



HFA HOLDINGS LIMITED
Chairman's and Chief Executive Officer's Addresses
Annual General Meeting
6 November, 2006 – 11am
Four Seasons Hotel – Sydney

Chairman's Address – Brett Howard



Before moving to the formal items of business at today's meeting I would like to take this opportunity to provide shareholders with a brief overview of our performance during the year under review.

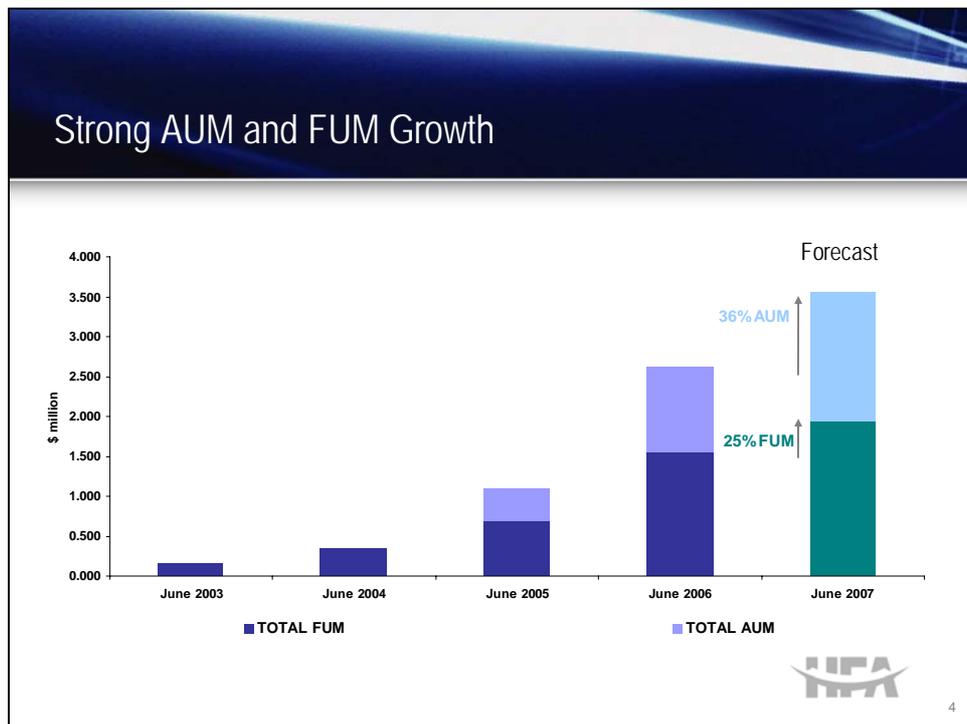
The 2006 financial year was an extremely successful and momentous year for the company, the highlight of the year being our successful capital raising and listing on the Australian Stock Exchange (ASX).

I would like to thank my colleagues on the Board and everybody else associated with HFA for their commitment to maintaining focus and driving growth amid the extra challenges of moving into the listed environment.



Review of Results

From a financial perspective, I am happy to report that in our debut year as a listed public company, we not only met, but exceeded forecasts and expectations in a number of key areas.



One area of key importance to the business, and one in which we surpassed forecasts, was growth in Funds and Assets Under Management. By focusing on our core strengths in product development and distribution we were able to increase Funds Under Management by 113% to \$1.56 billion while Assets Under Management grew 131% to \$2.63 billion

These results are ahead of what we said we would achieve in our Prospectus by 12% for Funds Under Management and 5% for Assets Under Management.



Results met and exceeded forecasts

\$M	2006 Statutory Forecast vs Actual		2006 Pro Forma ¹ Forecast vs Actual	
	2006 Statutory Forecast	2006 Statutory Actual	2006 Pro Forma ¹ Forecast	2006 Pro Forma ¹ Actual
Management fee revenue	20.6	21.0	20.6	21.0
Performance fee revenue	12.4	13.5	12.4	13.5
Other	0.9	0.9	0.9	0.9
Operating Revenue	33.9	35.4	33.9	35.4
Investment costs ²	(16.3)	(17.0)	(13.6)	(14.1)
Net operating income	17.6	18.4	20.3	21.3
Other expenses	(7.6)	(7.9)	(8.0)	(8.2)
Other income	0.8	0.9	0.8	0.9
Operating EBIT	10.8	11.4	13.1	14.0
Net interest income ³	0.2	-	(0.4)	(0.6)
Employee share plan ⁴	(18.2)	(19.0)	-	-
Profit/loss before tax	(7.2)	(7.6)	12.7	13.4
Income tax expense	(3.3)	(3.2)	(3.8)	(3.8)
Profit/(loss) after tax	(10.5)	(10.8)	8.9	9.6

¹ Pro Forma excludes the impact of the HFA Employee Share Plans, LHP fees at 40% and other listing adjustments since 1 July 2005
² LHP fee arrangement did not change until 1 May 2006
³ Includes interest income and expense only
⁴ One-off equity settled transaction and on-costs

We were also able to boost revenue to \$35.4 million, an increase of 160% on the previous year. This contributed to an 850% increase in normalised Earnings Before Interest and Tax (EBIT) to \$11.4 million, up 4% on Prospectus forecasts.

