

HFA Holdings Limited

2014 Financial Results

18 August 2014

The numbers in this presentation have been presented in **US dollars (USD)**, unless otherwise indicated as being presented in Australian dollars (AUD).

2014 year in review



EBITDA up 50% to **\$26.4 million**

- AUMA of **\$8.7 billion**, up 13.5%
- Operating income up 11% to \$63.9 million
- EPS up 96% to 7.8 cps
- Final dividend of 5.0 cps (total FY14 dividend of 8.0 cps)
- Buy-back of 50 convertible notes negotiated (settled 2 July 2014 – see following page)



AUMA of **\$8.0 billion**

- Net inflows of \$354 million
- Positive investment performance contributed:
 - additional \$854 million in AUMA
 - \$2.3 million of performance fee revenue
- Operating expenses down 3%



Net operating income of **\$5.3 million**

- Positive investment performance contributed:
 - additional AUD63 million in AUMA
 - \$3.0 million of performance fee revenue
- Net inflows to open funds of AUD23 million
- Continued structured product closures (AUD289 million of outflows)
- AUMA of \$0.7 billion

Convertible note buy-back and conversion

On 2 July 2014, HFA completed a transaction that contained the following components:

Buy-Back of convertible notes and cancellation of options

- All of 50 convertible notes on issue to APH HFA Holdings, LP, an affiliate of Apollo Global Management, LLC (together with its consolidated subsidiaries, "Apollo") were bought back;
- each repurchased convertible note was bought back at its initial face value of \$1 million (\$50 million in total). Apollo waived interest accrued on these notes between the original issue date of 7 March 2011 and immediately prior to completion of the Buy-Back on 2 July 2014;
- as a part of the Buy-Back, Apollo concluded its broader strategic alliance with HFA and the right of first refusal arrangements that Apollo holds over HFA employee shareholdings were cancelled; and
- 31,250,000 options held by the noteholders were cancelled for nil consideration.
- The buy-back was funded from a placement to eligible institutional investors, and existing cash.

25 convertible notes remained on issue after the buy-back, with amended terms

- The accrued interest on the remaining 25 convertible notes was waived by the noteholder in consideration for certain amendments to the terms, including an increase in interest from 6%pa to 8%pa, with interest payable in cash.

Westpac facility repayments:

- The Westpac senior lending facility terms were amended to include a \$5 million repayment of debt (completed on 2 July 2014), and an increase in annual loan repayments from \$2 million to \$7.5 million.

On 11 August 2014, the remaining 25 convertible notes were converted into ordinary shares

Noteholder exercised their right to convert

- The Company received a notice from WLR-SC HFA LLC (WLR) to convert the remaining 25 convertible notes to 25,599,017 ordinary shares on 7 August 2014, for a Conversion Date of 11 August 2014; and
- The Company was subsequently advised that WLR had entered into a block trade agreement with UBS to arrange the sale of the converted shares at \$1.35 per share.
- WLR confirmed that the block trade settled on 13 August 2014, and that the converted ordinary shares had been fully disseminated to a range of institutional investors.

The financial impacts of the above transactions will be reflected in HFA's consolidated financial statements for the year ending 30 June 2015.

Note 33 to the financial statements in the 2014 Annual Report contains further explanation of these impacts.

Financial performance

Key financial outcomes

Income



- Operating Income
 - Operating income of **\$63.934 million** (FY13: \$57.460 million).
 - Lighthouse operations contributed **\$58.659 million**, up 12% on prior year.
 - Certitude operations contributed **\$5.275 million**, up 2% on prior year.
- Average net management fee rate
 - 71.7 bps** (FY13: 75.5 bps).

