



HYPERION FLAGSHIP INVESTMENTS LTD

ANNUAL GENERAL MEETING

Friday 12 November 2010

CHAIRMAN'S ADDRESS

Ladies and gentlemen, my fellow board members and I warmly welcome you to the 13th Annual General Meeting of our company, Hyperion Flagship Investments Limited.

Overview:

In my address to the Annual General Meeting last year, I was cautiously upbeat and positive about the economic and business outlook although I did highlight the fact that there were still risks to the recovery process.

It is fair to say that the emerging economic recovery remains fragile, particularly in Europe and the US and significant risks remain. Pessimism continues to pervade many economies as governments and central banks struggle with high budget deficits, mounting debt, high unemployment and business uncertainty.

In the UK and Europe, there remains concern at the grass roots level about the capacity of governments to deal with the issues and, indeed, the capacity of the community to bear the ultimate costs involved as necessary structural adjustments are made. A similar situation exists in the USA. Potentially, this will be a dampener on business and investment and soften the growth outlook.

There are still fears about a double dip recession and the capacity of governments to respond in such circumstances.

On the other hand, China and Asia are still a positive influence although perhaps less bullish than in the past.

Australia remains well placed in the recovery phase and is in a much better position to ride out any double dip scenario. Ultimately though, risks remain and are ignored at ones peril.

As an investor in Australian equities, I remain positive about the economy and business outlook and believe that the Company is well positioned for positive returns in the current environment, despite the risks and uncertainty.

Result for the Year:

It has been an outstanding year for the Company and this is largely due to the skill and capacity of our manager, Hyperion Asset Management, led by its Managing Director Dr Manny Pohl and his team of investment professionals.

Our portfolio returned a positive 21.4% compared with an increase in the All Ordinaries Index of 9.5% for the same period. On any comparative basis it is an outstanding result.

In terms of profitability, the outcome for the year was a profit of \$1.096 million compared with a loss of \$0.654million in the 2008-09 year.

The profit was after payment of a performance fee of \$0.684million to our Manager, the first such payment since 2007. As shareholders will no doubt be aware, our Manager is only paid a fee when the portfolio performance exceeds the agreed benchmark. In times of negative return, the fee invariably is zero but in times of outstanding positive performance, the fee can be significant.

The board has long been of the view that performance is fundamental and there should be a reasonable fee for good performance.

While there is still significant volatility in the markets, as I have already indicated, we are of the view that the outlook for 2010-11 is positive.

Dividend Policy:

The board has consistently adopted a conservative dividend policy in line with our commitment to provide appropriate long term returns to our shareholders above the rate of inflation.

A total dividend payment for the year of 8.5 cents per share, fully franked, is consistent with the level of dividend payment in the previous year. The dividend is supplemented by the favourable tax treatment of Listed Investment Companies which provides for a deduction of up to 4.674 cents per share depending on the status of the individual taxpayer.

The capacity of the Company to continue to facilitate access to this benefit will depend on the capacity to continue to generate capital profits. This may be constrained in the future.

The board is mindful that the return to shareholders by way of dividends has been in excess of our net return from dividends from companies in which we invest. This position has been exacerbated in recent times by the general downgrade in dividends payable by many companies and the fact that a significant performance fee was payable to the Manager.

The board is mindful that, while dividend income remains constrained, there is nevertheless value created through the overall increase in the value of the portfolio. There is, therefore, an element in the declared dividend that returns to shareholders some of that value increase.

Shareholders are being asked to endorse an amendment to the Company's constitution to replace the current test of dividends being paid out of company profits to one which would allow the Company to pay dividends provided the Company's assets exceed its liabilities, the dividend payment is fair and reasonable to all shareholders and the ability to pay creditors is not prejudiced.

The new provision is consistent with recent amendments to the Corporations Act and the amendment is supported by the board.

Board Remuneration:

The level of remuneration for board members has been unchanged since the Company was formed some 12 years ago and has been long overdue for review.

Following a review, the board agreed that the directors fees be increased from 1 January 2010 as follows:

Chair	\$40 000 (previously \$30 000)
Chair of Audit Committee	\$30 000 (previously \$12 000)
Director	\$25 000 (previously \$12 000)

The new levels are more reflective of the market generally and other LIC's in particular.

The new levels of payment are able to be accommodated within the overall amount for directors' fees previously approved by shareholders.

Management Agreement:

The current Management Agreement between the Company and Hyperion Asset Management is due to expire on 13 March 2011. Any new agreement would require the approval of shareholders.

Given the date of expiry of the current agreement and the need for shareholders' approval, the Company's directors and the Manager have agreed in principle to a new five year Agreement to be submitted for approval by shareholders at this meeting.

Key changes to the agreement include:

- A capacity for up to 10% of the value of the Company's investment portfolio to be invested in unlisted securities;

Apart from the more general capacity to invest in unlisted companies, this provision would enable the Company to also take an interest in the Manager, an unlisted company, should such an opportunity arise in the future. However I hasten to add that there is no such proposal under active consideration by the board at present.

- A capacity for the Company to terminate the Manager's engagement if there is any change in the Manager's senior executives.

As I have said on many occasions, the Manager has had outstanding success over many years which is due in large measure to the quality and stability of the investment team. It is not unreasonable for the Company to review its position in the event that the Manager has any change to the team that has consistently underpinned its success.

There are other changes incorporated of a comparatively minor nature including the relationship with the Wilson HTM Investment Group which now reflects the reality of that relationship. There is a greater clarity of the remuneration arrangements with the Manager.

A summary of the proposed new management agreement and an explanation of the changes have been provided to shareholders. The directors recommend the new agreement to shareholders and if approved, would be executed by the Company and the Manager within 14 days and take effect accordingly.

The Board:

There have been no changes to the board membership since the last Annual General Meeting.

I would like to place on record my appreciation of the commitment and support of my fellow directors. It is a great team that I am privileged to lead and I am certainly grateful for their efforts and value their contributions.

I look forward to working with them over the next year to continue the outstanding track record of success.

Concluding Remarks:

It has been a very successful year in times of great uncertainty and I look forward to more of the same in the current year.

I also want to thank shareholders for their continuing support. It has been much appreciated by my fellow board members and I, and hopefully, shareholders feel suitably rewarded for their faith.