



HFA Holdings Limited

Lighthouse Merger—Share Purchase Agreement and Equity Raising
1 November 2007

Agenda

Lighthouse merger

Overview of equity issue

Update on Lighthouse

HFA post merger

Timetable

Lighthouse merger



Lighthouse merger

Overview

- HFA has entered into a Purchase Agreement ('PA') with Lighthouse and SunTrust Banks, Inc. ('STI')
- Under the terms of the PA, HFA has agreed to acquire all of the issued interests in Lighthouse
- Consideration for the acquisition of Lighthouse remains as previously announced and comprises:
 - **US\$348.5 million in cash to STI and Lighthouse Management Vendors**
 - **134.67 million HFA shares to Lighthouse Management Vendors**
- Lighthouse management shares are under escrow restrictions which roll off in equal parts on 30 June 2008, 31 December 2008 and 30 June 2009
- Further, Lighthouse management are obligated to invest an amount equal to 50% of total after tax cash proceeds in Lighthouse Funds for a period of two years
- Based on the current HFA share price, the acquisition price is approximately A\$726¹ million, representing an estimated FY08 EBITDA multiple of approximately 11.3x

Note:

¹ Assumes closing HFA share price of \$2.55 as at 31 October 2007 and an exchange rate of 0.91

Shareholder meeting

- HFA will hold an Extraordinary General Meeting on 14 December 2007 at which shareholders will be requested to vote on the issue of shares to Lighthouse management in connection with the merger
- The Board of HFA recommend shareholders vote in favour of this resolution
- HFA's two largest shareholders – MFS AAL and SYFT – have declared their intention to vote in favour of the resolution

Lighthouse merger

- HFA intends to fund the cash component of the acquisition consideration (and associated transaction costs) via a combination of debt and equity
 - a US\$130 million acquisition debt facility; and
 - a fully underwritten equity issue comprising a 15% institutional placement and a 2 for 5 renounceable rights issue raising a total of approximately A\$258 million
- The merger has significant strategic and financial benefits to both HFA and Lighthouse
- The acquisition remains subject to a number of conditions, including:-
 - approval under the Hart-Scott-Rodino Act (US antitrust laws)
 - HFA shareholder approval at the general meeting to be held on 14 December 2007
 - no material adverse effect
 - appointment of Sean McGould as a Director
 - Lighthouse management vendors holding at least 29.3% of HFA at closing
 - approval of the Foreign Investment Review Board

Merger rationale

Financial

- Merger is expected to be EPS accretive for HFA, particularly on a cash EPS basis
- EPS accretion of 5% and cash EPS accretion of 23% for year ending 30 June 2008 (only 3 months of Lighthouse)

Stronger business model

- Vertically integrated business, bringing investment management skills in-house
- Interests of Lighthouse management aligned with HFA from operational and ownership perspective

Enhanced quality of revenue stream

- More diversified product range
- More diversified client base by type
- More diversified client base by geography
- Less reliance on performance fees

Exposure to strong industry growth

- Broader exposure to expected growth in the absolute return funds sector

Merger rationale

Diversification of FUM

- Geographic and distribution channel diversification
- Approximately 65% of Lighthouse FUM sourced from non-HFA channels
- Presence in global institutional and high net worth markets

Experienced management team

- Very experienced, stable and highly regarded team

Potential to expand HFA distribution outside Australia

- Opportunity to build on HFA's success in Australia by enhancing HFA's ability to distribute products to investors in markets outside Australia

Ability to leverage new Lighthouse products

- Lighthouse has been active in new product development
- Lighthouse and HFA continue to work together on new products and investments

Overview of equity issue



Structure

Overview

- Equity issue to fund part of cash component of acquisition consideration for Lighthouse business (and associated transaction costs)
- Requirement to raise approximately A\$258 million
- Lead Manager and Underwriter: UBS

