

Managing Director's Quarterly Report



June 2010

Total Net Market Value of Assets

\$38,730,067 or \$1.444 per share

Investment Performance

(These figures are unaudited)

	Quarter	One Year
Portfolio return over the period *	-12.0%	21.4%
Change in All Ords. over Period	-11.6%	9.5%
Total return over the period (NAV & div)	-8.7%	10.2%
Change in Bank Bill Index over the Period	1.1%	3.9%

* 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	28.7%
Consumer Discretionary	22.4%
Materials	12.0%
Information Technology	8.8%
Industrials	7.8%
Energy	7.0%
Consumer Staples	6.3%
Health Care	5.3%
Cash and Equivalent	1.9%

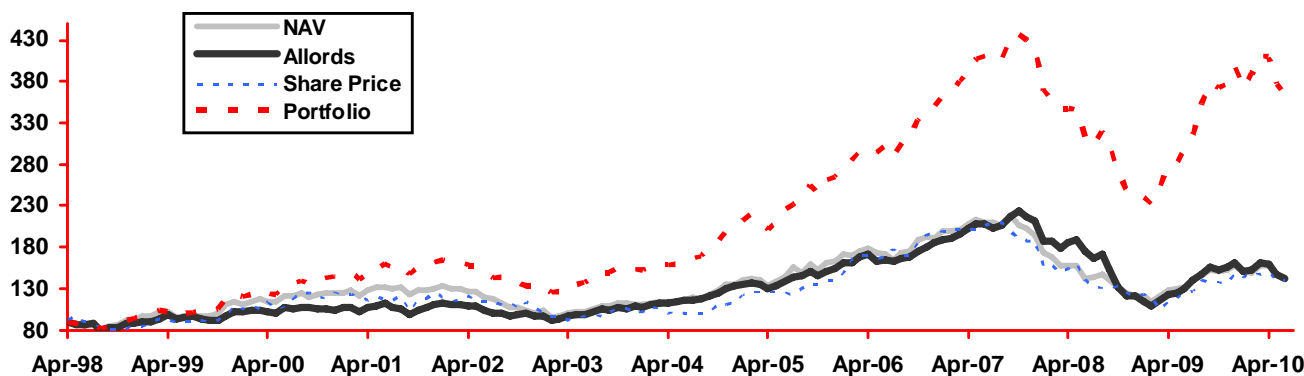
Five Major Investments

(As a % of the portfolio)

	June 10	Mar 10
BHP Billiton	7.2%	4.3%
Woolworths	6.3%	6.5%
Seek	5.8%	5.8%
CBA	5.4%	7.3%
Cochlear	5.3%	4.5%
Total	30.0%	28.4%

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 June 2010 of -12.0% is slightly lower than the market return of -11.6%. The return for the portfolio over the past twelve months of 21.4% compares with an increase in the market as measured by the All Ordinaries Index of 9.5%. Within the current investment climate, quality businesses continue to be recognised and valued appropriately by the market. Our over-weight position in quality companies with a sustainable competitive advantage and predictable earnings capability 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

The portfolios exposure to BHP Billiton, Platinum Asset Management and IRESS Market Technology was increased during the quarter under review, whilst exposure to the Commonwealth Bank, AMP and Rio Tinto was reduced. No new companies were added to the portfolio.

Market facts

- While the S&P 500 declined over the quarter by 11.9% in US\$, in A\$ it declined by only 3.8% as a result of an 8.4% decline in the value of the A\$.
- The Australian market increased by 9.5% over the past twelve months as compared to an increase of 10.2% in the NAV per share, an after tax return.
- As at the end of June 2010, the All Ordinaries Index is up 59.4% since April 1998. The NAV (after tax) per share has increased since April 1998 by 61.7%, while the total return including dividends paid to shareholders is 133.3%. The portfolio total return since April 1998 was 305.7%.
- At the current market value, the investments in the portfolio have a dividend yield of approximately 4.0% substantially fully franked.

Hyperion Flagship Investments Limited

ABN 99 080 135 913

Level 22, 307 Queen Street Brisbane QLD 4000 GPO Box 1205 Brisbane 4001

Tel: (07) 3020 3718 Fax: (07) 3020 3701 Toll Free: 1300 550 293 www.hyperionfi.com.au