Expenses



- Operating Expenses
 - Operating expenses (excluding non-cash depreciation, amortisation and equity settled transaction costs) down 4% to **\$37.885 million**.
 - Reduction largely driven by non-recurring items:
 - Higher consulting costs incurred in FY13
 - US office rental abatement during refurbishment

Earnings



- Operating EBITDA
 - Increased 50% to **\$26.403 million** (FY13: \$17.593 million).
- NPAT
 - Increased 151% to **\$13.914 million** (FY13: \$5.551 million).
- EBITDA margin
 - 37%** (FY13: 27%)
- EPS (basic & diluted)
 - 7.80 cps** (FY13: 3.97 cps)
- Dividends
 - Final dividend of 5.0 cps, total FY14 dividends of **8.0 cps** (FY13 total dividend: USD 6.0 cps)

Debt



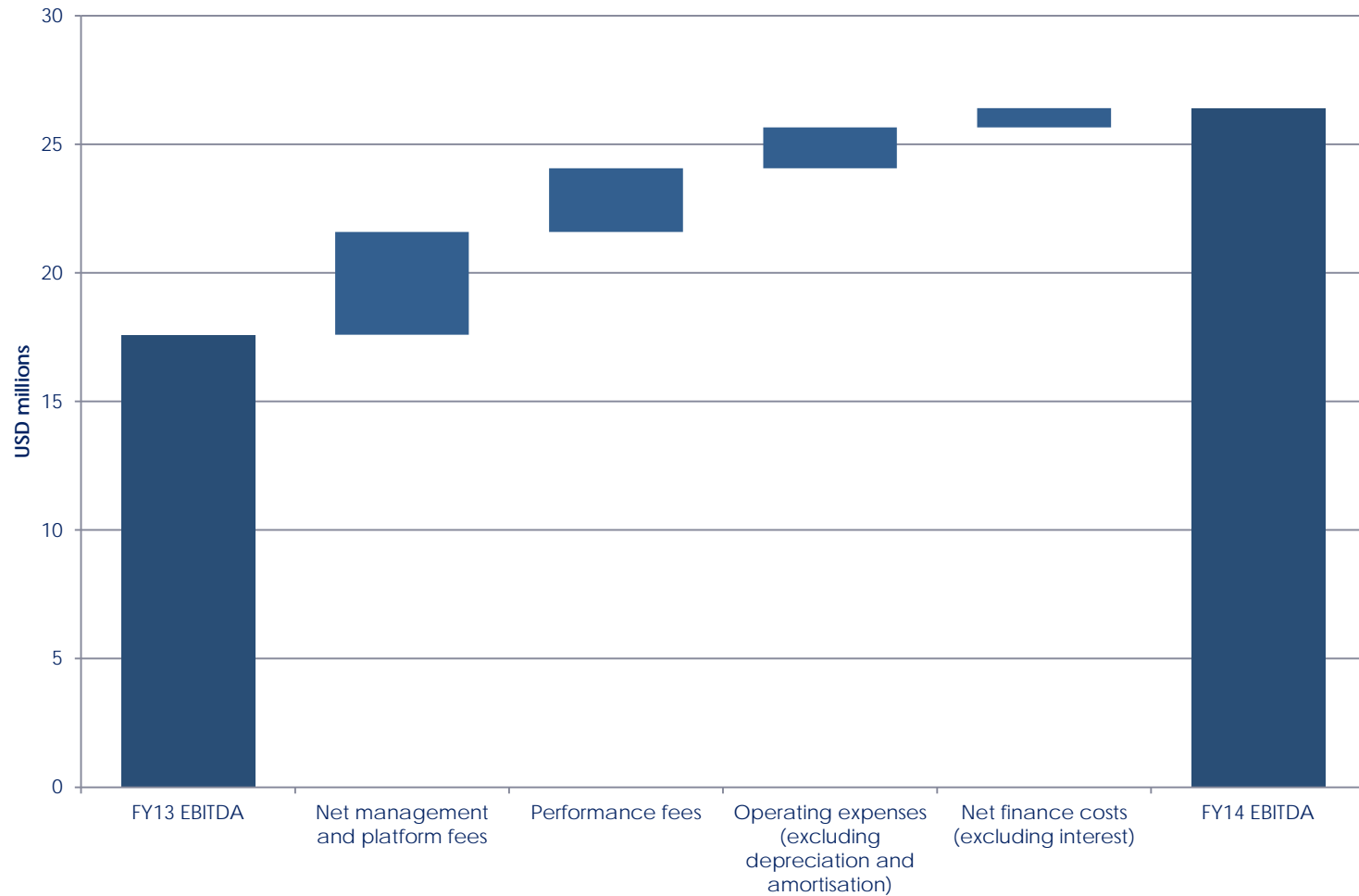
- Bank Debt
 - Senior debt facility: \$22.3 million
 - Cash: \$65.9 million

AUMA



- \$8.7 billion** as at 30 June (FY13: \$7.6 billion) up **13.5%**.

