



**LEADER** in  
ABSOLUTE  
RETURN  
SOLUTIONS



New York Chicago Florida London Hong Kong Brisbane Sydney Melbourne





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# Introduction



- Overview – Presentation
- Fund Flow – June Quarter

	Sep Qtr-07	Dec Qtr -07	Mar Qtr -08*	Jun Qtr -08*	FY 2008 Total
Net Inflow (A\$m)	100.45	103.02	116.07	215.87	535.41

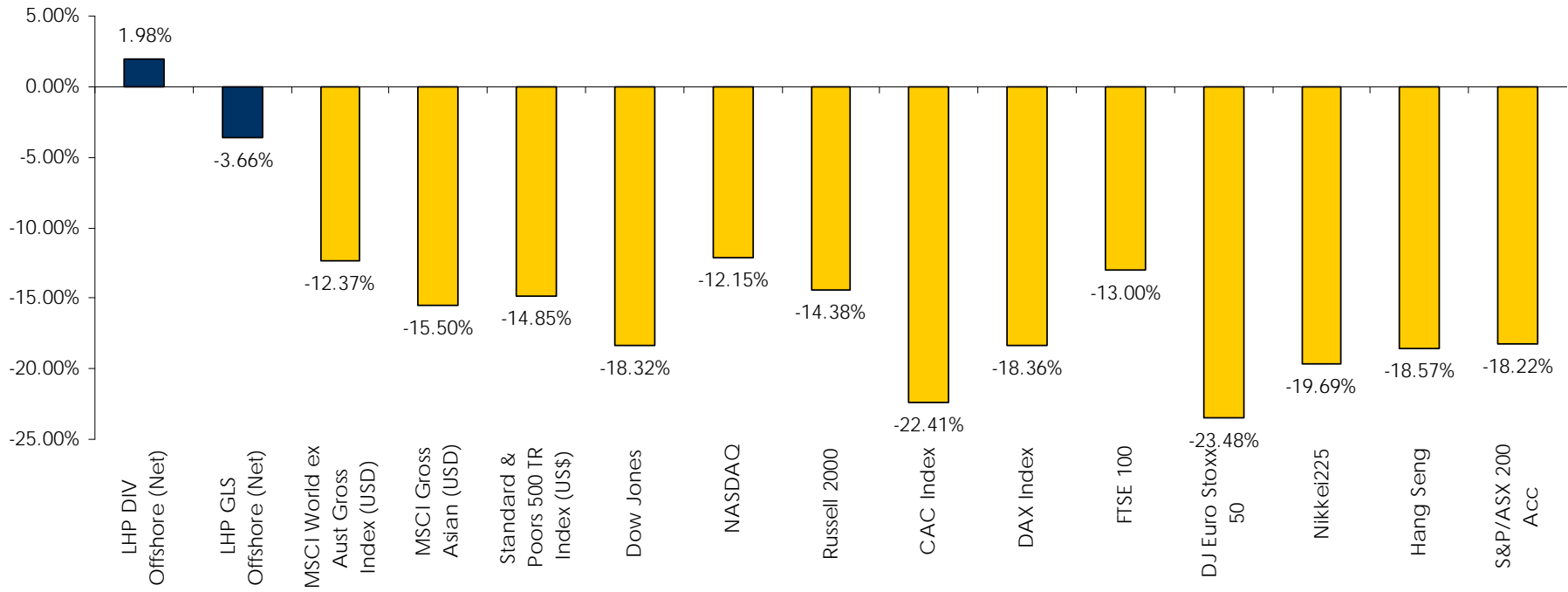
\* 2H FY 2008 net inflow includes Lighthouse Partners investment inflow

- Continued growth in Group AUM for 12 month to June 2008
- Key Fund Performance – Solid risk adjusted returns, capital preservation
- Redemption Activity – largely unchanged, benign
- FY08 Guidance – retain at least EBITDA \$56m

# Fund Performance to 30 June 2008



Returns from 1 October 2007 to 30 June 2008



Source: LHP and Bloomberg. LHP Fund Estimates to 30 June

# Fund Performance to 30 June 2008



	LHP Diversified Fund <sup>1</sup>	LHP Global Long Short Fund <sup>1</sup>	<i>MSCI World Ex Au (USD)</i>	<i>Standard &amp; Poors 500 TR Index (US\$)</i>	<i>S&amp;P/ASX 200 Accumulation Index</i>	<i>UBS Composite 0 + Years</i>
<b>1 Month</b>	-0.25%	-0.85%	-8.00%	-8.43%	-7.46%	0.29%
<b>3 Months</b>	2.32%	3.49%	-1.61%	-2.73%	-1.79%	0.41%
<b>6 Months</b>	-0.57%	-4.82%	-10.33%	-11.91%	-15.92%	2.63%
<b>12 Months</b>	0.11%	-4.06%	-10.46%	-13.12%	-13.40%	4.42%
<b>2 Years</b>	8.03%	9.72%	5.22%	2.36%	5.55%	4.20%
<b>3 Years</b>	8.13%	8.99%	9.13%	4.41%	11.35%	3.94%
<b>4 Years</b>	7.77%	9.06%	9.35%	4.88%	14.93%	4.89%
<b>5 Years</b>	7.10%	n/a	12.23%	7.58%	16.23%	4.37%
<b>Inception p.a.</b>	6.83%	9.09%	Since Inception Return are different for various Funds			
<b>Inception Total</b>	63.21%	47.90%				

