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HFA Holdings Limited

## Full Year 2011 Results Presentation

18 August, 2011

New York Chicago Florida London Hong Kong Brisbane Sydney Melbourne

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## FY11 Overview... solid foundations for future growth

### Sound Financial Performance

- AUMA growth of 22% to \$5.8 billion.
- Strong underlying operating cash flows of \$23.75 million, with operating EBITDA of \$19.68 million.
- Strengthening of balance sheet through issue of convertible notes and significant decrease in debt levels.
- Move to reinstate dividends.

### Lighthouse Partners performing strongly

- AUMA increase of 28%.
- Awarded \$500m mandate from US pension plan.
- Will continue to focus on broadening distribution into the larger institutional investor market.

### Australian business repositioned for growth

- Conditions in the Australian retail funds management have remained challenging.
- Certitude has entered into an exclusive partnership with international asset manager Threadneedle to provide access to its products to retail and high net worth investors in Australia.
- Will continue to focus on distribution with its new partner, Threadneedle, along with existing products available via Lighthouse Partners and Marshall Wace GaveKal, whilst continuing to identify additional partners to further grow its product range.

On 1 March 2011, HFA Holdings Limited elected to adopt US dollars (USD) as its functional currency and as the presentation currency for the purposes of all Group financial reporting. The financial results included in this presentation are presented in USD, unless otherwise indicated as being presented in Australian dollars (AUD).

# FINANCIAL RESULTS

for year ended 30 June 2011

## 2011 Key Financial Outcomes

### Income

- Operating Income**
- Operating income of \$55.67 million.
  - Lighthouse operations contributed \$47.03 million, up 12% due to higher average AUMA for 2011 compared to previous year, as well as increased performance fees due to solid investment performance.
  - Certitude operations contributed \$8.63, down 25% due to lower average AUMA and lower average net management fees, partially offset by increased performance fees due to solid investment performance.

### Expenses

- Operating Expenses**
- Operating expenses (excluding non-cash depreciation, amortisation and equity settled transaction costs) up 13% to \$34.42 million. This is due to increase personnel expenses, costs associated with the external debt renegotiations, as well as the higher average exchange rate for FY11.

### Earnings

- Operating EBITDA**
- Strong \$23.75m operating cash flow leads to \$19.68 million EBITDA, down from \$21.17 million. Decrease on prior year reflects the increase in operating expenses.
- EBIT**
- Pre-tax earnings of \$6.41 million compared to \$5.51 million in FY10 due to the reduction in the Group's net interest expense.
- NPAT**
- Net profit after tax of \$5.53 million (2010: \$4.21 million).

### Debt

- Debt**
- \$28.32 million as at 30 June 2011 (2010: \$103.30).
- Debt reduction**
- \$74.98 million in debt repayments through FY2011.
- Net debt**
- Nil net debt at 30 June 2011 (excluding debt portion of convertible notes).

## Positive net earnings growth

USD '000	30 June 2011	30 June 2010 <sup>1</sup>	% Change
Revenue	67,969	64,020	6%
Investment management costs	(12,304)	(10,568)	(16)%
<b>Operating income</b>	<b>55,665</b>	<b>53,452</b>	<b>4%</b>
Foreign exchange gain/(loss) on operating activities	163	101	61%
Operating expenses, net of other income <sup>2</sup>	(34,415)	(30,421)	(13)%
<b>Operating EBITDA (before equity settled transactions)</b>	<b>21,413</b>	<b>23,132</b>	<b>(7)%</b>
Equity settled transaction expenses <sup>3</sup>	(1,733)	(1,961)	12%
<b>Operating EBITDA (after equity settled transactions)</b>	<b>19,680</b>	<b>21,171</b>	<b>(7)%</b>
Depreciation and amortisation	(10,054)	(9,902)	(2)%
Net interest income / (expenses)	(3,215)	(5,764)	44%
<b>Profit/(loss) before income tax</b>	<b>6,411</b>	<b>5,505</b>	<b>16%</b>
Income tax benefit / (expense)	(884)	(1,300)	32%
<b>Net profit /(loss) after income tax</b>	<b>5,527</b>	<b>4,205</b>	<b>31%</b>
<b>Basic EPS (cents)</b>	<b>4.51</b>	<b>3.62<sup>4</sup></b>	<b>24%</b>

1. 30 June 2010 comparatives have been restated to reflect the Group's change in presentation currency to US dollars from Australian dollars.
2. Operating expenses, net of other income and excluding depreciation and amortisation.
3. Non-cash equity settled transactions.
4. Adjusted to reflect 1 March 2011 4 to 1 share consolidation and change in presentation currency.

