

Sell Hyperion Global Growth and Buy Munro Concentrated Global Growth

As the new year begins and the economic environment appears to have more unanswered questions over the past quarter, our foremost goal of evaluating each fund's performance remains. More specifically we are continually committed to observing attractive entry and exit points for investments across all asset classes.

In 2023, Global equities have proven to be an attractive investment evident in the fact that the MSCI World Index, which tracks performance of large and mid-cap companies across 23 developed countries, returned 24.4%.

Similarly, volatility across equities has risen over the past twelve-months, particularly in relation to unhedged global investments which have either inflated or deteriorated returns.

As such, we are recommending the following changes to your portfolio

We recommend selling Hyperion Global Growth Companies Fund.

For context, the Hyperion Global Growth Companies Fund ("The Fund") is a fund which utilises a highly concentrated strategy of investing in 15-30 high quality Australian and Global companies listed on recognised global exchanges. Hyperion embraces a long-term investment horizon using a strict bottom-up research effort.

Since inception The Fund had returned 17.3% per annum through to December 31st 2023. In 2023 The Fund generated an impressive ~70%, beating the MSCI index by 47.1%. To put this into perspective, Hyperion was ranked the #1 Global fund manager in Australia over the last 12-months in terms of performance.

Volatility has been a main point of contention for The Fund, with a 23.3 volatility rating since inception, this figure markedly exceeds the 15.2 Peer Median for comparable fund strategies and surpasses the 12.4 volatility of the MSCI World Index.

Because of the portfolio's concentration, which has traditionally included single stock holdings of up to 20%, with current allocations of 12% for Tesla and 10% for Amazon, there has been a notable increase in volatility lately. This heightened volatility is especially apparent when considering the changes in global economic conditions.

The Fund's risk profile is exemplified by examining its Beta of 1.6, indicating substantial price fluctuations during both market upturns and downturns. This volatility became evident in 2022 when the fund experienced a significant sell-off of -42.2%.

Concerning the core portfolio, Hyperion's targeted strategy has adeptly taken advantage of the upswing and enthusiasm linked to the possible integration of AI. The top seven stocks in the S&P 500, commonly known as the "magnificent seven," several of which are held by Hyperion, have collectively produced a remarkable average return of 92% over the course of 2023.

Although we recognise the continuous expansion of AI adoption and its significant advantages, we have reservations regarding the increased volatility evident in Hyperion's fund. Our inclination is to explore exposure to comparable thematic investments through a more diversified fund. Moreover, considering Hyperion's remarkable performance, surpassing all other global fund managers

in its category with the highest gains, the current market conditions present an opportune moment to sell.

This is especially advantageous as Hyperion is trading close to its 52-week highs, providing a favorable exit point and capitalising on the fund's proximity to 52-week highs.

As such, we believe exiting your position in Hyperion provides strong upside given the current price.

We recommend buying the Munro Concentrated Global Growth Fund.

For context, the Munro Concentrated Global Growth Fund, is a proven investment vehicle employing a long-only strategy across a portfolio of 20-40 global companies, excluding those from Australia.

With a pronounced emphasis on United States equities constituting 72.2% of its regional allocation, followed by Europe at 16.8%, the fund boasts a demonstrated track record of performance, delivering an annual return of 13.17% since its inception.

Distinguishing itself through top-down thematic views known as Areas of Interest, Munro specialises in acquiring shares of the fastest-growing companies in the market.

Importantly, the fund carefully considers the purchase price, allowing portfolios to participate in secular technological trends whilst outperforming comparable strategies when faced with short-term market fluctuations.

This focused approach proves resilient to market volatility, with the Munro Concentrated Global Growth Fund boasting a lower volatility rating of 13.8 since inception vs its peer median of 15.2.

Enhancing our optimistic perspective on Munro's strategy is the favourable 0.89 beta, indicating that its price displays lower volatility than the overall market, with 1 representing the market average.

This statistic is especially notable, considering the strategy's focus on fast-growing and emerging companies.

A central and noteworthy theme driving the fund's investment strategy revolves around companies that play a pivotal role in high-performance computing and advancing artificial intelligence by harnessing the power of public cloud infrastructure.

Munro tactically positions its portfolio to invest in some of the globe's most innovative and dynamically evolving companies.

This strategic approach ensures that the fund is actively participating in the transformative technology landscape, capitalising on the expertise and growth potential of these forward-thinking entities.

Crucially, Munro maintains a traditionally conservative approach despite operating in the growth space. The fund manager adheres to a disciplined investment process that utilises a proprietary stop-loss review framework and price targets, elements we view favourably in a growth manager.

In consideration of these circumstances, we recommend buying the Munro Global Growth Fund.

If you have any queries or would like to speak with us regarding the above, please contact your Financial Adviser or Client Services on 1800 064 959.

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Yours sincerely,
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