



HFA Holdings Limited

October 2006

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HFA Holdings Limited

Investment highlights

Specialist absolute return fund manager with fund of funds focus

Exposure to high growth wealth management industry

Diversified and highly rated products

Strong performance track record with low volatility

Established retail and wholesale distribution network

Significant growth opportunities (distribution, new products, institutional mandates)

Agenda

FY 06 - Summary of Results

Absolute Return Funds Sector

Business Overview

HFA Leadership

Investment Highlights

FY 06 Summary of Results



Summary of Results

\$M	2006 Actual	2006 Pro Forma ¹
Operating revenue	35.4	35.4
Net operating income	18.4	21.3
EBITDA	(8.2)	14.6
EBITDA margin	(23%)	41%
EBIT	(7.6)	14.0
Net profit after tax	(10.8)	9.6
Basic earnings per share	(5.75) cps	4.8 cps
Dividend	1.5 cps	1.5 cps

¹ Pro Forma excludes the impact of the HFA Employee Share Plans, LHP fees at 40% and other listing adjustments since 1 July 2005

Results met and exceeded forecasts

2006 Statutory Forecast vs Actual

2006 Pro Forma¹ Forecast vs Actual

\$M	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

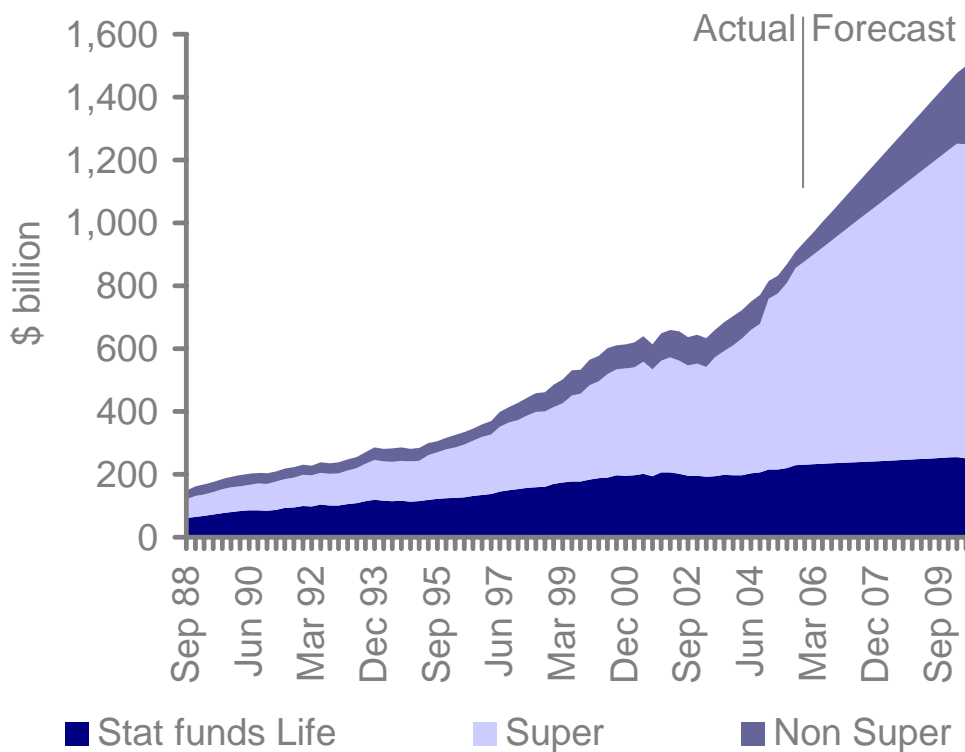
4 Once-off equity settled transaction and on-costs

Absolute Return Funds Sector



The Australian Investment Market

Australian wealth management industry



- Growth in FUM of over 10% pa for last ten years
- Further growth to be driven by:
 - Government compulsory super scheme
 - Tax incentives
 - Withdrawal restrictions
 - Population and wage growth

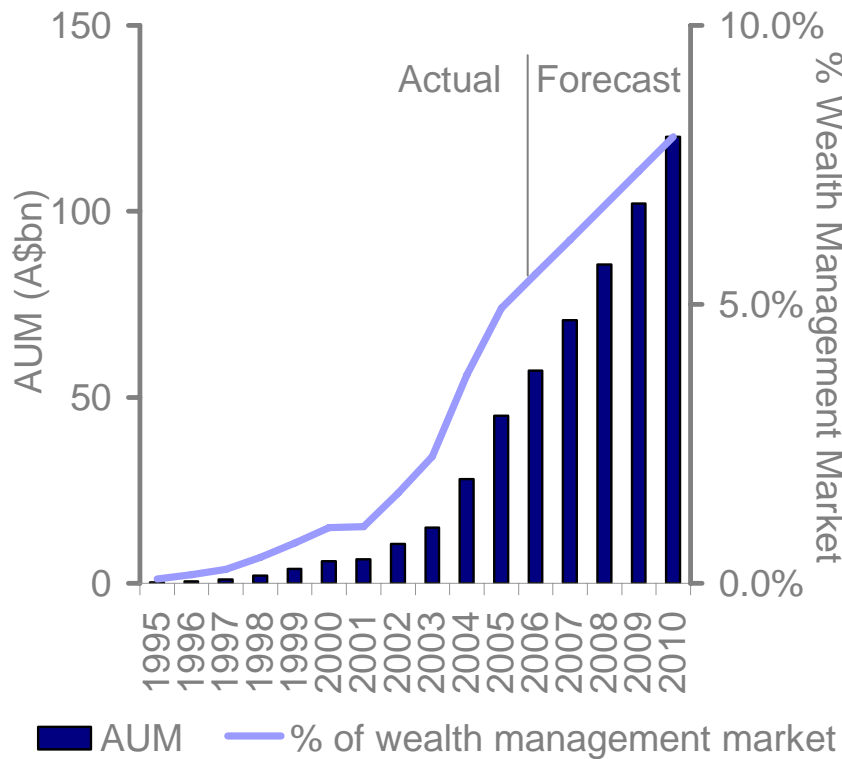
Source: Reserve Bank of Australia and LCA Publications

Absolute Return Funds Sector

- Absolute return funds growing 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

