

HYPERION SMALL GROWTH COMPANIES FUND

MARCH 2012 FUND UPDATE

FOR FINANCIAL ADVISORS ONLY

OVERVIEW

The Hyperion Small Growth Companies Fund outperformed its benchmark during March. In absolute terms, the fund returned 4.51%, compared with the S&P/ASX Small Ordinaries Accumulation Index return of 0.19%. During March, Carsales.com (+10.5%), Trade Me Group (+13.4%), Domino's Pizza Enterprises (+7.7%) and Navitas (+7.9%) all made positive contributions to active performance. The biggest detractors from active performance during the month were Nick Scali (-7.1%) and Reckon (-3.5%).

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.

UNIVERSE

Ex S&P/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

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

PERFORMANCE (as at 31 March 2012)

	Since Inception*	1 mth (%)	3 mths (%)	1 yr (%)	3 yrs (%)	5 yrs (%)
Portfolio - Net [^]	24.90	4.51	11.81	4.60	22.74	4.48
UBS Bank Bill Index [#]	-	0.38	1.12	4.88	4.43	5.39
S&P/ASX Small Ords Accum	9.37	0.19	14.98	-8.57	17.93	-3.85

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

Performance Comparison (to 31 March 2012)

	3 yrs (%)	5 yrs (%)
Hyperion Small Growth Companies Fund	22.74	4.48
Aberdeen Classic Series Australian Small Companies Fund	20.19	-3.47
Ausbil Australian Emerging Leaders Fund	16.70	-0.68
Schroder – Australian Smaller Companies Fund	17.53	N/A
Eley Griffiths Group – Small Companies Fund	20.85	1.16

SECTOR HOLDINGS (as at 31 March 2012)

Sector	Absolute weight	Active weight
Consumer Discretionary	64.36%	50.99%
Consumer Staples	2.40%	0.79%
Energy	0.00%	-11.31%
Financials	5.14%	0.34%
Health Care	0.00%	-4.20%
Industrial	0.00%	-19.91%
Information Technology	22.82%	19.96%
Materials	0.00%	-31.28%
Property Trusts	0.00%	-4.16%
Telecoms	0.00%	-2.64%
Utilities	0.00%	-3.87%

TOP 10 STOCK HOLDINGS (as at 31 March 2012)

IRESS Market Technology	10.55%	Wotif.com Holdings	6.15%
Sky Network Television	10.23%	Navitas	5.48%
REA Group	9.64%	ARB Corporation	5.37%
Carsales.com	9.34%	Trade Me	5.15%
Domino's Pizza	6.92%	Platinum Asset Management	5.14%

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 % (plus 15% of outperformance above the S&P/ASX Small Ordinaries Accumulation Index)
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 0.0083557 CPU at 31 March 2012 AUD 0.0217767 CPU at 31 December 2011 AUD 0.0198422 CPU at 30 September 2011 AUD 0.0189652 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 15.79 million
Unit prices & Net Asset Value	www.hyperion.com.au

RATINGS' DISCLAIMERS

¹ Current rating as at January 2012. 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.

² van Eyk Research Limited (ABN 99 010 664 632 AFSL 237917) (van Eyk) rates investment management capabilities rather than individual products. These ratings are valid as at April 2010 (Hyperion Australian Growth Companies Fund) and August 2009 (Hyperion Australian Equities Large Cap) but can change or cease at anytime and should not be relied upon without referring to the meaning of the ratings, as well as the full manager reports, available to subscribers at www.iRate.vaneyk.com.au. vanEyk has not directed the publication of Hyperion Asset Management Limited's rating. Past performance information is given for illustrative purposes only and should not be relied upon as it is not an indication of future performance. These ratings are not intended to influence you and your client's investment decision in relation to any products managed by Hyperion Asset Management Limited and does not take into account your client's individual financial situation, needs or objectives. We recommend that you and your client do not rely on this rating in making an investment decision and instead you SEEK advice from an appropriate investment adviser and read the product disclosure statement before making such a decision.

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