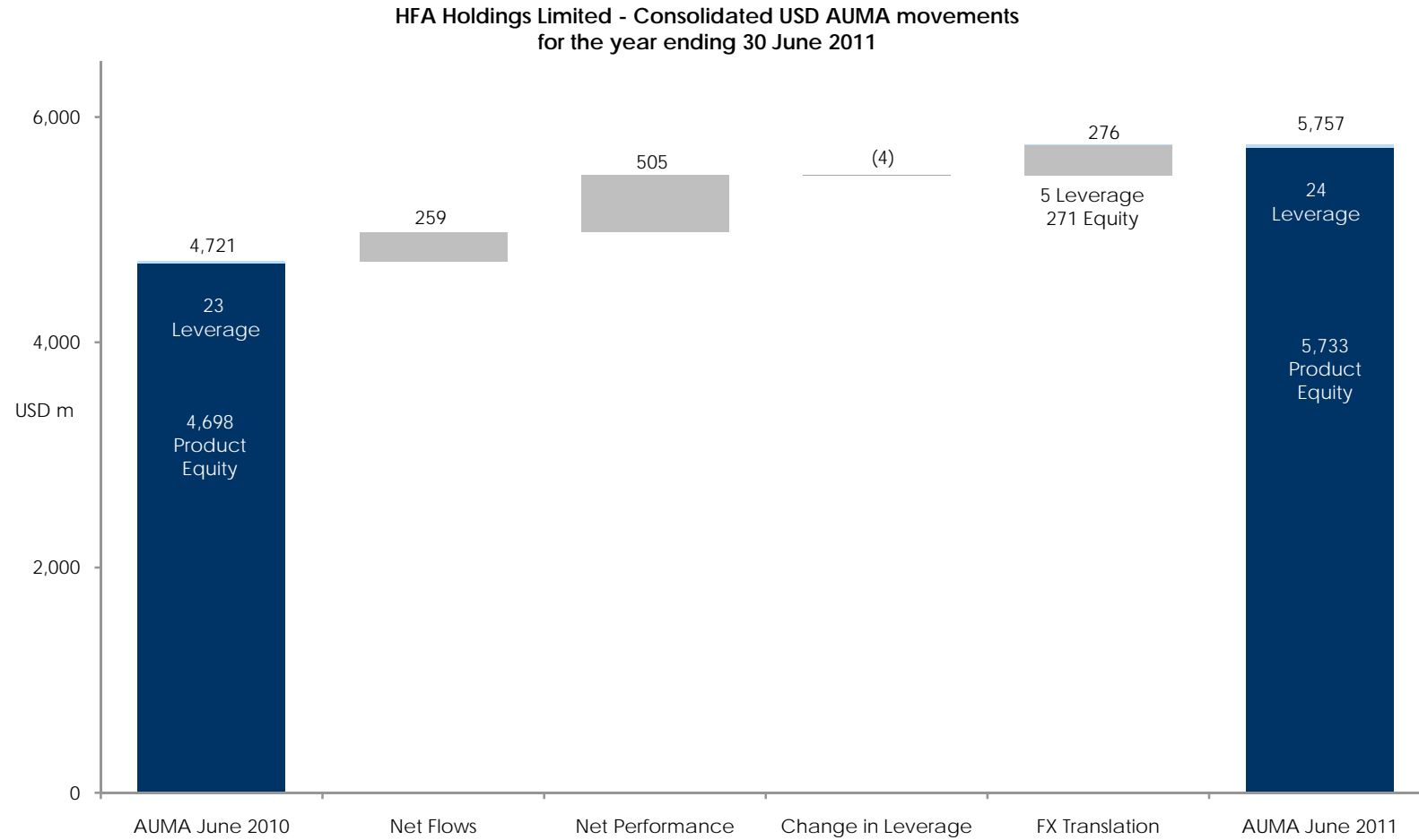
## 22% increase in Group AUMA

\$billion	Certitude Global Investments			Lighthouse Partners			Total Group		
	30-Jun-11	30-Jun-10	% Change	30-Jun-11	30-Jun-10	% Change	30-Jun-11	30-Jun-10	% Change
<b>AUMA</b>	1.116	1.093	2%	4.641	3.628	28%	5.757	4.721	22%

### AUMA – Analysis

- AUMA**
- Lighthouse has experienced positive growth in AUMA for the year due to strong performance of its core products and overall net inflows, including the previously announced \$500 million mandate from a US pension plan.
  - In USD terms, Certitude AUMA increase by 2%. However, in AUD terms, Certitude AUMA decreased by 19%. As at 30 June 2011, only \$24 million in leverage remains in the HFAAM branded products.
- Fund flows**
- Lighthouse fund flows for FY11 were positive \$562 million, with 8 of the 12 months recording net inflows.
  - The Certitude fund flows have largely been affected by the withdrawal windows offered by the HFA Diversified Investments Fund totalling AUD 247 million. All withdrawal restrictions were removed from the HFA Diversified Investments Fund in June 2011, and subsequently, redemptions from the Fund have reduced significantly.

# Significant AUMA growth





## Move to reinstate dividends

The Board has given consideration as to whether to declare a final dividend of 5.0 cents per share in relation to the 2011 financial year. Given the Company has accumulated losses, there is uncertainty as to whether or not a dividend declared by the Company can be franked, based on recent Draft Fact Sheets issued by the Australian Taxation Office. The Company intends to seek a Private Ruling from the Australian Taxation Office to determine whether a dividend declared by the Company can be franked. Once certainty regarding the franking position has been obtained through the Australian Taxation Office Private Ruling, the Board will finalise a decision in relation to a dividend and announce details of any dividend declared, including the extent to which the dividend is franked.

# BUSINESS OVERVIEW

as at 30 June 2011

## Key investment highlights

### Positive fund flows

- AUMA as at 30 June 2011 was USD 5.8 billion, a 22% increase from 30 June 2010.
- Lighthouse had a 28% increase in AUMA for FY11, and positive fund flows for 8 of the 12 months.
- Redemption levels witnessed at the height of the crisis have diminished.

