



# Annual General Meeting HFA Holdings Limited (ASX: HFA)

*Hilton Hotel  
10 November, 2011  
10.00am*

New York

Chicago

Florida

London

Hong Kong

Brisbane

Sydney

Melbourne

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# **CHAIRMAN & CHIEF EXECUTIVE OFFICER**

Mr Spencer Young

# Financial Year 2011....creating solid foundations for the future



## Sound Financial Performance

- AUMA growth of 23% 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.
- Declaration of 5 cent per share final dividend, representing 25% of Group's cash flows from operations.

## Lighthouse Partners performing strongly

- AUMA increase of 28%.
- Awarded \$950m in mandates from US pension plan since May 2011.
- 2 key business lines supported by the managed account platform:
- Traditional Fund-of-Hedge-Fund investment management.
- Customised client solutions.

## Certitude Global repositioned for growth

- Conditions in the Australian retail funds management have remained challenging.
- Exclusive partnership with international asset manager Threadneedle to provide access to its products to retail and high net worth investors in Australia.
- Continue to focus on distribution with partners and to broaden the 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).

# 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).
- Dividend**
- 5 cents per share fully franked final dividend

## 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).

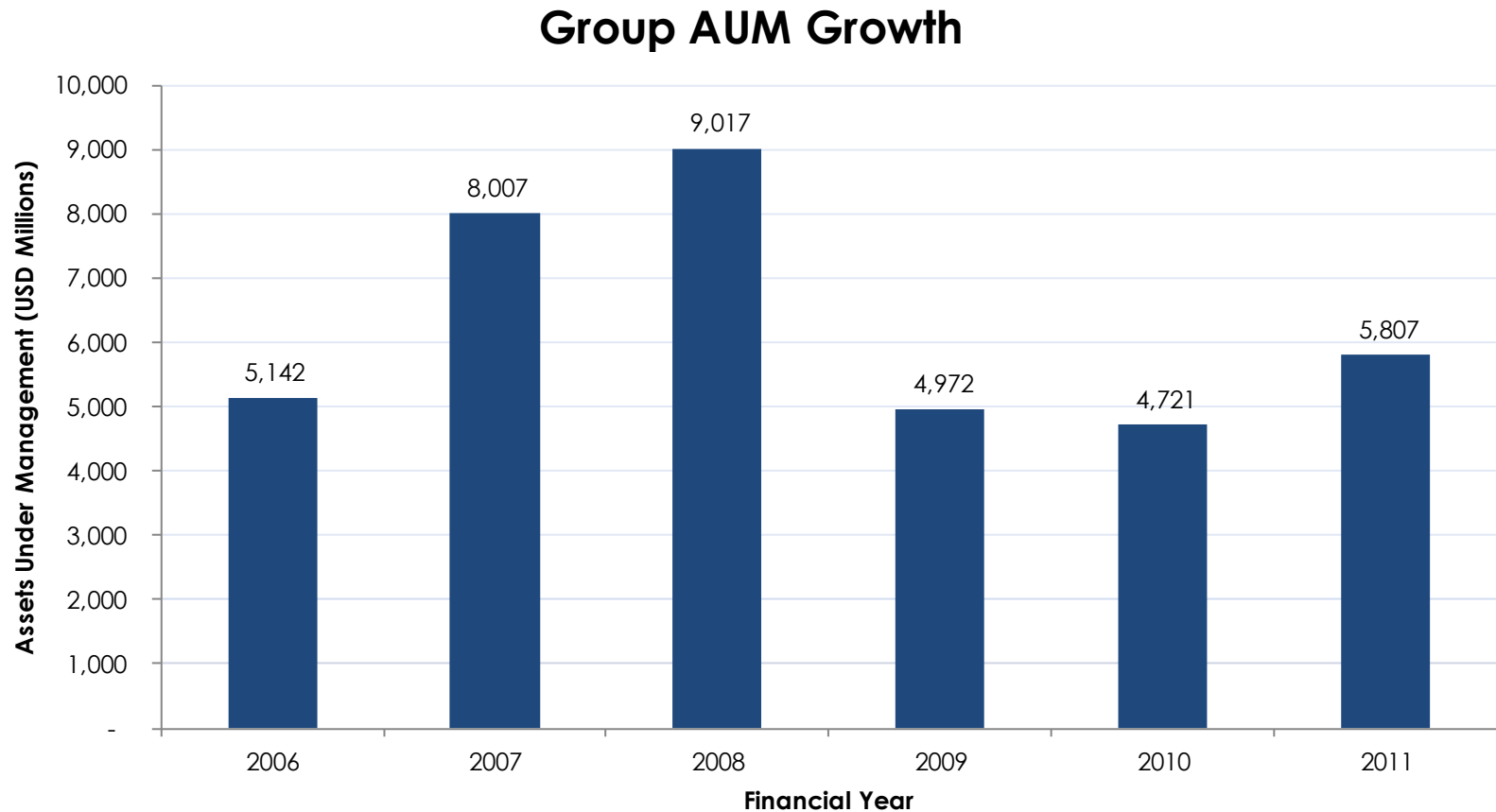
## Assets under Management and Advice

	Certitude Global Investments			Lighthouse Partners			Total Group		
	30-Jun-11 USD billion	30-Jun-10 USD billion	% Change	30-Jun-11 USD billion	30-Jun-10 USD billion	% Change	30-Jun-11 USD billion	30-Jun-10 USD billion	% Change
Assets under management	1.166	1.093	7%	4.140	3.628	14%	5.306	4.721	11%
Assets under advice	-	-	-	0.501	-	-	0.501	-	-
<b>Total AUMA</b>	<b>1.166</b>	<b>1.093</b>	<b>7%</b>	<b>4.641</b>	<b>3.628</b>	<b>28%</b>	<b>5.807</b>	<b>4.721</b>	<b>22%</b>

### AUMA – Analysis

- AUMA**
- Lighthouse has experienced positive growth in AUMA for the year due to positive 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 7%. However, in AUD terms, Certitude AUMA decreased by 15%. 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.

# Growth in group AUMA since ASX Listing in 2006



1. The above chart represents the combined USD AUMA of Lighthouse Partners and Certitude Global Investments from June 2006 until June 2011.

# Key investment highlights

## Positive fund flows

- AUMA as at 30 June 2011 was USD 5.8 billion, a 23% increase from 30 June 2010.
- Lighthouse had a 28% increase in AUMA for FY11, and positive fund flows for 8 of the 12 months.
- Certitude fund flows remained flat, reflecting the on-going allocation to cash in the retail market throughout FY11.

## Experienced management team

- Lighthouse management team 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 \$19.68 million, and NPBT of \$6.41 million.
- Includes \$1.73 million of non-cash employee share plan expense.
- Reflects performance fee revenue of \$3.68 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 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.



