

SATELLITE REPORT

September 2008

This has been an exceptional quarter for Hyperion and its Australian equities portfolios. We have seen a substantial reversal in the fortune of the materials sector and renewed confidence in the high quality stocks in the consumer discretionary sector. This has created substantial out-performance for our portfolios which has erased the underperformance in our portfolios created by the treatment of the consumer discretionary companies by the market earlier in the year.

Our stock selection in quality small cap stocks has created 25.01% out-performance over the benchmark for our Small Companies Portfolio for the September quarter and reflects the effect of the discipline in our investment process that removes single commodity miners (who do not possess a competitive advantage). They have been the hardest hit in this latest market rout as we forecast they would.

The valuations in all our portfolios are still compelling and underline our confidence in the stocks we hold in the portfolio for the years ahead.

Australian Equities High Conviction Small Companies Portfolio

The Hyperion Small Companies Portfolio outperformed the market substantially during September. The fund returned 11.21% above the benchmark S&P/ASX Small Ordinaries Accumulation index. The performance of companies such as Fantastic Holdings (6.38%), Wotif.com Holdings (5.23%) and The Reject Shop (0.46%) added significant excess performance for the portfolio.

Performance	1 mth	3 mth	1 year	2 year	5 year
High Conviction Small Companies Portfolio	-3.80	6.89%	-28.68	-1.13	16.69
Excess over S&P/ASX Small Ord Accum Index	11.21	25.01%	5.83	4.25	6.31

Top 10 Stock Holdings		
Stock	Absolute Weight	Active Weight
Wotif.com Holdings	9.93%	9.48%
The Reject Shop	9.70%	9.40%
Fantastic Holdings	9.69%	9.69%
Seek Limited	9.26%	8.11%
Iress Market Technologies	8.16%	7.58%
JB Hi-Fi	7.10%	5.73%
Count Financial	6.83%	6.83%
Technology One	5.46%	5.46%
Realestate.com.au	5.29%	5.29%
Invocare	3.90%	3.39%

Australian Equities High Conviction Large Cap Portfolio

The Hyperion Large Cap Portfolio performed strongly during September. It outperformed its benchmark by 4.70% returning -5.24% for the month. At a sector level, the portfolio's underweight relative to the market position in Materials was the largest contributor to performance. The underweight position in Property Trusts was the largest detractor from active performance during the month.

At a stock level, Billabong (9.18%), Cochlear (7.72%) and the underweight position in BHP Billiton (-24.27%) added positive contributions to active performance. The largest detractors to performance from the month included Woodside Petroleum (-18.06%), Rio Tinto (-33.27%), and not owning QBE Insurance Group (10.65%).

Performance	1 mth	3 mth	1 year	2 year	5 year
High Conviction Large Cap Portfolio	-5.24	-2.16	-26.66	1.33	16.11
Excess over S&P/ASX 300 Accum Index	4.70	8.54	0.42	2.96	3.83

Top 10 Stock Holdings		
Stock	Absolute Weight	Active Weight
Cochlear	7.01%	6.67%
Brambles	6.99%	5.87%
Woolworths	6.94%	3.48%
Seek Limited	6.45%	6.34%
Woodside Petroleum	5.25%	2.82%
Billabong	4.94%	4.69%
Wotif.com Holdings	4.86%	4.82%
Commonwealth Bank	4.75%	-1.16%
AMP Limited	4.61%	3.24%
Westpac Banking Corp	4.31%	0.06%

Australian Equities High Conviction Broad Cap Portfolio

The Hyperion Broad Cap Portfolio outperformed the market during September returning -4.40% versus the S&P/ASX 300 Accumulation Index return of -9.94%. With the high level of uncertainty in the current financial markets, the bias towards quality companies within the portfolio has helped it outperform. Falling commodity prices, a declining Australian dollar and expectations that the RBA would cut interest rates all provided positive momentum for the portfolio.

The largest contributors to active performance over the month were BHP Billiton (-24.27%), Cochlear (7.72%), and Billabong (9.18%). The largest detractors to performance from the month included Babcock & Brown (-21.57%) and not owning QBE Insurance Group (10.65%) and National Australia Bank (0.98%).

Performance	1 mth	3 mth	1 year	2 year	5 year	10 year
High Conviction Broad Cap Portfolio	-4.40	-0.22	-28.42	-1.48	14.13	13.78
Excess over S&P/ASX 300 Accum Index	5.54	10.48	-1.34	0.15	1.85	3.19

Top 10 Stock Holdings		
Stock	Absolute Weight	Active Weight
Woolworths	7.34%	3.88%
Cochlear	6.90%	6.56%
Brambles	6.75%	5.63%
Seek Limited	6.42%	6.31%
Woodside Petroleum	5.08%	2.66%
Wotif.com Holdings	4.84%	4.79%
Commonwealth Bank	4.77%	-1.13%
AMP Limited	4.55%	3.18%
Billabong	4.53%	4.28%

Westpac Banking Corp	4.46%	0.22%
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Product Capacity

Product Capacity			
PORTFOLIO	UNIVERSE	CAPACITY	FUM
High Conviction Small Companies	Small Ords	\$150m	\$4.44m
High Conviction Large Cap	ASX300	\$2.5b	\$0.2b
High Conviction Broad Cap	All Ordinaries	\$2.0b	\$0.9b

What's new at Hyperion?



A large proportion of the portfolio's large cap companies' earnings come from the United States and the weakened Australian dollar should provide a benefit for the companies who generate income from the USA; Billabong, Cochlear and Brambles are prime examples. Reduced liquidity in the capital markets is not a major issue for the portfolio as most companies in the portfolio have very little net debt. The expectation that interest rates will be cut in the coming months should benefit the Australian consumer, which also makes a substantial contribution to the performance of our portfolio.

The investment team retains the belief that the companies held within the portfolio should be substantially re-rated as the market identifies the strength of the underlying businesses and applies the premium reflective of high quality companies.

Dr Manny Pohl, Managing Director & Investment Team Chairman

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