### Experienced management team

- Key management personnel have been on board for over 10 years, have developed strong client relationships and have aligned interests through HFA ownership stakes and investment in funds.
- The Apollo alliance has improved the group's ability to attract, retain and motivate key employees.

### Strong balance sheet

- Nil net debt position (excluding debt portion of convertible notes).
- New senior loan facility maturity of 5 years.
- \$22 million of Mandatorily Convertible Notes classified as debt on the balance sheet.

### FY11 result

- FY11 EBITDA of approximately \$19.7 million, and NPBT of \$6.4 million.
- Includes \$1.7 million of non-cash employee share plan expense.
- Reflects performance fee revenue of \$3.7 million.

### Positioned for growth

- Managed Account Program provides the enhanced transparency, liquidity and security that fund investors are now demanding.
- Lighthouse continues to achieve strong investment performance versus most relevant indices.
- AUMA growth is expected to benefit from (i) access to Apollo's relationships, (ii) association with the widely recognised Apollo brand, and (iii) the strengthened balance sheet
- HFA's balance sheet is able to support any industry consolidation opportunities that may arise.

### Diverse investor base

- HFA's distribution channels are highly diversified by both investor type and geography.
- Lighthouse has a strong presence in both the institutional and high net worth markets.
- Over 400 retail financial planner dealer groups have invested in Certitude products, representing more than 11,200 advisers and over AUD 267 billion in funds under advice.

# HFA has proactively taken steps to position itself for growth...

## Positive steps...

### HFA Holdings (corporate)

- US\$75m raised via the issue of Mandatory Convertible Notes

### Lighthouse Partners

- Strategic alliance with Apollo Global Management, under which the Apollo group will distribute Lighthouse investment products and services
- Lighthouse senior management entry into new employment contracts, including escrow arrangements

### Certitude Global

- Establishment of distribution relationships with Threadneedle Investments and Marshall Wace GavKal



## ... to build a stronger HFA

### Improved growth outlook

- Lighthouse to benefit from Apollo's relationships, and association with the Apollo brand
- Certitude focused on targeting identified key channels

### 2. Strengthened financial position

- Balance of senior loan facility matched by cash holdings
- Senior loan facility maturity of 5 years

### 3. Greater ability to attract/retain employees

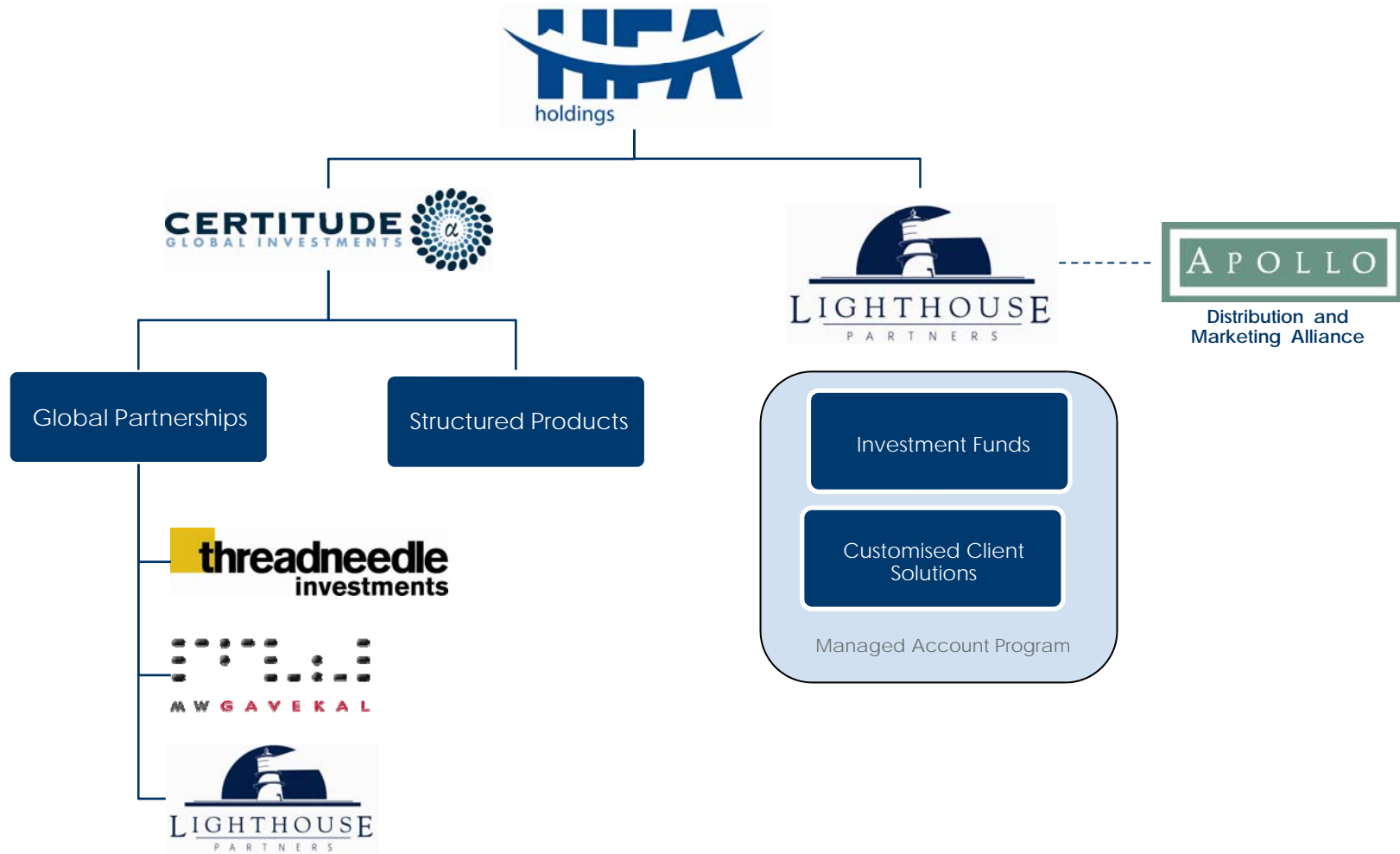
- Due to improved growth outlook and strengthened financial position