# Key achievements for 2011

## ... building a stronger HFA

### 1. Improved growth outlook

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

### 2. Strengthened financial position

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

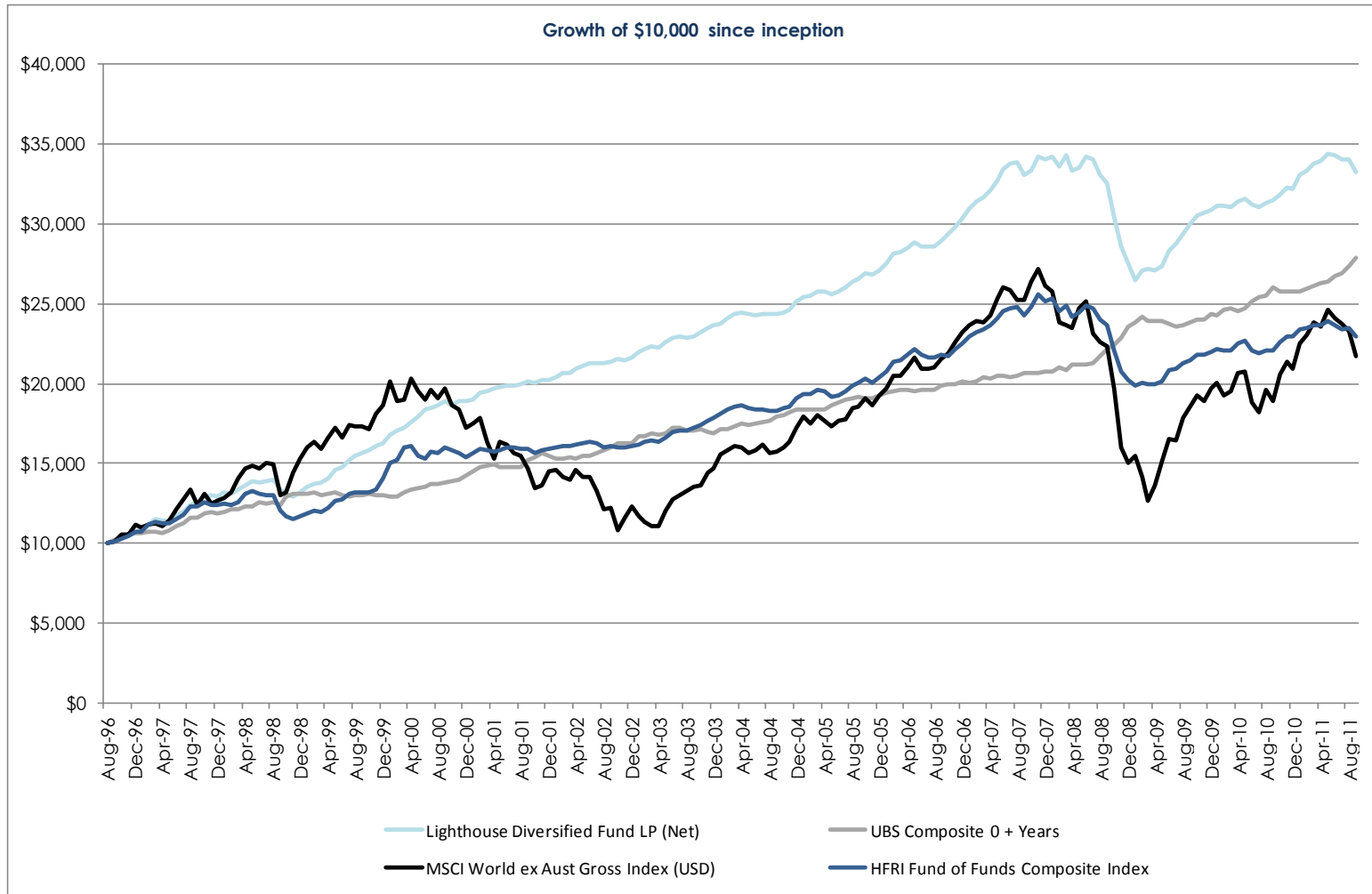
### 3. Greater ability to attract/retain employees

- 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 industry consolidation opportunities that may arise