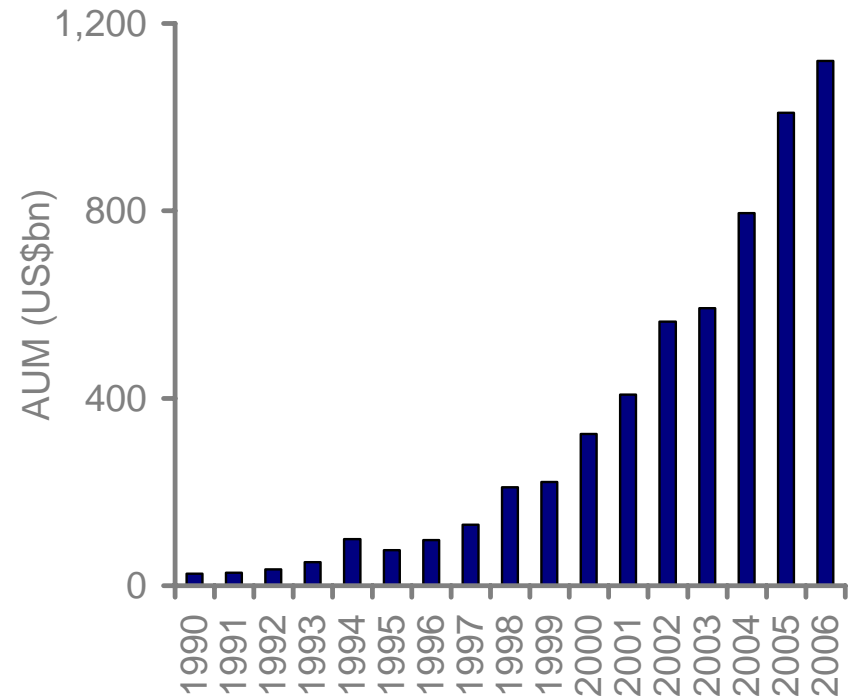
Absolute Return Funds Sector

Australian absolute return fund sector - historical growth



Source: ICAP Plc and Reserve Bank of Australia

Global absolute return fund sector - historical growth

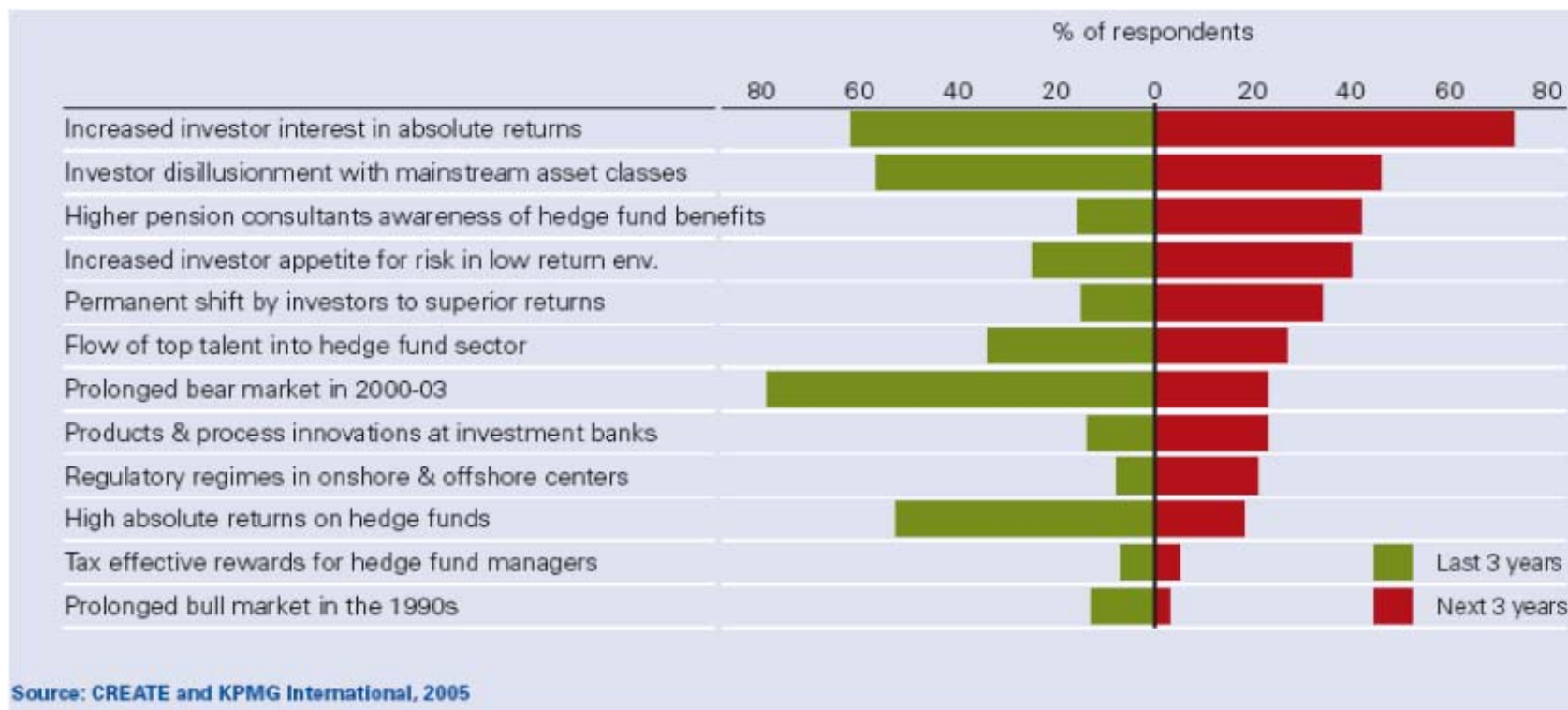


Source: Hennessee Group LLC



What are growth drivers?

What factors have fuelled the worldwide growth in hedge funds in the recent past, and which, if any, are likely to do so over the next 3 years?



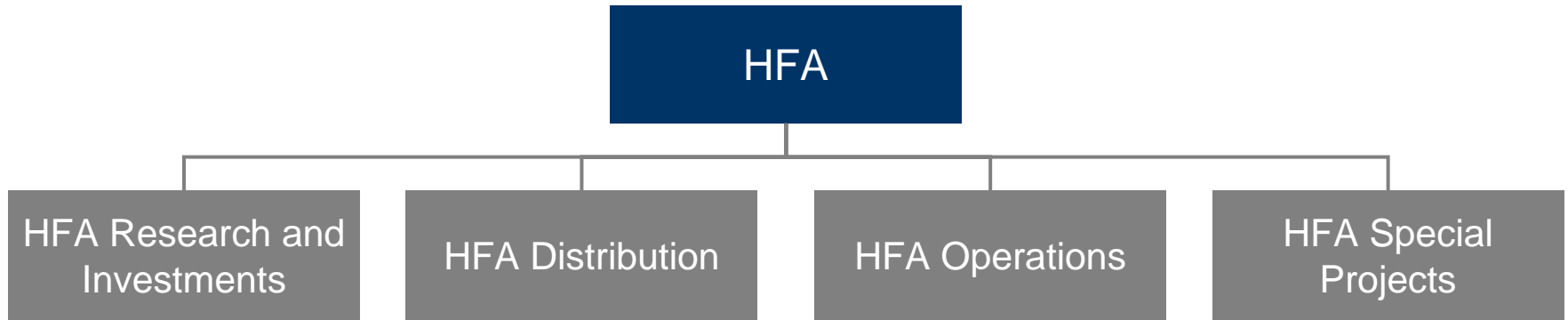
HFA Business Overview



HFA Business

Business Summary

- Specialist absolute return fund manager, established in 1998
 - Fund-of-funds approach, utilising Lighthouse Partners relationship
 - Diversified and highly rated products
 - AUM growing strongly, currently \$2.73 billion
 - Established retail and wholesale distribution network, growing institutional client base



Source: HFA

HFA Product Mix

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

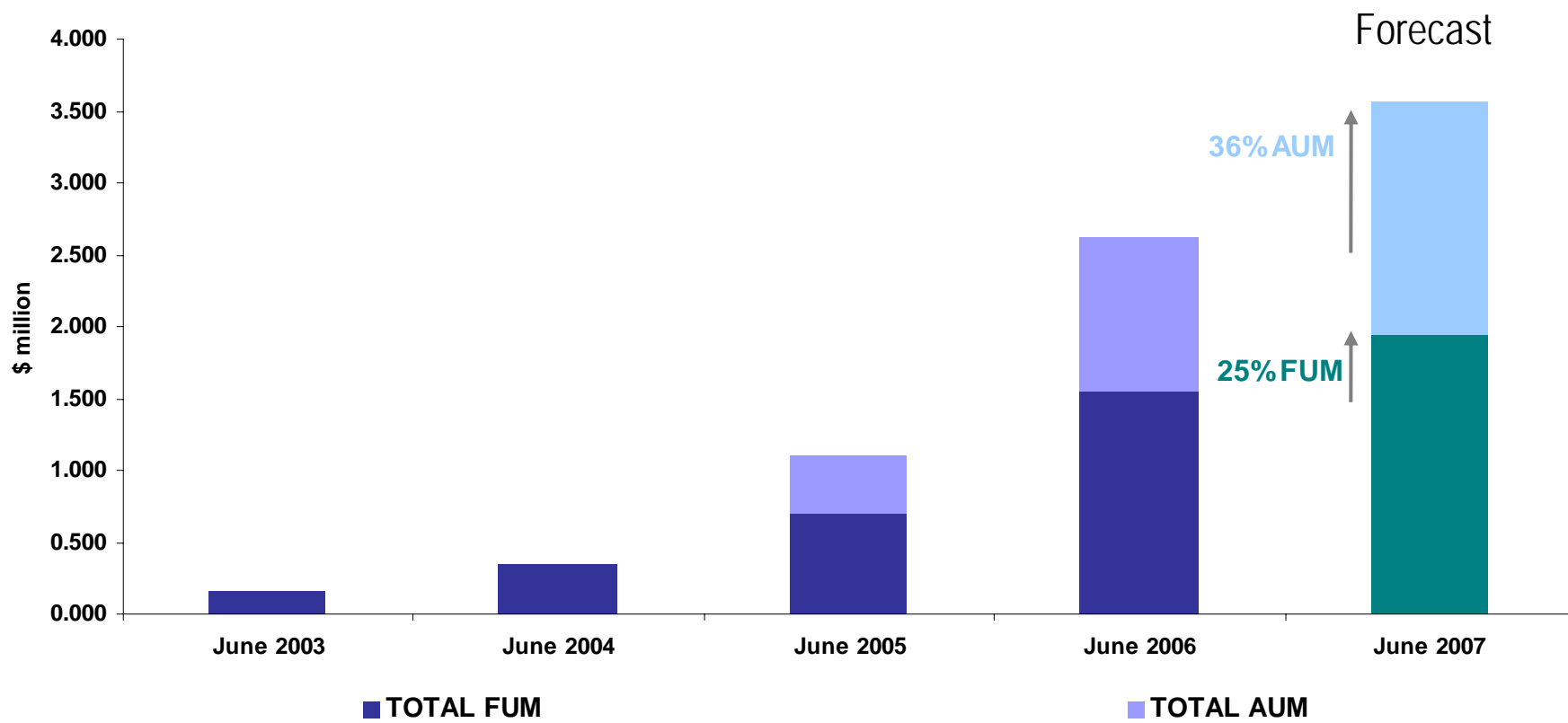
	Investment Adviser	Investment Strategy	FUM A\$m (Sep 06)	AUM A\$m (Sep 06)
HFA Diversified Investments Fund	Lighthouse	<ul style="list-style-type: none"> International absolute return fund-of-funds diversified across different managers 	835	1,150
HFA Accelerator Plus (LIC)	HFA / Lighthouse	<ul style="list-style-type: none"> Invests in diversified absolute return fund-of-funds using leverage 	185	744
HFA Octane Fund	Lighthouse	<ul style="list-style-type: none"> Interests in diversified absolute return fund-of funds using leverage with capital protection option 	20	33
HFA Octane (Series 2) Fund	Lighthouse	<ul style="list-style-type: none"> Interests in diversified absolute return fund-of funds using leverage with capital protection option 	100	165
HFA International Shares Fund	Lighthouse	<ul style="list-style-type: none"> Absolute return fund-of-funds with international share focus 	206	206
HFA Equities Fund	HFA	<ul style="list-style-type: none"> Invests to outperform S&P/ASX 200 accumulation index over the long term 	4	4
HFA Conservative Investments Fund	Lighthouse	<ul style="list-style-type: none"> Absolute return fund-of-funds with international share focus and high exposure to fixed interest securities 	9	9
HFA Octane Asia Fund	Lighthouse	<ul style="list-style-type: none"> Interests in Asian diversified absolute return fund-of funds using leverage with capital protection option 	284	422