### 4. Positioned to benefit from industry trends

- Lighthouse's Managed Account Program provides enhanced transparency and control
- Certitude's open architecture model provides a multi-capability platform
- Balance sheet able to support any industry consolidation opportunities that may arise

# HFA Holdings

... a diversified, global fund manager



## Our partners... the best of the best



### Apollo Global Management, LLC

- Apollo is a leading global alternative asset manager with offices in New York, Los Angeles, London, Frankfurt, Luxembourg, Singapore, Mumbai and Hong Kong.
- Total AUM was \$71.7 billion as of 30 June 2011, compared to \$54.5 billion as of 30 June 2010.
- The company primarily invests in private equity, credit-oriented capital markets and real estate funds invested across a core group of nine industries where it has considerable knowledge and resources.



### Marshall Wace GaveKal

- Marshall Wace is one of Europe's most respected hedge fund managers and was founded in London in 1998 by Paul Marshall (Chairman and Chief Investment Officer) and Ian Wace (Chief Executive Officer).
- The company has significant expertise in traditional, fundamental long/short investing ("manager-led") and process-driven strategies, based on the unique alpha capture system, Marshall Wace TOPS.
- In 2008 Marshall Wace and research and fund firm GaveKal created a joint venture to manage GaveKal's existing funds and Marshall's planned Asia-focused vehicles
- This joint venture brings together GaveKal's knowledge of the Asia-Pacific region alongside the innovative product design, portfolio construction and disciplined risk management processes of Marshall Wace.