Structure

- Placement of 15% of current shares on issue (30.3 million shares)
- 2 for 5 renounceable rights issue (92.8 million shares)
- Placement shares to participate in rights issue
- HFA's largest shareholder, MFS AAL / MFS to participate in full in rights issue
- SYFT to renounce entitlements, with rights to be sold in an orderly manner by UBS (approximately 10 million rights)

Placement

Process

- \$73 million underwritten institutional placement
- c.30.3 million shares (15% of current shares on issue)
- Fixed price: \$2.40 per share, represents a:
 - 5.9% discount to closing price on 31 October 2007 (\$2.55)
 - 7.3% discount to one week VWAP of \$2.59
- HFA shares to resume trading on 2 November 2007
- Placement shares to rank pari passu with existing HFA shares and participate in rights issue

Rights issue

Process

- \$186 million underwritten rights issue
- Renounceable issue on the basis of 2 new shares for every 5 shares held
- c.92.8 million shares to be issued
- Rights issue price: \$2.00 per share
- Issue price represents a:
 - 21.6% discount to closing price on 31 October 2007 (\$2.55)
 - 22.8% discount to one week VWAP of \$2.59
 - 15.9% discount to theoretical ex-rights price of \$2.38
- Blended entry price for placement participants is \$2.29

Update on Lighthouse



Lighthouse product mix

A broad mix of products diversified across assets, risk profiles and geographic regions

	Investment Strategy	FUM US\$m (31 Aug 07)	% of total FUM
Lighthouse Diversified Fund	<ul style="list-style-type: none"> Absolute Return with low correlation and beta to traditional markets 	5,369	67
Lighthouse Low Volatility Fund	<ul style="list-style-type: none"> Conservative multi-strategy fund 	200	3
Lighthouse Credit Opportunities Fund	<ul style="list-style-type: none"> Single strategy fund of funds with credit related strategy 	103	1
Lighthouse Global Long/Short Fund	<ul style="list-style-type: none"> Single strategy fund of funds seeking global equity long/short opportunities 	797	10
Lighthouse V Fund	<ul style="list-style-type: none"> Heavily diversified for benefit plans only. Investors seeking LIBOR + 5% 	609	8
Lighthouse Asian Strategies Fund	<ul style="list-style-type: none"> Diversified pan-Asian fund of funds with Absolute Return objectives 	469	6
Lighthouse Aggressive Growth Fund	<ul style="list-style-type: none"> Concentrated aggressive fund focused on specialty investment strategies 	196	2
Other	<ul style="list-style-type: none"> Various 	237	3
TOTAL		7,980	100

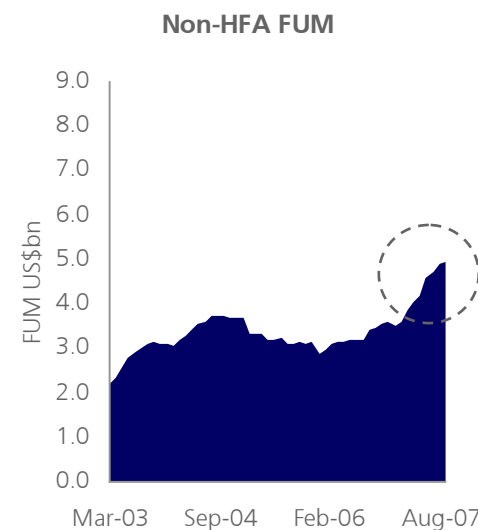
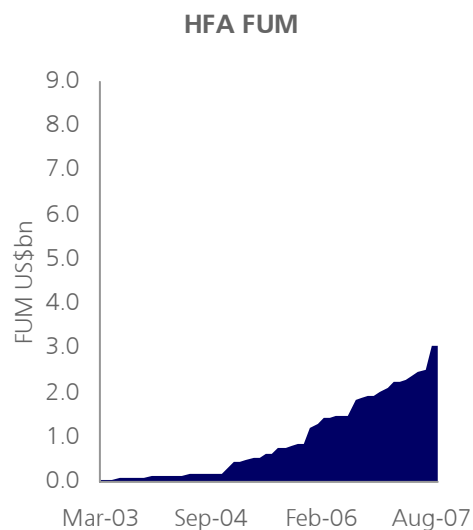
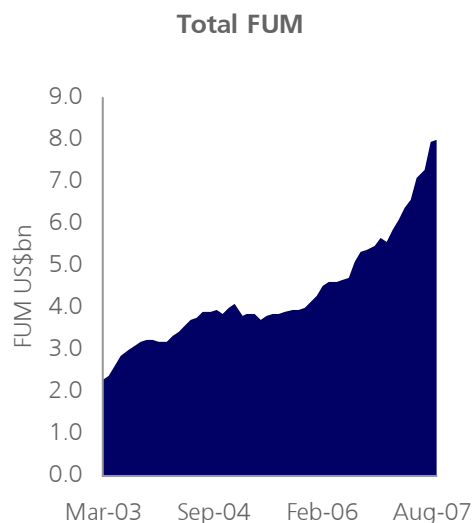
Source: Lighthouse