FY14 EBITDA improved on the prior year in each area



Summary of financial performance

<i>USD millions</i>	30 June 2014	30 June 2013	Impact on result	% Change
Management and platform fee income	65.303	65.153	↑	3%
Performance fee income	5.300	2.828	↑	87%
Other income	0.078	0.096	↓	19%
Distribution and investment management costs	(6.747)	(8.617)	↑	22%
Operating income	63.934	57.460	↑	11%
Operating expenses, excluding depreciation and amortisation	(37.885)	(39.479)	↑	4%
Net finance costs, excluding interest income / (expense)	0.354	(0.388)	↑	191%
EBITDA	26.403	17.593	↑	50%
Depreciation and amortisation	(9.949)	(9.756)	↓	2%
Net interest expense	(2.495)	(2.269)	↓	10%
Profit/(loss) before income tax	13.959	5.568	↑	151%
Income tax expense	(0.045)	(0.017)	↓	160%
Net profit after income tax	13.914	5.551	↑	151%
Basic EPS (cents)	7.80	3.97	↑	96%

Key drivers of the FY14 results

Management and platform fees

Management and platform fee income increased in FY14 by 3.4% to \$65.3 million.

The increase was a result of:

- a 12.6% increase in the average closing AUMA during this financial year; offset by
- a 4 basis point decrease in the average net management / platform fee rate which applied for the year to 0.72%

Performance fees

The Group earned \$5.3 million in performance fees this year, up 87.4% on the prior year.

Performance fees are variable in nature, and it is difficult to forecast how much, if any, performance fee revenue will be earned by the Group in future periods.

Distribution and investment management costs

21.7% reduction in distribution and investment management costs due to reduction in Lighthouse third party distribution fees.

FY14 reflects a full year's impact of the movement of several existing Lighthouse fund clients (with 3rd party fee arrangements in place) to their own customised platform structure at a lower management fee rate but with the removal of trailing 3rd party fees.

In addition, there has been an ongoing reduction of AUMA with 3rd party fee arrangements over the past few years.

Operating expenses

The Group's overall operating expenses were \$37.9 million, down \$1.6 million on the prior year.

A large portion of this decrease is from non-recurring items:

- FY13 higher than normal consultancy costs (legal, risk management systems).
- \$0.4 million current year saving on US rent expense due to office refurbishment.

Personnel costs stayed relatively steady across the Group.

Net interest expense

10% increase in net interest expense:

Decrease in interest revenue due to:

- the Group holding less cash in AUD (which earns relatively higher interest rates than USD cash deposits); and
- a general reduction in interest rates earned on the AUD cash deposits.

Partially off-set by lower interest expense on reducing bank debt balance.

Following completion of the transaction outlined on slide 3, the Group's net interest profile from FY15 onwards will change.

HFA Group balance sheet

<i>USD millions</i>	2014	2013
Cash	65,902	48,430
Intangible assets	110,096	119,366
Secured bank loan	22,323	24,323
Convertible notes		
▪ portion recognised as a financial liability	19,249	20,836
▪ total face value at 30 June 2014	89,568	84,427
Unrecognised deferred tax assets	218,761	222,921
▪ portion relating to carried forward tax losses	43,917	42,972

Key drivers of the FY14 results

Cash

\$17.5 million increase in cash from June 2013 as a result of:

- \$27.9 million cash generated from operating activities
- \$8.0 million paid in dividends to shareholders & noteholders
- \$2.8 million paid in interest and debt repayments

Following completion of the transaction outlined on slide 3, the Group's cash balance as at 31 July 2014 is \$29.6 million.

Intangible assets

When HFA acquired Lighthouse in January 2008, it recognised:

- \$76.1 million of client relationships, trademarks and software

The identifiable intangible assets are being amortised over their useful lives (between 5 and 20 years) resulting in an amortisation expense of approximately \$9.4 million each year. \$9.2 million of this \$9.4 million annual amortisation expense is scheduled to cease from December 2015, when only a small residual balance of these intangible assets will remain on the balance sheet.

- \$499.5 million of goodwill.