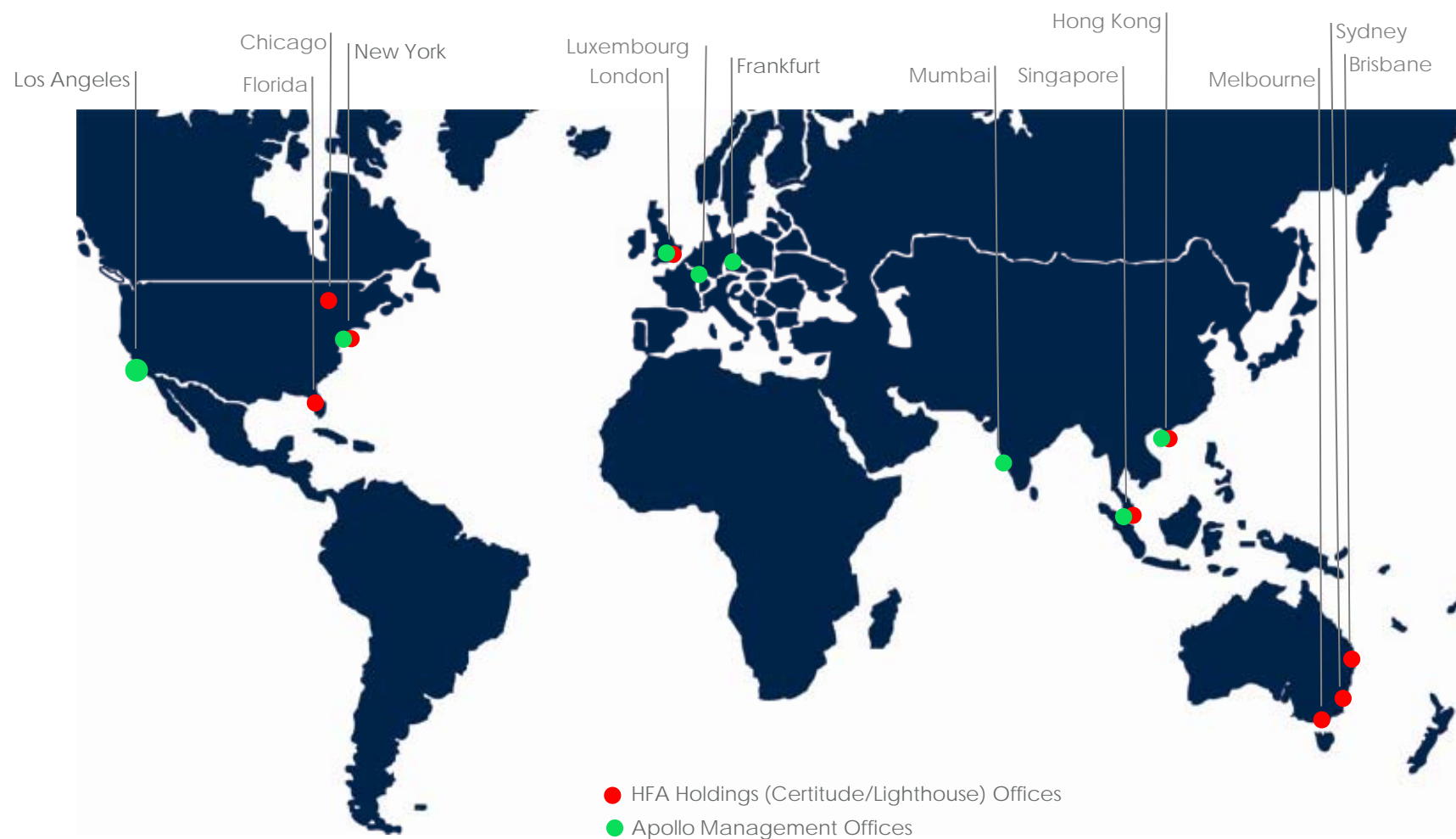


### Threadneedle Investments

- Threadneedle is a leading international investment manager with a strong track record of outperformance across asset classes. Threadneedle actively manages \$110 billion (as at end March 2011) of assets, investing on behalf of individuals, pension funds, insurers and corporations. Established in 1994 in London, Threadneedle operates in 15 countries across Europe, the Middle East, Asia-Pacific and North America.
- Threadneedle's distinctive investment approach is based on creative thinking, sharing of ideas and rigorous debate. As at 30 June 2011, its 120 investment professionals invest across developed and emerging market equities, fixed income, commodities and UK property.

# HFA Holdings

... a global network of investment professionals



# Lighthouse...a global leader in managed accounts

## Lighthouse Managed Account Program

- Approximately 90 funded proprietary accounts, representing approximately \$4 billion of Lighthouse's total AUMA.
- Structural and operational decisions are made by Lighthouse to mitigate underlying manager's operational risks – allowing the underlying fund manager to focus exclusively on managing the investment portfolio.

Fund	Strategy	Managed Accounts (offshore fund/onshore fund)	Inception <sup>1</sup>
Lighthouse Diversified	Multi-strategy	75% / 84%	August 1996
Lighthouse Credit Opportunities	Diversified Credit	62% / 84%	January 2003
Lighthouse Global Long/Short	Global Equity Long/Short	100%	January 2004
Lighthouse Managed Futures	Managed Futures	100%	January 2006
Lighthouse Alpha	Equity Market Neutral	100%	July 2006
Lighthouse Healthcare	Long/short Healthcare Sector	100%	January 2007
Lighthouse Navigator	Multi-strategy	100%	January 2009

1. Inception relates to the Lighthouse vehicle with the longest track record within each particular strategy



# Certitude ... an independent provider of active managers

## What does Certitude do?

- Certitude selects high quality active investment managers from around the globe and brings their expertise to Australian investors
- These active solutions aim to deliver outperformance, or 'alpha', allowing investors to complement their passive strategies with a strong risk management focus

## Who are our investment partners?

- Our managers provide a global investment view that is thoroughly considered and time-tested
- Certitude's investment partners are located across all the major financial markets and their selection is underpinned by a robust investment process
- All managers are highly regarded in their industries, recognised with multiple awards, and have an extensive track record:
  - Threadneedle Investments (UK);
  - Lighthouse Partners (US); and
  - Marshall Wace GaveKal Asia-Pacific (Hong Kong)



One of Europe's most successful asset managers. Ideas are shared across a single investment platform encouraging debate to ensure a rigorous examination of the markets and investment views. \$110 billion in AUM and the third largest based in the UK. Owned by NYSE listed Ameriprise Group.



Innovative absolute return manager with strong reputation in the marketplace, managing \$5.2 billion AUM. Dedicated solely to managing funds of hedge funds. Investment process utilises proprietary Managed Account Program providing transparency, improved liquidity and better asset control.  
Ownership: HFA Holdings Limited (ASX: HFA)

