



10 November 2011
ASX ANNOUNCEMENT

HFA Holdings Limited - 2011 Annual General Meeting
Chairman and Chief Executive Officer's Address
Mr Spencer Young

[Slide 4 – FY11 Overview]

Good morning ladies and gentlemen, fellow shareholders.

It is with great pleasure that I can report that HFA has enjoyed a successful year, with 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.

During the year HFA took a significant step towards securing our long-term growth through a major strategic alliance with global asset manager Apollo Global Management.

As you will be aware, 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 our US-based Lighthouse Partners business, through its global distribution network.

The Apollo transaction has strengthened the Group's balance sheet and improved our ability to attract, retain and motivate key employees. The transaction has also given us access to Apollo's global relationships and expertise and will enhance Lighthouse's position as an innovative solutions provider in the alternative investment space.

This relationship has already underpinned increases in our Assets Under Management and Advice, as we have won major institutional investment mandates using Apollo's distribution relationships and have benefitted from our association with the extremely well respected Apollo brand and investment philosophy.

[Slide 5 – Key Financial Outcomes]

In the 12 months to 30 June 2011, HFA delivered a 6% increase in revenue to \$67.97 million and a 7% decrease in operating earnings before interest, tax, depreciation and amortisation (EBITDA) to \$19.68 million.

This was achieved with strong underlying operating cashflows of \$23.75 million. 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.

As a reflection of this robust operating cashflow and strengthened balance sheet, including a nil net debt position, the company has returned to paying dividends with the Board declaring a final dividend for 2011 of US 5 cents per share.

The dividend will be paid on 25 November 2011 to all shareholders registered on the record date of 28 October 2011. The dividend will be fully franked for Australian taxation purposes.

HFA dividends are determined and declared in US dollars. However, shareholders will receive their dividend in Australian dollars, based on the exchange rate at the record date of 1.0664.

The Company had previously advised that it would be seeking a Private Ruling from the



Australian Taxation Office, however we have determined not to proceed following consultation with our tax advisers.

Whilst there is still some uncertainty in this area, based on advice, the Company believes it is reasonable to frank the dividend.

[Slide 6 – 22% AUMA]

AUMA grew 22% to \$5.8 billion with Lighthouse Partners increasing AUMA 28% to \$4.64 billion while HFA's Australian-based fund management business Certitude Global Investments' AUMA fell by 15% to \$1.09 billion in Australian dollar terms. Lighthouse Partners' AUMA has continued to grow strongly in the current year due mainly to its success in pursuing institutional mandates.

[Slide 7 – AUMA since inception]

The Group's assets under management and advice is showing strong signs of improvement since the drop resultant of the GFC.

[Slide 8 – Key Investment highlights]

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 is currently in a nil net debt position.

[Slide 9 – Key achievements for 2011]

We are continuing to build a stronger Company with an improved outlook for growth. For Lighthouse this includes taking advantage of the benefit of Apollo's relationships and association with the Apollo brand. Certitude is focused on targeting identified investment channels and broadening its product offering.

[Slide 10 – Strong investment performance..]

The Lighthouse Partners' business continues to successfully navigate a challenging investment landscape and benefit from the greater transparency delivered through its Managed Accounts Program.

This managed account program, combined with strong investment performance, provides a solid foundation for growth in the business. Lighthouse clients are seeing the potential of the managed account program to not just provide transparency and control of underlying assets held across multiple fund managers, but the powerful risk and reporting system offered by the program which provides these clients with a flexible tool to better understand and manage their investment portfolios on a daily basis.

[Slide 11 – diversified global fund manager]

This year continued our evolution as a diversified, global fund manager.

Our alliance with Apollo has enormously enhanced our ability to attract investors from around the globe, and to develop relationships with major US institutional investors and pension funds.

In Australia, Certitude's new partnership with respected UK investment house, Threadneedle, has allowed the business to diversify its product offerings in the Australian retail market, with the first offering, the Threadneedle Global Equity Fund, having launched in August.