1. Please note that the 30 June 2008 performance numbers for the LHP Funds are estimates





Lighthouse Investment Partners  
Business update  
Sean McGould  
President and Chief Investment Officer



# Lighthouse Partners Profile



*Lighthouse has been building hedge fund portfolios for over a decade*

- Flagship Diversified fund inception August 1996
- 58 employees across five offices: New York, Chicago, Palm Beach Gardens, London, Hong Kong
- Senior executives have worked together for over a decade, previously at a large hedge fund
- \$8.4 billion in assets under management
- Over \$200 million invested by employees across Lighthouse Funds
- Registered Investment Advisor with U.S. Securities & Exchange Commission
- Industry Recognition:
  - 2007 Winner for Hedge Fund Manager of the Year by Professional Pensions (Lighthouse Partners)
  - 2006 Winner for Best Credit/Fixed Income Fund of Funds by InvestHedge (Credit Fund)
  - 2005 Winner for Best Single Strategy Fund of Funds by MARHedge (Credit Fund)
  - 2002 Winner Overall Best Fund by InvestHedge (Diversified Fund)

# Lighthouse Differentiating Factors

## Experience

- 15 years managing fund of hedge funds for clients
- Team history: from hedge fund to family office to institutional provider

## Stability and Commitment of the team

- No turnover of senior personnel
- Over \$200 million of employee personal capital investment in Lighthouse Funds

## An active process for managing risks

- Over a decade of track record for preserving capital with investment and operational risk controls

## Pursuing Real Diversification

- Multi-strategy funds that produce results with low beta and directional dependence on traditional markets

## Structural Advantages of Managed Accounts

- Strategic use of managed accounts provides position transparency, flexibility, control and improved liquidity

## An Owner / Operator Business

- Senior executives are active in daily operation and accessible to clients



# Lighthouse Philosophy & Core Beliefs



## *Lighthouse Goals*

Preserve and compound capital  
with consistency  
and risk control

Provide true diversification from  
traditional  
markets

Invest in people, process,  
technology and  
work ethic

## *Core Beliefs*

- It is better to miss a perceived good opportunity than risk sustaining real losses
- Focus on eliminating as much directional market exposure as possible
- Active strategy diversification reduces risk of loss
- Do not employ a strategy you do not understand
- The “back-office” risk can be as substantial as the “front-office” risk
- Strive to be great partners with managers and investors
- Character matters. Reference and background checks prove critical to manager selection

# Lighthouse Investment Team Organisation



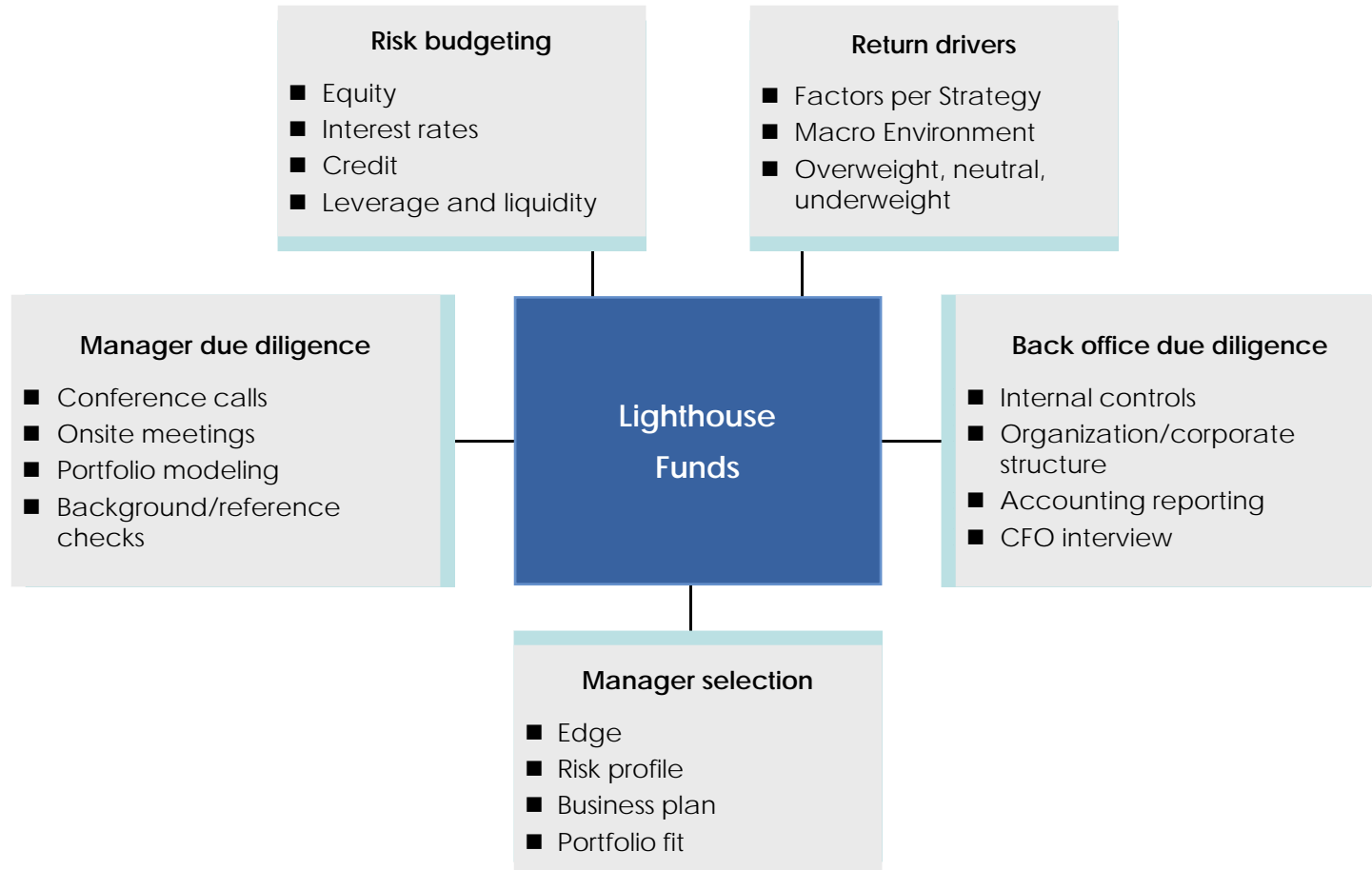
Investment Committee
Sean McGould, Chair
Kelly Perkins
John FitzGibbon
Clark Prickett
Paul Schwarz
Ethan Baron

