



17 October 2012
ASX ANNOUNCEMENT

HFA Holdings Limited - 2012 Annual General Meeting
Chairman's Address
Mr Spencer Young

Good morning ladies and gentlemen, fellow shareholders.

As you know, HFA is the listed Australian holding company for a specialist global funds management business.

HFA comprises two key business segments:

- the United States based Lighthouse Partners, LLC; and
- Australian based Certitude Global Investments Limited.

Whilst the Group's core expertise has always been hedge fund investing, both the US and Australian businesses used the 2012 year to expand and evolve their respective business strategies.

At a Group level, HFA achieved positive results despite operating in what has been on-going difficult global market conditions.

Assets Under Management and Advice increased by 15%, to close the 2012 financial year at USD 6.6 billion.

This was driven by the Lighthouse business, which made good progress on the distribution of its customised client solutions business.

Whilst the Certitude business again experienced a decline in AUMA, this was partly driven by a reduction in its legacy structured products.

Pleasingly, HFA has continued to pay dividends to our investors, with a final dividend of USD 3.0 cents per share, resulting in shareholders receiving a total of USD 5.0 cents per share, fully franked, in relation to the 2012 year.

In the 12 months to 30 June 2012, net operating income remained relatively steady. As previously foreshadowed, the increase in AUMA is being largely driven by Lighthouse's customised client solutions business, which given the required size of client investment, operates at lower margins than Lighthouse's historical business.

More volatile global equity market conditions during the 2012 financial year also led to lower performance fee revenue than in the prior year.

The reduction in HFA's EBITDA was largely the result of higher operating expenditure. Whilst the increase was considerable compared to the Group's historical levels, it reflects a long term strategic intent. Specifically, additional expenditure was concentrated in two key areas.



Firstly, in remuneration and incentive arrangements. The success of our business is dependent on the caliber and performance of our people. The Group's 2012 personnel costs, particularly in relation to the Lighthouse business, were set to encourage the on-going retention of key personnel. The remarkably low staff turnover at Lighthouse is key to underpinning the stability, knowledge and experience needed to attract and retain their investment clients.

Secondly, the business focused on the on-going development of technology and systems. The minimum expectations of clients in a post-GFC world is for ready access to data and investment risk analysis tools. Lighthouse has long understood the need for enhancing transparency and risk management within its portfolios, and continues to invest in technology which aids both its own investment operations and those of its clients when providing customised solutions.

I am very pleased to be able to report that as at 30 September 2012, the Group's Assets Under Management and Advice was USD 7.05 billion. This is the first time the Group's AUMA has exceed USD 7.0 billion since October 2008, and represents an important milestone for the Group.

Importantly, it represents a 6% increase for the 3 months since 30 June 2012.

The growth comes from the Lighthouse business, with broadly half from positive investment performance, and USD 170 million from positive inflows.

Certitude AUMA has remained unchanged since June, which is itself an achievement given the domestic asset management market continues to be dominated by cash and term deposits.

The Lighthouse funds continue to perform true to label, delivering consistent returns with low volatility when compared to equity benchmarks.

Lighthouse's managed account platform has continued to provide a powerful resource for the business in managing its investment products, providing true daily transparency and valuation of asset positions, and allowing proactive blending of each fund's underlying managers to achieve their return objectives in a global investment landscape which has continued to throw up challenges.

Certitude products have also demonstrated solid performance against their respective peers, and the business is receiving positive reception from various investor segments in relation to its funds and investment partners.

This year has continued HFA's evolution as a diversified, global fund manager.

The Lighthouse managed accounts program continues to underpin the US business's ability to expand both its traditional managed funds business, as well as launch its customised client solutions business.

The managed account program, the culmination of five years work, creates true transparency in asset positions and allows Lighthouse to effectively analyse and manage vast amounts of daily data for timely risk management and monitoring of external fund managers.

As I noted earlier, Lighthouse has made significant progress in relation to establishing its customised client solutions business. The business offers investors who are able commit to a significant investment size the ability to access the benefits of Lighthouse's managed account structure to their own customised portfolio. In the 2012 financial year, Lighthouse has established several sizeable strategic clients on the platform.



Certitude continues to build out its global partnerships, adding US-based Columbia Management Investment Advisers, LLC to its list of investment partners. With assets under management of USD 331 billion as at 30 June 2012, Columbia brings a diverse range of investment opportunities for Certitude to distribute, with an initial focus in relation to global fixed interest products for Australian investors.

Despite difficult market conditions for raising assets into products other than cash and term deposits in the Australian market, the Certitude business has continued to execute its strategy of bringing new global investment partners to market in the global equities and income space, thereby complementing its global alternative offerings.

The effort put in by the Australian business is reflected in the fact that Certitude funds have continued to receive improved product ratings from external research houses, and the LHP Global Long/Short Fund won Global Long/Short Manager of the Year in May 2012 in the Money Management/Lonsec awards.

Looking ahead to the coming year, both the Lighthouse and Certitude businesses will continue to pursue their current strategies.

Lighthouse will continue to grow both the managed fund and customised client solutions businesses. Whilst investors remain cautious in committing capital, Lighthouse has been active in meeting with prospective clients and ensuring they continue to service their existing client base.

Similarly, despite Australian investors likely to remain cautious in allocating away from cash in the short-term, Certitude will continue to work with its investment partners to establish high quality products that are liquid, transparent and simple, thereby laying the foundations for renewed growth and profitability over the medium-term.

I would like to take this opportunity to firstly thank all investors in our products, as they are at the core of our business. I would particularly like to thank Mr John Larum, who is retiring from his role as director at today's AGM, and we offer our sincere appreciation for the valuable contribution he has made to the Company over his past four years of service. Lastly 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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