The company's post tax net result was a loss of \$10.8 million, but it is important to remember that this figure takes into account the one off predominantly non-cash cost of \$19 million associated with the share issue to employees. This was part of the Initial Public Offer.

Cash generated from operating activities for the year in review was \$11.3 million, an increase of \$10.9 million on the previous year.

Pleasingly, we have been able to reward shareholders for their faith in HFA by delivering a fully franked dividend payment of 1.5 cents per share, exceeding the dividend forecast in our Prospectus by 15%.

Outlook

The Company's listing and its strong performance since listing have positioned it for a bright future. We have now established a solid foundation and are moving forward with a clear vision for future growth and profitability.

As we do so, the funds and wealth management sector in which we operate continues to grow in line with our expectations. In the investment community, there is growing acceptance of alternate assets, such as absolute return funds, within a balanced portfolio and the Board believes this will ensure that HFA takes part in one of the fastest growing segments of the Australian wealth management industry.

I sincerely thank the hardworking staff of HFA for their contributions in making the company the success that it is. I would like to now hand over to Spencer Young for further review of the company's performance.



Chief Executive Officer's Address – Spencer Young



Thankyou Brett. I would like to start by passing on my thanks and the thanks of my fellow board members for Brett's guidance throughout the year.

Our Business





I would like to begin my address today with a quick overview of our business before touching on some of the reasons why we have such confidence in the future growth and profitability of HFA.

Since HFA was founded in 1998 we have worked hard to position the company as one of Australia's leading specialist funds management companies focussing on providing absolute return fund products to a range of investors.

Our fund-of-funds approach and a strong relationship with leading US-based investment manager Lighthouse Partners has seen the creation of a diversified and highly rated product suite. The creation of these products combined with strong marketing and distribution capabilities has seen HFA establish a loyal and increasingly large investor base.

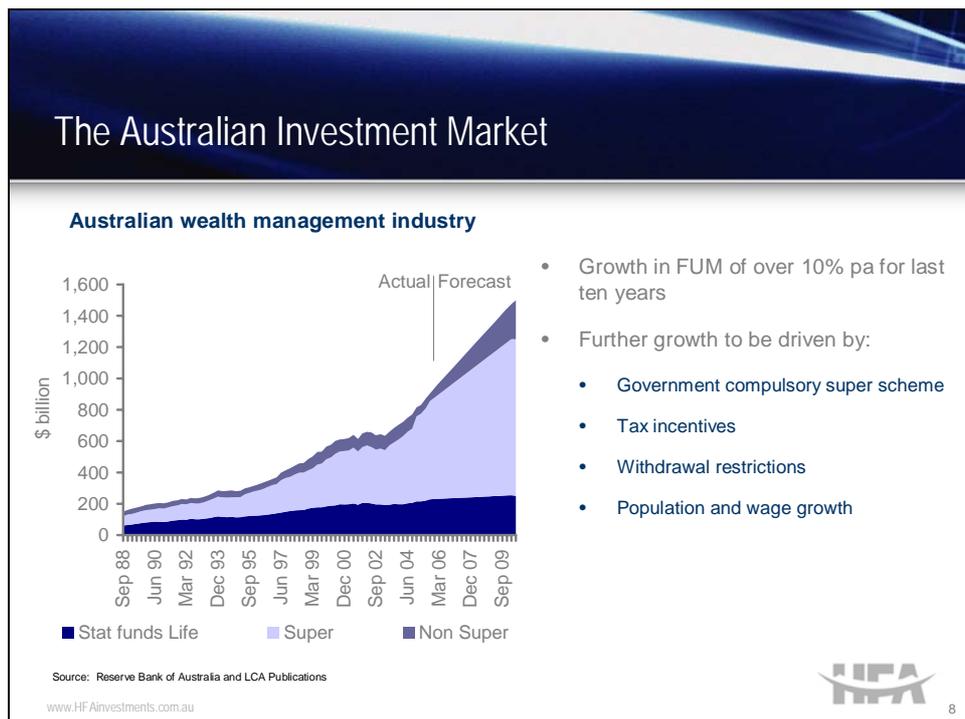
While these investors have traditionally been sourced through retail and wholesale channels we have a clearly identified strategy to grow institutional support.

