

September 2010

Total Net Market Value of Assets

\$38,468,552 or \$1.453 per share

Investment Performance

(These figures are unaudited)

	Quarter	One Year
Portfolio return over the period *	5.3%	0.6%
Change in All Ords. over Period	7.2%	-2.2%
Total return over the period (NAV & div)	3.7%	1.2%
Change in Bank Bill Index over the Period	1.2%	4.3%

* 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	21.6%
Materials	12.3%
Information Technology	8.7%
Industrials	8.2%
Energy	7.2%
Consumer Staples	6.8%
Health Care	5.1%
Cash and Equivalent	1.4%

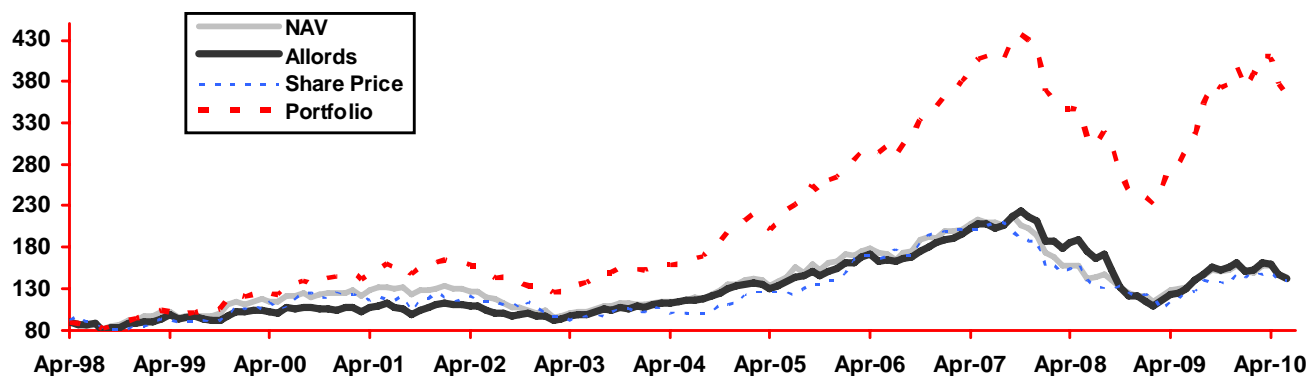
Five Major Investments

(As a % of the portfolio)

	Sept 10	June 10
BHP Billiton	6.9%	7.2%
Woolworths	6.8%	6.3%
Seek	6.2%	5.8%
CBA	6.0%	5.4%
Platinum Asset Management	5.6%	5.2%
Total	31.5%	29.9%

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 September 2010 of 5.3% is slightly lower than the market return of 7.2%. The return for the portfolio over the past twelve months of 0.6% compares with a decline in the market as measured by the All Ordinaries Index of 2.2%. 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 over the past twelve months. However, 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. As a result, any continued outperformance by the resources sector could result in under-performance of our portfolio as compared to the market.

Investment Activity

The portfolio's exposure to Rio Tinto, the REA Group and the Commonwealth Bank was increased during the quarter under review, whilst exposure to Navitas, ANZ Bank and Westpac Bank was reduced. No new companies were added to the portfolio.

Market facts

- ⊙ While the S&P 500 increased over the quarter by 10.7% in US\$, in A\$ it declined by 3.8% as a result of a 15% increase in the value of the A\$.
- ⊙ The Australian market declined by 2.2% over the past twelve months as compared to an increase of 1.2% in the NAV per share, an after tax return.
- ⊙ As at the end of September 2010, the All Ordinaries Index is up 70.9% since April 1998. The NAV (after tax) per share has increased since April 1998 by 62.7%, while the total return including dividends paid to shareholders is 139%. The portfolio total return since April 1998 was 327.3%.
- ⊙ 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 HYPERION [1300 497 374] Web: www.hyperionfi.com.au