

What's new at Hyperion?



All three of Hyperion's products finished the 2008/09 financial year in 1st position of the long-only Australian equities fund managers league tables. This is a particularly pleasing result for our clients who will have enjoyed a near zero return for the year compared to the All Ordinaries Index which is down more than 20% for the year ended 30 June 2009. Our Small Cap product delivered an outstanding 42.28% over its benchmark over the year.

While the portfolio's relative performance is excellent and the investment team is confident in the portfolio's ability to achieve superior long-term outperformance, it is unrealistic to expect this to be continued on a month to month basis. The portfolio's five year internal rate of return remains above 20% p.a., the trailing PE at 16x appears modest and the dividend yield is consistently around 5%. Our outlook also appears reasonable with earnings growth forecast to be 15% p.a. and the five year PE forecast is expected to increase from its current level to 17.3x.

Dr Manny Pohl, Managing Director & Investment Team Chairman

Australian Equities High Conviction Large Cap Composite

The Hyperion Large Cap Composite outperformed its benchmark again this month, returning 5.86% versus S&P/ASX 300 Accumulation Index return of 3.96%. Despite the investor shift from cyclicals to beta, the quality names within the portfolio are still performing strongly. The biggest contributors to active performance included JB Hi-Fi (+23.30%), Macquarie Group (+23.54%) and Platinum Asset Management (+9.57%). The largest detractors from performance included Seek (+1.71%) and AMP (+0.83%).

In December 2008 Hyperion sold out of Cabcharge. The investment team decided that Cabcharge's competitive advantage was derived from the monopoly it held on processing payments through its network and that this advantage would be eroded over time as new players entered the market. Recently, the Australian Competition & Consumer Commission instituted Federal Court proceedings against Cabcharge Australia for alleged breaches of the Trade Practices Act (1974) in relation to the compulsory use of its payments system for taxi drivers. This legal action will have a negative effect on Cabcharge's ability to maintain the competitive advantage it derives from its monopoly on the taxi payments system.

Performance	1 mth	6 mth	1 year	2 year	5 year
High Conviction Large Cap Composite	5.86	19.74	0.04	-10.55	14.84
Excess over S&P/ASX 300 Accum Index	1.90	10.31	20.38	6.53	8.05

Top 10 Stock Holdings

Stock	Absolute Weight	Active Weight
Seek	6.80%	6.69%
Woolworths	6.42%	2.84%
AMP	5.97%	4.88%
Commonwealth Bank of Australia	5.77%	-0.79%
Cochlear	5.54%	5.19%
IRESS Market Technology	5.45%	5.37%
Wotif.com Holdings	5.35%	5.29%

JB Hi-Fi	5.12%	4.95%
Brambles	4.70%	3.78%
BHP Billiton	4.51%	-8.40%

Australian Equities High Conviction Broad Cap Composite

The Hyperion Broad Cap Composite outperformed its benchmark again this month with a return of 5.86% versus the S&P/ASX 300 Accumulation Index return of 3.96%. The largest contributor to the active performance during the month included JB Hi-Fi (+23.30), Macquarie Group (+23.54%) and Fantastic Holdings (+18.75%). The largest detractors from active performance included Sky Network Television (-1.44%) and our holding in Seek (+1.71%).

JB Hi-Fi continues to perform strongly, again releasing positive news to the market. Its management upgraded the forecast for net profit in financial year 2009 from A\$87.1 million to approximately A\$92.0 million due to continued strong sales, margins and effective cost control in the second half. The shares rose 5% on the day of the announcement and are now trading near all time highs.

Performance	1 mth	6 mth	1 year	2 year	5 year	10 year
High Conviction Broad Cap Composite	5.86	19.92	-0.88	-13.39	11.47	11.20
Excess over S&P/ASX 300 Accum Index	1.90	10.49	19.46	3.68	4.68	3.74

Top 10 Stock Holdings		
Stock	Absolute Weight	Active Weight
Woolworths	6.63%	3.04%
Seek	6.35%	6.23%
AMP	6.11%	5.02%
Commonwealth Bank of Australia	6.04%	-0.52%
Cochlear	5.66%	5.31%
IRESS Market Technology	5.66%	5.58%
Wotif.com Holdings	5.35%	5.29%
JB Hi-Fi	5.11%	4.93%
Brambles	4.85%	3.93%
BHP Billiton	4.74%	-8.17%

Australian Equities High Conviction Small Growth Companies Portfolio

The Hyperion Small Growth Companies Portfolio outperformed its benchmark during June, returning 5.96% versus the S&P/ASX Small Ordinaries Accumulation Index return of 3.05%. The largest contributors to this excess performance during June included Fantastic Holdings (+18.75%), Austar Communications (+21.38%) and Count Financial (+9.91%). Reckon (-7.6%) was the largest detractor of performance during the month.

Fantastic Holdings (FAN) raised A\$13 million in June via a placement at A\$2.30 per share. FAN's directors used A\$3 million from the raising to add to their A\$175 million share holding. Management explained the capital raising was necessary in order to allow the company to take advantage of emerging opportunities. The placement also provided additional liquidity to the trading in FAN shares that allowed new institutional shareholders to accumulate a stake in the company.

Performance	1 mth	6 mth	1 year	2 year	5 year
High Conviction Small Growth Companies Portfolio	5.96	29.30	13.70	-13.63	13.00
Excess over S&P/ASX Small Ord Accum Index	2.91	6.08	42.28	11.00	7.42

Top 10 Stock Holdings		
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Stock	Absolute Weight	Active Weight
The Reject Shop	10.21%	9.76%
Seek	9.69%	8.21%
Fantastic Holdings	8.15%	8.15%
Reckon	7.98%	7.98%
IRESS Market Technology	7.66%	6.64%
Platinum Asset Management	7.46%	6.20%
Wotif.com Holdings	7.37%	6.57%
Sky Network Television	7.23%	7.23%
Count Financial	5.85%	5.85%
Technology One	4.64%	4.64%

Product Capacity

Product Capacity			
PORTFOLIO	UNIVERSE	CAPACITY	FUM
High Conviction Small Growth Companies	Small Ords	\$150m	\$4.21m
High Conviction Large Cap	ASX300	\$2.5b	\$170m
High Conviction Broad Cap	All Ordinaries	\$2.0b	\$846m

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