

HYPERION SMALL GROWTH COMPANIES FUND

APRIL 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 [^] (%)	Excess Performance (%)
1 month	5.3	4.1	1.2
3 months	13.8	11.0	2.8
1 year	23.0	7.2	15.8
3 years p.a.	10.6	11.8	-1.2
5 years p.a.	11.3	9.1	2.2
10 years p.a.	16.8	7.4	9.4

Past performance is not a reliable indicator of future performance. Returns are net of applicable fees, costs and taxes. [^]S&P/ASX Small Ordinaries Accumulation Index. Data as at 30th April 2019.

Fund Review

HUB24 Limited (HUB-AU) released a market update for the third quarter ended 31 March 2019, announcing funds under administration (FUA) of \$11.5b, an increase of \$1.4b or 14% for the quarter. On an annual basis, FUA has increased by \$4.1b or +56%. Net inflows were up 5% to \$793m for the quarter, excluding the Fitzpatricks Private Wealth inflow during the December 2018 quarter. In addition, 78 new advisors were introduced to the platform increasing the company's advisor base by 35% to 1,534 advisors for the year. Based on the latest Strategic Insights quarterly platform market update, HUB-AU continued to be the fastest growing platform, in percentage terms relative to its size, in the industry. During the quarter, the company signed 19 new licensee agreements which included agreements with 2 stockbroking firms, 2 large advice licensees and a growing advice practice aggregator with approximately 70 advisors across multiple practices.

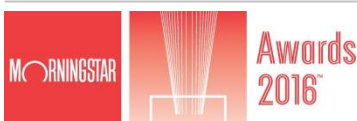
Netwealth Group Limited (NWL-AU) released a market update for the quarter ended 31 March 2019, reporting funds under administration (FUA) of \$21.1b, an increase of \$2.1b or 11% for the quarter. On an annual basis, FUA increased by \$5.1b or 32%. Additionally, the company's funds under management (FUM) increased by \$380m to \$3.5b during the quarter, +14%. Annually, FUM has grown by \$957m or 37%. Based on the latest Strategic Insights quarterly platform market update, NWL-AU increased its market share to 2.3% and achieved the highest annual platform flows to December 2018, achieving net flows of +\$4.3b. During the quarter, NWL-AU was selected as the preferred vendor to provide Platform as a Service and Administration Services to ANZ Private. The company will be providing ANZ Private with a multi-asset, multi-currency platform that supports managed accounts, domestic and international equities and bonds, domestic managed funds, term deposits, and foreign currency.

Market Outlook

April was a relatively quiet month in terms of portfolio news with only a few domestic portfolio companies providing market updates for the quarter ended 31 March 2019. These updates were broadly positive or in line with our expectations. HUB24 Limited (HUB-AU) and Netwealth Group Limited (NWL-AU) both continued to win market share as advisers leave large institutionally aligned dealer groups to set up their own practice or join independent dealer groups. The team continued to attend company and industry meetings to inform the investment process and ensure only the highest quality companies are held in the portfolios.

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: 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	8.6	--
Wisetech Global	7.7	1.3
HUB24	7.5	0.4
Nanosonics	6.8	0.7
Domino's Pizza Enterprises	6.8	--

Top 5 Contributors (rolling 12 months)

Contributors	Avg Weight (%)	Price change (%)	Contribution to return (%)
Wisetech Global	7.1	128.5	7.5
Technology One	6.1	77.2	4.1
Nanosonics	3.5	105.0	3.0
HUB24	5.5	32.3	2.6
IRESS	5.3	36.8	2.1
Detractors			
ARB Corporation	5.4	-13.0	-0.9
Beacon Lighting	2.3	-29.9	-0.7
Class	2.0	-19.9	-0.7
Pushpay Holdings	4.4	-3.8	-0.3
Blackmores	1.3	-21.6	-0.2

Portfolio Fundamentals

	Portfolio	Benchmark
Price to Earnings*	18.0	18.4
Return on Equity (%)*	24	8.7
Dividend Yield (%)*	1.6	2.8

* trailing

CONTACT US

DISTRIBUTION PARTNER

Pinnacle Investment Management Limited

Tel: 1300 010 311

distribution@pinnacleinvestment.com.au

Market Capitalisation

	Pf (%)	Bm (%)	Act. (%)	# Stocks
S&P/ASX 1-50	--	--	--	--
S&P/ASX 51-100	23.7	--	23.7	5
S&P/ASX 101-200	51.2	76.6	-25.4	10
S&P/ASX 201-300	7.1	23.4	-16.3	3
Ex S&P/ASX 300	5.8	--	5.8	2
Cash	12.2	--	12.2	--
Total	100	100	--	20

Sector Allocation

	Portfolio (%)	Benchmark (%)
Communication Services	11.3	5.9
Consumer Discretionary	20.4	15.9
Consumer Staples	1.2	7.8
Financial-x-Property Trusts	14.1	9.5
Health Care	12.6	6.6
Information Technology	28.4	12.4
Cash	12.2	--

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 0.9311 CPU at 31 March 2019
AUD 0.3616 CPU at 31 December 2018
AUD 2.6929 CPU at 30 September 2018
AUD 91.9209 CPU at 30 June 2018

Fund Size

\$319.8 million

APIR Code

BNT0101AU

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

DISCLAIMER – HYPERION SMALL GROWTH COMPANIES FUND

The Hyperion Small Growth Companies Fund (ARSN 089 548 943) ('Fund') is currently closed to new applications. Pinnacle Fund Services Limited (ABN 29 082 494 362 AFSL 238 371) the Responsible Entity of the Fund is not licensed to provide financial product advice. Hyperion Asset Management Limited (ABN 80 080 135 897 AFSL 238 380) is the investment manager of the Fund. You should consider the current Product Disclosure Statement ('PDS') in its entirety and consult your financial adviser before making an investment decision. The current PDS of the Fund can be obtained via www.hyperion.com.au or by calling Hyperion at 1300 497 374 or via email to investorservices@hyperion.com.au. 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 30th 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.