# 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.

# HFA Holdings

... a diversified, global fund manager



Investment Funds

Customised Client Solutions

Managed Account Program



Distribution and Marketing Alliance



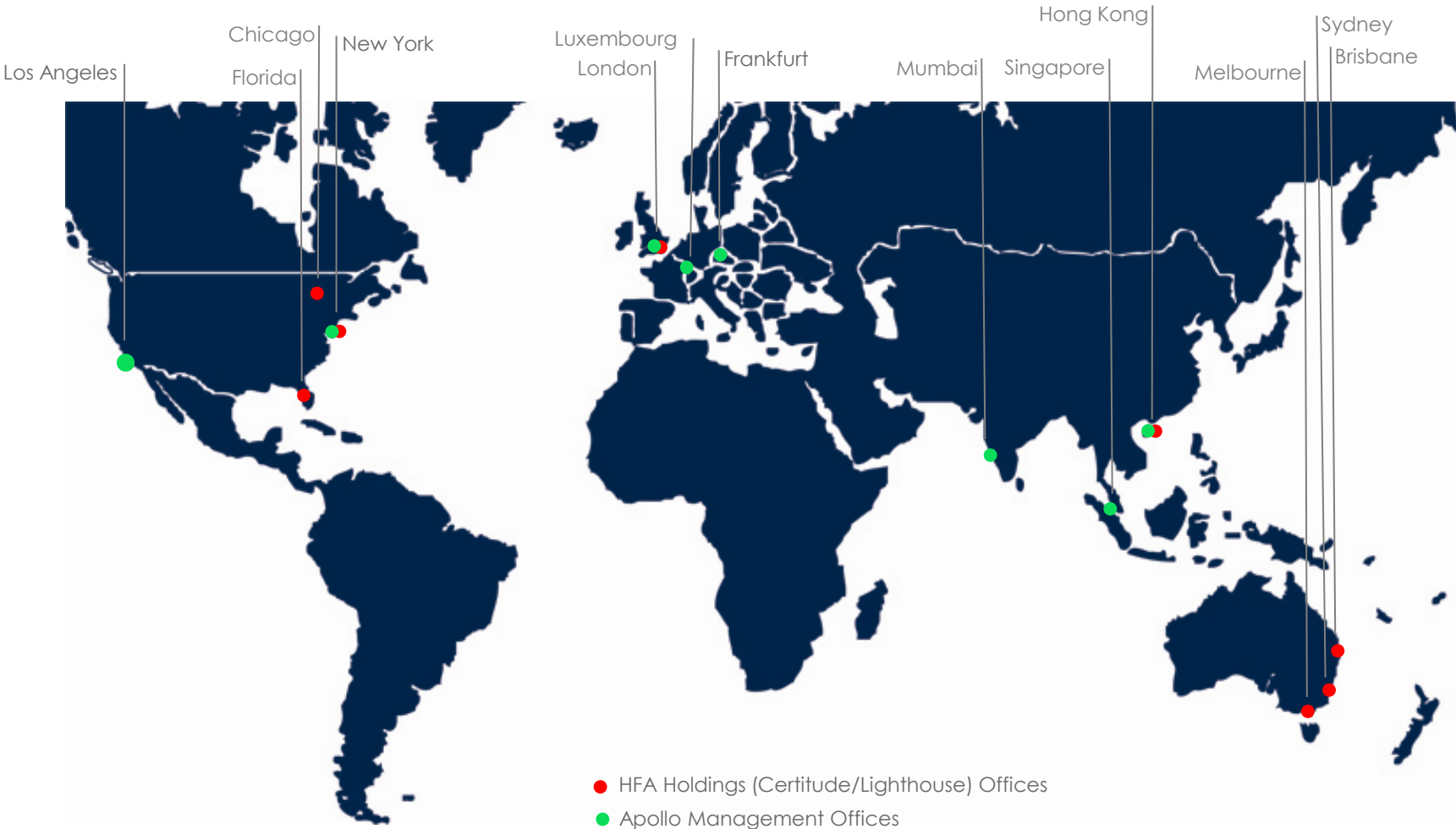
Global Partnerships

Structured Products



# HFA Holdings

... a global network of investment professionals



## 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.

# Outlook

**Markets are returning to more normal levels of functionality and performance, although investors remain cautious in committing funds**

## Lighthouse

- AUMA as at 30 September is **USD4.89bn**.
