

HYPERION SMALL GROWTH COMPANIES FUND

MAY 2011 FUND UPDATE

FOR FINANCIAL ADVISORS ONLY

OVERVIEW

OBJECTIVE

Long-term capital growth and income.

STRATEGY

High-conviction portfolio of quality Australian listed equities from a research driven, bottom-up investment philosophy.

UNIVERSE

Ex ASX 100

LAUNCH DATE

Managed by Hyperion since September 2002[†]

[†] Launched October 1996

MINIMUM INVESTMENT

A\$20,000

RATINGS

- Lonsec – Highly Recommended¹
- Van Eyk – A²
- Morningstar – Recommended³
- Zenith – Recommended

RECENT AWARDS

- Hyperion Asset Management
- Money Management / Lonsec Fund Manager of the Year 2010 – Australian Equities (Small Cap)
 - The Australian Fund Manager Awards 2010 – Australian Equities Winner

PLATFORMS

- Asgard
- Avanteos Ausmaq
- BT Wrap
- CFS – First Wrap
- Macquarie Wrap
- Netwealth

APIR CODE

BNT0101AU

OVERVIEW

The Hyperion Small Growth Companies Fund marginally underperformed its benchmark during the month. The fund returned -2.38% versus the S&P/ASX Small Ordinaries Accumulation Index return of -1.89%. The biggest contribution to active performance came from The Reject Shop (+9.65%) with Iress Market Technology (+5.8%) and not owning Pharmaxis (-61.87%) also contributing strongly to performance during the month. The biggest detractors from active performance during the month included investments in Reckon (-10.77%), Wotif.com (-10.70%) and REA Group (-6.91%).

Pharmaxis' share price declined substantially during the month. The Committee for Human and Medicinal Products (CHMP) indicated (during a non-binding trend vote) that they were concerned with the clinical meaningfulness and heterogeneity of recent trials by the company. Should this trend be carried forward at its next meeting in June, Pharmaxis will need to appeal this decision thereby delaying its Bronchitol product by at least 4 months. The price reaction to the negative news highlights the risks involved with investing in early stage Biotechnology companies, generally screened out through our investment process.

OUTLOOK

The companies in the portfolio have strong underlying customer value propositions, strong free cash flow, substantial organic growth options, experienced and proven management teams, and are lowly geared. This should position them well in a challenging global economic environment.

PERFORMANCE (as at 31 May 2011)

	Since Inception*	1 mth	3 mths	1 yr	3 yrs	5 yrs
Portfolio - Net [^]	23.45	-2.38	-0.11	7.17	10.86	9.02
UBS Bank Bill Index	-	0.42	1.24	4.97	4.86	5.63
S&P/ASX Small Ords Accum	10.88	-1.89	-4.70	18.07	-4.77	2.50

[^] Source: Morningstar, [†]UBS Bank Bill Index (0+yr) Maturity *(Oct 2002)

Performance Comparison (to 31 May 2011)

	3 yrs	5 yrs
Hyperion Small Growth Companies Fund	10.86	9.02
Aberdeen Classic Series Australian Small Companies Fund	-1.38	1.01
Ausbil Australian Emerging Leaders Fund	1.65	4.67
Schroder – Australian Smaller Companies Fund	1.70	n/a
Eley Griffiths Group – Small Companies Fund	0.58	6.31

SECTOR HOLDINGS (as at 31 May 2011)

Sector	Absolute weight	Active weight
Consumer Discretionary	46.86%	35.28%
Consumer Staples	0.00%	-2.21%
Energy	0.00%	-14.29%
Financials	14.86%	10.99%
Property Trusts	0.00%	-4.77%
Healthcare	2.99%	0.34%
Industrial	1.63%	-17.34%
Information Technology	30.97%	27.74%
Materials	0.00%	-32.93%
Telecommunications	0.00%	-2.43%
Utilities	0.00%	-3.07%

TOP 10 STOCK HOLDINGS (as at 31 May 2011)

Carsales.com	10.44%	Reckon	7.31%
IRESS Market Technology	10.01%	REA Group	7.19%
Sky Network Television	8.67%	The Reject Shop	6.75%
Count Financial	8.43%	Platinum Asset Management	6.43%
Wotif.com Holdings	7.68%	Navitas	4.77%

INVESTMENT PROCESS



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FUND MANAGER

Hyperion is a boutique Australian equities investment manager that only invests in high quality companies where quality is defined as companies that have:

- above average growth potential
- low levels of gearing
- stable management with proven track-records
- predictable earnings streams.

STRUCTURE AND TERMS

Legal Domicile	Australia Regulated and authorised by ASIC
Fees	Entry fee – Nil Exit fee – Nil Buy/Sell Spread – 0.60% (0.30% in/ 0.30% out) Management Expense Ratio 1.25 %
Reporting and Correspondence	Daily prices on www.hyperionam.com.au , Monthly fund performance report, Fund's quarterly reports, Fund's annual reports
Quarterly Distribution	AUD 0.0113223 CPU at 31 March 2011 AUD 0.0171556 CPU at 31 December 2010 AUD 0.0121000 CPU at 30 September 2010
Administrator	Fund BPO Pty Ltd
Auditor	PricewaterhouseCoopers
Custodian	Citigroup Nominees Pty Ltd
Registrar	Fund BPO Pty Ltd
Fund size	AUD 15.09 million
Unit prices & Net Asset Value	www.hyperionam.com.au

RATINGS' DISCLAIMERS

¹ Current rating as at August 2010. Any Lonsec Limited ("Lonsec") (ABN 56 061 751 102) rating presented in this document is limited to "General Advice" and based solely on consideration of the investment merits of the financial product(s) alone. It is not a recommendation to purchase, sell or hold any securities, and you should seek independent financial advice before investing in this product. The ratings contained in this document are reasonably held at the time of completion but are subject to change without notice and Lonsec assumes no obligation to update this document following publication.

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