An impairment loss of \$405.7 million was recognised against the goodwill balance in the 2009 financial year. HFA has continued to carry a written-down goodwill balance of \$93.8 million since that time.

Bank debt

Secured bank loan decreased by \$2 million to \$22.3 million as at 30 June 2014.

As part of the transaction outlined on slide 3, HFA agreed to increased repayments on the bank loan in order to obtain required senior creditor consent to the transaction. As at 31 July 2014 the bank loan is \$16.3 million.

Convertible notes

75 convertible notes on issue as at 30 June 2014:

- Face value of \$89.6 million (\$75 million issue value plus 6% pa accrued interest since March 2011 issue).
- For accounting purposes, the convertible notes are treated as partly debt and partly equity. The debt component (\$19.2 million as at 30 June) effectively represents the remaining present value of the future cash flows based on the 6% per annum interest obligation.

Following completion of the transactions outlined on slide 3, no convertible notes remain on issue.

Unrecognised deferred tax assets

The Group has significant deferred tax assets relating to both the Australian tax consolidated group and the United States tax consolidated group that are made up of the following components:

- **US:** \$40.6 million of US carried forward tax losses
- **US:** \$94.9 million of other (capital losses, impairment losses, deductible temporary differences)
- **Aust:** \$3.3 million of Australian carried forward tax losses
- **Aust:** \$80.0 million of other (capital, impairment losses and deductible temporary differences)

Due to current uncertainty as to when, and how much, of the tax losses may be utilised to off-set future tax payable by the Group, as at 30 June HFA has not recognised any existing carried forward losses as deferred tax assets.

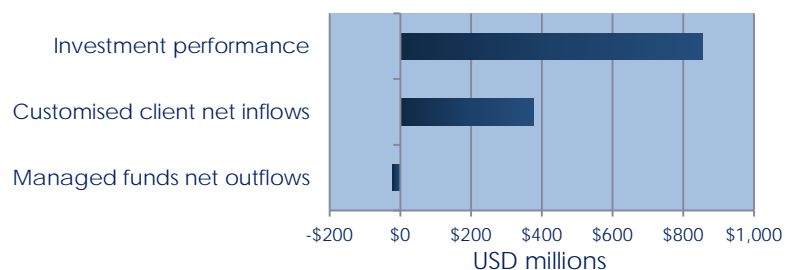
AUMA and investment performance

13.5% increase in Group AUMA

AUMA	Lighthouse Partners	Certitude Global Investments	Total Group
30 June 2014	USD 8.00 billion	AUD 0.71 billion	USD 8.66 billion
30 June 2013	USD 6.79 billion	AUD 0.91 billion	USD 7.63 billion
% Change	+17.8%	-22.3%	+13.5%

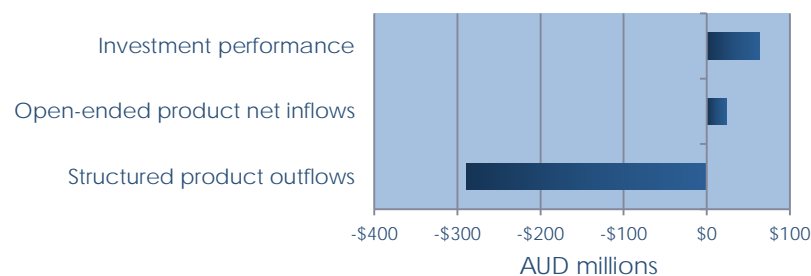
Lighthouse

- Lighthouse has experienced a \$1.21 billion increase in AUMA over the 12 months to 30 June 2014.
- Net inflows for the 12 months were \$354 million, \$376 million into customised clients off-set by a net outflow of \$22 million from the managed funds.
- Performance for the 12 months was added \$854 million in AUMA over the financial year.



Certitude

- Certitude's AUMA fell by AUD 203 million over the 12 months to 30 June 2014.
- Open-ended products received net inflow of AUD 23 million, whilst investment performance added AUD 63 million to AUMA.
- AUD 289 million of outflows were from closed-ended structured products, a portion of which pay nominal or nil fees.



