

## More Opportunities in Fairly Valued Market



Equity markets have run hard over the past quarter. While the market looks fairly valued, continued earnings growth over the next few years should support higher equity levels. We continue to invest in companies whose earnings streams are highly predictive over our five year investment horizon and whose earnings are likely to increase at a faster pace than the overall economy.

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

## Reporting Season Outperformance Confirms Long-Term Trend

The Hyperion Australian Equities 300 composite outperformed the S&P/ASX 300 Accumulation Index during the month returning 7.30% versus the benchmark return of 6.27%. The largest contributors to the active performance of the portfolio included Cochlear (18.64%), Macquarie Group (15.73%) and our underweight holding in BHP Billiton (2.53%) relative to the benchmark. The largest detractors for the month included Perpetual (-4.9%), Wotif.com (1.01%) and Consolidated Media Holdings (-5.02%).

Consolidated Media Holdings' stock price fell on news that the recent take-over speculation is unlikely now that Kerry Stokes signed a contract stating he would not bid for the company over the next twelve months in return for an additional seat on the company's board. While it did not impact the share price in the short term, Foxtel unveiled twelve new channels as well as the ability for customers to view "catch up television" via the internet. Over time this enhancement is expected to positively impact growth in the number of customers and hence earnings.

In recent years the investment team has noted that our portfolios tend to outperform during and immediately after reporting season, as the graph below highlights. Our view is that the market focuses on fundamentals during reporting season (and our companies have strong long term fundamentals) and that the market focus drifts to other factors and fads between reporting seasons.

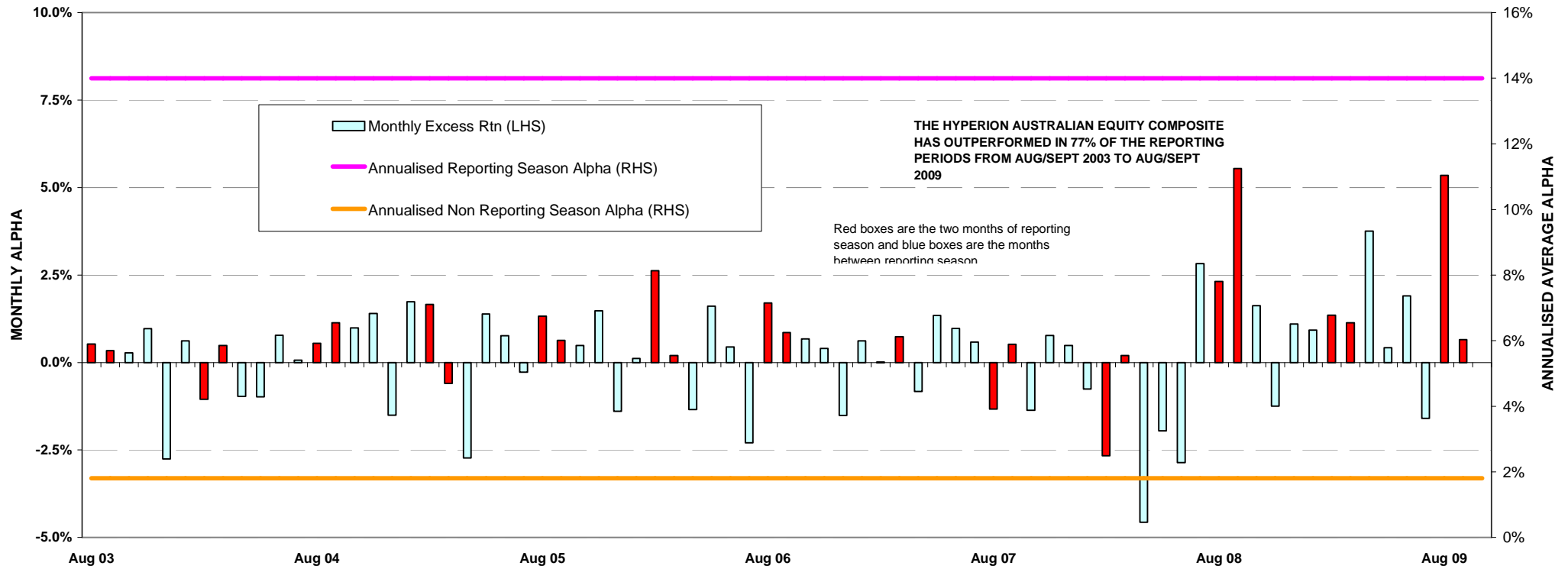
Performance	1 mth	6 mth	1 year	2 year	5 year
Hyperion Australian Equities 300 Composite	7.30	50.30	29.50	-2.62	19.23
<b>Excess Performance</b> over S&P/ASX 300 Accumulation Index	1.03	14.69	20.99	8.43	9.31

