

Media Release

Market focused on short-term speculation – rather than on long-term fundamentals

Sydney, 17 February 2010: The market continues to be theme-based and short-term focussed when it comes to small companies, with 9 out of the top 12 best performing stocks in the Small Ordinaries in the December quarter being unprofitable resource exploration companies

“We do not believe that this situation is sustainable and anticipate the market will return to rewarding companies based on business quality and earnings certainty rather than future promise,” Tim Samway, Institutional Business Director at Hyperion Asset Management, said.

“We believe that the economics of a business drives its long-term share price. With a view to maximising performance, our process is one of elimination with the result that the final portfolio is one devoid of companies that do not pass our rigorous investment criteria.”

This month, funds rating house Lonsec upgraded the Hyperion Small Growth Companies Fund to ‘Highly Recommended’ recognising: “that Lonsec has high conviction that [Hyperion] can achieve its objectives and, if applicable, outperform peers over an appropriate investment timeframe. [Hyperion] has strong competitive advantages in people, process and product design and has no areas of material weakness.”

The Hyperion Small Growth Companies Fund typically comprises 15-30 Australian stocks outside the S&P/ASX 100. With a fund size of only \$15 million, there is ample future capacity for the retail market.

“The portfolio continues to perform as expected in light of the run in resources. While the resources sector has performed well, there has been little change in the company earnings prospects to justify such large increases in share prices for these companies,” Mr Samway said.

“Commodity prices continue to strengthen across the board despite no drastic change in the long-term supply or demand for these materials over the past few months. The uncertainty of earnings for these companies over the long-term makes it difficult for us to view them as investment opportunities.”

“However, the benefit the materials sector provides to the overall Australian economy should ultimately improve the earnings capacity of the companies we hold,” he said.

Hyperion employs a stringent company selection process and portfolio construction model that focuses on companies with strong balance sheets, business models and management.

Hyperion was named Australian Equities (Small cap) Fund Manager of the Year at the Money Management/Lonsec Fund Manager of the Year 2010 Awards.

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Notes to editors:

Hyperion Asset Management is a high conviction growth style fund manager that specialises in identifying and investing in quality Australian equities. Our proprietary investment process produces a relatively concentrated portfolio of high quality companies with predictable earnings and superior growth potential. Our clients range from large institutions to high net worth individuals.

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