Notes:

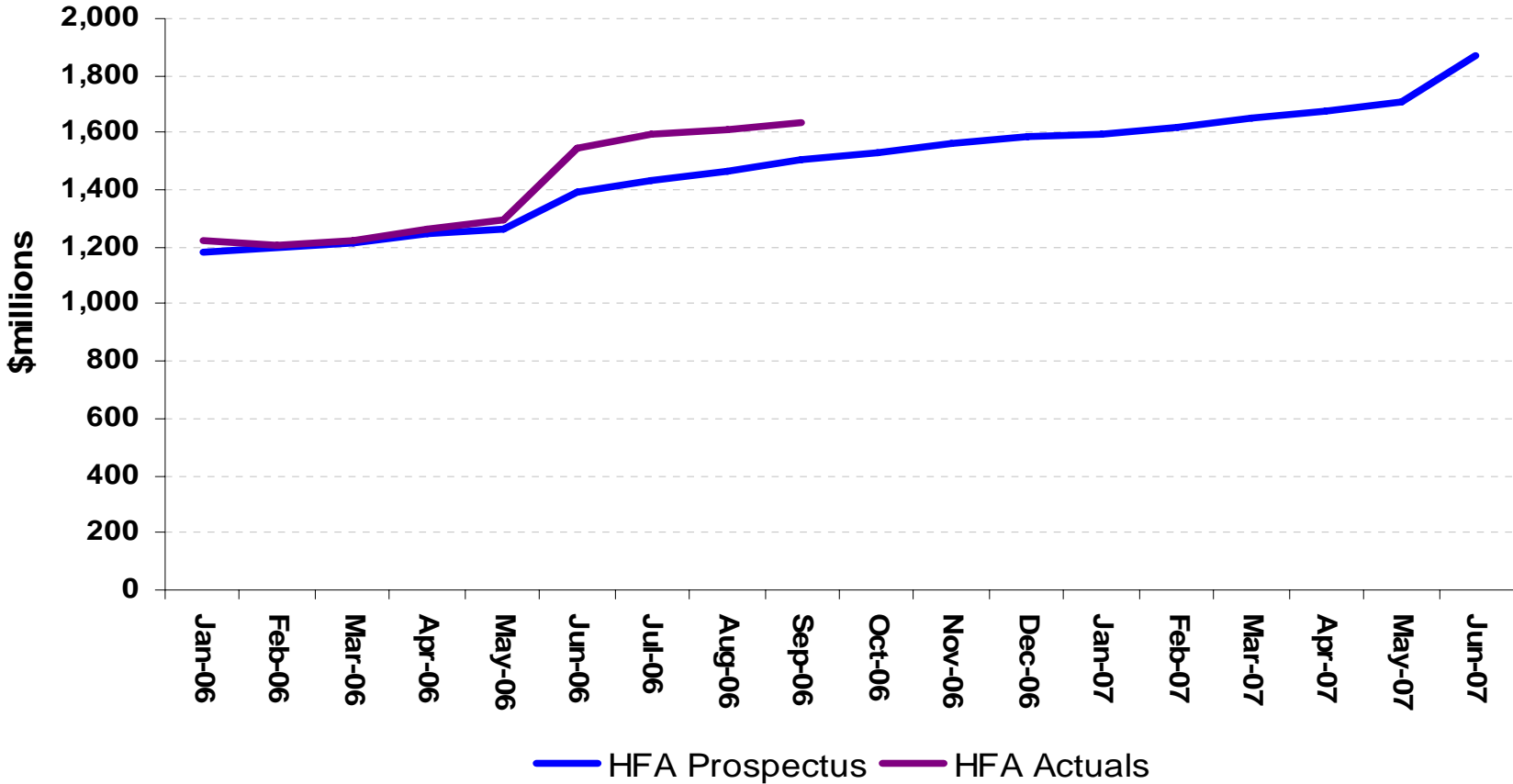
1 HFA Global Trading Fund and HFA Enhanced Diversified Trading Fund closed

2 Further products under development including two further series of the Octane Fund and a leveraged fund similar to HFA Accelerator Plus

