

Managing Director's Quarterly Report



December 2006

Total Net Market Value of Assets

\$33,328,661 or 195c per share

Investment Performance

(These figures are unaudited)

| | Quarter | One Year |
|---|---------|----------|
| Portfolio return over the period* | 12.4% | 32.1% |
| Change in All Ords. over Period | 10.4% | 19.9% |
| Total return over the period (NAV & div) | 10.8% | 22.0% |
| Change in Bank Bill Index over the Period | 1.6% | 6.0% |

* 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 | 32.0% |
| Consumer Discretionary | 18.7% |
| Industrials | 13.2% |
| Healthcare | 9.1% |
| Materials | 8.7% |
| Consumer Staples | 6.5% |
| Energy | 6.1% |
| Information Technology | 3.1% |
| Cash and Equivalent | 2.6% |

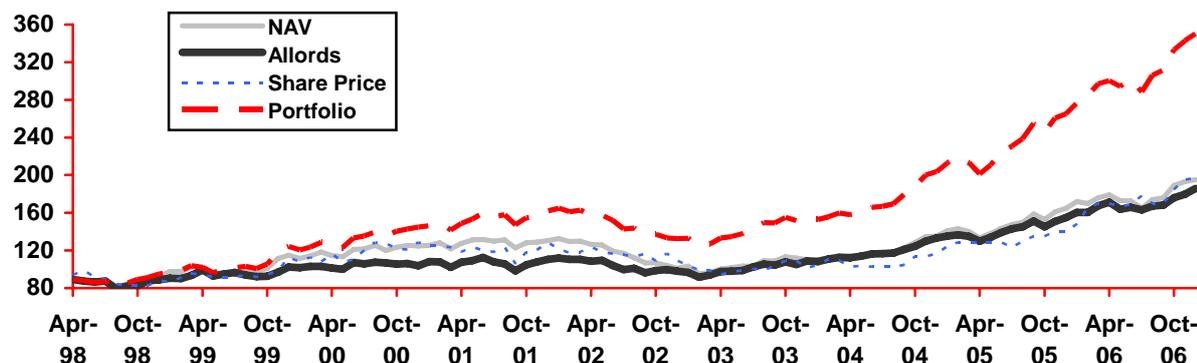
Five Major Investments

(As a % of the portfolio)

| | Dec-06 | Sep-06 |
|--------------|--------------|--------------|
| Brambles | 5.6% | 6.2% |
| ANZ | 5.3% | 5.7% |
| Rio Tinto | 5.0% | 5.3% |
| Woolworths | 4.8% | 4.6% |
| Perpetual | 4.5% | 4.7% |
| Total | 25.2% | 26.5% |

Relative Performance History

(After adjusting for the rights issues)



Portfolio Performance

- The portfolio return (as shown in the chart and table is before all fees, costs, taxes and dividends) was 12.4% over the quarter and 32.1% for the twelve months to the end of December 2006. The return since April 1998 was 292.3%.
- The NAV increased by 10.8% over the quarter as compared to the All Ordinaries Index which increased by 10.4%.
- The NAV per share of the portfolio has increased since April 1998 by 118.4%, while the total return including dividends is 157.2%. The All Ordinaries Index was up 108.1% since April 1998.
- At the current market value, the investments in the portfolio have a dividend yield of 3.2% substantially fully franked.

Investment Activity

- During the quarter under review, we added Arrow Energy to the portfolio and increased our exposure to Aristocrat Leisure, Westpac and Woodside Petroleum. We reduced our exposure to Babcock & Brown, Queensland Gas and Seek.
- Amongst the best performing investments over the quarter were Queensland Gas, Babcock & Brown and JB Hi-Fi. The worst performing investment was Brambles.

Market facts

- The Australian market as measured by the All Ordinaries Index increased by 10.4% over the quarter and by 19.9% over the past twelve months.
- By Comparison, the S&P 500 did not have as good a quarter, increasing in US\$ by 6.2% over the quarter and by 13.6% over the twelve months to the end of December 2006.

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