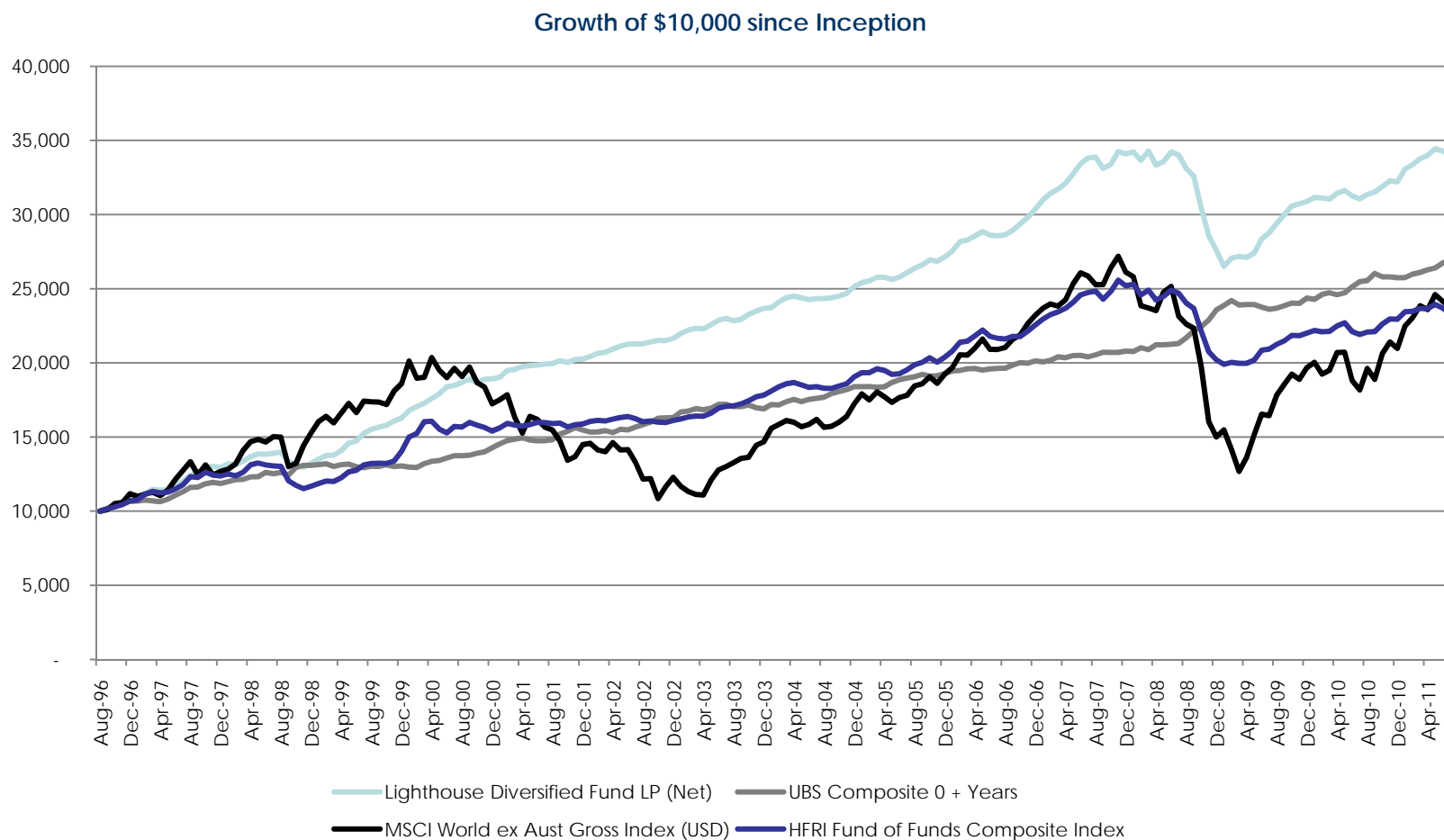


GaveKal, world-renowned experts in Asian macroeconomic research, combine with Marshall Wace's superior trading, information gathering and risk tools. The unique pedigree of this joint venture allows investors to capitalise on the long-term growth prospects in the Asia-Pacific region. They manage \$1.3 billion AUM in equities, fixed income and currency.

# FUND PERFORMANCE

as at 30 June 2011

# Strong investment performance partnered with Managed Account Program provides solid platform for business growth...



1. LHP Diversified Fund LP inception being August 1996.  
 Source: Lighthouse, MSCI and Bloomberg.  
 Past performance is not an indicator of future performance.