Lighthouse FUM growth

Lighthouse FUM has grown at a rate of more than 40% per annum over the past 3 ½ years

HFA has been a significant contributor to Lighthouse's growth

Net contributions of almost \$1.5bn over the past 12 months from a diverse range of sources outside HFA

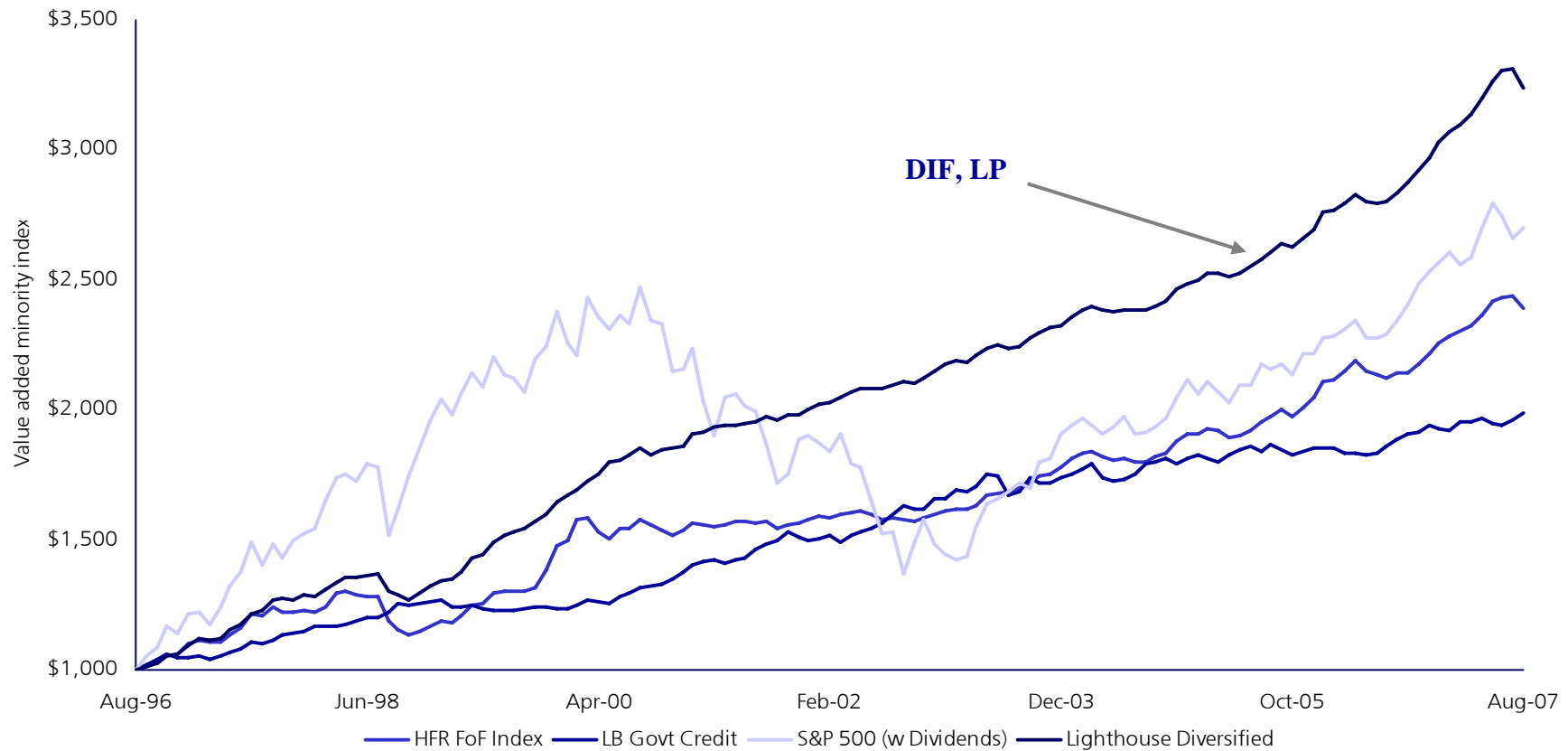


Source: Lighthouse



Performance of Lighthouse funds

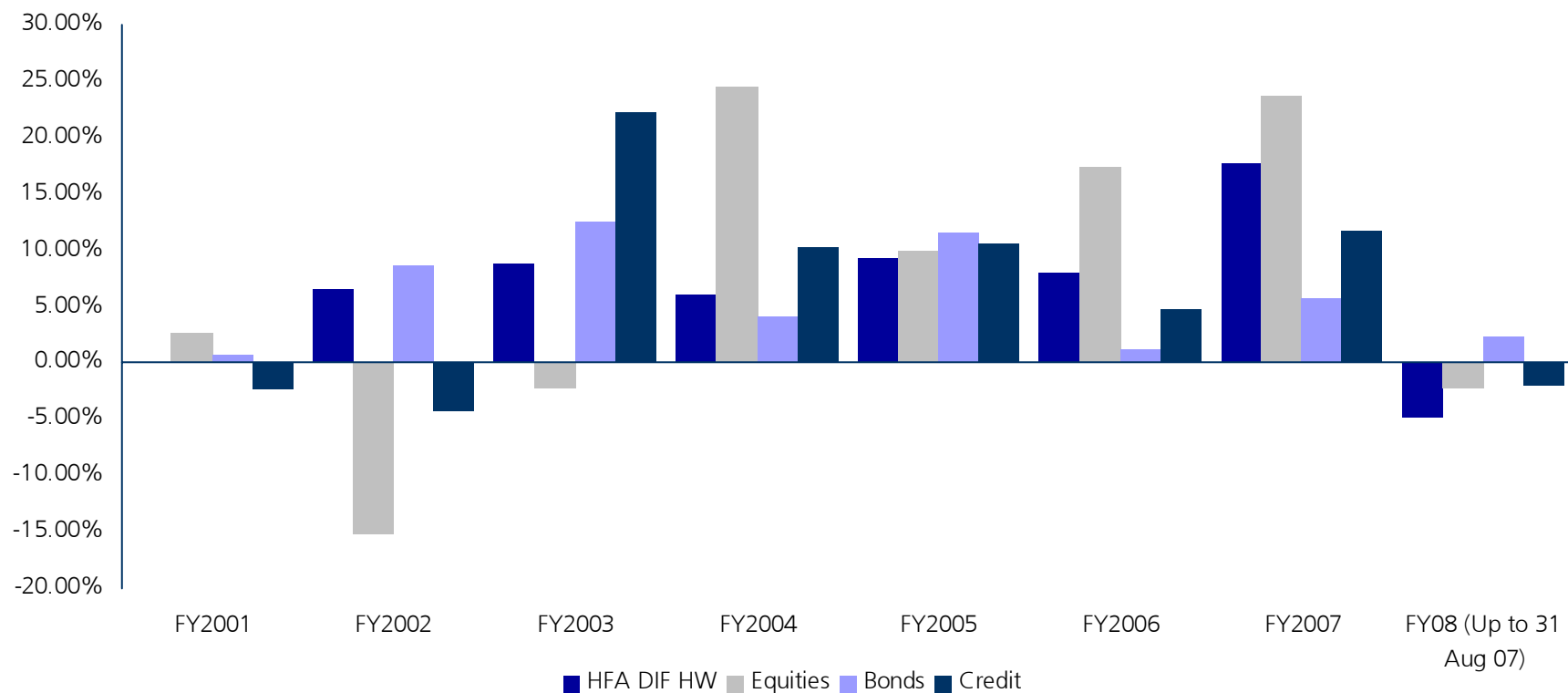
Diversified Investments Fund, LP performance versus benchmark indices