Relative Value Committee Team of 5	Equity Committee Team of 6	Asian Strategies Committee Team of 5	Global Trading Committee Team of 4
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Risk Committee
Team of 5

- Oversees portfolios from macro perspective
- Sets “tilts” through strategy and manager weightings
- Approves all manager subscriptions/redemptions
- Reviews strategy outlook and manager risk-return
- Sources managers and completes investment due diligence
- Implements Investment Committee policy via managers
- Identifies undesired risk that may exist in portfolio
- Develops processes to mitigate likelihood of losses
- Oversees operational due diligence
- Confirms formal due diligence procedures are followed

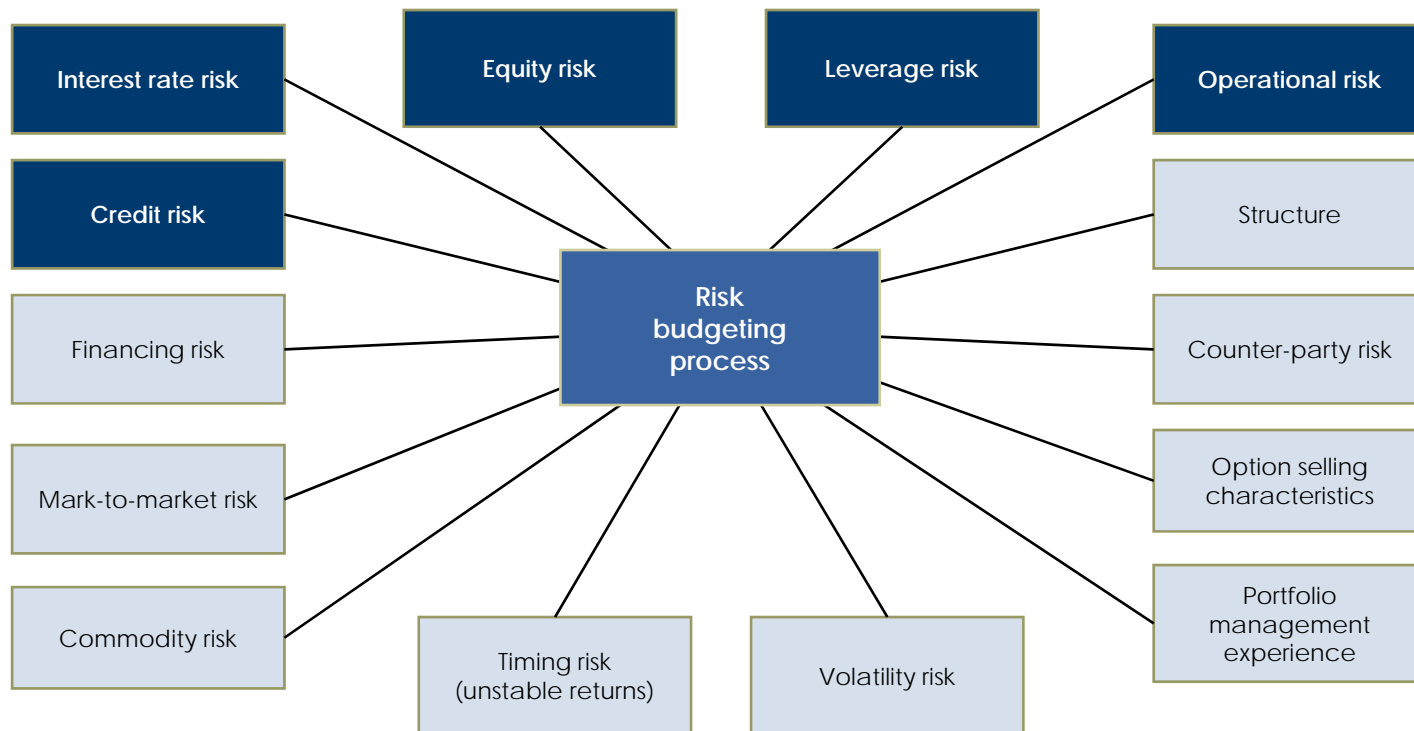
# Lighthouse Portfolio Construction



# Lighthouse Risk Management



*Lighthouse has been budgeting risk factors in portfolio construction for over a decade*



