



HFA Holdings Limited

# 2013 Full Year Results

14 August 2013



# 2013 – Year in Review

## HFA Holdings (Group)

- AUMA of \$7.6 billion, up 15%.
- Operating income up 5% to \$57.5 million.
  - \$2.2 million increase in performance fees.
  - 24% decrease in investment management costs.
  - 13% decrease in net management fee percentage.
- EBITDA up 16% to \$17.6 million.
  - 2% decrease in operating expenses.
- Final dividend of 3.0 cps (total FY13 dividends of 6.0 cps).

## Lighthouse Investment Partners

- AUMA increase of 19% to \$6.8 billion.
- Positive net inflows of \$0.6 billion.
- On-going expansion of its managed account program and custom solutions business line.
- Entered agreement with major global data solutions provider to further develop risk management software.

## Certitude Global Investments

- AUMA relatively steady at AUD 910 million.
- Raised a AUD 59 million in new investments.
- Net outflows slowed to AUD 85 million, AUD 72 million of which was from closed-ended structured products.
- Launched first fund with investment partner Columbia Management office, seeded with AUD 10 million from large family office.

# Agenda

## 1. Financial Performance

## 2. AUMA and Fund Performance

## 3. Business Overview

## 4. Outlook

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

## Growth in AUMA and earnings

	30 June 2013	30 June 2012	Change
<b>Assets under management and advice</b>	7.634 billion	6.649 billion	↑ 15%
<i>USD (millions)</i>			
<b>Operating Income</b>	57.460	54.768	↑ 5%
<b>Operating Expenses</b>	39.479	40.180	↓ 2%
<b>EBITDA</b>	17.593	15.210	↑ 16%
<b>Net Profit after Tax</b>	5.551	2.690	↑ 106%
<b>EBITDA Margin</b>	27%	23%	↑ 16%
<b>Final Dividend</b>	USD 3 cps	USD 3 cps	-
<b>Interim Dividend</b>	USD 3 cps	USD 2 cps	-

# Key Financial Outcomes

## Income

- Operating Income**
- Operating income of \$57.5 million (2012: \$54.8 million).
  - Lighthouse operations contributed \$52.3 million, up 10% on prior year.
  - Certitude operations contributed \$5.2 million, down 27%, largely due to a number of closed-ended structured products becoming fully allocated to cash, causing management fee income from these funds to reduce from 1.3% pa to 0.1%pa.

## Expenses

- Operating Expenses**
- Operating expenses (excluding non-cash depreciation, amortisation and equity settled transaction costs) down 2% to \$39.5 million.
  - Reduction driven by overall decreases in personnel, insurance and administrative costs.

## Earnings

- Operating EBITDA**
- Decreases in investment management costs and operating expenses increased EBITDA to \$17.6 million.
- NPBT**
- Pre-tax earnings of \$5.6 million compared to \$2.7 million.
- NPAT**
- Net profit after tax of \$5.6 million (2012: \$2.7 million).

## Debt

- Bank Debt**
- \$24.3 million as at 30 June 2013 (30 June 2012: \$26.3 million).

# Key Financial Outcomes

USD '000	30 June 2013	30 June 2012	% Change
Revenue	66,077	66,150	-
Investment management costs	(8,617)	(11,382)	(24)%
<b>Operating income</b>	<b>57,460</b>	<b>54,768</b>	<b>5%</b>
Operating expenses, excluding depreciation and amortisation	(39,479)	(40,180)	(2)%
Net finance costs, excluding interest income / (expense)	(388)	(103)	277%
<b>EBITDA (before equity settled transactions)</b>	<b>17,593</b>	<b>14,485</b>	<b>21%</b>
Equity settled transaction expenses (non-cash)	-	725	(100)%
<b>EBITDA (after equity settled transactions)</b>	<b>17,593</b>	<b>15,210</b>	<b>16%</b>
Depreciation and amortisation	(9,756)	(10,024)	(3)%
Net interest income / (expenses)	(2,269)	(2,479)	(8)%
<b>Profit/(loss) before income tax</b>	<b>5,568</b>	<b>2,707</b>	<b>106%</b>
Income tax benefit / (expense)	(17)	(17)	-
<b>Net profit /(loss) after income tax</b>	<b>5,551</b>	<b>2,690</b>	<b>106%</b>
<b>Basic EPS (cents)</b>	<b>3.97</b>	<b>2.71</b>	

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## 15% increase in Group AUMA

AUMA	Lighthouse Partners	Certitude Global Investments	Total Group
30 June 2013	USD 6.790 billion	AUD 0.910 billion	USD 7.634 billion
30 June 2012	USD 5.705 billion	AUD 0.926 billion	USD 6.649 billion
% Change	+19%	-2%	+15%

### Lighthouse

- Lighthouse has experienced a \$1.085 billion increase in AUMA over the 12 months to 30 June 2013.
- Net inflows for the 12 months were \$565 million, predominantly into the Lighthouse strategic partnership funds.
- Performance for the 12 months was \$520 million, reflecting the higher investment performance of the funds.