Source: Lighthouse

Performance of Lighthouse funds

Lighthouse fund performance versus traditional asset classes (year ended 30 June)



Source: HFA Asset Management
 Past performance is not a reliable indicator of future performance

Source: Lighthouse

www.HFAassetmanagement.com.au



Experienced management team

Lighthouse management team

- Long standing and very experienced management team
- Consistency of investment process and performance, which underlies fund ratings
- Shares issued to Lighthouse Management Vendors are subject to escrow
- Lighthouse Management Vendors retain investments in Lighthouse Funds of at least 50% of post tax cash proceeds

Sean McGould
(President & CIO)

- Co-founder of Lighthouse, responsible for portfolio construction and investment research

Kelly Perkins
(MD of Investments)

- Responsible for managing investment research and process

Robert Swan
(Chief Operating Officer)

- Responsible for managing the day to day operations

Scott Perkins
(Director of Investor Relations)

- Responsible for prospective and current investors and advisors

Jack Swan
(Senior Product Manager)

- Responsible for distribution across global distribution channels

HFA post merger



HFA post merger

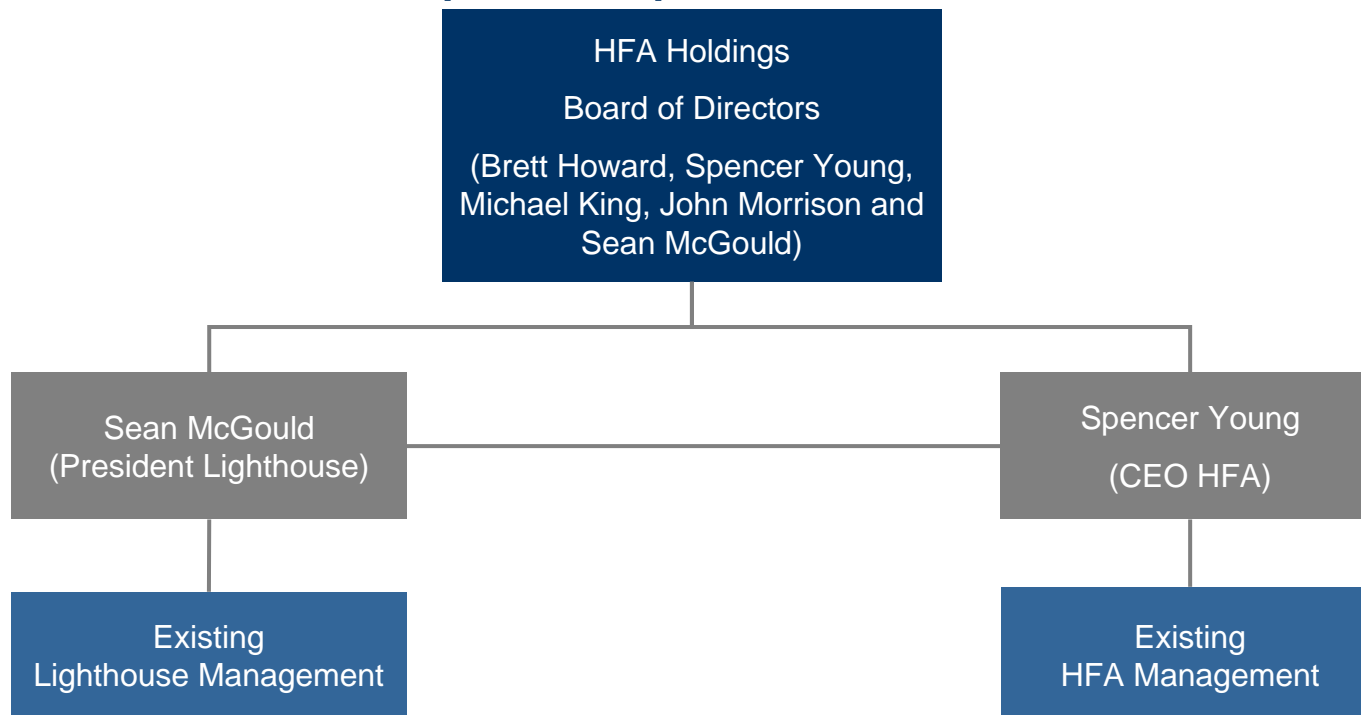
- Combined AUM in excess of US\$8 billion (A\$8.8 billion)