Key Lighthouse Funds – performance

July 2014 Performance Estimates*

Lighthouse Multi-strategy Funds	7 months to July 14	3 year (pa)	5 year (pa)	10 year (pa)	3 year volatility
Lighthouse Diversified Fund LP	5.12%	6.67%	7.05%	5.44%	3.56%
Lighthouse V Fund Ltd	4.95%	5.96%	5.96%	4.59%	3.26%
Lighthouse Multi-Strategy Fund Ltd	5.29%	6.16%	6.23%	n/a	3.66%
Lighthouse Strategy-Focused Funds	7 months to July 14	3 year (pa)	5 year (pa)	10 year (pa)	3 year volatility
Lighthouse Global Long/Short Fund LP	1.52%	7.97%	6.78%	n/a	5.29%
Lighthouse Credit Opportunities Fund LP	6.41%	9.07%	12.56%	6.87%	4.22%
Lighthouse Managed Futures Fund LLC	2.54%	-2.39%	0.31%	n/a	8.34%
Lighthouse Healthcare Series	3.82%	8.66%	8.50%	n/a	9.43%
Benchmarks	7 months to July 14	3 year (pa)	5 year (pa)	10 year (pa)	3 year volatility
S&P 500 (with reinvested dividends)	5.66%	16.84%	16.79%	7.99%	12.20%
MSCI AC World Index	5.24%	11.01%	12.67%	8.24%	14.23%
Barclays Government / Credit Bond Index	3.81%	3.37%	4.69%	4.82%	3.05%
91 Day US Treasury Bills	0.02%	0.08%	0.10%	1.62%	0.02%
HFRX Global Hedge Fund Index	0.87%	1.26%	2.46%	1.22%	4.10%

* Performance is not audited and is based on estimates for July 2014. 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

31 July 2014

	1 year	3 year (pa)	5 year (pa)	10 year (pa)	Since Inception (pa)	Since Inception Volatility (pa)
Threadneedle Global Equity Fund	12.42%	n/a	n/a	n/a	20.69% (05-Sep-2011)	11.54%
<i>Benchmark: MSCI ACWI Gross (AUD unhedged)</i>	12.46%	n/a	n/a	n/a	21.50% (05-Sep-2011)	8.80%
Threadneedle Global Equity Income Fund (Unhedged)	8.11%	n/a	n/a	n/a	25.09% (30-Nov-2012)	9.33%
<i>Benchmark: MSCI ACWI Gross (AUD unhedged)</i>	12.46%	n/a	n/a	n/a	27.15% (30-Nov-2012)	9.52%
GaveKal Asian Opportunities Fund	3.16%	9.23%	n/a	n/a	7.59% (12-Oct-2010)	9.24%
<i>Benchmark: MSCI AC Asia Pacific Index</i>	11.62%	11.88%	n/a	n/a	8.38% (12-Oct-2010)	8.68%
LHP Global Long/Short Fund (Wholesale)	9.55%	9.65%	8.81%	8.32%	6.87% (31-Mar-2001)	4.91%
<i>Benchmark: MSCI ACWI Net (100% hedged to AUD)</i>	17.41%	15.01%	14.65%	8.89%	6.49% (31-Mar-2001)	14.92%
LHP Diversified Investments Fund (Wholesale)	14.95%	9.27%	9.09%	5.44%	5.70% (31-Mar-2001)	6.27%
<i>Benchmark: HFRX Global Hedge Fund Index (100% hedged to AUD)</i>	5.80%	4.26%	5.72%	3.45%	4.84% (31-Mar-2001)	5.72%

Past performance is not an indicator of future performance.

Business overview

Who we are

The HFA group comprises two businesses delivering global investment products and services to a diverse range of investors and clients.



Lighthouse Investment Partners, LLC

Based in the United States, with offices in New York, Chicago and Palm Beach Gardens in addition to offices in London and Hong Kong.

Lighthouse has been managing hedge funds since 1999. The business commenced by offering pooled investment vehicles to wholesale investors, and since 2011 has broadened its services to provide customised investment management solutions and services to large institutional clients.

One of Lighthouse's key strengths is the proprietary managed accounts program, which is core to both its pooled managed funds and customised client services.

As at 30 June 2014, Lighthouse is managing USD8.4 billion of assets, including USD0.4 billion that it manages on behalf of Certitude products.



Certitude Global Investments Limited

Based in Australia with offices in Sydney, Brisbane and Melbourne.

