

December 2009

Total Net Market Value of Assets

\$42,120,370 or \$1.571 per share.

Investment Performance

(These figures are unaudited)

	Quarter	One Year
Portfolio return over the period *	4.6%	58.6%
Change in All Ords. over Period	3.0%	33.4%
Total return over the period (NAV & div)	3.4%	34.0%
Change in Bank Bill Index over the Period	0.9%	3.5%

* 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	30.2%
Consumer Discretionary	25.7%
Materials	10.1%
Energy	8.2%
Information Technology	7.8%
Industrials	7.1%
Consumer Staples	5.6%
Healthcare	4.4%
Cash and Equivalent	0.9%

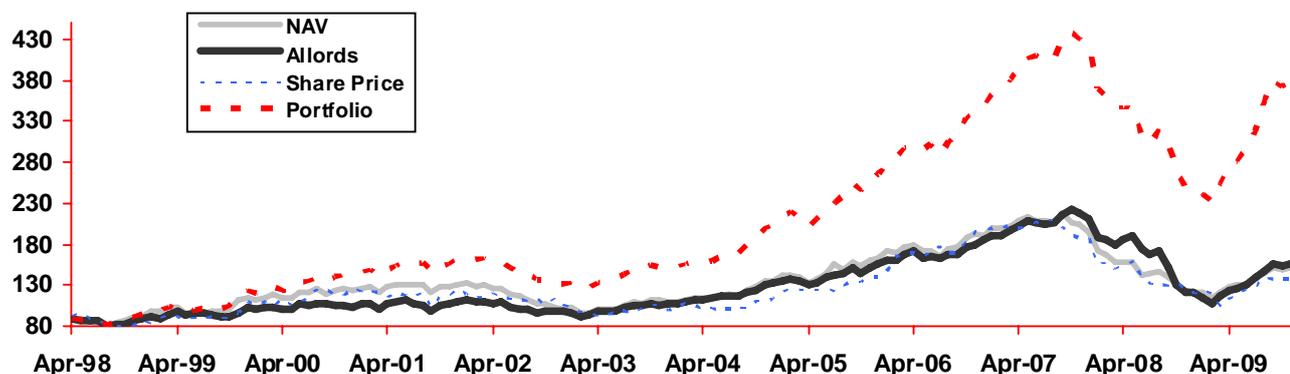
Five Major Investments

(As a % of the portfolio)

	Dec 09	Sept 09
Wotif.com	7.6%	6.1%
CBA	7.2%	6.9%
IRESS	5.8%	7.1%
Rio Tinto	5.7%	4.6%
Woolworths	5.6%	6.0%
Total	31.9%	30.7%

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 performance for the quarter to December 2009 of 4.6% is 50% better than the market return of 3.0% continuing the good relative performance. The return for the portfolio over the past twelve months of 58.6% compares with an increase in the market as measured by the All Ordinaries Index of 33.4%. Within the current investment climate, quality businesses continue to be recognised and valued appropriately by the market. Our under-weight position in speculative resource companies has once again 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.

Investment Activity

Exposure to WorleyParsons, Wotif.com Holdings and Carsales.com were increased during the quarter under review, whilst our exposure to Brambles, IRESS and Fantastic Holdings was reduced. There were no new companies added to the portfolio during the review period.

Market facts

- ⊙ While the S&P 500 increased over the quarter by 5.5% in US\$, in A\$ it increased by only 3.8% as a result of a substantial increase in the value of the A\$.
- ⊙ The Australian market increased by 33.4% over the past twelve months as compared to an increase of 34.0% in the NAV per share, an after tax return.
- ⊙ As at the end of December 2009, the All Ordinaries Index is up 80.0% since April 1998. The NAV (after tax) per share has increased since April 1998 by 76.0%, while the total return including dividends paid to shareholders is 142.8%. The portfolio total return since April 1998 was 344.3%.
- ⊙ At the current market value, the investments in the portfolio have a dividend yield of approximately 4.0% substantially fully franked.

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