# Lighthouse Partners Product Performance

## Comparative Fund Returns (after fees & expenses) to 31 July 2011<sup>1</sup>

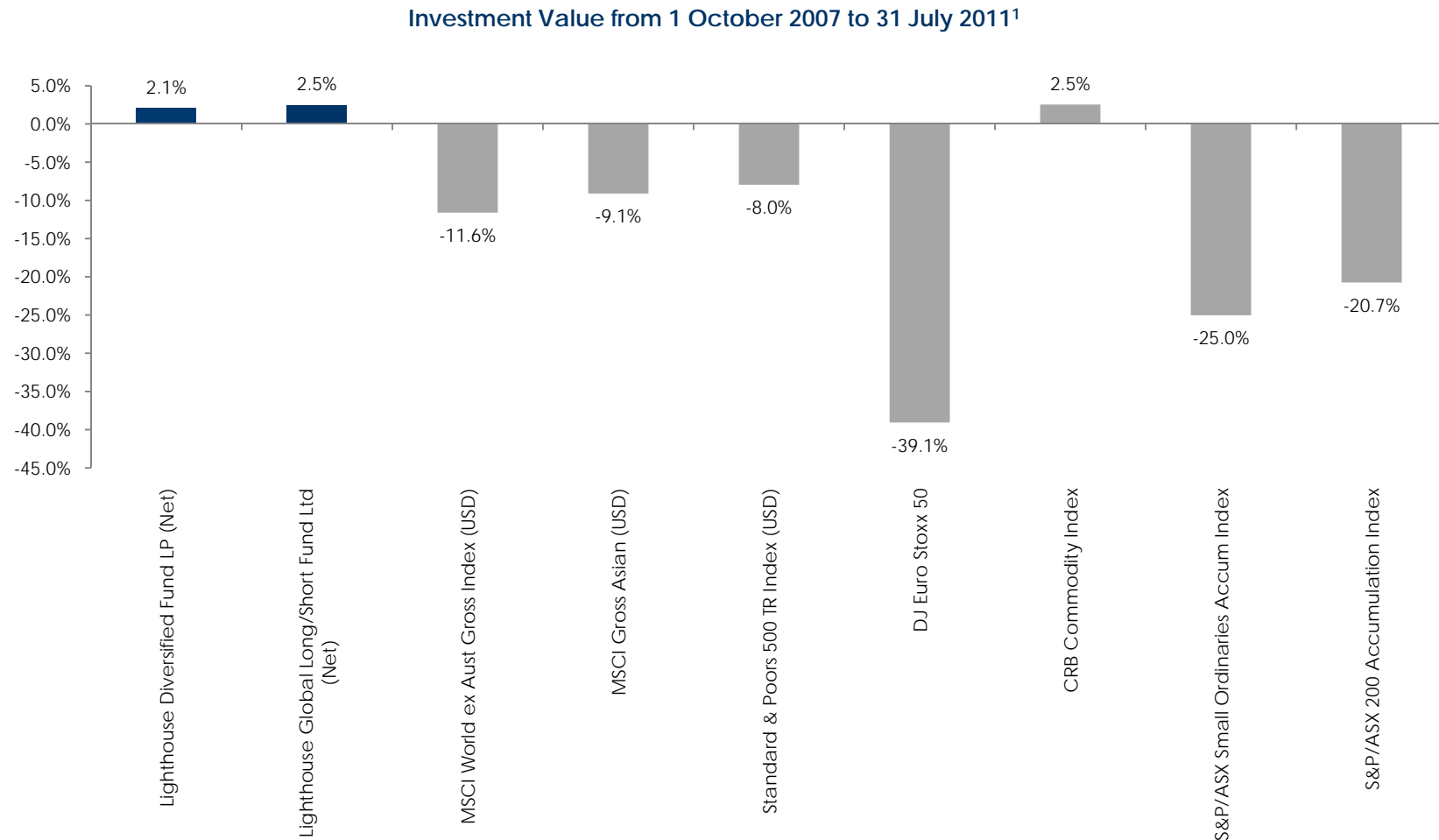
	LHP Diversified Fund LP (Net) %	HFRI Fund of Funds Composite Index %	LHP Global Long Short Fund Ltd (Net) %	MSCI World Ex Au (USD) %	Standard & Poor's 500 TR Index (USD) %
12 Months	8.66	6.40	6.86	19.00	19.64
2 Years p.a.	7.65	5.14	5.13	14.43	16.70
3 Years p.a.	0.96	-0.76	2.50	1.06	2.91
4 Years p.a.	0.15	-1.38	0.39	-1.96	-0.78
5 Years p.a.	3.53	1.68	5.07	2.10	2.39
6 Years p.a.	4.36	2.83	5.17	4.01	2.88
7 Years p.a.	4.92	3.64	6.36	5.88	4.41
8 Years p.a.	5.12	4.05	N/A	7.32	5.47
9 Years p.a.	5.36	4.34	N/A	7.51	6.03
10 Years p.a.	5.49	3.98	N/A	4.20	2.61
Inception p.a. <sup>1</sup>	8.52	5.86	6.16	5.47	5.47
Inception Total <sup>1</sup>	240.70	134.90	57.34	49.78	49.78

1. LHP Diversified Fund LP inception being August 1996. LHP Global Long Short Fund Ltd inception being January 2004.

Source: Lighthouse, MSCI and Bloomberg.

Past performance is not an indicator of future performance.

# Strong Relative Outperformance for Lighthouse Funds



1. The above chart represents the period since the previous market high and how the Funds performed against the major market sectors.  
 Source: Lighthouse, MSCI and Bloomberg.  
 Past performance is not an indicator of future performance.