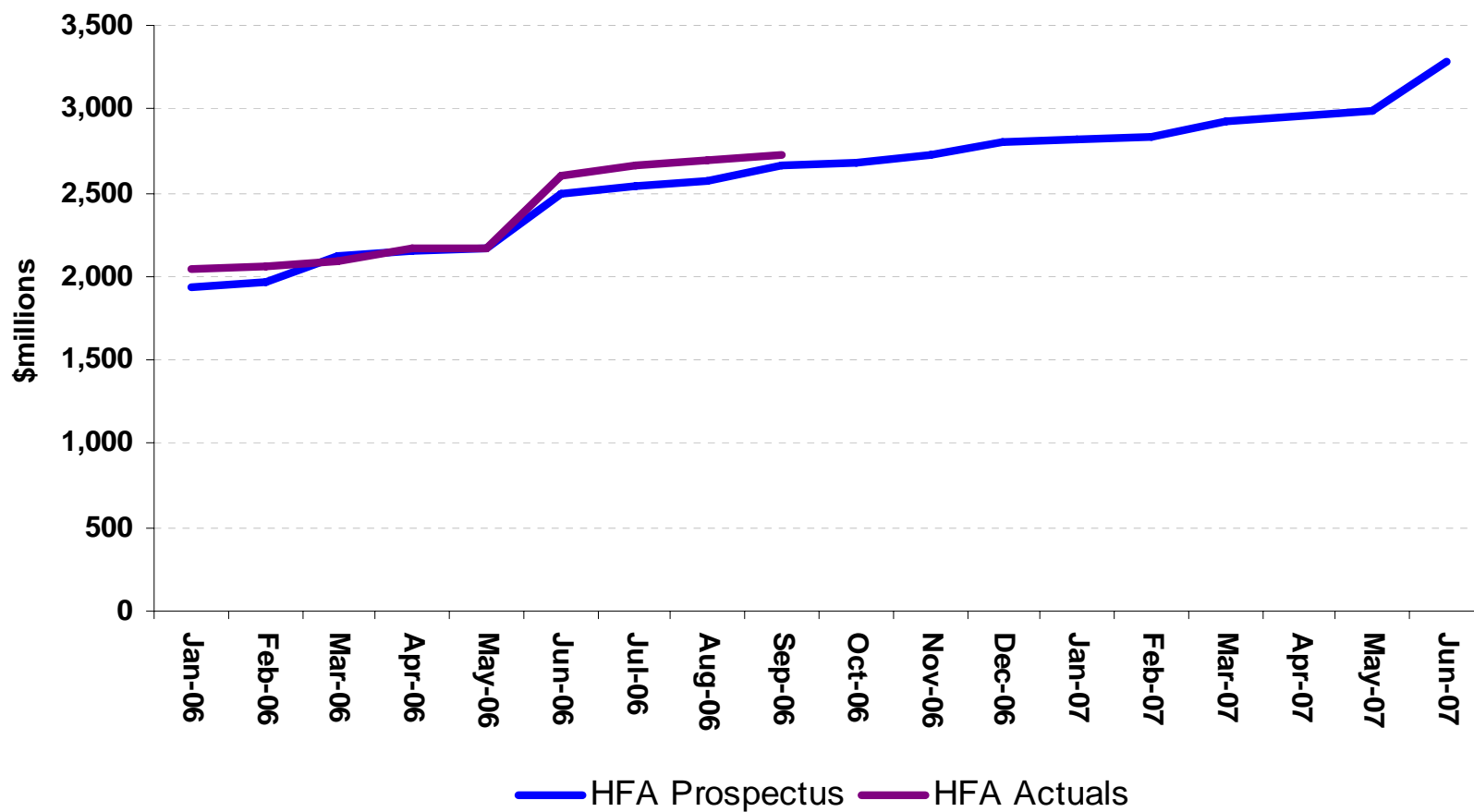
Strong AUM and FUM Growth



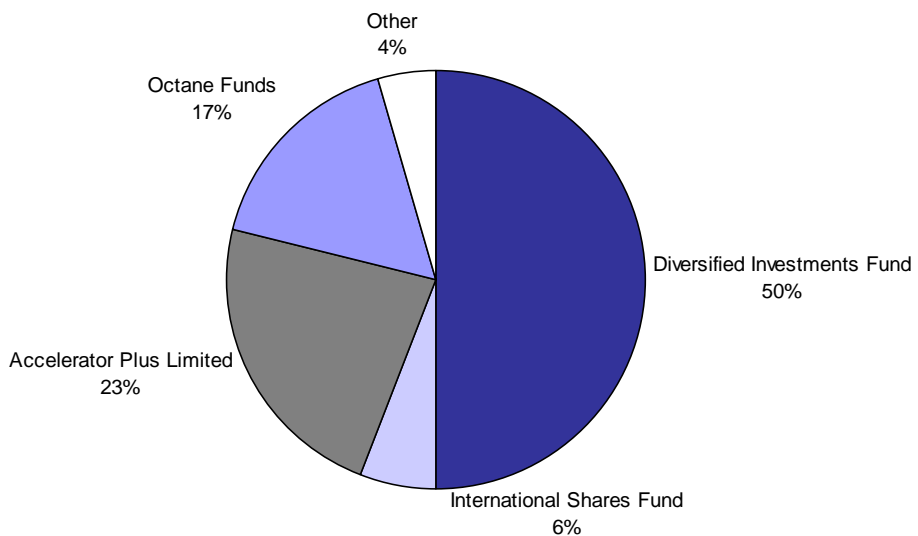
Funds Under Management



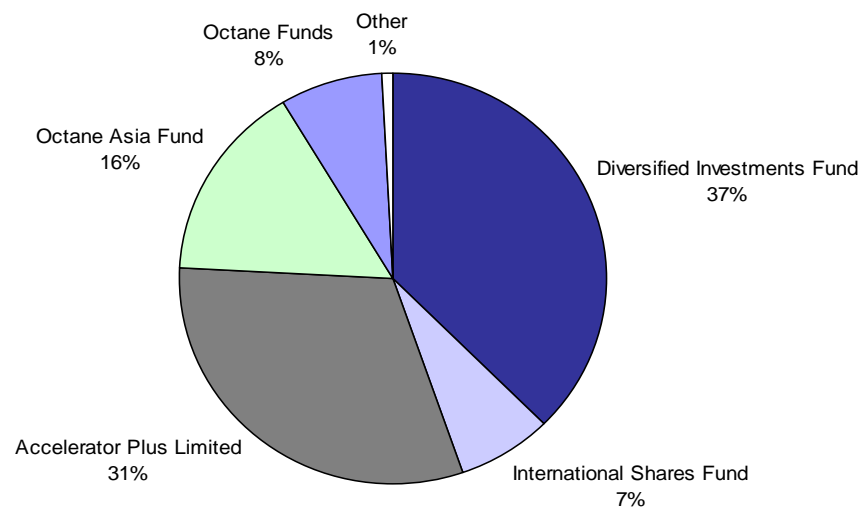
Assets Under Management



AUM Growth and Diversity



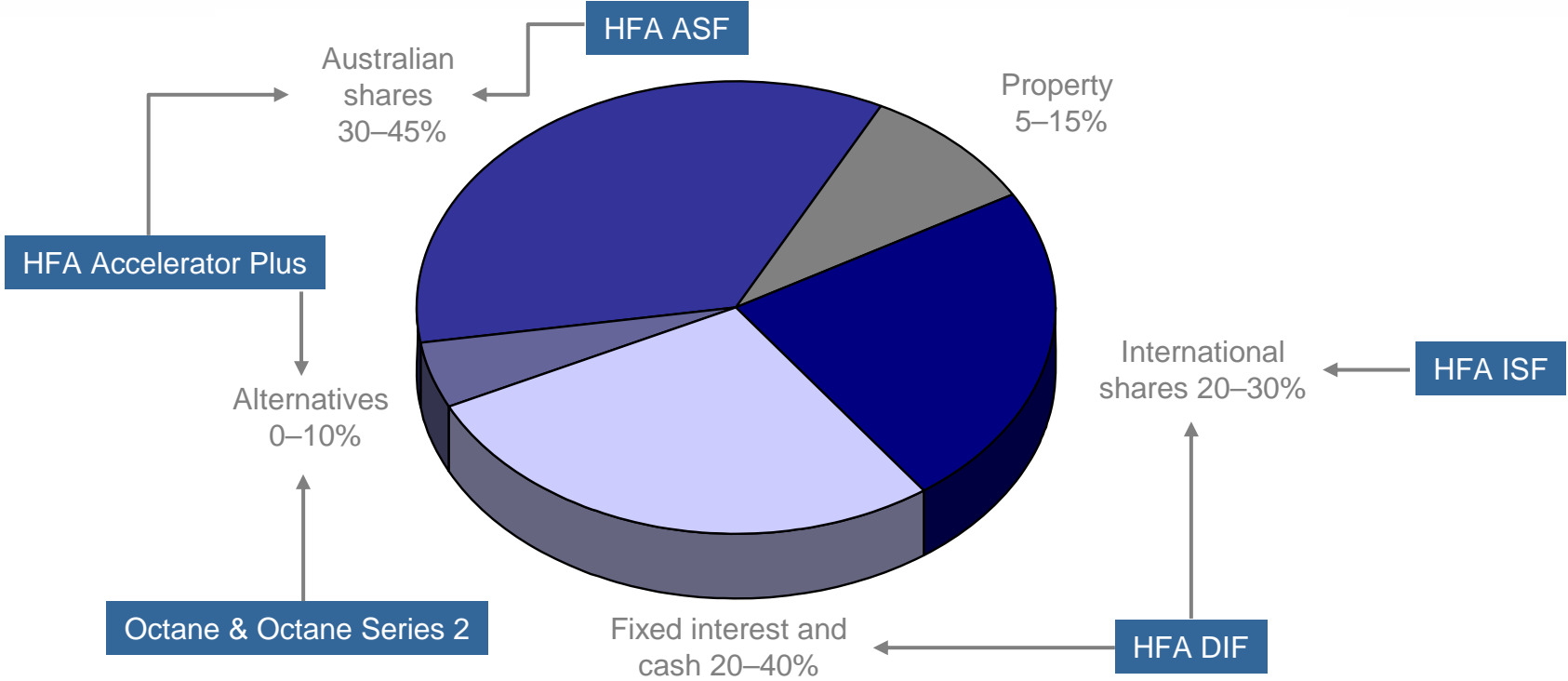
As at 30 June 2005
AUM = \$1.1 billion



As at 31 August 2006
AUM = \$2.73 billion



HFA Products and Asset Allocation



Note: Asset allocation is indicative only and is drawn from allocations published in the 30 November Mercer Investment Consulting Pooled Fund Asset Allocation

Highly Rated Products

- HFA Products are highly rated by leading researchers

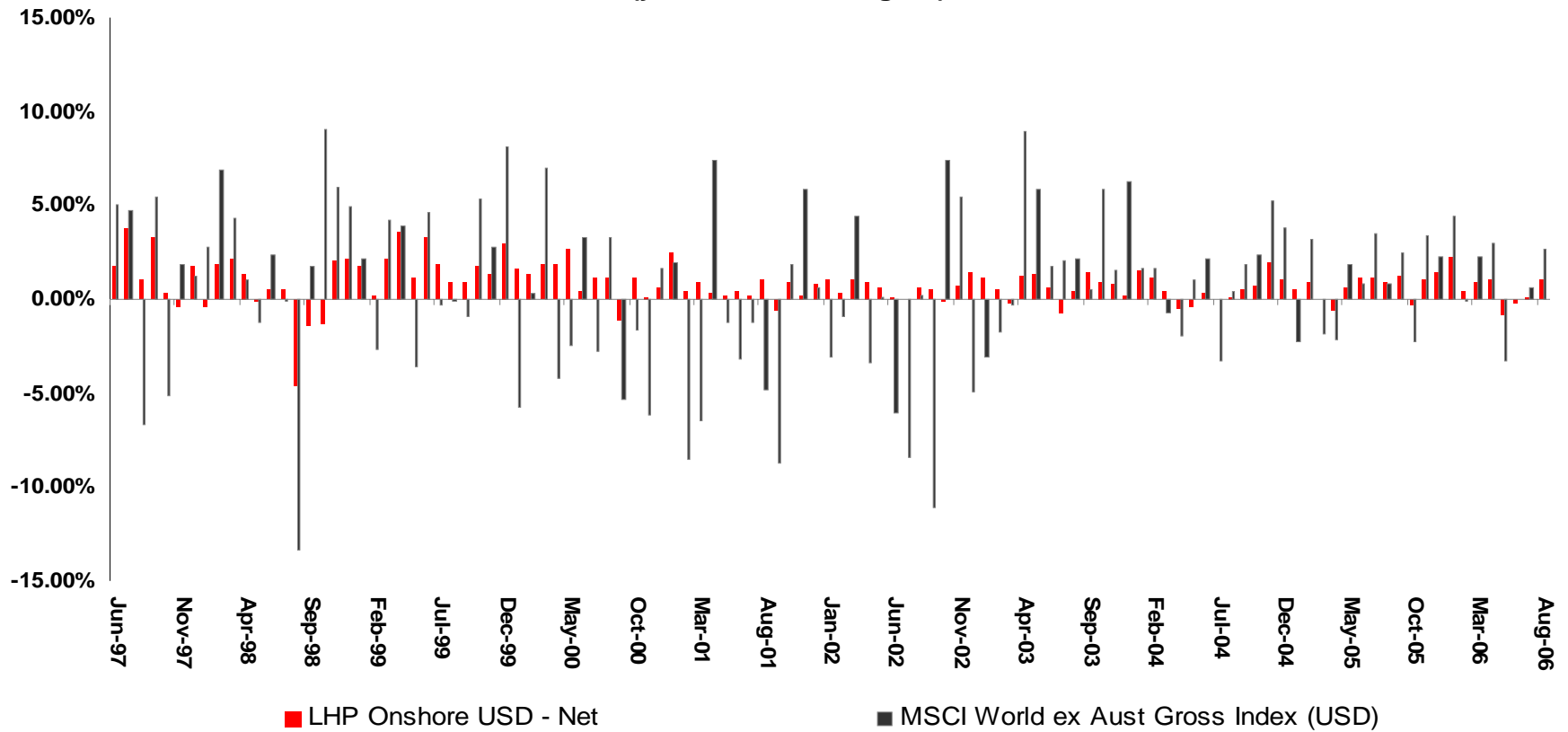
						
HFA Diversified Investments Fund	AA	Highly Recommended	4 star	Recommended	Strong Buy	-
HFA International Shares Fund	-	Highly Recommended	4 star	Recommended	Strong Buy	-
HFA Accelerator Plus Limited	Endorsed	Highly Recommended	-	-	Buy	Approved
HFA Octane Funds	Endorsed	Recommended	Approved	-	-	Approved