- Lighthouse has had positive net inflows of \$445m since 30 June 2011, whilst Certitude experienced outflows of \$56m over the same period.
- Lighthouse inflows for the September 2011 quarter include \$450m from the US-based pension plan which previously awarded a \$500m mandate in June 2011.
- September quarter positive inflows have been partially offset by negative performance.
- Retention and growth in AUMA remains a key focus.

## Certitude

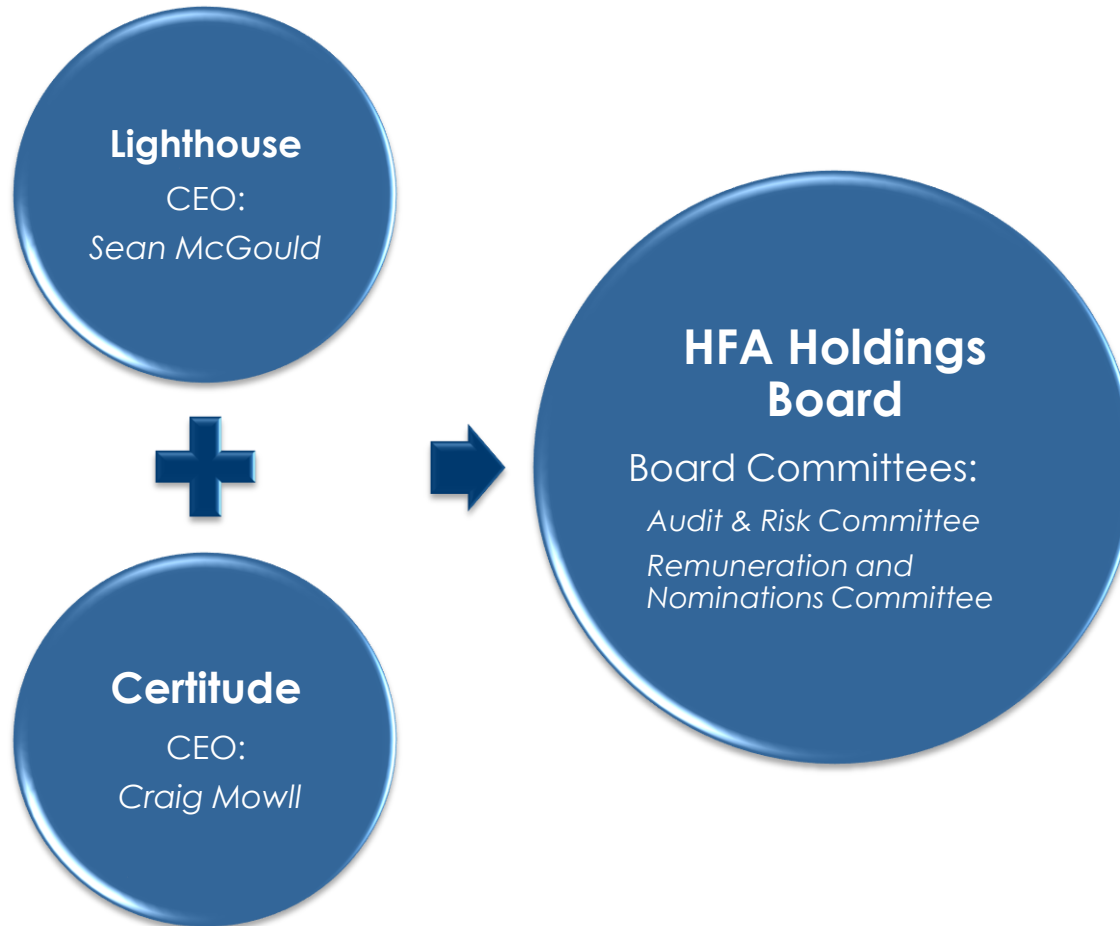
- AUMA as at 30 September is **AUD1.03bn**
- Successful introduction of new strategy and rebranding.
- Continue to focus on distribution with Threadneedle along with existing products.
- Increase partnerships to grow existing product range.

