

A High Internal Rate of Return Bodes Well



The five year internal rate of return for the portfolio is approximately 18% pa. With the market still rewarding companies that have strong value propositions and low debt levels, the portfolio is well positioned to generate longer term outperformance.

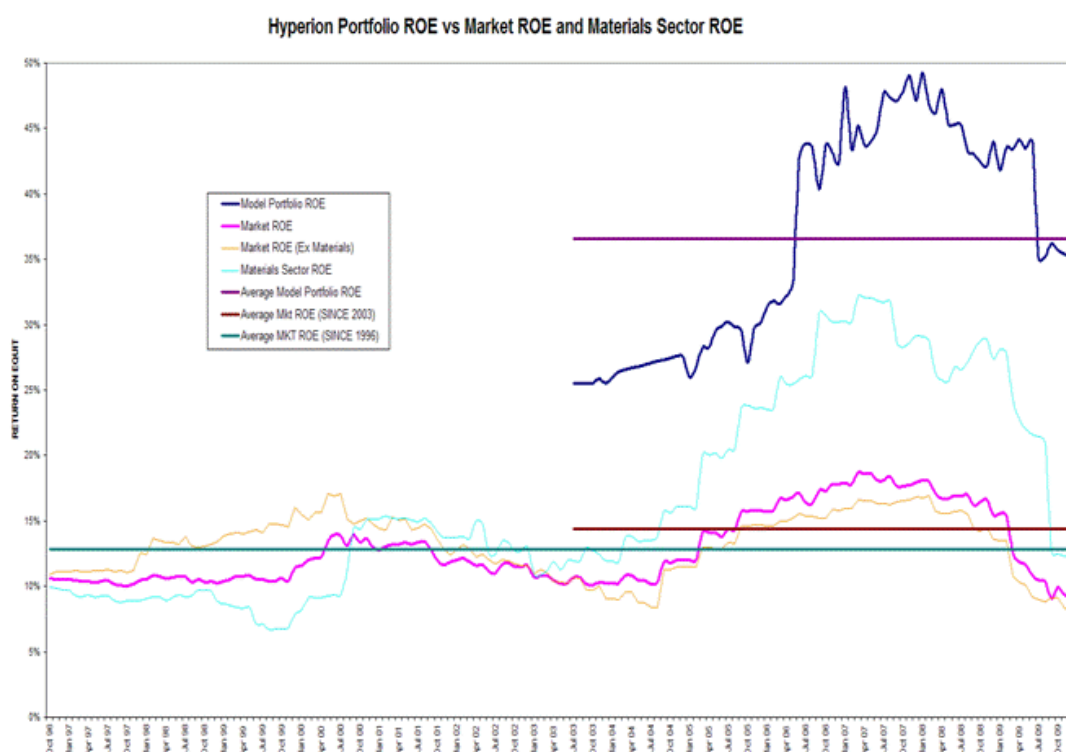
Dr Manny Pohl, Managing Director & Investment Team Chairman

The Market Changes its Focus

The market changed its focus during November and followed short term news as materials businesses were chased up.

We believe the materials sector primarily comprises low quality businesses that lack sustainable competitive advantages and are unlikely to produce superior returns in the long run. The overall market has a very large exposure to the materials sector. The highly profitable nature of the businesses in the portfolio is illustrated in the chart below.

The chart shows the portfolio's return of equity has been consistently above the overall market and has held up substantially better than the market during the recent financial crisis.



The Hyperion Australian Equities ASX 300 Composite lagged the market by 1.46% in November. The portfolio returned 0.34% while the S&P/ASX 300 Accumulation Index returned 1.80%. The largest contributors to the portfolio's underperformance during the month included Platinum Asset Management (-15.17%), Perpetual (-12.57%) and being underweight BHP Billiton relative to the market (+10.28%). The largest contributors to performance during the month included JB Hi-Fi (+11.54%), being underweight Westpac (-6.37%) and not owning National Australia Bank (-1.7%).

JB Hi-Fi continues to perform exceptionally well despite a lack of news. JB Hi-Fi was aided by a positive trading update from its largest market comparable during the month (Harvey Norman) and some of its unlisted peers. Management of Harvey Norman stated that their first half 2010 pre-tax profit is expected to rise by 40%. JB Hi-Fi continues to extract additional revenues from each of its stores by expanding its category breadth and product depth.