Our strength in distribution is best highlighted by the numbers with some 375 financial planner dealer groups representing more than 9,000 financial advisers approving HFA products for clients.

Within this network HFA ensures diversified distribution to safeguard shareholders with no single dealer group contributing more than 6% and no single independent financial advisor contributing more than 1.7% of Funds Under Management.

This combination of strong products and efficient and effective distribution channels has seen exceptional year-on-year grow in assets under management. We currently have more than \$2.73 billion in assets under management.

The Market





HFA has also been able to benefit from an Australian wealth management industry which continues to perform strongly. The entire investment market has seen growth in Funds Under Management over 10% per annum for the last 10 years and there are indications that growth will be driven further in the future by factors including:

- Government compulsory super scheme
- Tax incentives
- Withdrawal restrictions; and
- Population and wage growth

A presentation slide with a dark blue header containing the title 'Absolute Return Funds Sector'. The main content area is white and contains text and a bulleted list. The footer includes the website 'www.HFAinvestments.com.au' and the HFA logo with a small number '9' to its right.

Absolute Return Funds Sector

Absolute return funds continue to grow as a proportion of wealth management sector due to:

- Increased accessibility
- Education
- Lower minimum investment thresholds
- Independent research and ratings
- Lower volatility than common equity market indices

www.HFAinvestments.com.au  9

This augurs well for the Absolute Returns Fund sector in which HFA specialises, as it continues to grow as a proportion of the wealth management sector due to a variety of reasons.

These include increased accessibility, great education and knowledge of the benefits of absolute return funds, lower minimum investment thresholds, increased coverage by independent research and ratings agencies and lower volatility than common equity market indices.

We would expect this growth to continue for the foreseeable future.



Lighthouse Partners

Lighthouse Partners Relationship

Lighthouse Partners

- Lighthouse Partners is a US based specialist absolute return fund manager
- Over US\$5 billion in FUM in six fund-of-funds in over 85 underlying specialist managers
- 31 employees and ten dedicated research analysts

HFA and Lighthouse

- Investment manager for five of eight HFA funds
- HFA has exclusive right to investment advice and access to Lighthouse funds in Australia
- New advisory and access agreement effective from IPO with improved terms regarding sharing of management and performance fees
 - **10 year term, with five year option (at HFA's discretion)**
- Benefits of relationship include:
 - **Broadening HFA's access to investment managers**
 - **Access to industry networks and relationships**
 - **Access to proprietary investment data**

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One of the key elements of our success in recent years has been the relationship with Lighthouse Partners. Lighthouse's well regarded and experienced team manages more than \$US5 billion in six fund-of-funds. Five of HFA's eight funds are managed by Lighthouse.

Our 10-year agreement with Lighthouse significantly broadens HFA's access to investment managers and increases access to industry networks and relationships as well as propriety investment data.



Outlook

Growth Opportunities

- Growth in wealth management and absolute return funds sectors
- Distribution opportunities
 - Greater penetration with existing investors
 - Broader market penetration with existing and new dealer groups
 - Increased access to high net worth market
- New products
 - Plans to establish a broader range of products utilising capital protection, leverage, interest rate hedges, and foreign exchange hedges
 - Specialist products
- Institutional mandates
 - Increased focus on winning institutional mandates
 - A number of asset consultants currently recommending Diversified Investments Fund and International Shares Fund

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To conclude my address today I would like to highlight some of the key opportunities we see to continue the growth we have already achieved.

As outlined previously we remain excited by the opportunities that exist within the absolute return funds sector. These types of funds are playing an increasingly important role in portfolio diversification. HFA's industry-leading status ideally positions us to capitalise on this growth.

In line with this growth we see the opportunity to improve and expand our distribution capabilities. For example, we will be striving to achieve greater penetration with existing investors as some 44% of financial advisors are yet to approve HFA and 42% have approved, but are yet to use them.

We will also be looking at achieving broader market penetration with existing and new dealer groups and increased access to the high net worth market.

An increased focus on winning institutional mandates plus plans to establish a broader range of products utilising capital protection, leverage, interest rate hedges and foreign exchange hedges, as well as introduction other specialist products, is also on the agenda.

In summary, we look ahead to the future with optimism and the understanding that while we have come a long way we can still achieve far more.

Finally, I would like to thank the board for its support and the management and staff at HFA for their continued efforts. I will now hand the podium back to Brett for the formal part of the meeting. Thankyou

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