[Slide 12 – global network of investment professionals]

The relationship with Apollo has increased our global reach, and the Group has access to investment professionals and/or sales staff in key geographical locations around the world.

[Slide 13 – best of the best]

Certitude continues to build a range of long-term partnerships and as I noted earlier, the most recent of which is with leading international asset manager Threadneedle to provide access to its products to retail and high net worth investors in Australia.

Certitude will continue to focus on distribution with Threadneedle along with existing products available via Lighthouse Partners and fund manager Marshall Wace GaveKal, while continuing to identify additional partners to grow its product range.

[Slide 14 –Outlook]

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. The securing of this mandate is a testament to Lighthouse's ability to meet the changing expectations of investors, particularly large institutional and wholesale investors. In the quarter ended 30 September 2011, an additional \$450 million has been received from the pension fund.

This total mandate of \$950 million has been a material addition to the HFA Holdings Group's Assets Under Management and Advice, which stands at USD 5.9 billion as at 30 September 2011.

It is the latest in a series of large institutional mandates that Lighthouse Partners has won which signals the true potential of the managed account program and the role it will play in expanding the Lighthouse business.

Other mandates that Lighthouse has won include US\$20-\$25 million from a US Hospital District pension fund and \$20 million from a public employee retirement fund, whilst Certitude has delivered a \$40 million mandate from a major Australian superannuation fund to be invested into Lighthouse.

With a maturing of the global hedge fund industry and the increasing allocations from institutional investors into hedge funds, Lighthouse has expanded its product offerings to include more tailored solutions for larger clients interested in more customized offerings.

The Lighthouse business is seeking to capitalise on the increased industry awareness generated by the \$950 million pension fund mandate and is 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, liquidity and risk management ensuring its long term value to HFA shareholders.

In particular, the business will continue to focus on broadening its distribution into the larger global institutional investor market.

In Australia, Certitude Global Investments' fund flows were affected by 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.



This has been a significant year for the Certitude business, with the introduction of a new product and distribution strategy and a company rebranding. The new strategy, which centres on providing access to single-manager investments managed by some of the world's most respected active asset managers has now been launched nationally.

Conditions in the Australian retail funds management market continue to provide challenges for the business. However, the business is now well positioned to deliver value to its product investors and ultimately HFA shareholders.

This year, we expect to build on recent successes, by continuing to focus on developing new funds and services, and broadening distribution channels by maximising the opportunity presented by the Apollo alliance.

AUMA growth is expected to benefit from access to Apollo's relationships, association with the widely recognised Apollo brand, and the strengthened balance sheet. It will be further supported by our market-leading Managed Account Program which provides the enhanced transparency, liquidity and security that fund investors are demanding.

Lighthouse continues to achieve strong investment performance versus most relevant indices, offering the prospect of significant organic growth.

Meanwhile, our balance sheet is also able to support industry consolidation opportunities that may arise.

[Slide 15]

Finally, this is the last year I will address you as the CEO of HFA Holdings. Immediately following this meeting I will be stepping down as CEO, while retaining the position of non-executive Chairman of the Board.

I have been the CEO of HFA for 13 years, since founding the company in 1998.

Since then it has grown into a multi-national funds management company and traded successfully through multiple economic cycles.

With the significant changes that have been implemented in the structure of the business and with the maturity of the senior executive team, I think this is the right time for me to hand over the reins.

From now on, Sean McGould (CEO and President of Lighthouse Partners in the US) and Craig Mowll (CEO of Certitude Global Investments) will through their respective Boards, report to the HFA Holdings Board.

As the US and Australian entities operate as distinct business units, this will provide an efficient and effective operating structure. The HFA Holdings Board will continue to be assisted in its oversight functions by the Company's Chief Financial Officer and Company Secretary.

I would like to take this opportunity to firstly thank all investors in our products, as they are at the core of our business. Secondly I thank my fellow board members, senior management and staff of HFA, Lighthouse and Certitude, for their continued efforts to deliver long term value for both our product investors and our shareholders.

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