Performance	1 mth	6 mth	1 year	2 year	5 year
Hyperion Australian Equities ASX 300 Composite	0.34	32.98	53.30	-3.58	16.76
Excess Performance over S&P/ASX 300 Accumulation Index	-1.46	6.92	20.79	7.59	8.59

Top 10 Stock Holdings		
Stock	Absolute Weight	Active Weight
Seek	9.76%	9.58
Woolworths	8.92%	5.81
Commonwealth Bank of Australia	7.48%	0.18
Cochlear	6.77%	6.46
Platinum Asset Management	6.38%	6.29
IRESS Market Technology	6.08%	6.01
Woodside Petroleum	5.22%	3.15
Westpac Banking Corporation	5.17%	-1.23
BHP Billiton	5.07%	-7.42
Wotif.com Holdings	4.18%	4.12

Long Term Performance Figures Still Compelling

The Hyperion Australian Equities Composite underperformed the market by 1.38% in November. The fund returned 0.42% while the S&P/ASX 300 Accumulation Index returned 1.80%. The largest contributors to the funds underperformance during the month included Platinum Asset Management (-15.17%), Perpetual (-12.57%) and being underweight BHP Billiton relative to the market (+10.28%). The largest contributors to performance during the month included JB Hi-Fi (+11.54%), being underweight Westpac (-6.37%) and not owning National Australia Bank (-1.7%).

Both Perpetual and Platinum Asset Management were sold off heavily towards the end of the month. The sell off was a result of the MSCI rebalance that occurred and was not due to any fundamental changes to the operations of either company. The investment team still has a strong belief that these two companies are well run, have a strong competitive advantage in the markets in which they operate and will generate substantial returns over our investment horizon.

Performance	1 mth	6 mth	1 year	2 year	5 year	10 year
Hyperion Australian Equities Composite	0.42	33.03	52.15	-5.19	12.83	12.22
Excess Performance over S&P/ASX 300 Accumulation Index	-1.38	6.97	19.64	5.97	4.65	3.15

Top 10 Stock Holdings		
Stock	Absolute Weight	Active Weight
Seek	8.10%	7.91

Woolworths	6.67%	3.57
Commonwealth Bank of Australia	5.61%	-1.69
Cochlear	5.34%	5.02
IRESS Market Technology	4.67%	4.60
BHP Billiton	4.53%	-7.96
REA Group	4.21%	4.21
Woodside Petroleum	4.13%	2.06
JB Hi-Fi	4.12%	3.89
Wotif.com Holdings	4.09%	4.03

Double Digit Outperformance Recorded for 6+ Month Returns

The Hyperion High Conviction Small Growth Companies Portfolio underperformed the S&P/ASX Small Ordinaries Accumulation Index during the month, the fund returned -0.04% versus the index return of 1.77%. The largest contributors to its underperformance included Platinum Asset Management (-15.17%), Reckon (-7.3%) and not owning Aquila Resources (+52.23%). The largest contributors to the fund's performance during the month included The Reject Shop (+6.76%), Carsales.com (+9.54%) and not owning ING Industrial Fund (-17.48%).

During the month the portfolio's holding in Carsales.com (online car classifieds) was increased. The decision to upgrade the weighting of the company was the result of the investment team's additional analysis of the company and becoming more comfortable with the company's market position and long term growth outlook.

Performance	1 mth	6 mth	1 year	2 year	5 year
High Conviction Small Growth Companies Portfolio	-0.04	37.10	79.95	-2.06	13.82
Excess Performance over S&P/ASX Small Ords Accumulation Index	-1.81	10.87	22.73	14.87	8.03

Top 10 Stock Holdings		
Stock	Absolute Weight	Active Weight
IRESS Market Technology	9.17%	8.32
REA Group	7.87%	7.87
The Reject Shop	7.33%	6.94
Reckon	7.09%	7.09
Sky Network Television	6.71%	6.71
Wotif.com Holdings	6.62%	5.83
Platinum Asset Management	6.18%	5.10
Navitas	6.04%	6.04
Count Financial	5.77%	5.77
Fantastic Holdings	5.54%	5.54

Recent Mandate Wins and Remaining Capacity

Inflow during November was mostly from retail investors via their financial planners who recognise the upside potential of Hyperion's portfolios.

Product Capacity		
PORTFOLIO	UNIVERSE	REMAINING CAPACITY
High Conviction Small Growth Companies	Small Ords	\$144m
Australian Equities ASX 300 Composite	ASX300	\$2.31b
Australian Equities Composite	All Ordinaries	\$0.65b

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