

HYPERION AUSTRALIAN GROWTH COMPANIES FUND

MARCH 2012 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

S&P/ASX 300

LAUNCH DATE

Managed by Hyperion since September 2002[†]

[†] Launched October 1996

MINIMUM INVESTMENT

A\$20,000

RATINGS

- Lonsec – Highly Recommended¹
- Van Eyk – A²
- Standard & Poor's – Four Stars³

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
- Navigator – Premium Choice
- Oasis

APIR CODE

BNT0003AU

OVERVIEW

The Hyperion Australian Growth Companies Fund outperformed the market during March. The portfolio returned 2.31% during the month, compared with the S&P/ASX300 Accumulation Index return of 1.22%. Although we think the majority of short-term price movements are not fundamentally driven and thus not highly correlated with movements in underlying intrinsic value, we believe prices are more likely to “drift” towards fundamental value in the periods directly following the release of new financial and accounting based information. Thus, when new fundamentally based information is released to the market, the average gap between the current price and the intrinsic value tends to reduce. As mentioned last month, this is why the portfolio's strong historical alpha generation during the reporting season and the month after is evidence that our investment process is focused on factors that are value relevant. We believe the strong and consistent short-term financial metrics normally produced by the companies in the portfolio during reporting seasons tend to indicate to the market that the share prices are below intrinsic value. Thus, historically the vast majority of the portfolio's alpha has been generated in the month of the reporting season and the following month.

The largest contributors to the portfolio's active performance during the month were an underweight position in the Materials sector (-11%) and overweight positions in the Information Technology sector (+7%), Non-Banking Financial sector (+7%) and the Industrial sector (+5%).

An overweight position in the Healthcare sector (+4%) and an underweight position in the Banking Financials sector (-9%) detracted from active performance during the month.

OUTLOOK

As we reported last month, the short-term financial metrics the companies in the portfolio produced during the reporting season were solid and positive despite several macro related headwinds including the high Australian dollar, the low level of consumer confidence and depressed equity market levels. Given that the overall market produced negative EPS growth during the December 2011 half, we believe the financial performance of the companies in the portfolio was reasonable in the circumstances. The difficult macro conditions that our companies have had to face in recent years will normalize in the long-term and provide a one off boost to earnings growth at that stage. In the meantime the organic sales, earnings and dividend growth that the portfolio has been producing should continue to drive valuations higher.

The 5 year total return outlook for the portfolio continues to be attractive both relative to the likely future returns from the overall domestic equity market and in an absolute return sense. The recent general increase in the prices of the stocks in the portfolio when combined with the stable long-term valuations has resulted in the 5 year forecast total return for the portfolio declining slightly from 22% at the end of February to 21% p.a. as at 31 March. The trailing PE ratio for the portfolio is around 15 times p.a. and the forward dividend yield is estimated to be 5.3% p.a.

PERFORMANCE (as at 31 March 2012)

	Since Inception (Oct 2002)	1 mth (%)	3 mths (%)	1 yr (%)	3 yrs (%)	5 yrs (%)
Portfolio - Net [^]	10.15	2.31	10.37	-9.94	13.49	-0.25
UBS Bank Bill Index [#]	-	0.38	1.12	4.88	4.43	5.39
S&P/ASX 300 Accum Index	8.67	1.22	8.58	-6.27	11.35	-2.10

[^] Source: Morningstar, [#]UBS Bank Bill Index (0+yr) Maturity

Performance Comparison (to 31 March 2012)

	3 yrs (%)	5 yrs (%)
Hyperion Australian Growth Companies Fund	13.49	-0.25
Arnhem Australian Equity Fund	9.82	-0.99
Ausbil Australian Active Equity Fund	10.18	-1.37
Orion Wholesale Australian Share Fund	9.91	-2.33
Schroder Australian Equity Fund	14.23	0.40
Perpetual Wholesale Concentrated Equity Fund	14.41	2.21

Source: Morningstar

TOP 10 STOCK HOLDINGS (as at 31 March 2012)

SEEK	8.49%	REA Group	5.65%
Cochlear	7.67%	WorleyParsons	5.51%
Rio Tinto	7.06%	AMP	5.06%
Commonwealth Bank of Aust	6.47%	Woolworths	4.98%
BHP Billiton	6.11%	Carsales.com	4.93%

INVESTMENT PROCESS

INITIAL SCREENING PROCESS

- ROE
- Revenue Growth
- Interest Cover
- IPOs
- Broker Ideas
- Internal Ideas

FUNDAMENTAL ANALYSIS

- Understanding the Business Model
- Sustainable Competitive Advantage
- Organic Growth Opportunities
- Assessing Management
- Assessing the Operating Environment

PORTFOLIO WEIGHTING

- 5 Year Risk Adjusted Total Return
- Top Down Cash Analysis

HIGH CONVICTION PORTFOLIO OF COMPANIES

This process is the basis for all our Australian equities investment decisions.

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SECTOR HOLDINGS (as at 31 March 2012)

Sector	Absolute weight	Active weight
Consumer Discretionary	15.59%	11.95%
Consumer Staples	4.98%	-2.81%
Energy	7.54%	-0.08%
Financials	28.29%	-3.60%
Health Care	7.67%	3.94%
Industrial	12.76%	5.14%
Information Technology	8.49%	7.79%
Materials	13.16%	-11.44%
Property Trusts	0.00%	-6.71%
Telecoms	0.00%	-4.12%
Utilities	0.00%	-1.60%

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 0.95%
Reporting and Correspondence	Daily prices on www.hyperion.com.au , monthly fund performance report, fund's quarterly reports, fund's annual reports
Quarterly Distribution	AUD 0.01320378 CPU at 31 March 2012 AUD 0.03211734 CPU at 31 December 2011 AUD 0.00870255 CPU at 30 September 2011 AUD 0.01654986 CPU at 30 June 2011
Administrator	Fund BPO Pty Ltd
Auditor	PricewaterhouseCoopers
Custodian	Citigroup Nominees Pty Ltd
Registrar	Fund BPO Pty Ltd
Fund size	AUD 127.42 million
Unit prices & Net Asset Value	www.hyperion.com.au

RATINGS' DISCLAIMERS

¹ The Lonsec Limited ("Lonsec") ABN 56 061 751 102 rating assigned August 2011 presented in this document is limited to "General Advice" and based solely on consideration of the investment merits of the financial product(s). It is not a recommendation to purchase, sell or hold the relevant product(s), and you should SEEK independent financial advice before investing in this product(s). The rating is subject to change without notice and Lonsec assumes no obligation to update this document following publication. Lonsec receives a fee from the fund manager for rating the product(s) using comprehensive and objective criteria.

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