

14 August, 2013
ASX ANNOUNCEMENT

HFA HOLDINGS LIMITED – FULL YEAR RESULTS

Key results at a glance: full year to 30 June 2013

- Assets under Management and Advice (AUMA) \$7.6 billion, up 15%
- Net operating income \$57.5 million, up 5%
- Operating EBITDA \$17.6 million, up 16%
- Net profit after tax (NPAT) \$5.6 million, up 106% on prior year
- Continued reduction in corporate debt: \$24.3 million as at June 2013 down from \$26.3 million
- A final dividend of 3.0 cents per share, fully franked, added to the interim dividend of 3.0 cents per share

Consolidated Group operating and financial overview

HFA Holdings has again grown its Assets Under Management and Advice (AUMA) for the 12 months to 30 June by 15%. The Group, which comprises US-based Lighthouse Partners, LLC and the Australian-based Certitude Global Investments Limited, finished the year with total AUMA of \$7.6 billion, an increase of \$1.0 billion compared to the prior year.

The Group has announced a net profit after tax of \$5.6 million, a significant increase on the prior year. Whilst revenue remained steady at \$66.1 million, a reduction in direct distribution and investment costs resulted in a 5% increase to net operating income. Combined with a 2% decrease in operating expenses, this increase in net operating income led to a solid 16% increase in earnings before interest, tax, depreciation and amortisation (EBITDA) to \$17.6 million.

The board has determined to pay a final dividend of 3.0 cents per share. Added to the interim dividend of 3.0 cents per share, the Company will pay a total dividend of 6.0 cents per share in relation to the 2013 financial year.

According to Spencer Young, HFA Chairman, the 2013 result demonstrates the on-going steady growth from the business' commitment to create and distribute quality global investment solutions to its clients.

"This year's result reinforces the firm foundations that the Group has been building on over the past few years. We have a strong belief in the strategy of both our US and Australian businesses, which continue to build out at a steady pace and will allow our shareholders to see tangible benefits in the coming years," he said.

Lighthouse Partners

Lighthouse is a US-based investment manager dedicated to managing fund-of-hedge funds for diversification and absolute return. Both its managed funds and customised client solutions businesses use its proprietary managed account program to manage a number of multi-strategy and strategy-focused funds, and develop tailored solutions for sizeable strategic clients.

NOTE: The functional and presentation currency of HFA Holdings Limited is US dollars (USD). The financial results included in this media and ASX announcement are presented in USD, unless otherwise indicated as being presented in Australian dollars (AUD).

As at 30 June 2013, AUMA for Lighthouse increased by 19% on the previous financial year, from \$5.7 billion to \$6.8 billion. This increase is the result of both positive investment performance, as well as growth from clients utilising Lighthouse's customised client solutions via its managed account program.

Lighthouse saw a reduction in its third party distribution payments from its managed funds business this year. A key factor in this reduction has been an evolution of a key Lighthouse institutional client relationship, with the client transitioning \$1.2 billion of assets from managed funds (to which a distribution rebate agreement applied) to the managed account program.

With the growth of the customised solutions business, average net management fees (after investment management costs and excluding performance fees) earned on AUMA decreased 10% to 0.77%pa. This fall is consistent with the growing importance of the customised client solutions business and reflects the increased proportion of large institutional investors in Lighthouse's client base.

The positive investment performance of the Lighthouse funds also delivered \$1.3 million in performance fees, up from \$0.2 million for the prior year.

Lighthouse operating expenses (excluding depreciation and amortisation) have increased by 4%. This increase relates predominately to a \$1.2 million increase in personnel expenses of which \$0.9 million relates to the enhancement of short term remuneration incentives to retain and motivate Lighthouse staff.

"We are excited about the way in which Lighthouse continues to transform its business, particularly by utilising its managed account program to broaden the solutions it can offer for clients seeking to invest in alternative assets," said Mr Young, "a combination of timely, accurate data and skilled judgement provides the best opportunity for sustainable investment performance."

The data the Lighthouse managed account program captures on a daily basis is powerful and is used to actively improve the investment decision making process in its own funds, as well as to provide valuable investment and risk management tools to customised clients. One of the most important concerns of clients is transparency, and the managed account program offers customised client solutions that deliver transparency, control and flexibility.

Certitude Global Investments

Certitude is an Australian-based provider of global investment management, selecting leading active managers from around the globe and bringing their expertise to Australian investors. Certitude's approach is to use its worldwide connections and strong partnerships to translate complex global events into simplified investment intelligence.

Raising assets continued to be challenging for the Australian funds management industry.

Certitude's AUMA remained steady at AUD0.91 billion, a positive result considering outflows of AUD72 million from the closed-ended legacy structured products (including 2 products which matured on 31 December 2012). It is worth noting that these outflows were anticipated, and a portion relate to structured products which generate nominal or nil fees.

Inflows of AUD59 million were invested during the year into the LHP Global Long/Short Fund, GaveKal Asian Opportunities Fund, Columbia Management Credit Fund, Threadneedle Global Equity Fund and Threadneedle Global Equity Income Fund. Coupled with positive investment performance for the year, this has meant that overall Certitude had only a modest AUD16m reduction in AUMA.

Certitude operations experienced a 27% decrease in net income from operating activities to \$5.2 million, mainly due to the expected impact of the HFA Octane Global Funds (closed-ended structured products) becoming fully allocated to cash assets in September 2012, which caused the management fee from these funds to reduce from 1.3%pa to 0.1%pa.

Certitude's global long/short equity, global equity income and Asian equity products all performed well; resulting in performance fee revenue of \$1.5 million, up from \$0.4 million in the prior year.

Controlling operating costs has continued to be a significant focus for the Australian business. Personnel costs have decreased by 23% in Australian dollar terms, due to the prior year including once-off termination/redundancy payments and an adjustment to short term incentive remuneration for staff retention. Personnel costs for the Australian business are expected to remain steady over the coming year. Other operating expenditure has also decreased, with an overall decrease of 6% in Australian dollar terms.

"Certitude has done well to maintain its AUMA over the past year, and in the second half of the 2013 financial year the business consistently delivered positive net flows in its open-ended products. We see the significantly lower interest rate environment as the catalyst needed to break through the inertia which has gripped asset allocators for the past few years. It is only a matter of time before money moves away from term deposits and into more actively managed asset sectors," said Mr Young.

He continued, "we also believe that Australian investors are realising that true diversity can't be achieved solely through domestic investments, and hence Certitude's work in building out its suite of highly regarded international investment partners and global investment products will meet a growing need to enhance global asset exposure in portfolios."

In summarising the Group's results, Mr Young said, "The Group's 2013 result is a positive step forward on our strategic path. Growth in our industry will come from providing clients with not just sound portfolio management services, but a more holistic investment solution, involving investment, risk management, administration and reporting services to meet the growing regulatory challenges which have emerged around the world. We believe the Group is well positioned to be able to deliver this to clients."

Dividends

The directors have determined a fully franked final dividend of United States (US) of 3.0 cents per share. The dividend will be paid on 6 September 2013 to all shareholders registered on the record date of 27 August 2013.

HFA dividends are determined and declared in US dollars. However, shareholders will receive their dividend in Australian dollars. Currency conversion will be based on the foreign exchange rate on the record date of 27 August 2013.

As the total dividends paid to ordinary shareholders for the 2013 financial year will exceed \$6.0 million, under the terms of the convertible notes, the Company will also pay an Additional Interest Payment to the convertible noteholders. This Additional Interest Payment represents the participation of the convertible noteholders on an "as-converted" basis in the dividend amount in excess of \$6.0 million.



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