

FUND UPDATE

Hyperion Small Growth Companies Fund

May 2010

Fund Objective

To achieve medium to long-term capital growth and income by investing in quality Australian companies.

Fund Overview

The Hyperion Small Growth Companies Fund invests in growth style companies outside the S&P/ASX 100 which pass Hyperion's rigorous investment process. The fund is dominated by companies:

- ☉ that own high quality business franchises
- ☉ with above average growth potential
- ☉ with low levels of gearing
- ☉ with predictable medium to long-term earnings streams

The fund is concentrated, typically comprised of 20-35 stocks, with low turnover.

About Hyperion

Hyperion Asset Management is a boutique Australian equities investment manager. We are:

- ☉ Focussed on delivering high alpha returns across a complete business cycle
- ☉ Research driven with a bottom-up investment process which identifies quality companies
- ☉ Process driven with companies weighted according to their risk adjusted 5 year prospects
- ☉ Stable with a fully aligned investment team

Performance Summary					
	1 mth	3 mths	1 yr	3 yr	5 yr
Fund – Net*	-9.18	-5.68	38.14	-0.36	14.14
Net Excess Return – versus S&P/ASX Small Ords Accum Index	-1.00	-3.80	19.13	12.72	9.45

Performance Comparison to 31 st May 2010 ^				
	3 mth	1 yr	3 yr	5 yr
Hyperion Small Growth Companies Fund*	-5.68	38.14	-0.36	14.14
Aberdeen Australia Small Companies Fund	4.14	21.50	-4.86	8.39
Ausbil Australian Emerging Leaders Fund	-1.11	29.00	-6.35	8.16
Schroder – Australian Smaller Companies Fund	1.81	19.74	n/a	n/a
Eley Griffiths Group – Small Companies Fund	1.26	24.52	-6.76	9.42

^Source: Morningstar

Top 10 Holdings

Stock	Weight
REA Group Limited	9.77%
Carsales.com Limited	8.43%
Platinum Asset Management Limited	7.85%
The Reject Shop Limited	6.52%
IRESS Market Technology Limited	6.37%
Count Financial Limited	6.11%
Fantastic Holdings Limited	5.47%
Reckon Limited	5.42%
Sky Network Television Limited	5.30%
Navitas Limited	5.28%

Sector Holdings

Sector	Absolute Weight	Active Weight
Cons. Discretionary	54.22%	41.31%
Cons. Staples	0.00%	-3.26%
Energy	0.00%	-10.60%
Financials	13.95%	9.38%
Health Care	2.66%	-5.58%
Industrials	2.73%	-13.43%
Information Technology	22.65%	19.19%
Materials	0.00%	-27.17%
Property Trusts	0.00%	-7.03%
Telecoms	0.00%	-1.85%
Utilities	0.00%	-4.75%

The Hyperion Investment Process

The investment team has developed a unique process that drives Hyperion's performance. The process involves evaluating companies through both quantitative filters and fundamental analysis. We believe that the economics of a business drives its long term share price. Our process focuses on identifying businesses with superior economics.

We are benchmark insensitive but understand the risks of our high conviction positions. For us, risk is not simply a deviation from an index, but the extent to which a company does not meet our clients' required financial outcome. Therefore, with a view to maximising performance, our process is one of elimination with the result that the final portfolio is one devoid of companies that do not pass our rigorous investment criteria.

Commentary

The Hyperion Small Growth Companies Fund marginally underperformed during May. The fund returned -9.18% versus the S&P/ASX Small Ordinaries Accumulation Index return of -8.18%. The largest contributors to active performance at a sector level included our fund being underweight Industrials (-14.63%), not owning Property Trusts (-11.37%) and our underweight relative to the benchmark holding in Non-Banking Financials (-5.25%). From a stock level the largest contributors included IRESS Market Technology (-1.06%), Platinum Asset Management (-2.55%) and not owning Virgin Blue Holdings (-44.54%).

Outlook

The current global outlook remains cautious in the near term. In an uncertain economic climate, the market should provide investors with good opportunities to accumulate high quality companies at distressed prices. The current internal rate of return of the fund is at the same level it was in March 2008. Despite a number of earnings downgrades in the market over the past few months, the investment team is confident that the fund will perform strongly during the upcoming reporting season.

Fund Size	\$11.80M	Platforms	Avanteos Ausmaq BT Wrap CFS – First Wrap Macquarie Wrap ASGARD Ewrap NETWEALTH
APIR code	BNT0101AU		
Minimum Direct Investment	\$20,000	Unit Prices	Application: \$2.0664 Net Asset Value: \$2.0602 Redemption: \$2.0540
MER (From 21st April)	1.25% (plus 15% of outperformance above the S&P/ASX Small Ordinaries Accumulation Index)		
Ratings	Lonsec – Recommended Morningstar – Recommended Zenith - Recommended		

If you have any queries regarding Hyperion's managed funds please don't hesitate to contact:

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