

September 2008

Total Net Market Value of Assets

\$30,097,285 or \$1.398c per share

Investment Performance

(These figures are unaudited)

	Quarter	One Year
Portfolio return over the period *	-3.1%	-30.2%
Change in All Ords. over Period	-13.2%	-29.6%
Total return over the period (NAV & div)	-5.0%	-34.1%
Change in Bank Bill Index over the Period	2.2%	8.0%

* This return is before all fees, costs, taxes and dividends while the NAV return is after fees, costs and taxes paid. Past performance is no guide for future performance.

Asset Allocation

Financials	30.3%
Consumer Discretionary	19.0%
Industrials	13.3%
Materials	9.5%
Healthcare	9.0%
Energy	7.7%
Consumer Staples	5.5%
Information Technology	3.9%
Cash and Equivalent	1.8%

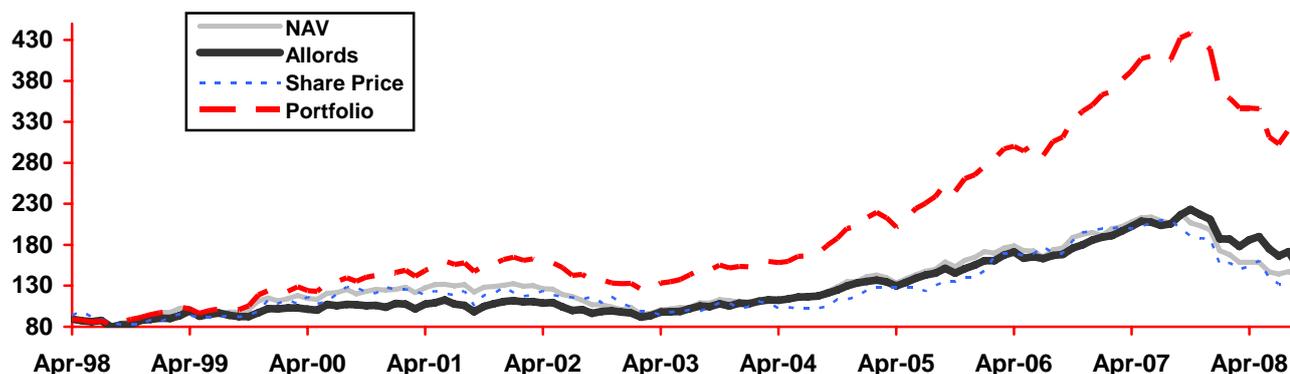
Five Major Investments

(As a % of the portfolio)

	Sep-08	Jun-08
Brambles	7.1%	7.6%
Cochlear	6.7%	4.6%
Commonwealth Bank	6.5%	5.8%
ANZ Bank	5.7%	5.3%
Woodside Petroleum	5.6%	7.0%
Total	31.6%	30.2%

Relative Performance

(After adjusting for the rights issues)



Investment Philosophy

Our investment process focuses on investing in companies with talented management that are able to consistently grow their business because they have a sustainable competitive advantage, a sound balance sheet and a proven ability to generate operational cash-flow.

Portfolio Performance

The portfolio has outperformed the market by 10.1% over the quarter to September 2008 and recouped almost all of the previous quarter's under-performance. It now appears that within the current negative investment climate, quality businesses are once again being recognised and valued appropriately by the market. Our under-weight position in resource companies has stood us in good stead during the quarter. Hyperion is under-weight resource companies due to their lack of a competitive advantage (other than through size as is the case with RIO Tinto and BHP Billiton), the high risk nature of the mining business and the volatility of revenues. Over the past twelve months Shareholders have regrettably seen a decline in the NAV per share of 36%. The difference in the performance as compared to the portfolio return is primarily due to the dilutive effect of the large placement undertaken at a 7.25% discount to the NAV in October 2007.

Investment Activity

During the quarter under review, we added Runge (a leading mining technology company) to the portfolio and increased our exposure to Count Financial. Babcock & Brown, Mortgage Choice and Nick Scali were removed from the portfolio.

Market facts

- ☉ The S&P 500 declined by 9.0% in US\$ over the quarter and increased by 10.1% in A\$ as a result of a dramatic decline in the value of the A\$ in the quarter.
- ☉ The Australian market as measured by the All Ordinaries Index declined by 13.2% over the quarter.
- ☉ As at the end of September 2008, the All Ordinaries Index is up 70.7% since April 1998. The NAV (after tax) per share has increased since April 1998 by 56.6%, while the total return including dividends is 109.1%. The portfolio total return since April 1998 was 238.1%.
- ☉ At the current market value, the investments in the portfolio have a dividend yield of approximately 5% substantially fully franked.

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