# Lighthouse Risk Management (continued)



Hypothetical Risk Control example

Strategy	Assets	Equity Beta	Equity \$ Exposure	Interest Rate Beta	Interest Rate \$ Exposure	Credit Beta	Credit Spread \$ Exposure	Worst % Drawdown	Leverage
Relative Value Arbitrage	1,358,272,791	0.16	219,409,497	0.05	72,346,743	0.13	181,060,567	-10%	3.9
Long / Short	1,047,595,231	0.37	385,285,159	0.00	-2,186,945	0.16	169,367,444	-11%	1.6
Market Neutral Equity	810,002,555	0.06	46,007,788	0.06	51,329,777	0.03	27,803,847	-9%	3.7
Fixed Income	396,772,836	-0.05	-18,116,051	0.70	279,286,736	-0.11	-41,664,585	-10%	3.1
Credit	253,739,674	0.29	74,512,824	0.02	4,860,249	0.28	70,188,933	-8%	2.1
Global Trading	246,710,266	0.15	36,221,369	-0.05	-13,031,267	0.01	1,242,875	-33%	3.5
Cash	219,64,281	-	-	-	-	-	-	-	-
Options	14,556,510	-1.25	-18,264,251	0.10	1,399,614	-0.46	-6,758,757	-14%	5.2
<b>Total</b>	<b>4,347,344,144</b>	<b>0.18</b>	<b>725,056,337</b>	<b>0.07</b>	<b>394,044,907</b>	<b>0.11</b>	<b>401,240,324</b>	<b>-10.67%</b>	<b>2.9</b>

Equity Return	Expected Impact	Interest Rate Return	Expected Impact	Credit Return	Expected Impact
(2%)	(0.36%)	(1%)	(0.07%)	(1%)	(0.11%)
(10%)	(1.78%)	(3%)	(0.20%)	(5%)	(0.53%)
(15%)	(2.67%)	(5%)	(0.33%)	(7%)	(0.74%)
(20%)	(3.55%)	(7%)	(0.47%)	(9%)	(0.95%)
(25%)	(4.44%)	(9%)	(0.60%)	(11%)	(1.17%)
(30%)	(5.33%)	(11%)	(0.73%)	(13%)	(1.38%)

# Investment Opportunities



## Credit

- Mortgages - Agency, Credit Sensitive, Whole Loans
- LBO Distressed Debt
- Financial Convertible Securities

## Global Trading

- High volatility leading to excellent short-term trading opportunities
- Long-term trends in energy, agriculture and currency markets

## Long/Short

- US Sectors – Healthcare, Technology and Financial
- Japanese Long/Short
- European trading oriented managers
- China/India

## Market Neutral

- Fundamental Quantitative
- Reversal Strategies
- Discretionary Sector (Auto, Utilities, Financials, Technology)

## Options

- Market Making (record volume in options markets)

## Relative Value

- Convertible bonds
- Closed end funds
- Special situations (broken merger deals)
- Energy spread trading



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HFA Asset Management Business Update  
Oscar Martinis  
Joint Managing Director



# Market Conditions



- Bull market euphoria vanished, Investor confidence low
- Traditional Funds Management Industry new fund flows slowing dramatically, whilst secular shift from traditional to alternative continues.
  - Industry Gross Inflows of March Qtr down by 36.1% from Dec Qtr\*
  - Industry Net Inflows - \$3.29B in March Qtr compared to +\$1.59B in Dec Qtr\*
- Annual 30 June reviews will be tough for IFA's. HFA "little ray of sunshine"
- HFAAM sales effort switched gear to accommodate market conditions
  - Focus on core products
  - Enhancing core products
- Optimal conditions for absolute return managers to thrive.

\* Source: Plan for Life march Media Release





## What can IFA's do for their clients FY08/09?

Repeat after me:  
Time in the  
market not  
timing the market



Time the market and  
go to Cash or  
Term Deposit

Buy Buy Buy,  
Equities are cheap!



Strategically  
re-weight portfolios

## In search of Alpha

### van Eyk Strategic Asset Allocation Summary June 08

5 Year investment horizon for balanced fund based on long term economic perspective

*"Investors should diversify their sources of return to generate more alpha- excess returns uncorrelated with the behaviour of capital markets."*

***The asset class "winners" in van Eyk's new SAA include:***

*Absolute returns strategies, commodities, infrastructure securities, emerging markets and non-sovereign debt.*

***In contrast, the asset class "losers" include:***

*Large cap domestic and global equities, Listed property and Sovereign Debt*

## van Eyk Strategic Asset Allocation June 08

	Conservative	Moderate conservative	Balanced	Growth	High Growth
AEQ	12%	21%	27%	34%	42%
IEQ	7%	12%	16%	20%	25%
LPT & Infa.	5%	8%	10%	14%	17%
Fixed Int.	45%	33%	21%	10%	0%
Alternatives	<b>8%</b>	<b>11%</b>	<b>20%</b>	<b>20%</b>	<b>16%</b>
Cash	23%	15%	6%	2%	0%