Certitude has been operating and distributing hedge funds to Australian retail and wholesale investors since 1998.

Since 2009, Certitude has broadened its investment product range through strategic partnerships with other off-shore investment managers. Since that time, Certitude has introduced new managed funds which invest into a broader range of asset classes, with a particular focus on global and Asian equities.

As at 30 June 2014, Certitude has assets under management of AUD0.7 billion.

What drives our business?

AUMA

HFA earns its revenue from managing assets on behalf of its clients (our "assets under management and advice" or "AUMA").

We seek to attract and retain AUMA by offering quality investment products and services, and delivering competitive performance and features.

Our ability to do this can also be impacted by external factors such as global markets and investor sentiment.

Fee rates

The revenue we earn on our AUMA depends on the management and performance fees we are entitled to charge for our services.

Our pooled investment products pay us management and performance fees based on disclosed rates, whilst our institutional clients can negotiate fees with us.

We operate in a highly competitive market, and there is pressure from investors to negotiate lower fee rates across the global investment management industry.

People

Our success relies on attracting and retaining talented employees.

It is our employees who use their skills and knowledge to enable us to provide quality investment products and services, to innovate to meet changing investor needs and to respond to compliance requirements in what is a highly regulated industry.

To attract, motivate and retain quality employees HFA needs to offer competitive compensation and incentive packages.

Lighthouse Investment Partners

Business profile

Employees	~ 71
Offices	Chicago, New York, Palm Beach Gardens, London, Hong Kong
Registration	Registered Investment Adviser with US Securities & Exchange Commission
Administrator of Funds	GlobeOp Financial Services

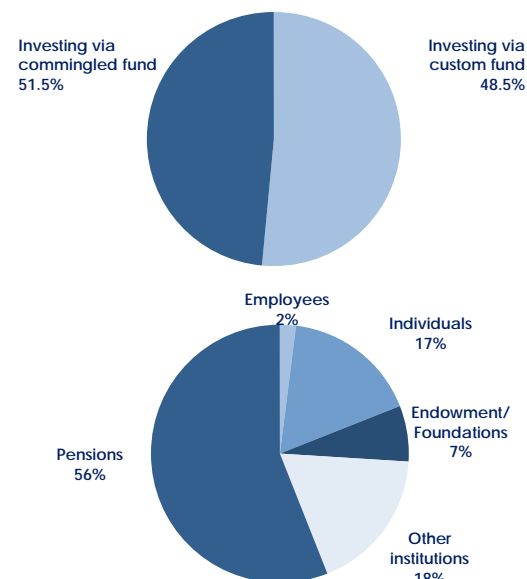
Fund Profile as at 30 June 2014

Funds	Strategy	% Managed account (offshore/onshore)	Inception ¹
Lighthouse Diversified	Multi-Strategy	87%/83%	August 1996
Lighthouse Credit Opportunities	Diversified Credit	92%/85%	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 Multi-Strategy Fund	Multi-Strategy	94%	January 2009
Lighthouse Asian Compass	Multi-Strategy, Asia Focus	95%	January 2010

¹ Inception relates to the Lighthouse vehicle of the particular strategy with the longest track record

AUMA composition

as at 30 June 2014



The Lighthouse business is about underpinning consistent, risk-adjusted investment returns with strong investment governance primarily through **managed accounts**

• Daily visibility into positions aggregated across manager and portfolio

Transparency



• Legal structure allows for better asset protection

Protection



• Structural and operational decisions are made by Lighthouse to mitigate underlying manager's operational risks

Control



- Approximately 100 funded managed account investments
- Approximately 83% of Lighthouse AUMA is managed via managed accounts
- Protection through housing of assets in a segregated structure, no commingling of assets between managed accounts

Lighthouse

A full range of self-directed and managed hedge fund solutions



Customised hedge fund exposure, strategies and funds

- Approximately 100 funded managed account investments across all major hedge fund strategies
- Can include Lighthouse managed accounts, investor-sourced hedge funds and Lighthouse Funds



Investment advisory services for experienced institutional investors

- Direct access to senior investment professionals
- Hedge fund strategy development and implementation



Evolution of current hedge fund program

- Increase transparency, centralise risk management, seek to reduce fees
- Core-satellite and completion program construction around current hedge fund investments
- Strategy and regional specific investments to complement existing allocations