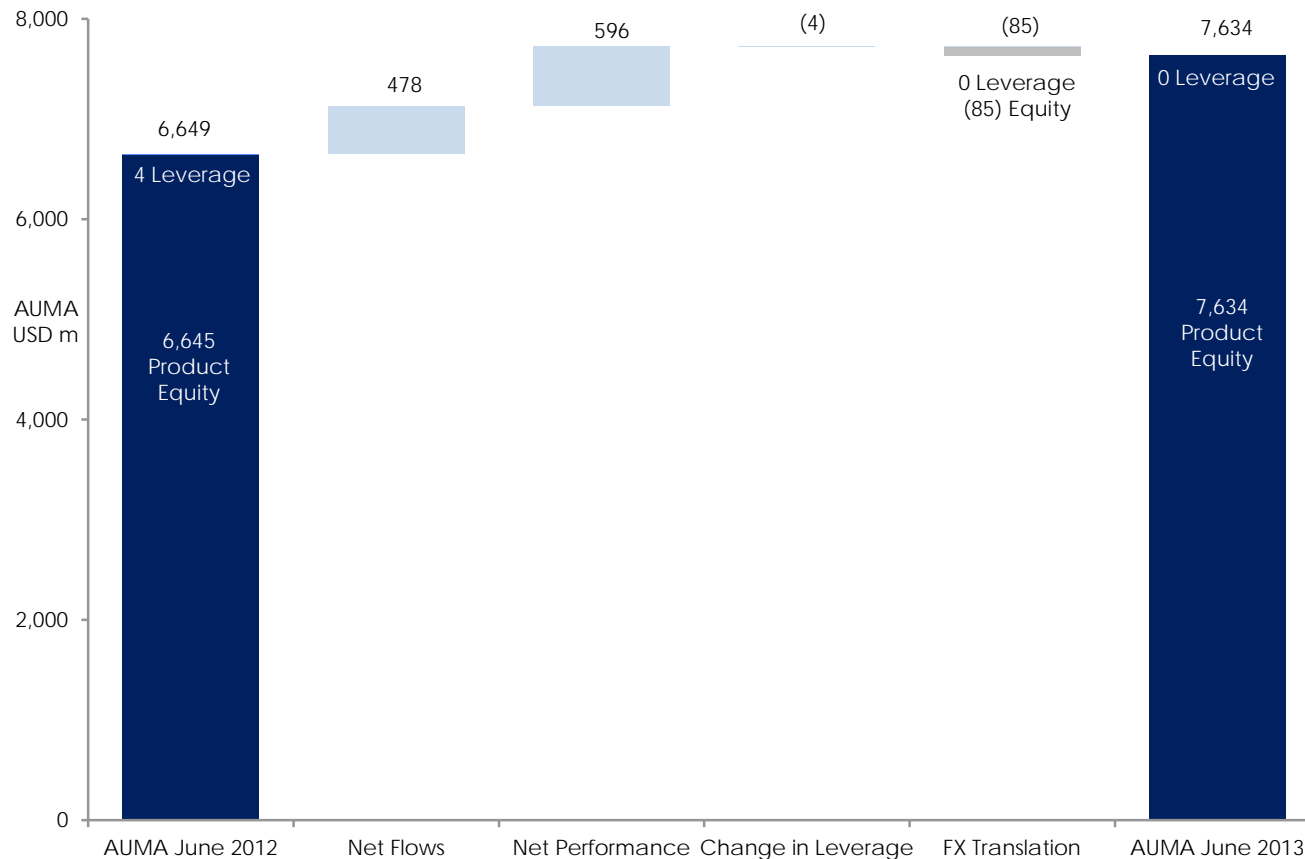
### Certitude

- Certitude's AUMA fell by AUD 16m over the 12 months to 30 June 2013.
- Net outflows including leverage of AUD 89 million was offset by AUD 73 million of performance growth.
- Approximately AUD 72 million of outflows were from closed-ended structured products, a portion of which pay nominal or nil fees.