## Group Financial

- Given the considerable uncertainty still surrounding the global economy and financial markets HFA does not believe it is appropriate to provide definitive guidance on future earnings.
- Future earnings are largely dependent on the Group's level of assets under management and advice. Increased AUMA will improve earnings and decreased AUMA will decrease earnings.

# Change in internal management structure

- Following this Annual General Meeting, **Spencer Young** will be stepping down as HFA Holdings Group CEO, however will be remaining as the non-executive Chairman of the Board.
- Going forward, a new management structure will be in place, whereby the CEO of each of the Group's two business lines will, through their respective Boards, report to the HFA Holdings Board.
- The HFA Holdings Board will continue to be supported by the Company Secretary and Chief Financial Officer.



# FORMAL BUSINESS



## PROXIES RECEIVED – RESOLUTION 1

“That the Remuneration Report as it appears on pages 18 to 25 inclusive of the Directors' Report for the financial year ended 30 June 2011 be adopted.”

FOR	19,096,329
AGAINST	206,417
ABSTAIN	225,872
OPEN	153,067

## PROXIES RECEIVED – RESOLUTION 2

“That Mr John Larum, who retires in accordance with clause 8.1 (d) of the constitution of the Company and, being eligible, offers himself for election, be re-elected as a director of the Company.”

FOR	49,667,902
AGAINST	37,938
ABSTAIN	73,533
OPEN	154,627

## PROXIES RECEIVED – RESOLUTION 3

“That Mr Sean McGould, who retires in accordance with clause 8.1 (d) of the constitution of the Company and, being eligible, offers himself for re-election, be elected as a director of the Company.”

FOR	29,841,897
AGAINST	422,609
ABSTAIN	74,783
OPEN	154,627

## PROXIES RECEIVED – RESOLUTION 4

“That Mr Michael Shepherd, who retires in accordance with clause 8.1 (d) of the constitution of the Company and, being eligible, offers himself for re-election, be elected as a director of the Company.”

FOR	49,669,909
AGAINST	37,346
ABSTAIN	71,375
OPEN	155,370

## PROXIES RECEIVED – RESOLUTION 5

“That the proportional takeover provisions under Rule 6 of the Company’s Constitution be renewed for a period of 3 years from the date of this meeting.”

FOR	46,709,482
AGAINST	48,046
ABSTAIN	3,020,677
OPEN	155,795

## PROXIES RECEIVED – RESOLUTION 6

“That pursuant to section 256B of the Corporations Act 2001 (Cth) for all other purposes, and with effect from 30 November 2011 the capital of the Company be reduced by applying an amount of up to US\$240 million, being a portion of the accumulated losses of the Company against the Company’s share capital.”

FOR	49,615,336
AGAINST	75,909
ABSTAIN	86,960
OPEN	155,795



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