Operational due diligence

- Lighthouse reviews an underlying manager to identify whether there is adequate internal control structures in place
- Enables investors and consultants to focus on investing while Lighthouse focuses on confirming sound operational controls and procedures



Opportunistic investments

- Ability to implement certain opportunistic investments as they arise (eg – special situations, spread dislocations)



Strive to simplify, streamline and integrate existing hedge fund/fund of hedge fund portfolios

- Centralising reporting, risk management and analytics (where daily position-level information is available)

Certitude Global Investments

Business profile

Employees	~ 20
Offices	Sydney, Brisbane and Melbourne
Registration	Responsible Entity Australian Financial Services Licence

Fund Profile

Funds	Strategy	Underlying manager	Inception
LHP Diversified Investments	Multi-Strategy	Lighthouse	March 2001
LHP Global Long/Short	Global Equity Long/Short	Lighthouse	March 2001
GaveKal Asian Opportunities	Asian	GaveKal Capital	October 2010
Threadneedle Global Equity Fund	Global equities (long only)	Threadneedle	September 2011
Threadneedle Global Equity Income Fund Unhedged	Global equities (long only), focus on dividend yield	Threadneedle	November 2012
Columbia Credit Fund	Global fixed interest	Columbia Management	April 2013
Structured Products	Capital Protected Funds with defined maturity dates to June 2016	Various	2003 to 2008

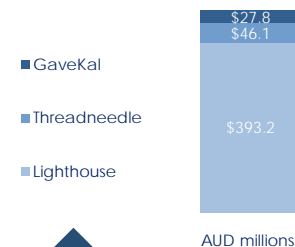
The Certitude business is about distributing quality investment manager partners who focus on delivering *alpha* from *global investment strategies*



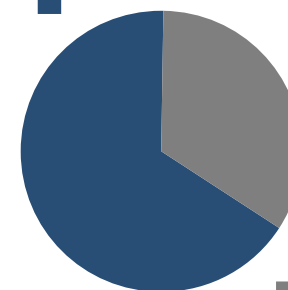
- Certitude selects high quality active investment managers from around the globe and brings their expertise to Australian investors
- These active solutions aim to deliver outperformance on a risk adjusted return basis allowing investors to complement their passive strategies with a strong risk management focus
- Certitude's investment partners are located across all the major financial markets and their selection is underpinned by a robust investment process

AUMA composition

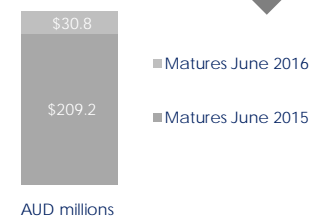
as at 30 June 2014



87% of Certitude's AUD467.0 million of open-ended product AUMA is managed by Lighthouse as at 30 June 2014.



66% of Certitude's AUMA at 30 June 2014 is in open-ended products



The remaining structured product assets will mature and be returned to investors by June 2016.

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.

Outlook

Outlook

AUMA

- Continue to grow AUMA through additional net inflows from new and existing clients.
- Likely to continue trend of inflows being predominately to customised client business.
- Focus on internal distribution capabilities at Lighthouse.
- Certitude to continue to build out distribution relationships within Australia.

Products and performance

- Products to continue to deliver against their stated investment objectives.
- Ongoing innovation with product design and offering to meet evolving client demands.
- Continue the development of the risk management software which will provide an even more powerful monitoring and risk management tool to be utilised by the Lighthouse Funds and their customised solutions clients.

Capital management

- Given the recent conversion of the convertible notes, the Group's capital structure has recently undergone significant change. The board is still considering how these changes impact HFA's capital management policies, including future dividend payments and debt financing. Given the importance of these issues to the Company and its shareholders, the board is giving further consideration to the Company's capital management policy and will inform the market once this has been agreed by the board.
- Final FY14 dividend will be unfranked. Nominal franking credits remain, expect the FY15 interim dividend to be partially franked, and then dividends will be unfranked thereafter.

Disclaimer

This presentation has been prepared by HFA Holdings Limited (**HFA**) and provides information regarding HFA and its activities current as at 18 August 2014. It is in summary form and is not necessarily complete. It should be read in conjunction with HFA's 30 June 2014 Annual Report.

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