# AUMA growth from both net flows and performance

HFA Holdings Limited – Consolidated AUMA movements for the year ending 30 June 2013



# Key Lighthouse Funds – performance

June 2013 Performance Estimates\*

Lighthouse Fund of Funds	1 year	3 year (pa)	5 year (pa)	10 year (pa)	3 year volatility
Lighthouse Diversified Fund LP	6.62%	5.17%	1.21%	4.64%	3.21%
Lighthouse V Fund Ltd	6.26%	3.90%	1.42%	3.88%	2.93%
Lighthouse Credit Opportunities Fund LP	10.51%	10.37%	3.22%	6.89%	4.91%
Lighthouse Funds of Managed Accounts	1 year	3 year (pa)	5 year (pa)	10 year (pa)	3 year volatility
Lighthouse Global Long/Short Fund LP	14.39%	7.18%	3.68%	n/a	5.02%
Lighthouse Multi-Strategy Fund Ltd	6.49%	5.25%	n/a	n/a	3.65%
Lighthouse Managed Futures Fund LLC	-9.28%	-1.54%	-0.40%	n/a	9.77%
Lighthouse Healthcare Series	13.61%	8.67%	9.72%	n/a	9.78%
Benchmarks	1 year	3 year (pa)	5 year (pa)	10 year (pa)	3 year volatility
S&P 500 (with reinvested dividends)	20.60%	18.45%	7.01%	7.29%	13.56%
MSCI AC World Index	17.21%	12.95%	2.86%	8.14%	15.84%
Barclays Government / Credit Bond Index	-0.61%	3.88%	5.29%	4.43%	3.46%
91 Day US Treasury Bills	0.08%	0.11%	0.29%	1.72%	0.03%
HFRX Global Hedge Fund Index	5.50%	1.19%	-2.08%	1.16%	4.42%

\* Performance for 2013 is not audited and is based on estimates for June 2013. Therefore, all performance data herein for the Lighthouse Funds is subject to revision. Performance may vary among different share classes or series within a fund. Past performance is not indicative of future results.

# Certitude Funds – performance

30 June 2013

	Performance					
	1 year	3 year (pa)	5 year (pa)	10 year (pa)	Since Inception (pa)	Since Inception Volatility (pa)
<b>Threadneedle Global Equity Fund</b>	34.18%	n/a	n/a	n/a	22.63% (05-Sep-2011)	n/a
<i>Benchmark: MSCI ACWI Gross (AUD unhedged)</i>	31.26%	n/a	n/a	n/a	23.31% (05-Sep-2011)	n/a
<b>Threadneedle Global Equity Income Fund (Unhdg)</b>	n/a	n/a	n/a	n/a	24.83% (30-Nov-2012)	n/a
<i>Benchmark: MSCI ACWI Gross (AUD unhedged)</i>	n/a	n/a	n/a	n/a	24.05% (30-Nov-2012)	n/a
<b>Columbia Management Credit Fund</b>	n/a	n/a	n/a	n/a	(4.21%) (15-Apr-2013)	n/a
<i>Benchmark: Barclays Global Aggregate Corporate Total return (AUD hedged)</i>	n/a	n/a	n/a	n/a	(3.16%) (15-Apr-2013)	n/a
<b>GaveKal Asian Opportunities Fund</b>	27.14%	n/a	n/a	n/a	9.20% (12-Oct-2010)	n/a
<i>Benchmark: MSCI AC Asia Pacific Index</i>	28.31%	n/a	n/a	n/a	6.12% (12-Oct-2010)	n/a
<b>LHP Global Long/Short Fund (Wholesale)</b>	15.94%	9.66%	6.69%	8.21%	6.52% (31-Mar-2001)	4.95%
<i>Benchmark: MSCI ACWI Net (100% hedged to AUD)</i>	22.11%	14.82%	4.63%	8.76%	5.30% (31-Mar-2001)	15.35%
<b>LHP Diversified Investments Fund (Wholesale)</b>	9.68%	7.45%	1.07%	4.50%	4.92% (31-Mar-2001)	6.44%
<i>Benchmark: HFRX Global Hedge Fund Index (100% hedged to AUD)</i>	8.59%	4.73%	0.53%	3.52%	4.69% (31-Mar-2001)	5.91%

Past performance is not an indicator of future performance.

