

Hyperion Outperforms Strongly in Reporting Season



With the market focused on the comments of the Reserve Bank of Australia's Governor targeting the Australian housing market, interest rates are expected to rise. As rates revert to normalised levels through the RBA's tightening bias, consumers should begin to feel some pressure on their disposable income. However, the direct impact on the companies within our portfolio should be relatively moderate thanks to lower than average gearing levels and a bias to value for money offerings (e.g. online, everyday low pricing retailers). Taking a five year view, the internal rate of return of the portfolio remains attractive at 17% pa.

Dr Manny Pohl, Managing Director & Investment Team Chairman

Quality stocks keep outperforming

The Hyperion Australian Equities Composite marginally outperformed during the month. The fund returned 5.99% while the S&P/ASX 300 Accumulation Index returned 5.74% for March. The largest active contributors to performance during the month at a sector level included not owning Property Trusts (-0.32%), Telcos (0.4%) and Consumer Staples (2.79%). At a stock level, the biggest contributors to active performance during the month included SEEK (+13.55%), Cochlear (+14.80%) and REA Group (+10.66%). The biggest detractors to performance included Platinum Asset Management (-8.77%), Wotif.com (-0.06%) and Fantastic Holdings (-4.97%).

SEEK continues to perform strongly, listing approximately 64% of all job ads in Australia. Its education business is also improving with revenues from the division increasing 56% (30% through acquisition and 26% organic growth) over the previous corresponding period. Its Brazilian business contributed a \$1.2 million profit this year, and its Chinese operations are expected to breakeven in financial year 2010/11 after reducing the size of its losses from \$10.7 million to \$3.4 million over the past year.

Performance	1 mth	6 mth	1 year	2 year	5 year	10 year
Hyperion Australian Equities Composite	5.99	9.35	63.44	10.71	13.45	12.75
Excess Performance over S&P/ASX 300 Accumulation Index	0.25	4.69	21.50	10.88	5.45	3.88

Top 10 Stock Holdings		
Stock	Absolute Weight	Active Weight
Seek	7.55%	7.32
Commonwealth Bank of Australia	6.72%	-0.69
Woolworths	6.58%	3.61
Cochlear	6.02%	5.67
RIO Tinto	5.48%	2.55
REA Group	5.23%	5.23
Platinum Asset Management	5.02%	4.93
BHP Billiton	4.46%	-8.09
Westpac Banking Corporation	4.25%	-2.86
IRESS Market Technology	3.80%	3.73

The top 3 large cap stocks return double the market's return

The Hyperion Australian Equities ASX 300 Composite outperformed during the month returning 6.25% versus the S&P/ASX 300 Accumulation Index return of 5.74%. The largest contributors to that performance during the month included SEEK (+13.55%), Cochlear (+14.8%) and Carsales.com (+11.83%). The largest detractors to active performance during the month included Platinum Asset Management (-8.77%), IRESS Market Technology (0.93%) and Wotif.com (-0.06%).

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Performance	1 mth	6 mth	1 year	2 year	5 year
Hyperion Australian Equities ASX 300 Composite	6.25	7.01	60.83	11.97	16.04
Excess Performance over S&P/ASX 300 Accumulation Index	0.51	2.34	18.90	12.15	8.04

Top 10 Stock Holdings		
Stock	Absolute Weight	Active Weight
Commonwealth Bank of Australia	8.48%	1.06
Woolworths	7.97%	5.00
Cochlear	7.56%	7.20
SEEK	7.50%	7.28
Rio Tinto	6.27%	3.34
Platinum Asset Management	5.67%	5.58
BHP Billiton	5.30%	-7.26
Wotif.com Holdings	5.08%	5.01
Westpac Banking Corporation	4.89%	-2.22
Carsales.com	4.61%	4.57

Small pullback but long term outperformance strong

The Hyperion High Conviction Small Growth Companies Portfolio underperformed during the month. The fund returned 3.62% versus the S&P/ASX Small Ordinaries Accumulation Index return of 6.84%. The largest contributors to active performance at a sector level included not owning Property Trusts (1.43%), being underweight relative to the benchmark in Health Care (-0.35%) and Utilities (2.04%). The biggest detractor from active performance at a sector level included being largely underweight Resources compared with the benchmark (13.84%), Information Technology (2.67%) and being underweight relative to the benchmark in Energy (12.14%). From a stock perspective, the largest contributors to active performance included not owning Sigma Pharmaceuticals (-48.33%) but owning Carsales.com (+11.83%) and REA Group (+10.67%).

REA is now the market leader in both Australia and Italy. It is widening the gap between it and the rest of its competitors. The switch from print to on-line advertising has gained momentum with online market share in the real-estate classifieds sitting at approximately 22%, up from 16% two years ago. The company remains debt free and had approximately \$60 million excess cash as at 31 December 2009. The value proposition for this business remains compelling and the investment team believes the business has significant potential to increase its prices over the long term.

Performance	1 mth	6 mth	1 year	2 year	5 year
High Conviction Small Growth Companies Portfolio	3.62	14.84	79.34	18.61	15.64
Excess Performance over S&P/ASX Small Ords Accumulation Index	-3.22	11.61	21.28	26.03	9.80

Top 10 Stock Holdings		
Stock	Absolute Weight	Active Weight
REA Group	9.23%	9.23
Fantastic Holdings	9.22%	9.22

Carsales.com	7.46%	6.92
Platinum Asset Management	7.12%	6.05
IRESS Market Technology	7.09%	6.29
Wotif.com Holdings	6.26%	5.43
Reckon	6.16%	6.16
Sky Network Television	6.01%	6.01
The Reject Shop	5.51%	5.10
Count Financial	5.30%	5.30

Recent Mandate Wins and Remaining Capacity

The continued transition of an institutional mandate and strong retail inflows via financial planner platforms drove up Hyperion's funds under management during March. The soft close of Hyperion's Australian Equities (broad cap) strategy was well received by existing clients with the prospects for Hyperion's Australian Equities ASX 300 (large cap) strategy looking strong. Hyperion has more than doubled its funds under management in the last 12 months.

Product Capacity		
PORTFOLIO	UNIVERSE	REMAINING CAPACITY
High Conviction Small Growth Companies	Small Ords	\$0.1b
Australian Equities ASX 300 Composite	ASX 300	\$2.3b
Australian Equities Composite	All Ordinaries	Soft closed

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