These ratings are critical in securing access to the IFA market and the wholesale market



Performance of LHP

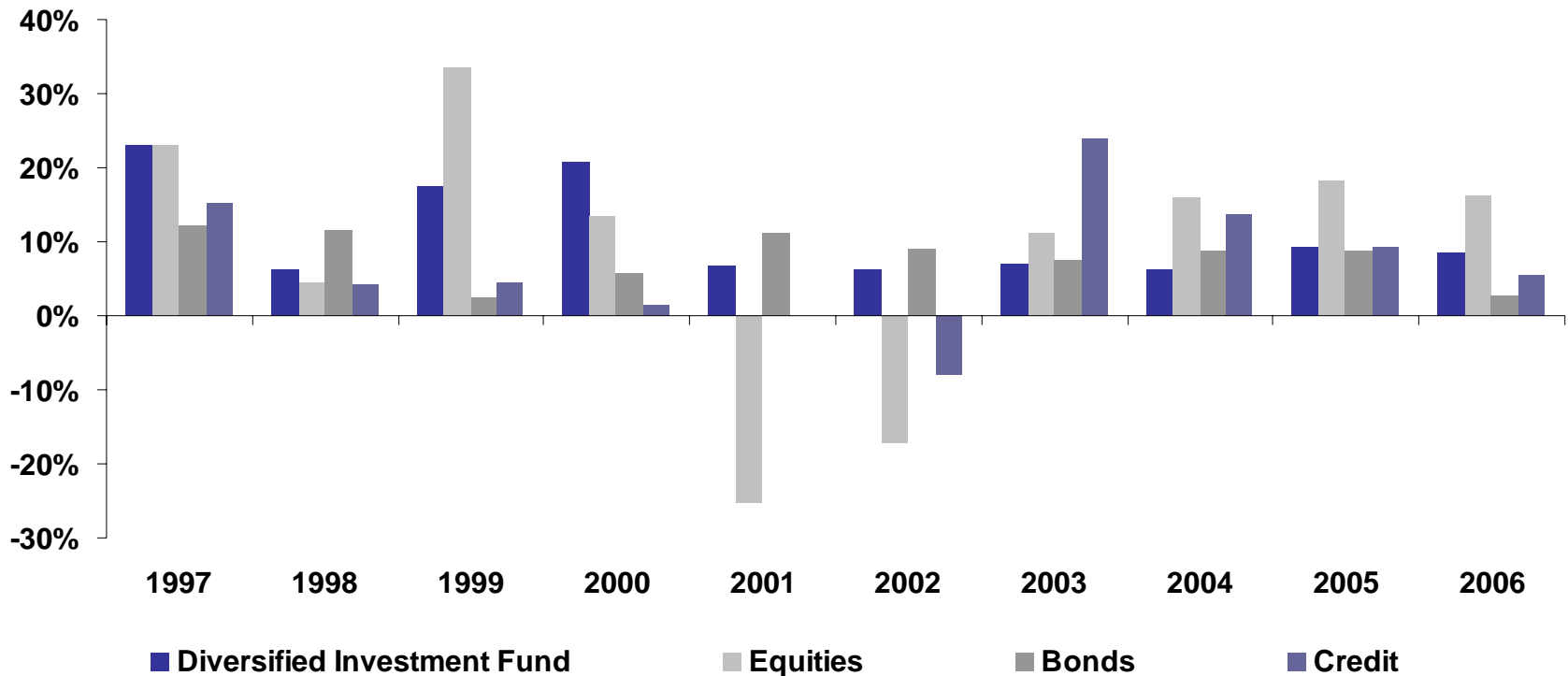
LHP Diversified onshore fund Performance versus MSCI World Index
(year ended 31 August)



Source: Lighthouse Partners 31 August 2006

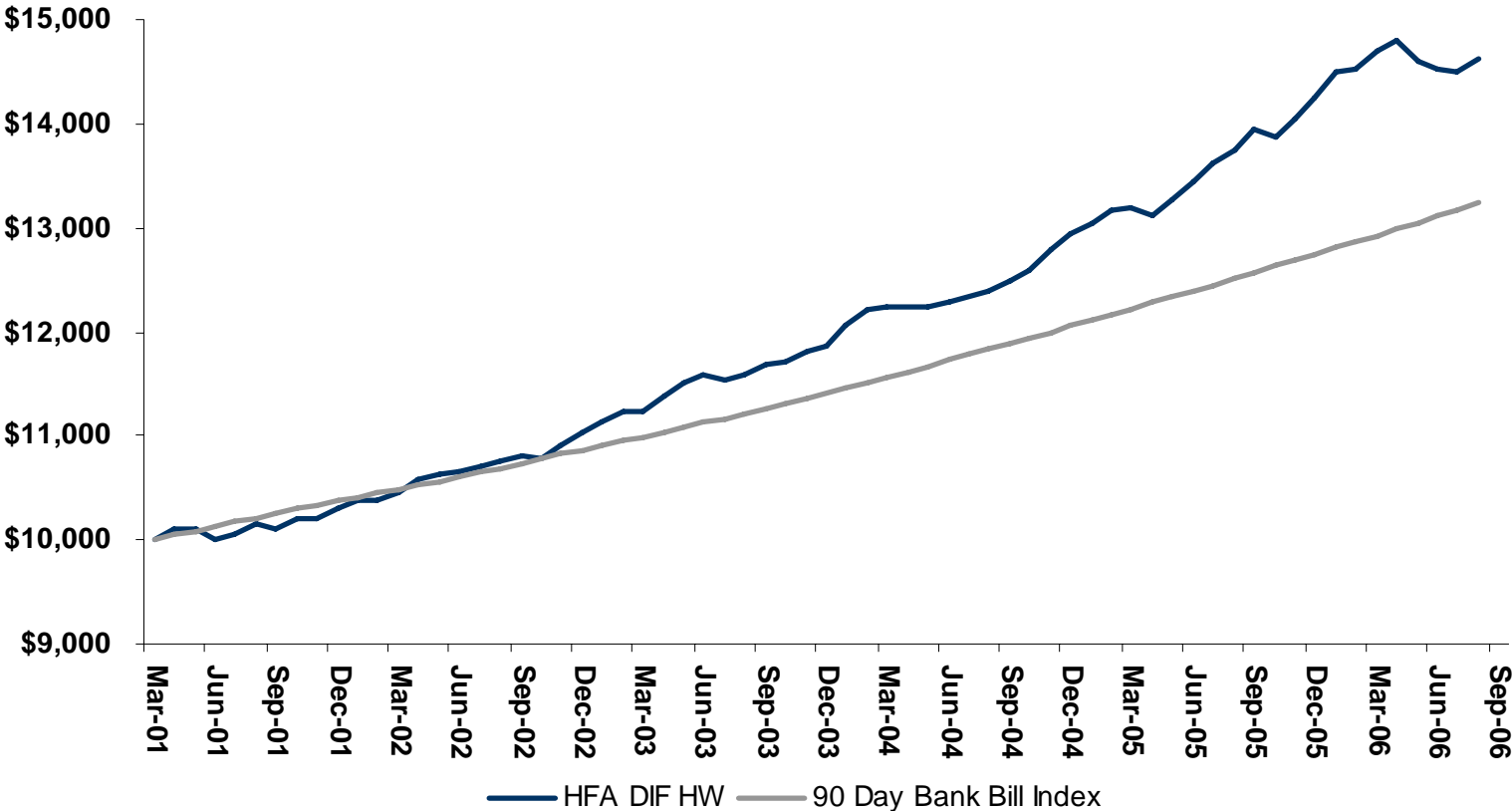
Performance of LHP Products

LHP Diversified onshore fund Performance versus Traditional Asset Classes
(year ended 31 August)