Source: van Eyk Strategic Asset Allocation Summary June 08

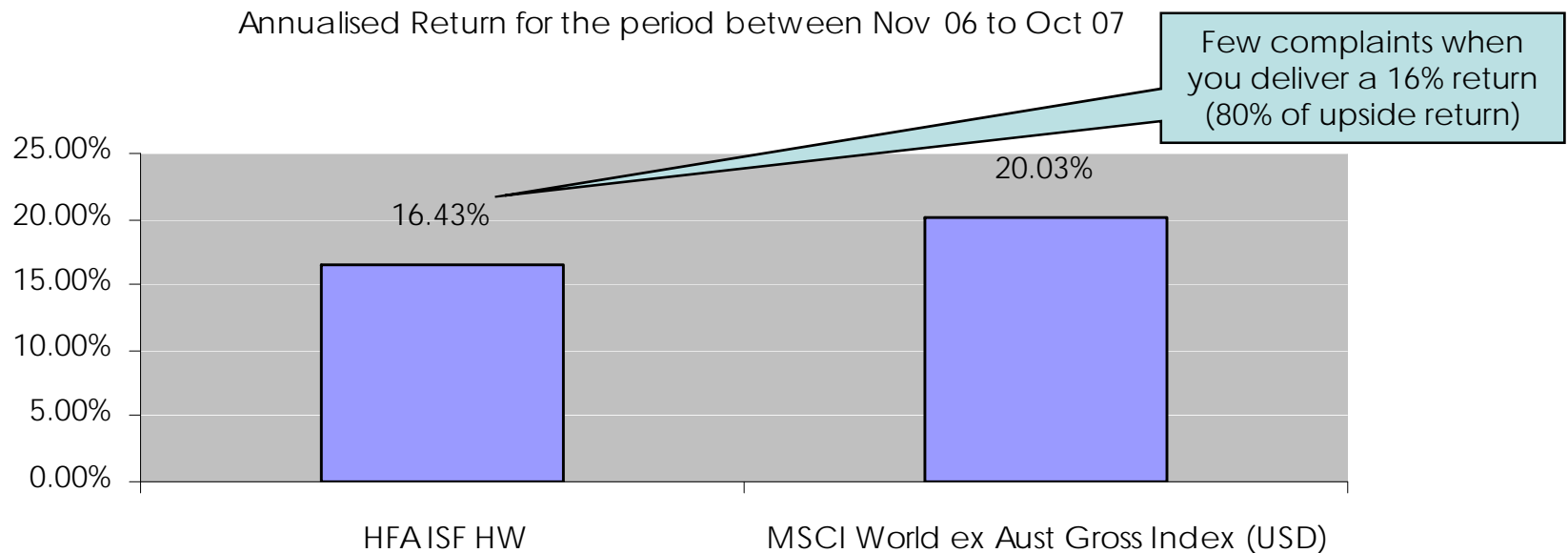
## 7 Years is a long time in funds management

HFA Diversified Fund launched in Australia in April 2001  
HFA International Shares Fund launched in Australia in April 2001

HFA funds have delivered consistent returns in both  
bull and bear markets since 2001.

# HFA ISF vs MSCI October 06 to Oct 07

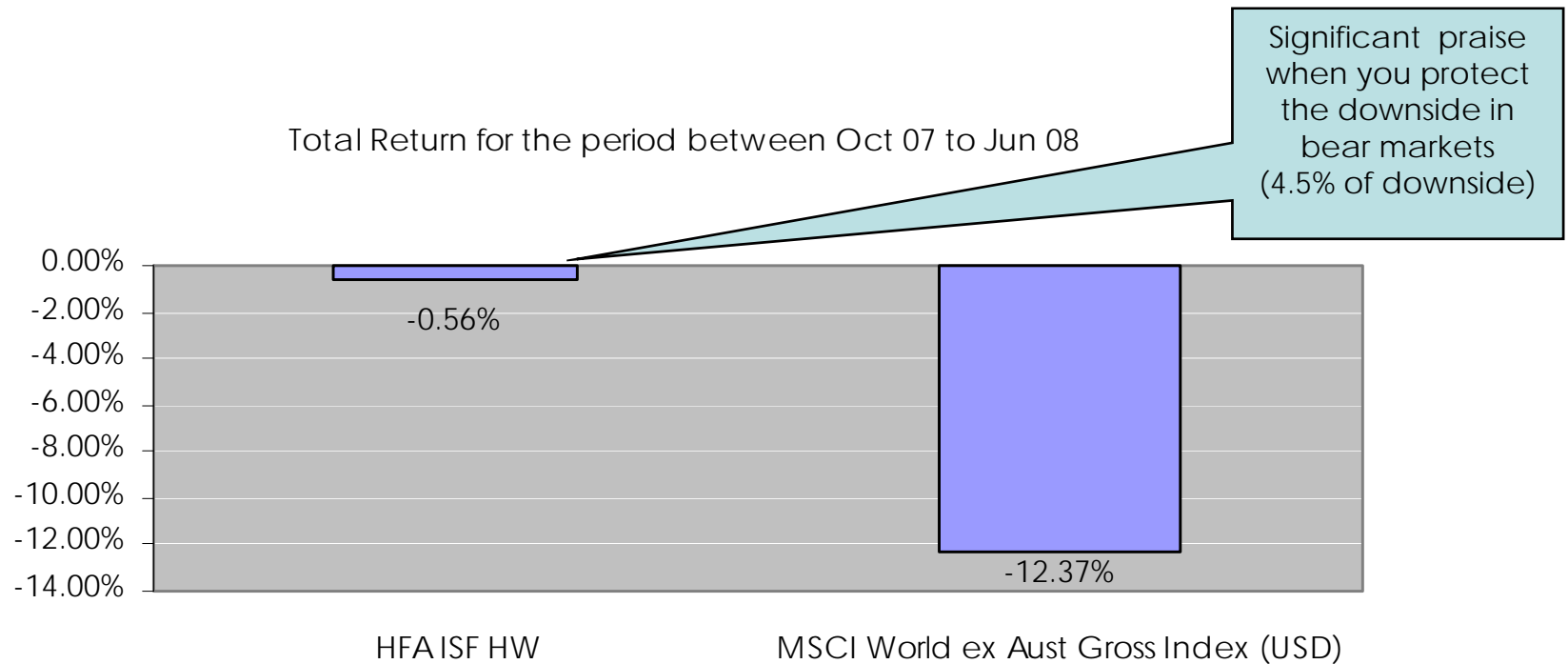
## - Bull Market An opportunity cost?



