

## Australian Equities High Conviction Large Cap Composite

The Hyperion Large Cap composite outperformed its benchmark again this month, returning 1.82% versus S&P/ASX 300 Accumulation Index return of 1.46%. The largest contributor to the active performance during the month included Seek (+24.62%), IRESS Market Technology (+16.92%) and WorleyParsons (+23.15%). The largest detractors from the portfolio included Billabong International (-21.70%), AMP (-6.74%) and JB Hi-Fi (-8.43%).

Consolidated Media Holdings (CMJ) was added to the portfolio during May. CMJ is a media investment company and owns a portfolio of businesses primarily within the new media sector. CMJ owns 25% of Foxtel, Australia's leading subscription television business. It also owns 50% of FOX SPORTS and 25% of Seek, which is Australia's leading online job search website. During the research process the team ensured that the underlying debt position held within the Foxtel related business was appropriate. The team recognises the high quality of the underlying assets with robust prospects for strong future growth.

Performance	1 mth	6 mth	1 year	2 year	5 year
High Conviction Large Cap Composite	1.82	15.28	-13.52	-12.40	13.66
Excess over S&P/ASX 300 Accum Index	0.36	10.16	15.66	6.31	7.13

Top 10 Stock Holdings		
Stock	Absolute Weight	Active Weight
Woolworths	6.71%	3.09%
AMP	6.64%	5.53%
Cochlear	6.49%	6.14%
Seek	6.47%	6.36%
Commonwealth Bank of Australia	5.94%	-0.15%
IRESS Market Technology	5.70%	5.62%
Wotif.com Holdings	5.58%	5.52%
Brambles	5.03%	4.08%
BHP Billiton	4.89%	-8.68%
Woodside Petroleum	4.52%	2.17%

## Australian Equities High Conviction Broad Cap Composite

The Hyperion Australian Broad Cap composite outperformed its benchmark again this month. The fund returned 1.88% versus the S&P/ASX 300 Accumulation Index return of 1.46%. The largest contributors to the active performance during the month included Seek (+24.62%), IRESS Market Technology (+16.92%) and Wotif.com (+10.80%). The largest detractors from the portfolio included Billabong International (-21.70%), AMP (-6.74%) and JB Hi-Fi (-8.43%).

The poor share price performance of Billabong was mostly attributable to the combination of the company's management revising down their earnings guidance while initiating a capital raising. Billabong's management downgraded its guidance for financial year 2009 Net Profit After Tax by approximately 20% citing deteriorating conditions in the US market and a strengthening Australian dollar as the main causes. They raised A\$290m through a 2 for 11 entitlement offer at A\$7.50. The increased capital was to provide balance sheet flexibility as banks have been reluctant to provide credit to retailers in the current market. Upon reopening, Billabong's share price traded down 16.7%.

Performance	1 mth	6 mth	1 year	2 year	5 year	10 year
High Conviction Broad Cap Composite	1.88	14.37	-16.13	-15.46	10.96	10.87
Excess over S&P/ASX 300 Accum Index	0.42	9.25	13.04	3.25	4.44	3.50

Top 10 Stock Holdings		
Stock	Absolute Weight	Active Weight
Woolworths	6.75%	3.13%
Cochlear	6.70%	6.35%
AMP	6.62%	5.50%
Seek	6.61%	6.50%
Commonwealth Bank of Australia	6.14%	0.05%
IRESS Market Technology	5.77%	5.69%
Wotif.com Holdings	5.54%	5.48%
BHP Billiton	5.11%	-8.46%
Brambles	5.07%	4.11%
Woodside Petroleum	4.50%	2.14%

## Australian Equities High Conviction Small Growth Companies Portfolio

The Hyperion Small Growth Companies portfolio underperformed during the month. The fund returned 6.10% versus the S&P/ASX Small Ordinaries Accumulation Index return of 7.45%. At a portfolio level, industry selection was the biggest detractor from active performance while asset selection provided positive active contributions. As investors chase beta, there is a tendency for defensive assets to underperform. Defensive sectors such as Healthcare (-7.0%), Consumer Staples (-5.0%) and Telecommunication Services (-6.4%) were the largest relative underperformers during the month. The best performing sectors included the Energy (6.6%) and Materials (6.6%) sectors.

At a stock level, the largest positive contributors included Seek (+24.62%), REA Group (+28.18%), IRESS Market Technology (+16.92%). The biggest detractors included Count Financial (-7.14%), Fantastic Holdings (-5.14%) and The Reject Shop (-7.16%).

Performance	1 mth	6 mth	1 year	2 year	5 year
High Conviction Small Growth Companies Portfolio	6.10	31.25	-7.39	-14.79	12.94
Excess over S&P/ASX Small Ord Accum Index	-1.35	6.71	31.14	10.93	7.62

Top 10 Stock Holdings		
Stock	Absolute Weight	Active Weight
Seek	10.14%	8.75%
The Reject Shop	8.73%	8.30%
Wotif.com Holdings	7.46%	6.70%
Fantastic Holdings	7.30%	7.30%
IRESS Market Technology	7.27%	6.27%
Reckon	7.18%	7.18%
Count Financial	6.94%	6.94%
Sky Network Television	6.17%	6.17%
REA Group	4.94%	4.94%
Technology One	4.60%	4.60%

## 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

### What's new at Hyperion?



With economic data supporting the view that the worst is behind us, investors have continued to increase the risk allocation of their portfolios. However, the investment team remains cautious, as the potential exists for several headwinds to push the Australian market lower.

The portfolio's IRR remains high. The forward PE is reasonable, despite the PE re-rating that we have witnessed recently. There is potential for the portfolio's PE to expand further while the level of medium term, organic earnings growth associated with the high quality franchises held within the portfolio remains at above market levels.

#### **Dr Manny Pohl, Managing Director & Investment Team Chairman**

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