

FUND UPDATE

Hyperion Australian Growth Companies Fund

August 2010

Fund Objective

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

Fund Overview

The Hyperion Australian Growth Companies Fund invests in growth style companies 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 ^	-1.75	-3.27	4.07	-2.33	8.76
Net Excess Return –versus S&P/ASX 300 Accum Index	-0.67	-3.88	2.00	4.74	4.54

Performance Comparison to 31st August 2010 ^

	3 mth	1 yr	3 yr	5 yr
Hyperion Australian Growth Companies Fund	-3.27	4.07	-2.33	8.76
*Arnhem Australian Equity Fund	-1.47	-0.12	-5.20	5.47
Ausbil Dexia Australian Active Equity Fund	0.92	-0.20	-4.99	5.92
Orion Wholesale Australian Share Fund	-0.50	1.94	-7.06	4.43
Schroder Australian Equity Fund W class	-1.25	1.36	-3.87	6.56

^Source: Morningstar

* Previously known as Fortis Investments Australian Equity Fund

Top 10 Holdings

Stock	Weight (%)
Seek Limited	8.39%
BHP Billiton Limited	7.43%
Platinum Asset Management Limited	7.23%
Woolworths Limited	6.99%
Cochlear Limited	6.44%
Commonwealth Bank of Australia Ltd	6.33%
RIO Tinto Limited	5.75%
Macquarie Group Limited	4.93%
WorleyParsons Limited	4.66%
Carsales.com Limited	4.13%

Sector Holdings

Sector	Absolute Weight	Active Weight
Cons. Discretionary	12.21%	8.02%
Cons. Staples	6.99%	-2.30%
Energy	7.85%	0.66%
Financials	31.13%	-0.25%
Health Care	6.44%	2.89%
Industrials	11.81%	5.20%
Information Technology	8.07%	7.35%
Materials	13.18%	-12.35%
Property Trusts	0.00%	-6.82%
Telecoms	0.00%	-3.34%
Utilities	0.00%	-1.41%

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 Australian Growth Companies Fund underperformed the S&P/ASX300 Accumulation Index during August. The fund returned -1.75% versus the benchmark return of -1.08%. The largest contributors to active performance during the month included JB Hi-Fi (+10.6%) and not owning National Australia Bank (-7.7%) or Telstra (-10.3%). The largest detractors from active performance during the month included Wotif.com Holdings (-14.9%), WorleyParsons (-8.6%) and Billabong International (-17.1%).

Billabong shares fell substantially on the day of the company's results announcement. The company issued a cautious outlook citing deteriorating Australian trading conditions. While the company missed consensus results marginally in financial year 2009/10, management's guidance for 2010/11 (2-8% in constant currency) implied an NPAT of \$149 - \$158 million versus a market consensus NPAT of \$185 million. The large decline in 2010/11 earnings drove the share price fall, highlighting the short term focus of the market in aggregate. Taking a longer term view, we are comfortable with holding Billabong and the evolution of the company's business model. Management's strategy has always been focused on increasing the company's distribution channels. Historically, this has been achieved through a wholesale distribution model. However, with retail outlet growth weakening and management eager to expand the business into new regions, the company has taken on an increasing exposure to retail distribution. While this is not without execution risk, Billabong's management has deepened its retail experience through the careful retention of senior management associated with several retail-based acquisitions.

Outlook

The quality of the portfolio was again validated within the August reporting season. The portfolio delivered solid earnings per share growth in the face of testing economic conditions. The current forecast return for the portfolio sits at around 20% pa over the next 5 years and is higher than the portfolio's average past return over 5 years. The quality of the portfolio's holdings and the above average earnings growth outlook should hold the portfolio in good stead over the longer term.

Fund Size	\$89.43M	Platforms	Avanteos Ausmaq BT Wrap CFS – First Wrap Macquarie Wrap Netwealth Navigator – Premium Choice Oasis
APIR code	BNT0003AU		
Minimum Direct Investment	\$20,000	Unit Prices	Application: \$2.2262 Net Asset Value: \$2.2195 Redemption: \$2.2128
MER (From 21st April 2010)	0.95%		
Ratings	Lonsec – Highly Recommended [#] van Eyk – A* Standard & Poors – Four Stars [†]		

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

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