Source: Lighthouse Partners as at 31 August 2006

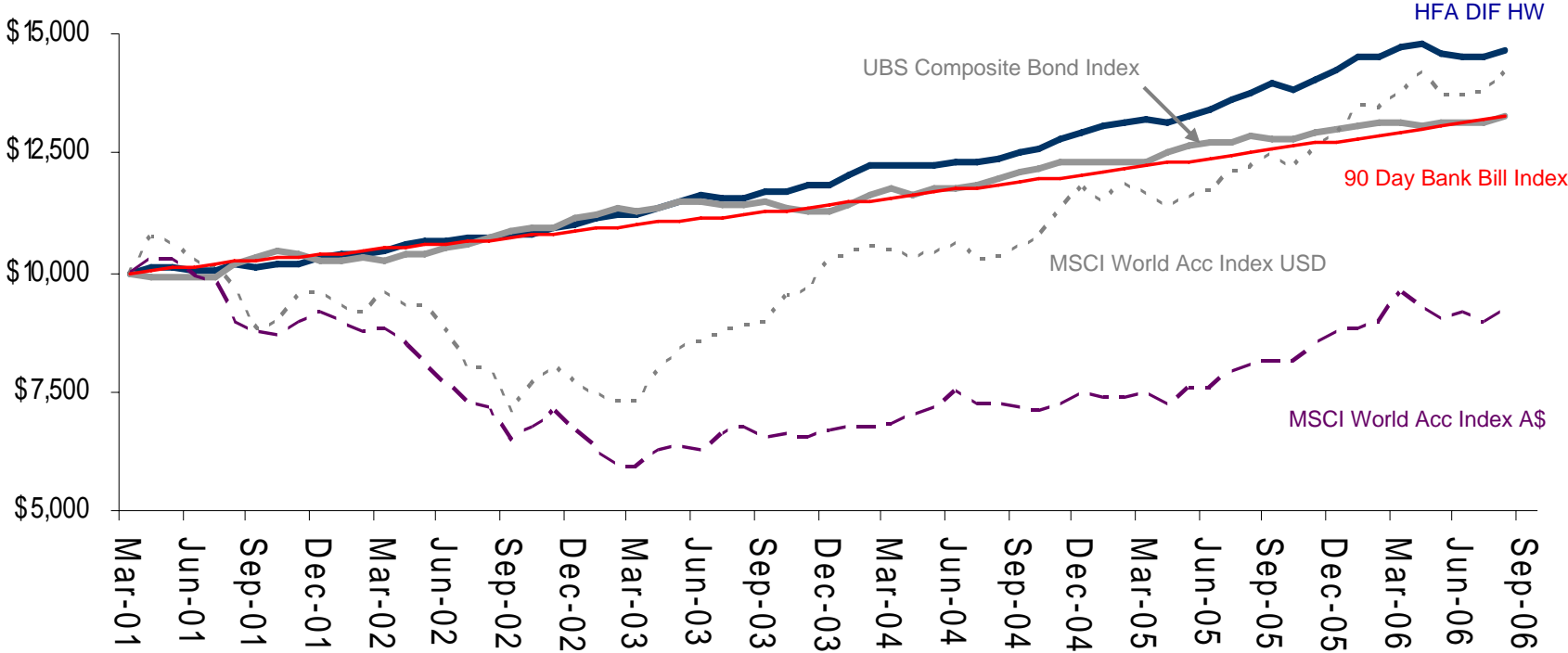
Performance of HFA Products - HFA DIF



Source: HFA 31 August 2006



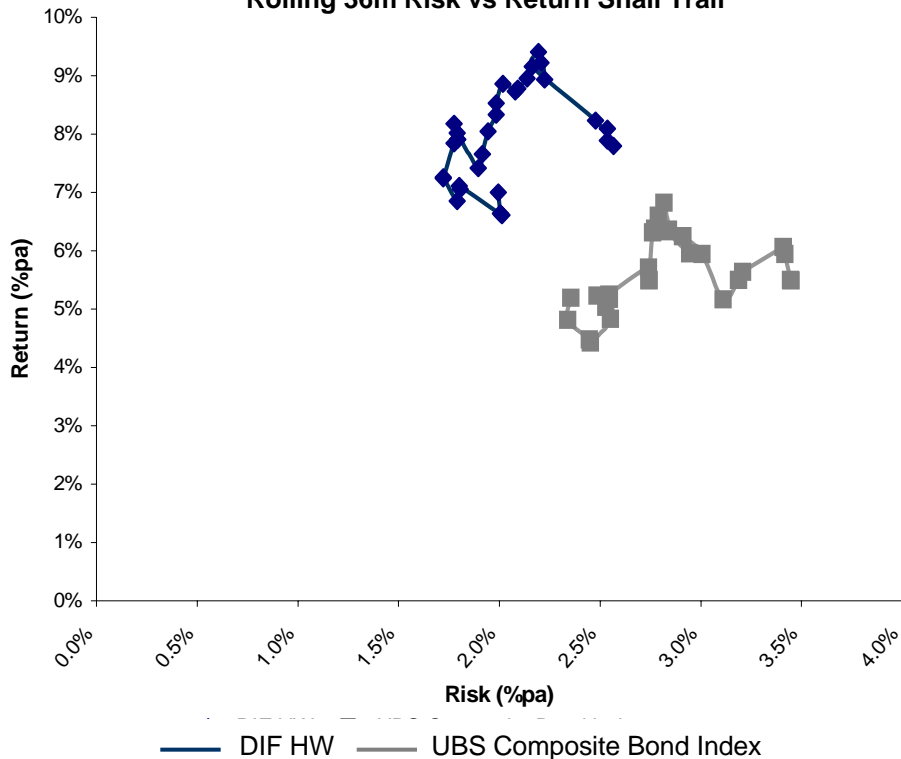
Performance of HFA Products - HFA DIF



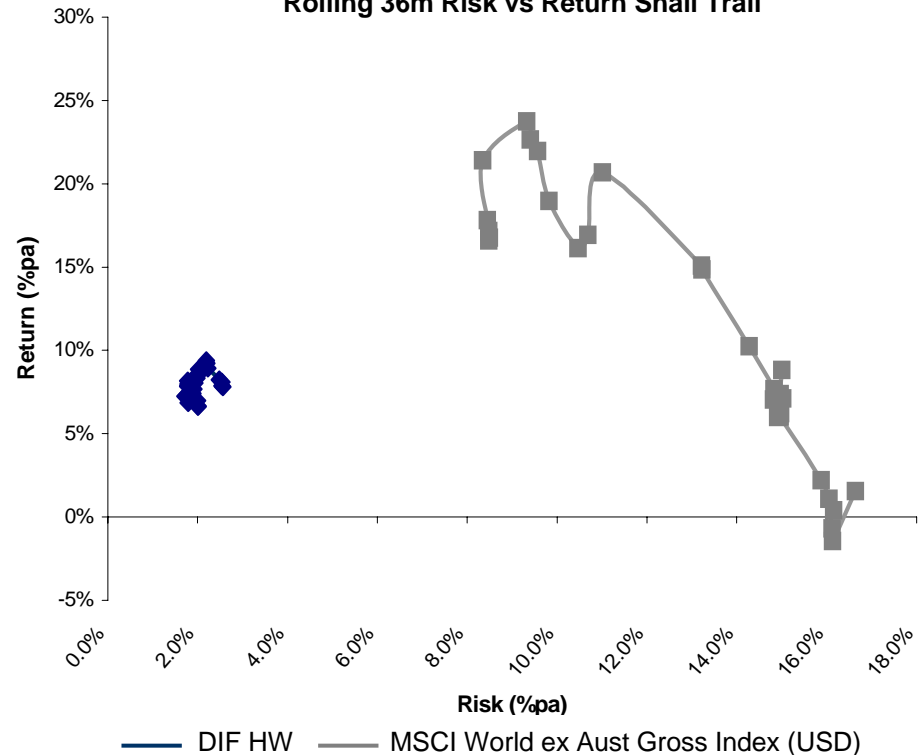
Source: HFA 30 September 2006

Performance of HFA Products - HFA DIF

**DIF HW vs UBS Composite Bond Index
Rolling 36m Risk vs Return Snail Trail**



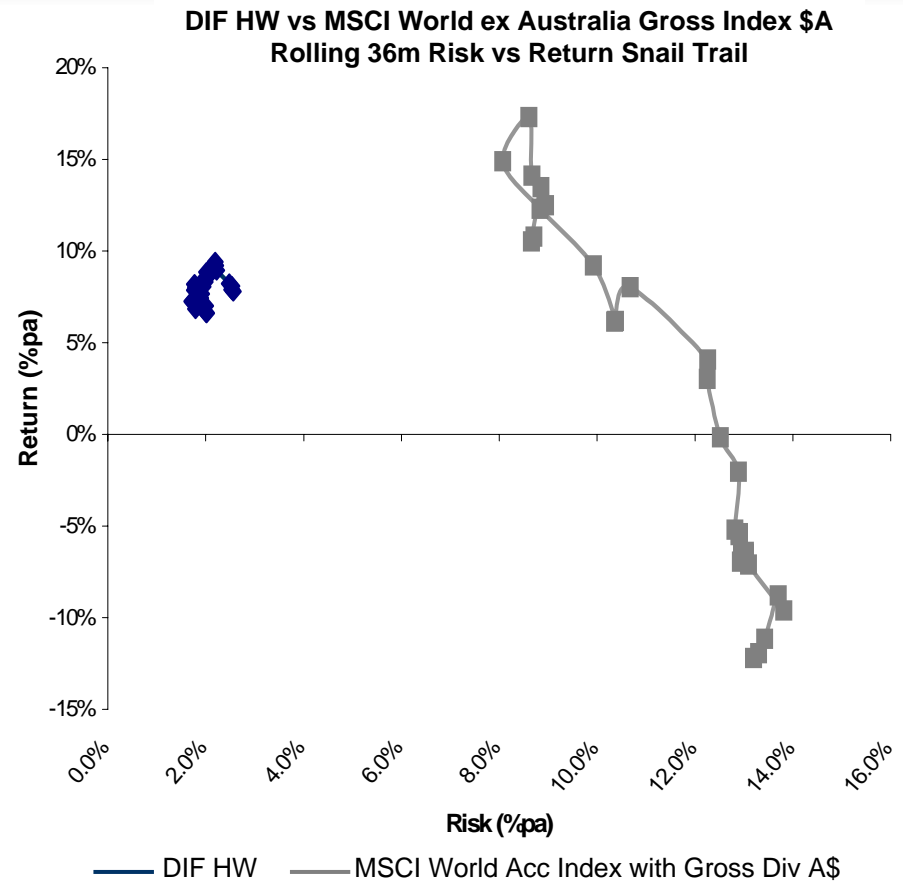
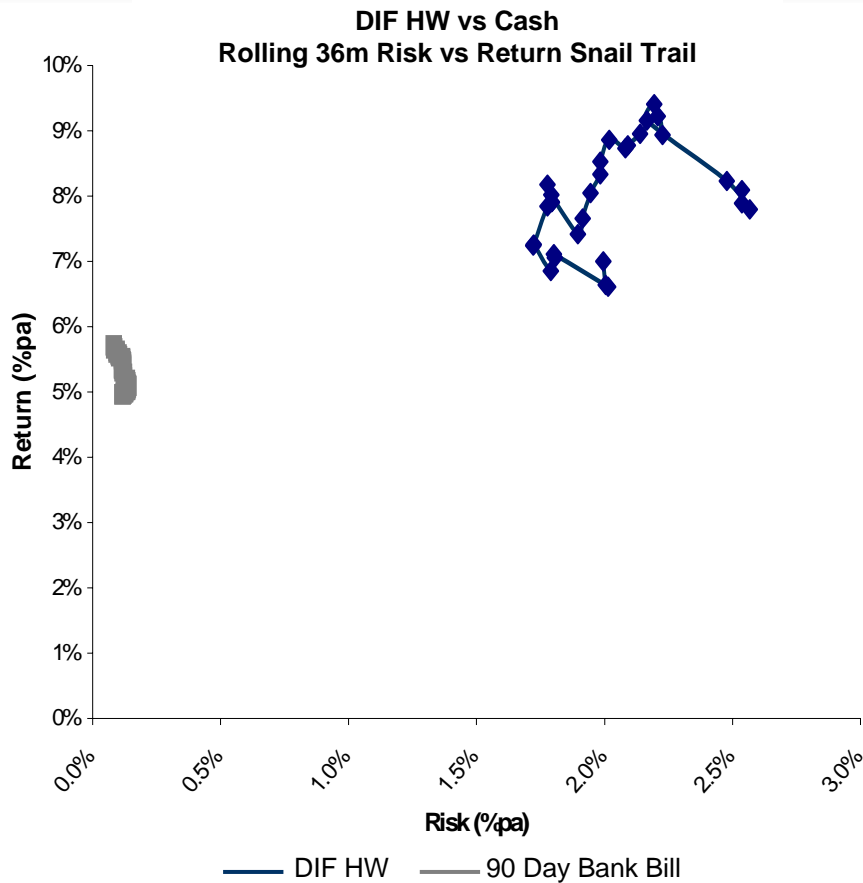
**DIF HW vs MSCI World ex Australia Gross Index (USD)
Rolling 36m Risk vs Return Snail Trail**