Source: HFA and MSCI. HFA Fund performance estimate to 30 June 2008



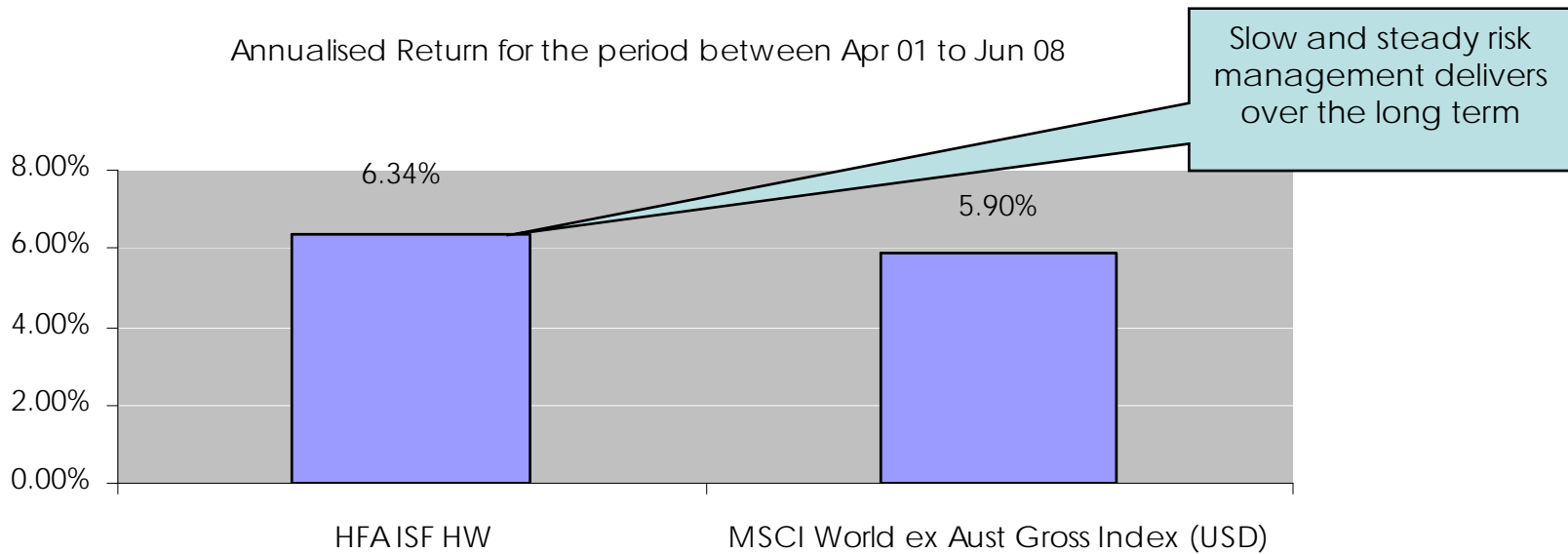
# HFA ISF vs MSCI Oct 07 to June 08 -Bear Market



Source: HFA and MSCI. HFA Fund performance estimate to 30 June 2008



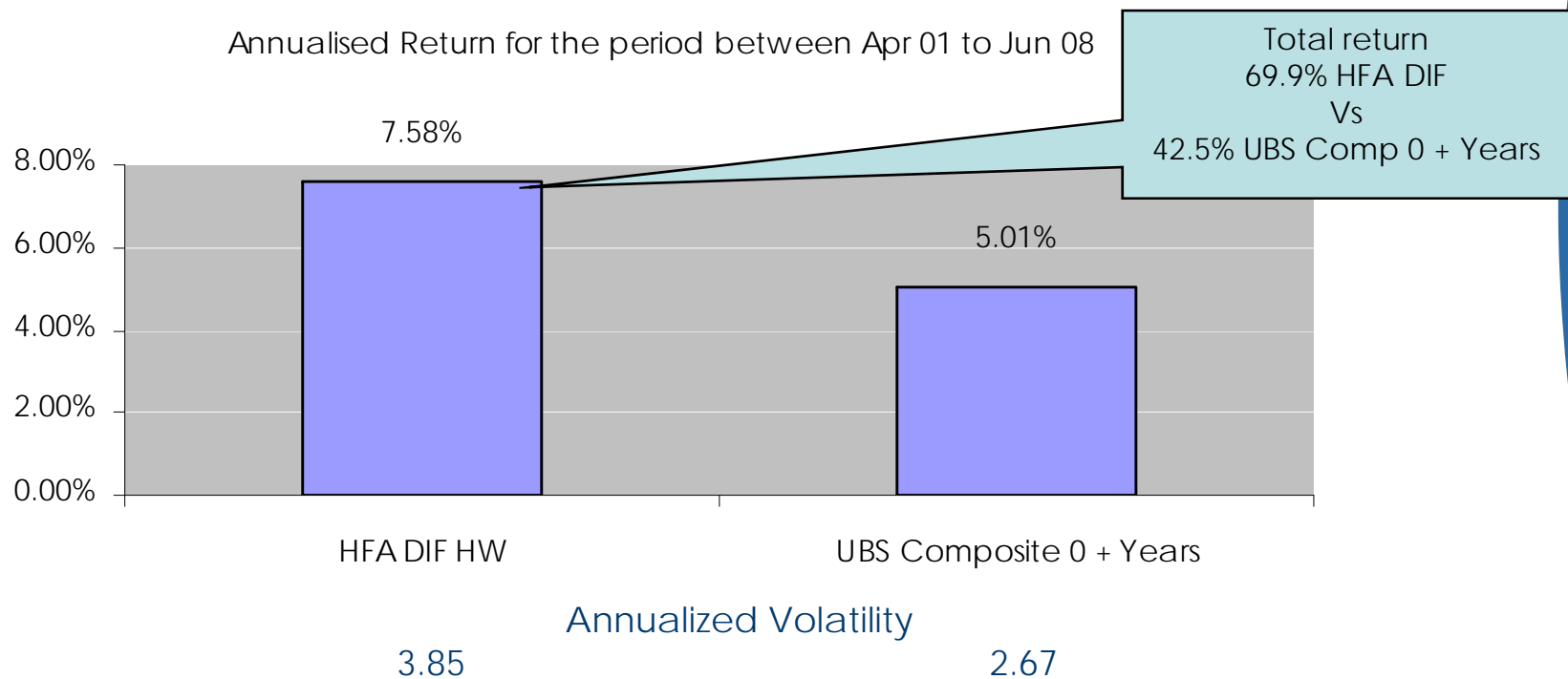
# HFA ISF vs MSCI April 01 to June 08 -Solid Long Term Performance