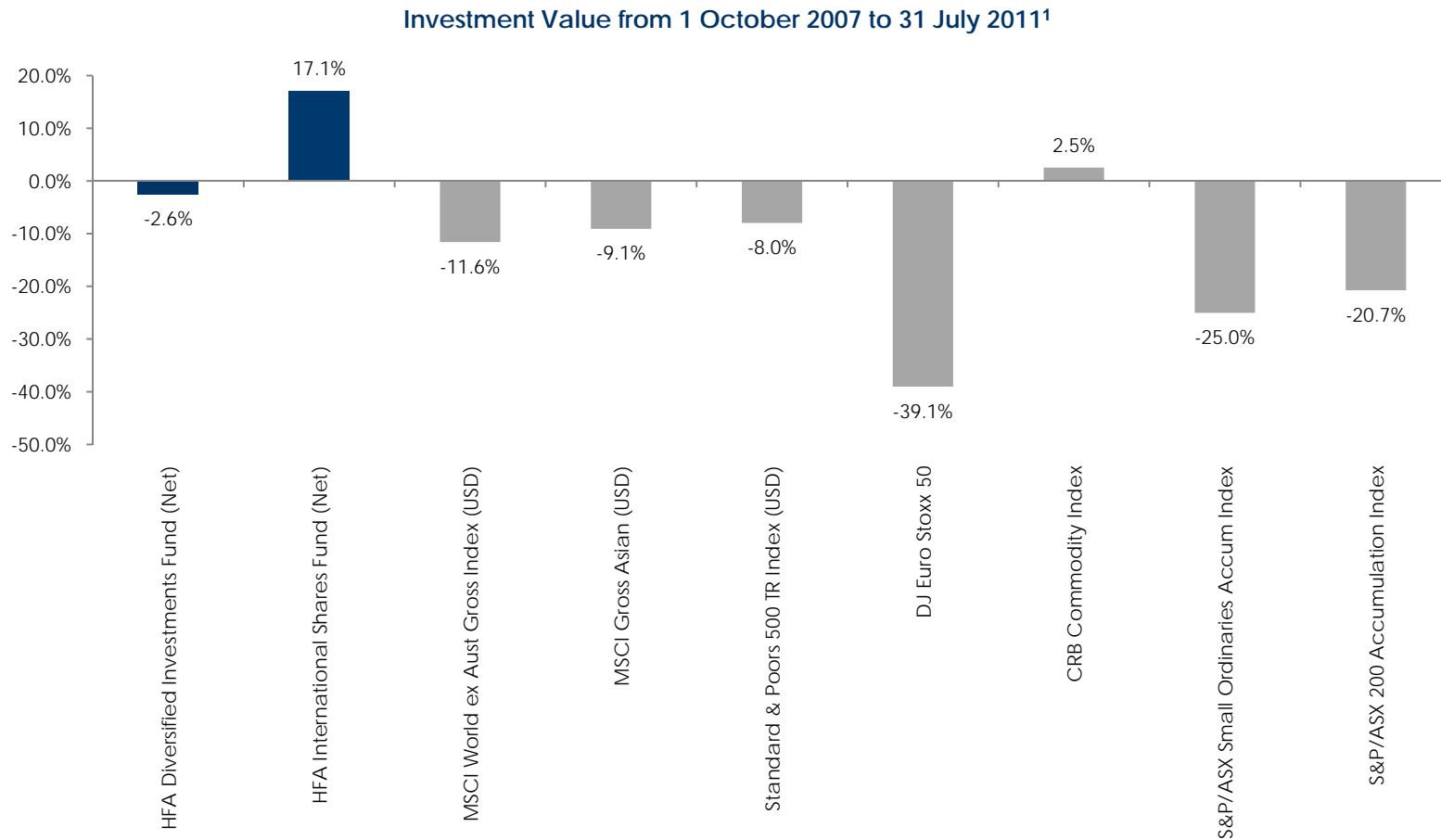
# Certitude Global Investments Product Performance

## Comparative Fund Returns (after fees & expenses) to 31 July 2011<sup>1</sup>

	HFA Diversified Investments Fund (Net) %	HFRI Fund of Funds Composite Index %	Australian 90 Day Bank Accepted Bill %	HFA International Shares Fund (Net) %	MSCI World Ex Au (USD) %
12 Months	9.29	6.40	4.92	9.55	19.00
2 Years p.a.	8.79	5.14	4.53	7.55	14.43
3 Years p.a.	-1.18	-0.76	4.60	5.64	1.06
4 Years p.a.	-1.42	-1.38	5.35	3.75	-1.96
5 Years p.a.	2.05	1.68	5.58	6.95	2.10
6 Years p.a.	2.77	2.83	5.63	6.74	4.01
7 Years p.a.	3.83	3.64	5.64	7.75	5.88
8 Years p.a.	4.20	4.05	5.62	8.12	7.32
9 Years p.a.	4.59	4.34	5.54	7.59	7.51
10 Years p.a.	4.79	3.98	5.45	6.18	4.20
Inception p.a. <sup>1</sup>	4.68	3.96	5.44	6.08	4.19
Inception Total <sup>1</sup>	60.41	49.34	72.95	83.99	52.89

1. HFA Diversified Investments Fund inception being March 2001. HFA International Shares Fund inception being March 2001.  
Source: Certitude Global Investments Limited, MSCI and Bloomberg.  
Past performance is not an indicator of future performance.

# Strong Relative Outperformance for Certitude Global Investments Funds



1. The above chart represents the period since the previous market high and how the Funds performed against the major market sectors.  
 Source: Certitude Global Investments Limited, MSCI and Bloomberg.  
 Past performance is not an indicator of future performance.

# OUTLOOK

as at 30 June 2011



# HFA Holdings

.. delivering results by focussing on products, distribution and performance

### Products



- New funds and services utilising Managed Account Program

- Creation of active management "alpha" products
- 2-3 New product partners
- 6 new products over next 2 years
- Multi-strategy absolute return products to be retained and enhanced



### Distribution

- Focus on broadening and deepening institutional relationships
- Continue to diversify across geographical areas, in particular Europe and Asia
- APOLLO Marketing Alliance

- Move to a key account focus targeting specific segments and specific channels:
  - Retail (broaden existing)
  - HNW/SMSFs
  - Alliances (eg Dealer Groups)
  - Multi-Managers

### Performance

- Competition continues to reduce with the on-going rationalisation of fund manager competitors
- Achieving absolute returns with greater transparency, control and flexibility

- Focus on active management solutions to deliver "alpha" returns
- Broaden existing absolute return focus, by also providing market segment and concentrated portfolio funds