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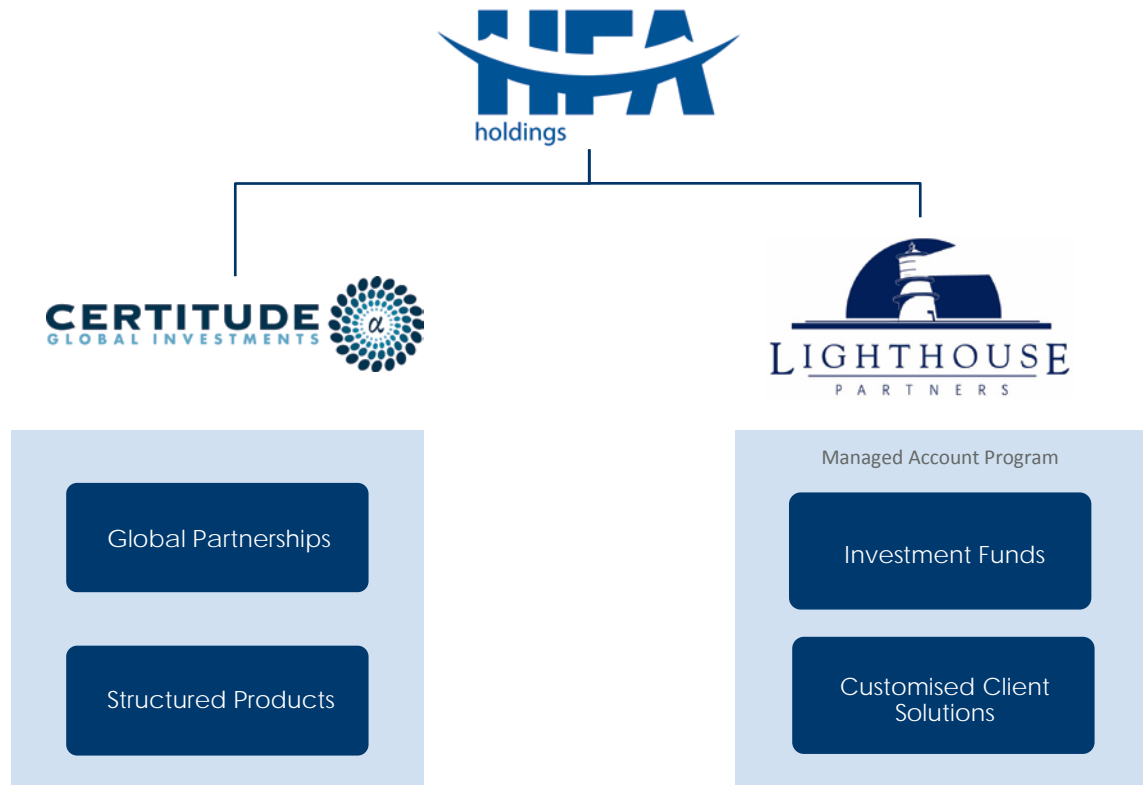
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... a diversified, global fund manager



# ... focussing on products, distribution and performance

## Products

- New funds and services utilising Managed Account Program

- Well-known and respected Investment Partners
- Creation of active management "alpha" products
- Multi-strategy absolute return products to be retained and enhanced



## Distribution

- Focus on broadening and deepening institutional relationships
- Continue to diversify across geographical areas, in particular Europe and Asia

- Move to a key account focus targeting specific segments and specific channels:
  - Retail (broaden existing)
  - HNW/SMSFs
  - Dealer Group Model Portfolios
  - Multi-Managers

## Performance

- Achieving absolute returns with greater transparency, control and flexibility

- Focus on active management solutions to deliver "alpha" returns
- Broaden existing absolute return focus, by also providing market segment and concentrated portfolio funds



# Lighthouse...a global leader in managed accounts

- Lighthouse Investment Partners is a US based investment manager dedicated to managing fund-of-hedge funds for diversification and absolute return.
- Investor base spans North America, Europe, and Asia and includes high net worth individuals, family offices, endowments, foundations, trusts, investment banks, benefit plans, pension funds, healthcare and insurance companies.
- Lighthouse has developed two business lines, each of which utilise its proprietary managed account program.

## Lighthouse

### Proprietary Managed Account Program

#### Lighthouse Managed Funds Multi-strategy and strategy-focussed funds

- Lighthouse manages a number of multi-strategy and strategy-focused funds.
- The funds utilise Lighthouse's proprietary managed account investment structure, in which Lighthouse Funds own the assets custodied in a prime brokerage account and authorise external fund managers to trade the assets within predetermined guidelines.
- The managed account structure provides:
  - transparency into asset positions;
  - vast amounts of daily data to allow timely risk management and monitoring of external fund managers;
  - enhanced control and security of assets;
  - investment flexibility;
  - administrative cost savings; and
  - overall improved liquidity compared to traditional fund-of-fund structures.

