

**HYPERION FLAGSHIP INVESTMENTS LTD**  
**ANNUAL GENERAL MEETING**

Wednesday 12 November 2008

**CHAIRMAN'S ADDRESS**

Ladies and gentlemen, I welcome you to the 11<sup>th</sup> Annual General Meeting of Hyperion Flagship Investments Ltd.

**The Background:**

We meet today in very volatile and uncertain times. Governments and economies around the World are under extreme pressure in the face of unprecedented crises in world financial markets and are struggling with appropriate responses. Investor and consumer confidence has been shaken dramatically and is at a low ebb.

Australia is not immune from the impacts of these tumultuous world events and in the past few months, we have seen extreme volatility in equity markets around the world including Australia. By way of example, the All Ordinaries Index has declined by more than 41% between 31 October 2007 and 31 October 2008.

In the face of such a severe decline in the market, we are fortunate to have had a reasonable degree of stability in the share price in recent times, in part due to the operation of our on-going share buy back scheme which provides support in the market place for those shareholders wishing to dispose of their shares.

**Our Fund Manager:**

Our fund manager, Hyperion Asset Management Ltd, had a difficult year in 2007-08. Its underweight position in resource stocks at a time when they were in favour in the market affected performance for the year. However that position has been somewhat reversed in recent times and for the financial year to date, the portfolio is outperforming the broader market benchmark of the All Ordinaries Index, particularly in October.

We are a longer term investor and while the volatility in the market is not something we can ignore, we do not believe it is appropriate to consider fundamentally changing the investment philosophy in response to the short term.

Nevertheless we continue to closely monitor the situation in collaboration with our manager.

## **Dividend Arrangements:**

As foreshadowed in my Chairman's Report in the Annual Report for 2007-08, the board is intending to implement a dividend payment strategy that more closely aligns the cash outflow for shareholder dividends with cash inflow in terms of dividends received. The change will mean that dividends will be paid slightly later than currently but will have no impact on the dividend amount paid to shareholders.

The new arrangements will involve the interim dividend being paid in April rather than March and the final dividend in October rather than September. The key advantage is that we will hopefully avoid situations where we have to prematurely sell investments to fund the dividend payout.

The Dividend:

In view of the current uncertainty and turmoil in the market, your board decided that it was not prudent to increase the final dividend this year, thus ending a long-standing policy of providing increasing dividend flows to shareholders in excess of the rate of inflation. Nevertheless, the total dividend payable in respect of the 2007-08 year, at 8.5 cents per share, fully franked, still represents an increase over the previous year.

The dividend yield also represents a very healthy 6.8% at the current share price with the added advantage of the favourable tax treatment of Listed Investment Companies which provides a deduction of up to 6.07cents per share depending on the status of the individual taxpayer.

## **Board Changes:**

In June this year the board appointed Ms Sophie Mitchell as the replacement board member for Ms Grace Grace, who resigned from the board last year following her election to State Parliament.

Sophie's appointment followed an extensive search by the independent recruitment firm, Boardroom Partners.

We welcome Sophie to the board as a very experienced and highly regarded investment professional, primarily with ABNAMRO Morgans here in Brisbane.

I look forward to Sophie's contribution to the board and the company in the years ahead.

## **In Summary:**

It has been a tough year and I would like to be able to say that there is light at the end of the tunnel. I am not that courageous. However we do have a very committed, very experienced and highly regarded portfolio manager who has served us well in the past and there is no doubt in my mind that they will continue to do so.

I commend to you the results for the financial year 2007-08.