Source: HFA and MSCI. HFA Fund performance estimate to 30 June 2008



# HFA DIF vs Fixed Interest since inception



Source: HFA and Bloomberg. HFA Fund performance estimate to 30 June 2008

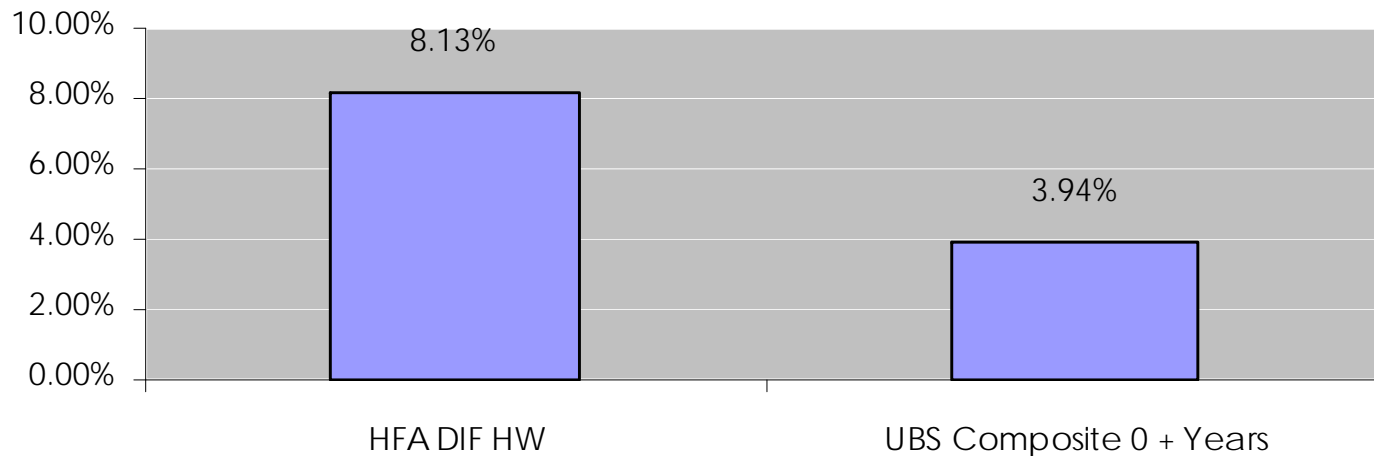




# HFA DIF vs Fixed Interest last 3 years



Annualised Return for the period between Jul 05 to Jun 08



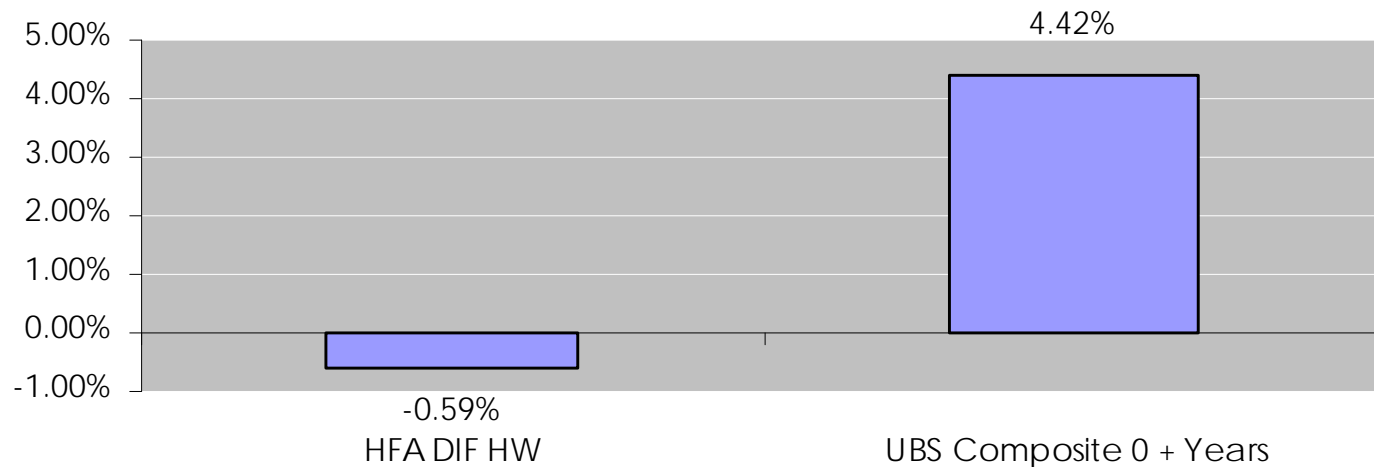
Source: HFA and Bloomberg. HFA Fund performance estimate to 30 June 2008