#### Investment Solutions Customised client solutions

- The development of the managed account program for Lighthouse's own managed funds created a new opportunity for Lighthouse to develop a customised client solutions business.
- This business offers investors who are able to commit to a significant investment size the ability to access the benefits of the managed account structure in their own customised portfolio.
- Lighthouse is able to work closely with large strategic investors to customise their alternative investment exposure and meet specific needs across middle office, risk monitoring and investment advisory services.
- Investors can choose some or all of the available services depending on their own requirements, and fees are structured accordingly





## Lighthouse... a diversified portfolio of funds

Fund	Strategy	Proportion held in Managed Accounts (offshore fund/onshore fund)	Inception <sup>1</sup>
Lighthouse Diversified	Multi-strategy	89% / 77%	August 1996
Lighthouse V		77%	January 2003
Lighthouse Multi-Strategy		100%	January 2009
Lighthouse Credit Opportunities	Diversified Credit	83% / 68%	January 2003
Lighthouse Global Long/Short	Global Equity Long/Short	100%	January 2004
Lighthouse Managed Futures	Managed Futures	100%	January 2006
Lighthouse Healthcare	Long/short Healthcare Sector	100%	January 2007
Lighthouse Asian Compass	Multi-strategy	94%	January 2010

1. Inception relates to the Lighthouse vehicle with the longest track record within each particular strategy



## Certitude ... an independent provider of active managers

### What does Certitude do?

- Certitude selects high quality active investment managers from around the globe and brings their expertise to Australian investors
- These active solutions aim to deliver outperformance, or 'alpha', allowing investors to complement their passive strategies with a strong risk management focus

### Who are our investment partners?

- Our managers provide a global investment view that is thoroughly considered and time-tested
- Certitude's investment partners are located across all the major financial markets and their selection is underpinned by a robust investment process



### FY13 highlights and milestones

- Launched the Columbia Management Credit Fund with its newest Investment Partner, US-based Columbia Management;
- The GaveKal Asian Opportunities Fund won the 'Alternative Investments' category in May 2013 in the Money Management/ Lonsec awards
- The LHP Diversified Investments Fund nominated for "Alternative Investments" category in May 2013 in the Money Management/ Lonsec awards
- receiving improved product ratings for several of its funds, including the LHP Diversified Investments Fund



# Certitude... Global partners, global view

GLOBAL  
ALTERNATIVES



Lighthouse Investment Partners, LLC ('Lighthouse') is a US based investment manager dedicated to managing funds of hedge funds for diversification and absolute return. Lighthouse manages funds for a worldwide client base that includes corporations, university endowments, public and private foundations, pension plans, family offices, insurance companies and individual investors.

MULTI-ASSET



Marshall Wace GaveKal Asia Limited ('MWG') is incorporated in Hong Kong, and is a joint venture between Marshall Wace LLP ('Marshall Wace') and GaveKal Holdings Limited ('GaveKal'). 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.

GLOBAL  
EQUITIES



Threadneedle is a leading international investment manager with a strong track record of outperformance across asset classes. Threadneedle actively manages approximately US\$110bn of assets, investing on behalf of individuals, pension funds, insurers and corporations. Threadneedle's distinctive investment approach is based on creative thinking, sharing of ideas and rigorous debate.

GLOBAL  
INCOME



Columbia Management Investment Advisers, LLC (U.S.) is one of the leading asset managers in the US with a competitive track record in global fixed income strategies since 1989. Columbia Management believes global bonds and currency are only partly efficient and that active management of global fixed income portfolios can add value for clients. They believe that adding value consistently requires an emphasis on risk-adjusted returns, in which the pursuit of outperformance is balanced against the active risk taken to generate that outperformance.

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# Outlook

- The Group will continue to execute its strategy to develop both its managed fund and customised client solutions businesses. We expect to see the customised client solutions business continue to represent expand and become a larger part of Lighthouse's overall business.
- In August 2012, Lighthouse entered into an agreement with a major global data solutions provider with a view to enhancing its existing proprietary-built risk management system. This development will not only provide enhanced functionality and scope for use by Lighthouse, but may provide broader opportunities for Lighthouse to benefit from the system being adapted to a broader range of global investment management uses by third parties.
- The Certitude business will continue to build out its suite of products with its existing Investment Partners. This range of products across global asset classes positions Certitude to be able to benefit if and when Australian investors commence to re-allocate their investment portfolios from AUD cash/term deposits to actively managed asset classes, including global investments.
- With a diverse range of market factors influencing the Group's results in the foreseeable future, it is difficult to forecast the impact of this on the Group's future profitability.

## Disclaimer

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