



18 August, 2011
ASX/MEDIA ANNOUNCEMENT

HFA HOLDINGS LIMITED – FULL YEAR RESULTS

KEY POINTS – FULL YEAR TO 30 JUNE, 2011

- Operating Income up 4% to USD¹ 55.67 million
- Strong operating cash flows of \$23.75 million, with operating EBITDA (post equity settled transactions) of \$19.68 million
- Net Profit After Tax (NPAT) of \$5.53 million, up 31%
- Assets Under Management and Advice (AUMA) of \$5.81 billion, up 23%
- Lighthouse Partners increased AUMA by 28%; awarded \$500 million mandate
- Corporate debt reduced from \$103.30 million to \$28.32 million; Nil net debt at 30 June, 2011
- Move to reinstate dividends
- Strategic Alliance formed with Apollo Global Management

International fund manager holding company HFA Holdings Limited (ASX: HFA) has today reported a solid increase in net earnings as a result of the ongoing strength of the Group's US interests and sustainable growth in total assets under management and advice (AUMA).

HFA today reported a 6% increase in revenue to \$67.97 million and a 7% decrease in operating EBITDA to \$19.68 million (\$21.41 before equity settled transactions). Net interest expenses fell 44% to \$3.22 million, resulting in a Net Profit after Tax (NPAT) of \$5.53 million, up from \$4.21 million previously.

AUMA grew 23% to \$5.81 billion with Lighthouse Investment Partners (LHP) increasing AUMA 28% to \$4.64 billion while HFA's Australian-owned fund management business Certitude Global Investments AUMA fell by 15% in Australian dollar terms to \$1.09 billion.

Lighthouse fund flows for FY11 were positive \$562 million, with 8 of the 12 months recording net inflows. The Certitude fund flows were affected by the withdrawal windows offered by the HFA Diversified Investments Fund. Withdrawal restrictions were removed from the Fund in June 2011, and subsequently, redemptions from the Fund have reduced significantly.

HFA continued to reduce its debt during the year with \$74.98 million of debt repayments in FY11. As at 30 June debt stood at \$28.32 million, down from \$103.30 million at the same time last year. Excluding the \$22.22 million of Mandatory Convertible Notes that are classified as debt on the balance sheet, the Company has a nil net debt position.

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.

¹ 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 Group financial reporting. The financial results included in this media and ASX announcement are presented in USD, unless otherwise indicated as being presented in Australian dollars (AUD).

HFA Chief Executive Officer Spencer Young said the result reflected the strength of the company's Lighthouse business, which continued to benefit from a more stable investment environment and greater transparency through its Managed Accounts program.

"Lighthouse's value was further reinforced towards the end of the financial year with the awarding of a \$500 million mandate from a US pension fund," he said. "The securing of this mandate is a testament to Lighthouse's ability to meet the changing expectations of investors, particularly large institutions and wholesale investors.

Mr Young said Lighthouse was seeking to capitalise on the increased industry awareness generated by the mandate and was actively pursuing a number of significant opportunities to grow AUMA in the 2012 financial year.

"We are confident the Lighthouse business will continue to grow and develop with the investments made in improving transparency and liquidity ensuring its long term value to HFA shareholders."

Mr Young said conditions in the Australian retail funds management market continued to provide challenges for the Certitude business but the Certitude Board had developed a clearly articulated strategy for delivering value to its product investors and ultimately HFA shareholders.

"Certitude continues to build a range of long term partnerships and recently entered into a partnership with international asset manager Threadneedle to provide access to its products to retail and high net worth investors in Australia," he said.

"The Australian business 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."

During the year HFA announced a major strategic alliance with global asset manager Apollo Global Management.

Under the terms of the agreement, HFA issued \$75 million of Mandatory Convertible Notes to Apollo and a co-investor, while Apollo has entered into a marketing agreement to distribute the investment products of the US-based Lighthouse business, through its global distribution network.

Mr Young said the the Apollo transaction had improved the Group's ability to attract, retain and motivate key employees.

"The transaction will also provide access to Apollo's global relationships and expertise and will enhance Lighthouse's position as an innovative solutions provider in the alternative investment space," he said.

"This relationship will underpin increases in AUMA as we gain access to Apollo's distribution relationships and benefit from our association with the extremely well respected Apollo brand and investment philosophy."

Mr Young said the Group expected to build on its FY11 successes in FY12 by continuing to focus on developing new funds and services and broadening distribution channels by maximising the opportunity presented by the Apollo alliance.

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