

# Managing Director's Quarterly Report



December 2007

## Total Net Market Value of Assets

\$50,995,067 or 198.2c per share (unaudited).

## Investment Performance

(These figures are unaudited)

	Quarter	One Year
Portfolio return over the period*	-3.1%	19.6%
Change in All Ords. over Period	-2.4%	13.8%
Total return over the period (NAV & div)	-9.3%	5.9%
Change in Bank Bill Index over the Period	1.7%	6.7%

\* 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	31.7%
Consumer Discretionary	20.2%
Industrials	13.3%
Healthcare	10.4%
Materials	9.9%
Energy	6.3%
Information Technology	3.5%
Consumer Staples	3.4%
Cash and Equivalent	1.3%

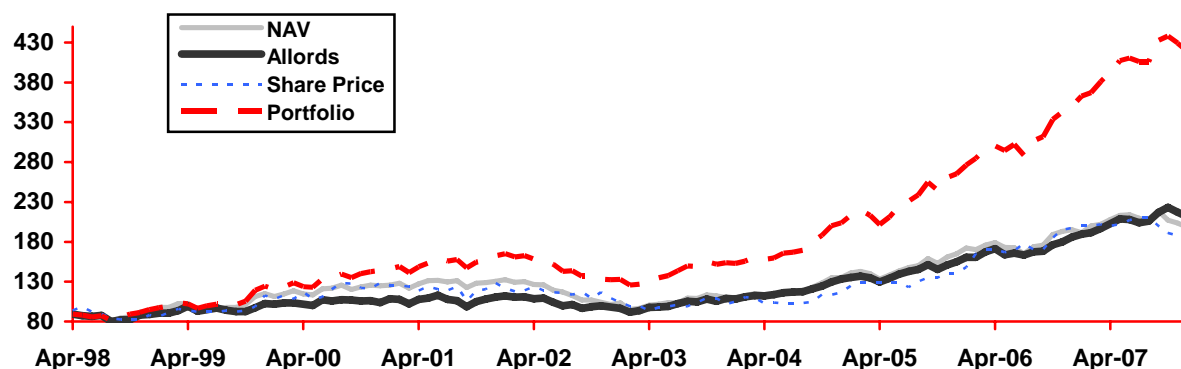
## Five Major Investments

(As a % of the portfolio)

	Dec 07	Sep 07
Cochlear	6.6%	5.9%
ANZ	6.0%	6.1%
Brambles	6.0%	6.3%
Rio Tinto	5.2%	6.9%
Woodside Petroleum	5.2%	5.7%
<b>Total</b>	<b>29.0%</b>	<b>30.9%</b>

## Relative Performance History

(After adjusting for the rights issues)



## Portfolio Performance

- While the portfolio declined by 3.1% over the quarter, it has increased by 19.6% for the twelve months to the end of December 2007. The return since April 1998 was 369.2%.
- Shareholders have seen a decline in the NAV per share of 9.3% during the quarter. This was due to the 3.1% decline in the value of the portfolio and the dilutive effect of the large placement undertaken in October 2007 at \$1.92, a 7.25% discount to the October NAV of \$2.07.
- The NAV per share has increased since April 1998 by 122.0%, while the total return including dividends is 169.7%. As at the end of December 2007, the All Ordinaries Index is up 136.7% since April 1998.
- At the current market value, the investments in the portfolio have a dividend yield of 3.6% substantially fully franked.

## Investment Activity

- During the quarter under review, we added Sky Network TV and The Reject Shop to the portfolio. The Capital Raising was allocated across the fund's investments with the largest relative increase being Billabong International.
- Amongst the best performing investments over the quarter were Rio Tinto, Queensland Gas and Woolworths. The worst performing investments were Platinum Asset Management, Brambles and Seek.

## Market facts

- The Australian market as measured by the All Ordinaries Index declined by 2.4% over the quarter.
- The S&P 500 declined by 3.8% in US\$ over the quarter and declined by 2.4% in A\$ as a result of a slightly weaker A\$ in the quarter.

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