6b.

### Mastercard Inc. (MA-US)

Primary Exchange **New York Stock Exchange**  
GICS Sector **Information Technology**  
Market Cap (US\$m) **259,712**



Mastercard Inc (MA-US) released a market update for the first quarter ended 31 March 2019, reporting net revenue growth of 9% to \$3.9b, operating income margin expansion of 593bps to 56.8% and EPS growth of 27% to \$1.81 per share. Revenue growth was driven by a 13% increase in transaction processing fees to \$1.9b, +13% in other revenues to \$842m, +10% in domestic assessments revenue to \$1.6b, and +9% in cross-border volume fees to \$1.3b. These factors were partially offset by a 17% increase in rebates and incentives, primarily due to new and renewed agreements and increased volumes. Geographically, North American revenue increased 8% to \$1.3b, International +9% to \$2.5b, and Other revenue +13% to \$36m. Management took the opportunity to re-affirm guidance and continues to expect low double-digit revenue growth.

### Microsoft Corporation (MSFT-US)

Primary Exchange **NASDAQ Stock Exchange**  
GICS Sector **Information Technology**  
Market Cap (US\$m) **1,001**

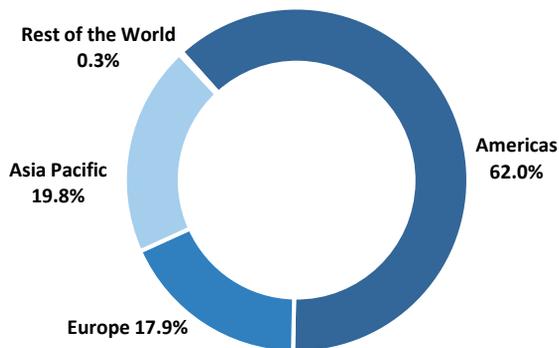


Microsoft Corporation (MSFT-US) released its results for the third quarter ended 31 March 2019, announcing revenue growth of 14% to \$30.6b, operating margin expansion of 291bps to 33.8% and EPS growth of 20% to \$1.15 per share. The company's Productivity and Business Processes segment grew revenue by 14% to \$10.2b, achieved operating margin expansion of 426bps to 38.8% with operating income increasing 28% to \$4.0b, driven by continued growth across its Office, Dynamics and LinkedIn products and services offerings. MSFT-US's Intelligent Cloud segment grew revenue by 22% to \$9.6b and operating income increased 21% to \$3.2b, driven by a strong performance from Azure, with revenue growth of 73%. Furthermore, the More Personal Computing segment achieved revenue growth of 8% to \$10.7b, achieved operating margin expansion of 409bps to 29.5% with operating income increasing 25% to \$3.1b, driven by growth achieved across Windows, Surface and Search Advertising. The company's Chief Financial Officer, Amy Hood indicated that the company will invest aggressively in strategic areas such as Cloud, Business Applications, Microsoft 365, Security, Surface and across Gaming.

## Top 5 Holdings

	Portfolio (%)	Benchmark (%)
Alphabet Inc. Class A	10.7	0.9
Amazon.com, Inc	8.8	1.9
Facebook, Inc. Class A	8.5	1.1
PayPal Holdings Inc	7.1	0.3
Mastercard Incorporated Class A	5.9	0.6

## Geographical Weight by Source of Revenue



Source: Hyperion Asset Management

## Portfolio Characteristics <sup>^</sup>

	Portfolio
Price to Earnings*	27
Dividend Yield (%)*	1.0
5-Year IRR (% p.a.) <sup>1</sup>	14.2

<sup>^</sup> Data relates to the Composite    \* Trailing    <sup>1</sup> Before fees

## Fund Characteristics

<b>Domicile</b>	Australia, authorised by ASIC
<b>Fees</b>	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.
<b>Composite size</b>	\$145.4 million
<b>Fund size</b>	\$128.8 million
<b>APIR Code</b>	WHT8435AU
The Fund's PDS contains more complete information on risks and fees	

## Market Capitalisation (AUD)

	Portfolio (%)	# Stocks
\$0 - \$50bn	19.4	9
\$50 - \$100bn	4.2	1
\$100bn +	59.2	10
Cash	17.2	--
Total	100	20

## Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	24.2	8.4
Consumer Discretionary	21.4	10.6
Consumer Staples	3.2	8.5
Financials	2.4	16.1
Health Care	3.6	12.1
Information Technology	28.0	16.3
Cash	17.2	--

## Top 5 Contributors (rolling 12 months) <sup>^</sup>

Contributors	Avg Weight (%)	Price change (%)	Contribution to return (%)
PayPal Holdings	7.6	62.1	4.7
Amazon.com, Inc	8.5	31.9	3.4
Wayfair, Inc. Class A	2.1	179.1	3.2
Mastercard Incorporated Class A	6.0	52.9	3.1
Alphabet Inc. Class A	10.6	26.2	3.0
Detractors			
Moncler SpA	2.0	-2.8	-0.1
Seek*	2.0	-6.1	-0.1
Cochlear	1.5	-3.5	0.1
REA Group	1.3	-1.2	0.2
Ferrari NV	1.6	17.7	0.2

<sup>^</sup> Data relates to the Composite    \* Stock not currently held

**CONTACT HYPERION ASSET MANAGEMENT** Tel: 1300 497 374 or Email: [clientservices@hyperion.com.au](mailto:clientservices@hyperion.com.au)

### DISCLAIMER – HYPERION GLOBAL GROWTH COMPANIES FUND (CLASS B UNITS)

Interests in the Hyperion Global Growth Companies Fund (ARSN 611 084 229) ('Fund') are issued by Pinnacle Fund Services Limited (ABN 29 082 494 362 AFSL 238 371). Pinnacle Fund Services Limited is not licensed to provide financial product advice. Hyperion Asset Management Limited (ABN 80 080 135 897 AFSL 238 380) ('Hyperion') is the investment manager of the Fund. A copy of the most recent Product Disclosure Statement ('PDS') of the Fund can be located at [www.hyperion.com.au](http://www.hyperion.com.au), or by contacting Hyperion at 1300 497 374 or via email to [investorservices@hyperion.com.au](mailto:investorservices@hyperion.com.au). You should consider the current PDS in its entirety and consult your financial adviser before making an investment decision. Pinnacle Fund Services Limited and Hyperion believe the information contained in this communication is reliable, however its accuracy, reliability or completeness is not guaranteed. To the extent permitted by law, Hyperion and Pinnacle Fund Services Limited disclaim all liability to any person relying on the information in respect of any loss or damage (including consequential loss or damage) however caused, which may be suffered or arise directly or indirectly in respect of such information contained in this communication. Any opinions or forecasts reflect the judgment and assumptions of Hyperion and its representatives on the basis of information at the date of publication and may later change without notice. The information is not intended as a securities recommendation or statement of opinion intended to influence a person or persons in making a decision in relation to investment. This communication is for general information only. It has been prepared without taking account of any person's objectives, financial situation or needs. Any persons relying on this information should obtain professional advice relevant to their particular circumstances, needs and investment objectives. Past performance is not a reliable indicator of future performance. Unless otherwise specified, all amounts are in AUD. All data is as at 30<sup>th</sup> April 2019 unless otherwise stated. Morningstar Awards 2016 (c). Morningstar, Inc. All Rights Reserved. Awarded to Hyperion Asset Management for Fund Manager of the Year, Domestic Equities – Large Caps Category Winner and Domestic Equities – Small Caps Category Winner, Australia.