# HFA DIF vs Fixed Interest last 12 months



Annualised Return for the period between Jul 07 to Jun 08



Source: HFA and Bloomberg. HFA Fund performance estimate to 30 June 2008



# Power of capital preservation



- **The power of compounding**

*Rule No.1: Never lose money. Rule No.2: Never forget rule No.1.* – Warren Buffett

- **Simple mathematics:**

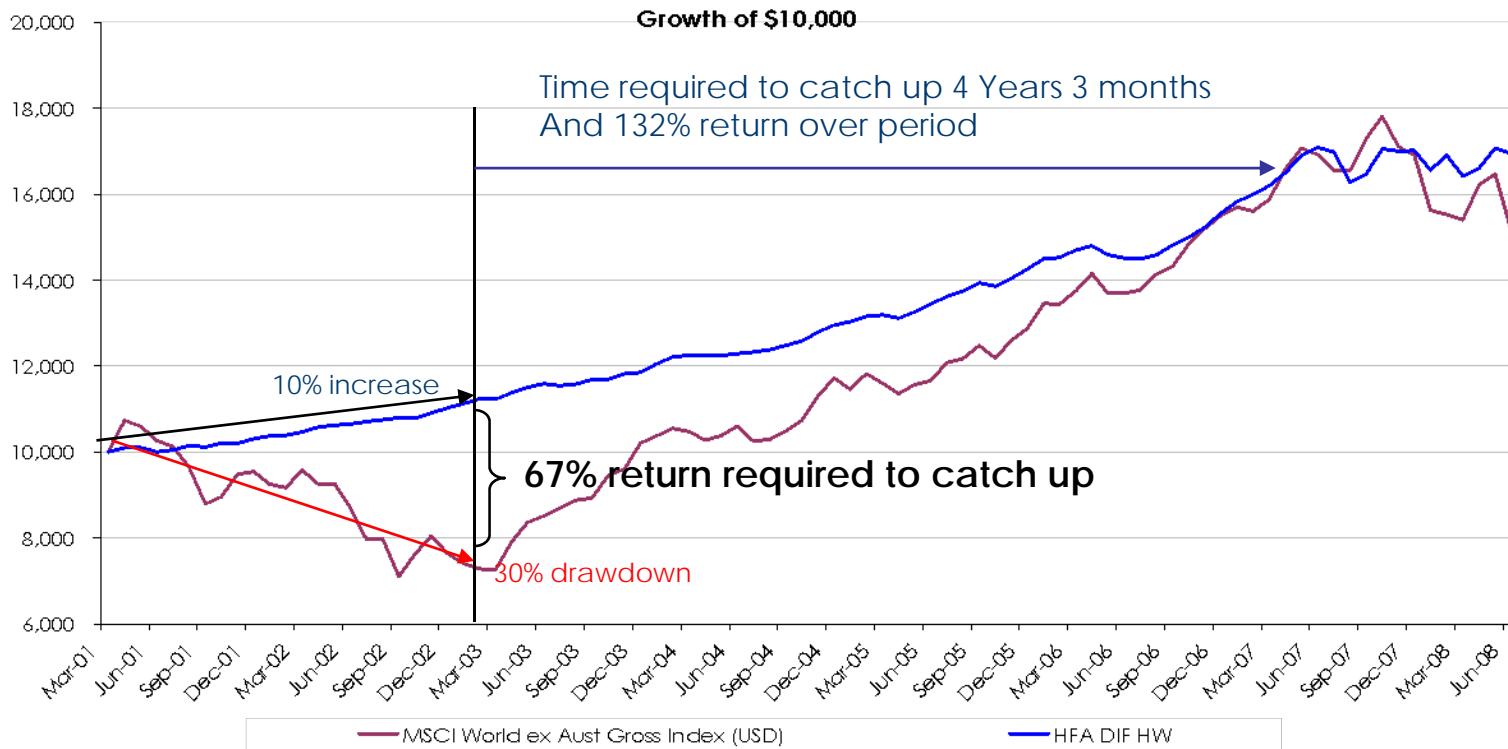
A 25% loss requires a 33.5% gain to get back to even

A 50% loss requires a 100% gain to get back to even

- **Investing is never that simple.**

Real world example

# Power of capital preservation



## Key messages to IFA market

- In bull markets the opportunity cost is minimal
- In bear markets the benefit is significant
- Over the long term results are similar whilst volatility and correlation are low
- Absolute return funds protect your clients investment portfolios and protect your AUM
- A 20% portfolio weighting to Absolute Returns still leaves 80% of your portfolio exposed to traditional managers

## Summary



- HFA well positioned to take advantage of changes to portfolio construction
- Long term track record and strong IFA relationships a clear advantage as investor portfolio re-weighting begins
- Fund performance in line with expectations
- Unlike traditional financial services business, HFA has not suffered from organic AUM decrease from negative market driven investment performance
- Secular shift from traditional to alternative assets continues.