- Extensive product range (>12 currently on offer)
- Global investor base
- HFA and Lighthouse – business as usual
 - Product innovation and development
 - Expansion of distribution networks
 - Capitalising on growth in wealth management and absolute return funds
- Lighthouse's focus remains on investment management
 - Global monitoring, review and selection of absolute return fund managers
 - Product development
- Benefits from closer vertical integration but limited operational changes to implement

Board and management

HFA Board

- Sean McGould and one additional independent director will join the HFA board

Proposed Corporate Structure



HFA forecast financials

FY2008 HFA, Lighthouse and New HFA forecasts

(A\$m, unless o'wise noted)	HFA	Lighthouse ¹	Acquisition adjustments	New HFA
Management fees	50.6	20.7	-	71.3
Performance fees	32.1	0.3	-	32.4
Other	0.4	10.7	(10.6)	0.5
Total income	83.1	31.7	(10.6)	104.2
STI revenue share	-	(2.6)	-	(2.6)
Investment management costs	(35.9)	(2.0)	10.6	(27.3)
Net operating income	47.2	27.1	-	74.3
Operating expenses	(13.4)	(8.5)	(0.2)	(22.1)
EBITDA	33.8	18.6	(0.2)	52.2
Depreciation and amortisation	(1.6)	(1.0)	(2.1)	(4.7)
EBIT	32.2	17.6	(2.3)	47.5
Net interest / (expense)	(0.1)	0.1	1.6	1.6
NPBT	32.1	17.7	(0.7)	49.1
Tax	(9.6)	(6.8)	0.9	(15.5)
NPAT	22.5	10.9	0.2	33.6

Notes:

1 Represents Lighthouse forecast from acquisition to 30 June 2008 assuming exchange rate of 0.91

Lighthouse historical financials

Lighthouse summary income statements

	USFY2004 (audited)	USFY2005 (audited)	USFY2006 pro forma	USHY2007 pro forma
(US\$m)	Lighthouse Partners	Lighthouse Partners	Agg. Lighthouse Partners and Lighthouse Group	Agg. Lighthouse Partners and Lighthouse Group
Management fees	47.5	51.4	60.0	42.8
Performance fees	1.4	0.8	2.0	0.8
Other	0.2	(0.1)	0.4	0.8
Total income	49.1	52.1	62.4	44.4
STI revenue share	(12.4)	(9.6)	(7.7)	(4.1)
Investment management costs	(3.2)	(4.9)	(4.7)	(2.9)
Net operating income	33.5	37.6	50.0	37.4
Operating expenses	(18.8)	(25.3)	(15.4)	(10.2)
EBITDA	14.7	12.3	34.6	27.2
Depreciation and amortisation	(0.2)	(0.2)	(0.2)	(0.8)
EBIT	14.5	12.1	34.4	26.4
Net interest / (expense)	-	-	0.6	0.4
NPBT	14.5	12.1	35.0	26.8

Financial outcomes

- Transaction is expected to be accretive on both an accounting and cash earnings basis in 2008 (with three months contribution from Lighthouse)

(A\$m, unless o'wise noted)	HFA	Lighthouse ¹	Acquisition adjustments	New HFA
NPAT	22.5	10.9	0.2	33.6
Add back: depreciation and amortisation	1.6	1.0	2.1	4.7
Cash earnings	24.1	11.9	2.3	38.3
Add back: impact of goodwill tax deduction ²			4.1	4.1
Adjusted cash earnings	24.1	11.9	6.4	42.4
Weighted average shares on issue (m)	201.8		100.7	302.5
Basic and diluted EPS (c)	10.38 ³			10.87 ³
EPS accretion				5%
Adjusted cash EPS (c)	11.14 ³			13.73 ³
Adjusted cash EPS accretion				23%

Notes:

- Lighthouse contributions based on period from acquisition
- The benefit of goodwill amortisation being tax deductible in the US
- Based on TERP adjusted EPS to reflect the bonus element of the rights issue

Sensitivities

- The financial forecasts for FY2008 NPAT are sensitive to a number of assumptions as displayed below

Assumption	Change in assumption	FY2008 NPAT ¹ (\$ million)		
		HFA	Lighthouse Group	New HFA
FUM ²	+/- \$100m	+/-0.2	+/-0.1	+/-0.4
Gross investment returns ³	+/-2.5% p.a.	+/-4.3	+/-1.1	+/-5.5
Period to high performance watermark following negative performing month ⁴	2 months	-5.0	n/a	-5.0
Period to high performance watermark following negative performing month ⁴	4 months	-8.6	-1.7	-10.5
Operating expenses ⁵	+/-10%	+/-0.9	+/-0.6	+/-1.6

Notes:

- Change to NPAT for FY2008 reflects impact on the nine months from October 2007 to June 2008
- Assumes ordinary retail and wholesale net funds flows to HFA funds are +\$11.1 million per month for nine months to 30 June 2008
- Assumes performance is +/-2.5% per annum across all LHP funds
- To earn performance fees HFA funds must achieve a high watermark. Sensitivity shows impact on NPAT assuming no performance fees in January 2008 and following two or four month period
- Assumes changes in operating expenses of +/-10% per annum



Timetable



Indicative timetable

Placement

Placement opens
Placement closes
ASX trading recommences
Settlement of placement
Placement shares commence trading (normal settlement)

Noon (AEDT), Thu 1 November 2007
5.00pm (AEDT), Thu 1 November 2007
Fri 2 November 2007
Thu 8 November 2007
Fri 9 November 2007

Rights Issue

Rights trading commences/existing shares trade ex rights
Record date for entitlement under rights issue
Rights trading ends
New shares commence trading (deferred settlement)
Rights issue closes
Bookbuild (ineligible and non-participating shareholder rights)
Allotment of new shares
New shares commence trading (normal settlement)

Mon 5 November 2007
7.00pm (AEDT), Mon 12 November 2007
Tues 20 November 2007
Wed 21 November 2007
5.00pm (AEDT), Tues 27 November 2007
Mon 3 December 2007
Fri 7 December 2007
Fri 7 December 2007

Extraordinary General Meeting

10:00am (AEDT), Fri 14 December

Questions?

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