

FUND UPDATE

Hyperion Small Growth Companies Fund

June 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*	-1.86	-10.52	28.17	-1.97	13.09
Net Excess Return – versus S&P/ASX Small Ords Accum Index	1.87	1.07	16.99	12.23	10.35

Performance Comparison to 30 th June 2010 ^				
	3 mth	1 yr	3 yr	5 yr
Hyperion Small Growth Companies Fund	-10.52	28.17	-1.97	13.09
Aberdeen Australia Small Companies Fund	-3.10	15.28	-5.22	6.91
Ausbil Australian Emerging Leaders Fund	-12.44	17.06	-7.63	6.10
Schroder – Australian Smaller Companies Fund	-6.84	15.12	n/a	n/a
Eley Griffiths Group – Small Companies Fund	-7.20	19.71	-7.37	7.47

^Source: Morningstar

Top 10 Holdings

Stock	Weight
REA Group Limited	10.60%
Platinum Asset Management Limited	7.83%
Carsales.com Limited	7.82%
IRESS Market Technology Limited	7.35%
Count Financial Limited	7.17%
The Reject Shop Limited	6.57%
Sky Network Television Limited	5.83%
Reckon Limited	5.64%
Navitas Limited	5.23%
Wotif.com Holdings Limited	4.79%

Sector Holdings

Sector	Absolute Weight	Active Weight
Cons. Discretionary	54.47%	41.55%
Cons. Staples	0.00%	-2.88%
Energy	0.00%	-10.41%
Financials	14.99%	10.39%
Health Care	2.67%	-4.97%
Industrials	2.83%	-13.26%
Information Technology	23.16%	19.66%
Materials	0.00%	-28.79%
Property Trusts	0.00%	-6.92%
Telecoms	0.00%	-1.88%
Utilities	0.00%	-4.37%

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 outperformed in June returning -1.86% versus the S&P/ASX Small Ordinaries Accumulation Index return of -3.73%. The largest contributors to active performance were Sky Network Television (+9.24%), Count Financial (+6.41%) and IRESS Market Technology (+3.21%). The largest detractors from active performance were Fantastic Holdings (-20.00%), Wotif.com (-8.94%) and not owning Riversdale Mining (+11.88%).

Wotif.com Holdings (WTF) issued financial year 2009/10 NPAT guidance of \$52 million to \$56 million (compared with financial year 2008/09 NPAT of \$43.5 million). This was moderately below market expectations, although it has resulted in significant share price pressure with WTF now trading at a meaningful forward PER discount to the other listed online players. Despite slowing short term growth rates in room volumes, we remain confident of WTF's longer term outlook and value proposition. WTF has an estimated market share of 50% in the growing online segment, which is currently only 16% of total hotel bookings.

Outlook

The current global outlook remains cautious in the near term but provides opportunities to acquire quality companies at attractive prices. The current internal rate of return on the portfolio is again above 20% and at the same level it was in March 2008. Despite the long list of companies that downgraded earnings guidance over the past few months, the Investment Team remains confident that its quality portfolio will produce strong results during the upcoming reporting season.

Fund Size	\$11.77M	Platforms	Avanteos Ausmaq BT Wrap CFS – First Wrap Macquarie Wrap ASGARD Ewrap NETWEALTH
APIR code	BNT0101AU		
Minimum Direct Investment	\$20,000	Unit Prices	Application: \$2.0280 Net Asset Value: \$2.0219 Redemption: \$2.0158
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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