Source: HFA 31 August 2006



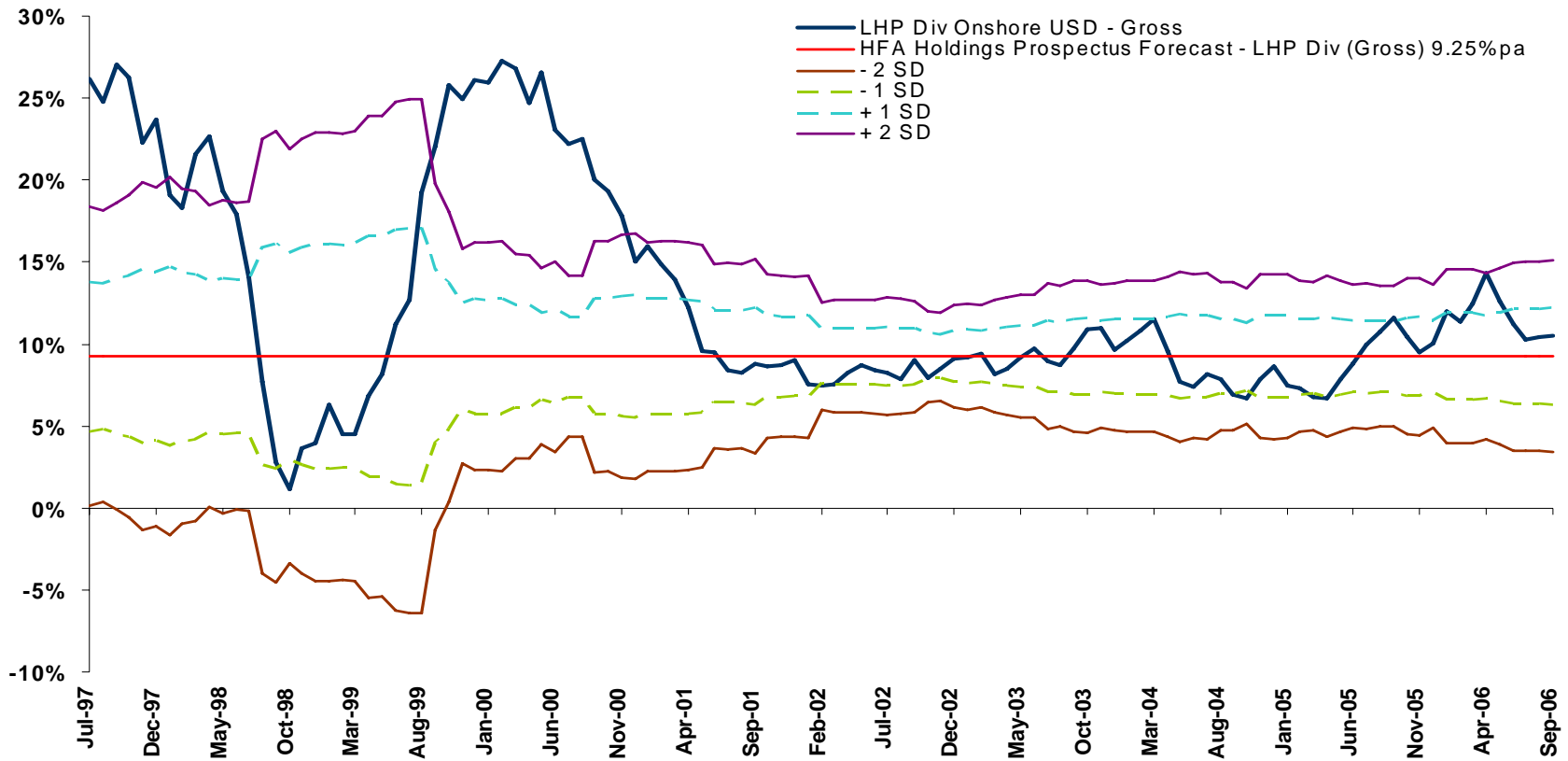
Performance of HFA Products – HFA DIF



Source: HFA 31 August 2006

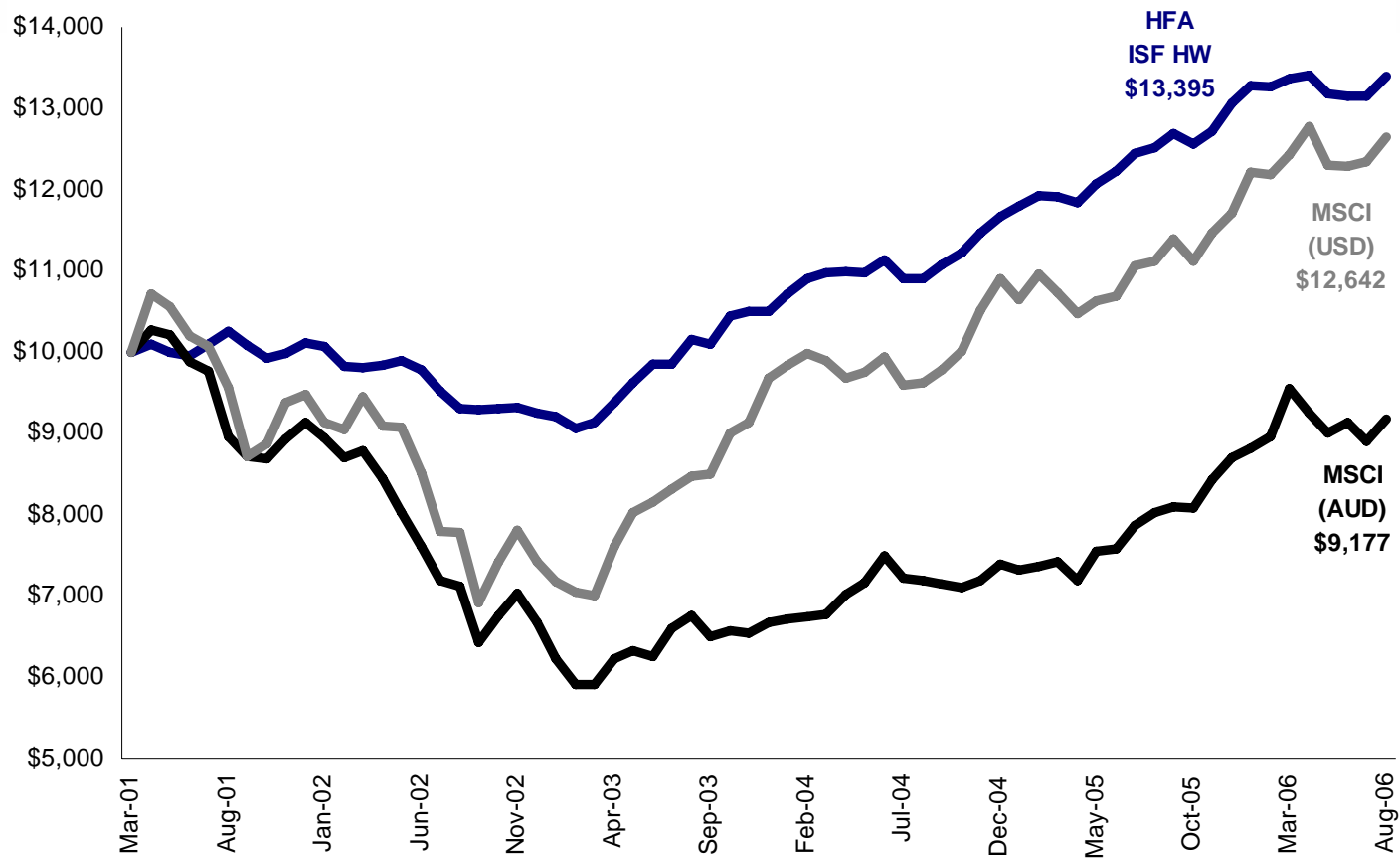
Performance to Forecast

12 month rolling returns



Source: HFA / Lighthouse Partners 30 Sept 2006

Performance of HFA Products - HFA ISF



Source: HFA 31 August 2006

www.HFAinvestments.com.au

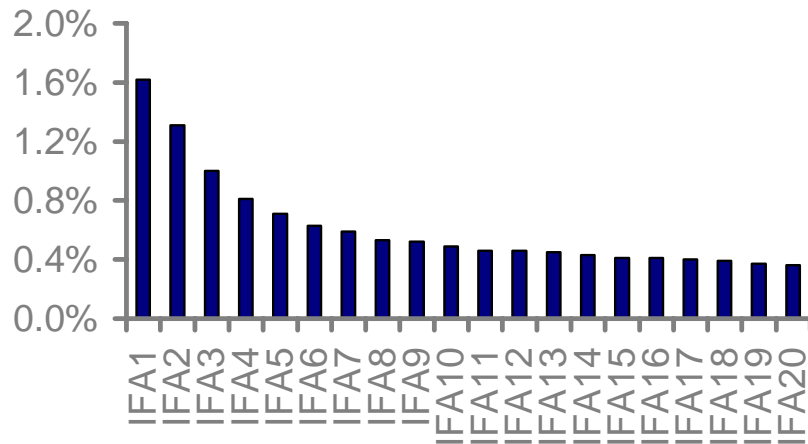


Distribution Network

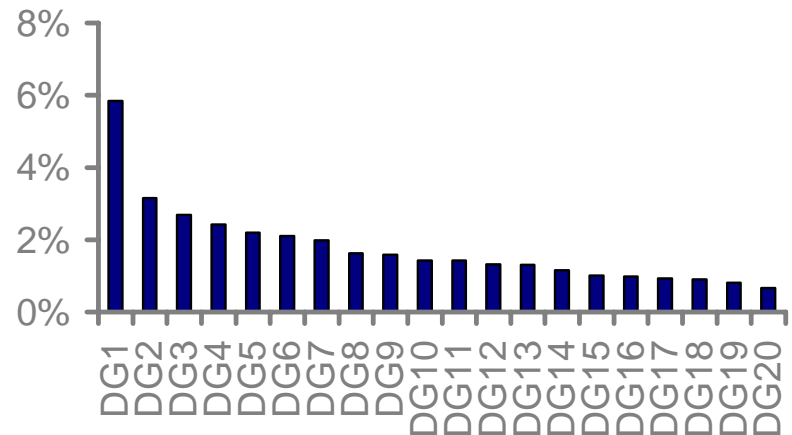
Strength in retail distribution

- Approved for investment by 375 financial planner dealer groups representing over 9,000 financial advisers
- HFA has diversified distribution with
 - No single dealer group contributing more than 6% of FUM
 - No single independent financial adviser contribution more than 1.7% of FUM

Top 20 financial advisers



Top 20 dealer groups



Distribution Network

HFA products are listed on more than 25 master trusts and wrap accounts with over \$85 billion in funds under administration

	Master Trusts	Wrap Accounts
Asgard	✓	✓
Austchoice	✓	–
Colonial First State	✓	✓
Credit Suisse Asset Manager	✓	–
Hillross	–	✓
ING	✓	✓
IOOF	✓	✓
Macquarie	✓	✓
MLC	–	✓
Navigator	–	✓
Netwealth	✓	✓
Oasis	–	✓
Perpetual	–	✓
Summit	✓	✓
Synergy	✓	–

Investment Process and Structuring Capability

Portfolio and product structuring expertise

Investment manager selection

- Rigorous selection process for appointing external investment advisers and specialist fund managers based on qualitative and quantitative measures

Strategy allocation

- Monitor investment environment, determine key return drivers and evaluate different investment strategies

Portfolio construction

- Construction of funds with particular risk and return objectives
- Diversification of risks while benefiting from return opportunities

Product structuring

- Track record of developing and utilising structured products
- Leverage, capital protection, LIC, interest rate and FX hedging

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

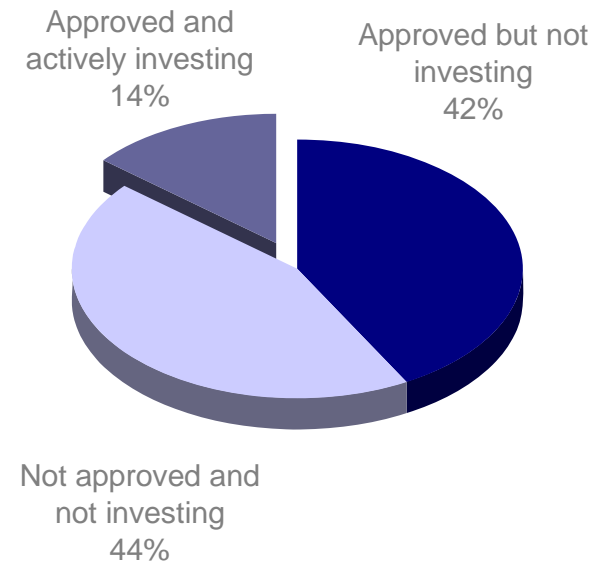
HFA and Lighthouse

- 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

Growth Opportunities

- Growth in wealth management and absolute return funds sectors
- Distribution opportunities
 - Greater penetration with existing investors (44% of financial advisers yet to approve HFA products and 42% approved but yet to use HFA products)
 - 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 (\$190 FUM recently won via three mandates)
 - A number of asset consultants currently recommending Diversified Investments Fund and International Shares Fund

Financial adviser market share



HFA Leadership



Experienced Board and Management Teams

HFA Board

Brett Howard Chairman	<ul style="list-style-type: none">• Founder Howard Mortgage Trust (now the Challenger Howard Mortgage Trust)
Spencer Young Executive Director, CEO	<ul style="list-style-type: none">• Founded HFA• 14 years experience in alternate asset class• Formerly Executive Director, Rothschild Private Equity