### Top 10 Stock Holdings

Stock	Absolute Weight	Active Weight
Seek	9.50%	9.34
Woolworths	8.39%	5.17
Cochlear	6.36%	6.03
Platinum Asset Management	6.13%	6.03
Commonwealth Bank of Australia	6.04%	-1.00
IRESS Market Technology	5.84%	5.76
AMP	5.71%	4.54
Brambles	5.55%	4.53
BHP Billiton	5.27%	-6.08
Woodside Petroleum	4.83%	2.65

# HYPERION AUSTRALIAN EQUITY EXCESS PERFORMANCE

## Hyperion Composite versus S&P/ASX 300 Accum Index



## Hyperion Hits Long-Term Alpha Targets Again

The Hyperion Australian Equities Composite outperformed the S&P/ASX 300 Accumulation Index during the month returning 6.92% versus the benchmark return of 6.27%. The largest contributors to active performance included Cochlear (18.64%), BHP Billiton (2.53%) and Macquarie Group (15.73%). The largest detractors for the month included Consolidated Media Holdings (-5.02%), Perpetual (-4.88%) and Wotif.com Holdings (1.01%).

Consolidated Media Holdings' stock price fell on news that the recent take-over speculation is unlikely now that Kerry Stokes signed a contract stating he would not bid for the company over the next twelve months in return for an additional seat on the company's board. While it did not impact the share price in the short term, Foxtel unveiled twelve new channels as well as the ability for customers to view "catch up television" via the internet. Over time this enhancement is expected to positively impact growth in the number of customers and hence earnings.

Performance	1 mth	6 mth	1 year	2 year	5 year	10 year
Hyperion Australian Equities Composite	6.92	49.46	25.77	-5.12	15.27	13.57
<b>Excess Performance</b> over S&P/ASX 300 Accumulation Index	0.65	13.85	17.26	5.93	5.35	3.79

Top 10 Stock Holdings		
Stock	Absolute Weight	Active Weight
Seek	7.30%	7.14
Woolworths	5.81%	2.59
Commonwealth Bank of Australia	5.75%	-1.30
Cochlear	5.07%	4.74
IRESS Market Technology	4.95%	4.87
Brambles	4.70%	3.68
AMP	4.36%	3.18
Platinum Asset Management	4.22%	4.12
Woodside Petroleum	4.06%	1.88
Macquarie Group	4.05%	2.29

## Outperformance Opportunities in Small Cap Industrials

The Hyperion Small Growth Companies Fund outperformed the S&P/ASX Small Ordinaries Accumulation Index during the month. The fund returned 5.35% versus the benchmark return of 5.04%. The largest contribution to the outperformance of the fund came from not owning shares which performed extremely poorly for the index including Karoon Gas (-27.00%), Riversdale Mining (-12.30%) and Sigma Pharmaceuticals (7.9%). Positive contributors to the outperformance of the fund included our holdings in Austar Communications (18.7%), REA Group (4.5%) and Navitas (7.4%).

The IRR of the Small Cap Portfolio is 18.15% and highlights the confidence the team has in the ability of quality small cap industrials companies that possess competitive advantages to outperform the broader small cap market over the next 5 years.

Performance	1 mth	6 mth	1 year	2 year	5 year
High Conviction Small Growth Companies Portfolio	5.35	56.16	34.29	-2.14	15.67
<b>Excess Performance</b> over S&P/ASX Small Ords Accumulation Index	0.31	3.05	28.03	14.45	8.05

Top 10 Stock Holdings		
Stock	Absolute Weight	Active Weight
REA Group	9.81%	9.81
The Reject Shop	8.45%	8.07
IRESS Market Technology	7.75%	6.79
Fantastic Holdings	7.70%	7.70
Count Financial	6.84%	6.84
Reckon	6.82%	6.82
Navitas	6.74%	6.74
Platinum Asset Management	6.21%	4.96
Sky Network Television	6.06%	6.06
Wotif.com Holdings	5.84%	5.14

## Recent Mandate Wins and Remaining Capacity

Hyperion has added a new client to the firm with the recent win of a \$108 million ASX 300 mandate from a major super fund.

In addition, we have experienced solid inflows from clients on the back of confidence in the investment team's strong 5 year outlook for its portfolios.

Product Capacity		
PORTFOLIO	UNIVERSE	REMAINING CAPACITY
High Conviction Small Growth Companies	Small Ords	\$144m
Australian Equities 300 Composite	ASX300	\$2.31b
Australian Equities Composite	All Ordinaries	\$0.86b

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