Michael King Non-Executive Director	<ul style="list-style-type: none">• Founder and CEO of MFS
John Morrison Non-Executive Director	<ul style="list-style-type: none">• Director of Grant Samuel
Paul Manka Non-Executive Director	<ul style="list-style-type: none">• Over 20 years experience in funds management industry• Director of MFS
Paul Willis Non-Executive Director	<ul style="list-style-type: none">• 15 years experience in funds management industry• Founding partner and COO of JF Capital Partners

Experienced Board and Management Teams

HFA Management Team

Professor Les Balzer (Head of Research)	<ul style="list-style-type: none">• Professor of Finance UNSW• Formerly Principle at Mercer, Portfolio Manager at State Street and Investment Manager at Lend Lease/MLC
Amber Stoney (Chief Financial Officer)	<ul style="list-style-type: none">• Eight years experience in audit at KPMG
Jonathan Pain (Chief Investment Strategist)	<ul style="list-style-type: none">• Over 20 years experience• Former CIO of Rothschild Asset Management• Former Head of Investments at Gulf International Bank
Oscar Martinis (Head of Distribution)	<ul style="list-style-type: none">• Over 16 years experience in investment management industry
Robert White (Head of Special Projects)	<ul style="list-style-type: none">• Over ten years experience in asset management industry in Australia and the UK

Investment Highlights



Investment Highlights

Exposure to high growth Australian wealth management industry

- HFA benefits from the regulated growth in the Australian wealth management industry
 - Compulsory super scheme, tax incentives, withdrawal restrictions
- Absolute returns funds growing as proportion of the sector

Diversified and highly rated products

- Diversified portfolio of funds covering asset classes such as international shares, domestic shares and bonds
- Highly rated by independent research agencies

Performance track record, with low volatility

- Operating since 1998
- 50% of HFA's product have a track record of approximately five years and have consistently shown positive returns over that period

Investment Highlights

Established distribution network

- Products recommended by 375 financial planner groups including 50 of the Top 100 in Australia and approved for investment by approximately 9,000 financial advisers
- Listed on 25 master trust and wrap accounts

Lighthouse relationship

- Exclusive long term relationship in Australia and New Zealand
- Provides access to investment professionals, proprietary investment data and access to industry networks and relationships

Significant growth prospects

- Increasing penetration of IFA market
- New products (three new product planned for the forecast period)
- Developing institutional client base
- General growth in Australian wealth management industry and absolute return funds sector