

HFA Holdings Limited

FY15 Annual Results Presentation

20 August 2015

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

Financial performance

Headline results from continuing operations for FY15

As at 30 June 2015:

AUMA

\$8.72 billion

Net profit after tax

Statutory : \$134.8 million
Underlying : \$ 18.6 million

EBITDA

Statutory : \$26.6 million
Underlying : \$28.8 million

EPS

Statutory : 83.12 cps
Underlying : 11.49 cps

Final Dividend

5.5 cents per share

The following page provides a reconciliation of the differences between statutory and underlying results.

Reconciliation of statutory to underlying result

<i>USD millions</i>	FY2015 EBITDA	FY2015 NPAT
Statutory Result	\$26.6	\$135.6
Less : profit from and gain on sale of discontinued Certitude operations	N/A	(\$0.8)
<ul style="list-style-type: none"> \$1.4 million loss related to operating loss for Certitude to the 10 months to 30 April 2015 + wind up costs Net \$2.2 million gain on sale 		
Plus: loss on buy-back and conversion of convertible notes	\$2.2	\$2.2
<ul style="list-style-type: none"> An accounting loss of \$2.2 million was recognised through the income statement during the period due to the completion of the buy-back of 50 Convertible Notes and the amendment of the terms of the remaining 25 Convertible Notes which occurred in July 2014. The remaining 25 Convertible Notes were converted to ordinary shares in August 2014. The loss recognised in this period's income statement is non-recurring in nature. 		
Less: impact of recognising US tax losses as a deferred tax asset on the balance sheet	N/A	(\$118.4)
<ul style="list-style-type: none"> With the ongoing growth in Lighthouse's operating performance, an assessment has been made that it is probable that Lighthouse will produce sufficient taxable profits in future financial years against which \$126.6 million of deferred tax assets will be utilised. As a result, the Group has recognised these deferred tax assets on the balance sheet as at 31 December 2014. The recognition of these deferred tax balances has resulted in a tax benefit in the consolidated income statement of \$118.5 million and \$8.1 million in other comprehensive income. It is not expected that the Group will be in a tax payable position for a number of years (other than in relation to some relatively nominal United States State-based taxes). 		
Underlying result from continuing operations	\$28.8	\$18.6

The above presentation of the Group's results on pages 3, 4 and 5 of this presentation is intended to provide a measure of the Group's performance before the impact of non-cash expense items such as depreciation and amortisation, interest costs associated with the Group's external debt facility and the convertible notes previously on issue, as well as significant non-recurring items as detailed above. Net profit before and after income tax reconciles to the Income Statement in the 2015 Annual Financial Report.

Summary of financial performance

<i>USD millions</i>	30 June 2015	30 June 2014 (Restated)	Impact on result	% Change
Management and platform fee income	68.318	61.362	↑	11%
Performance fee income	1.466	3.474	↓	(58%)
Distribution costs	(6.235)	(6.177)	↓	1%
Operating income	63.549	58.659	↑	8%
Sublease income	0.704	-	↑	-
Operating expenses, excluding depreciation and amortisation	(35.360)	(31.309)	↓	13%
Net finance income / (costs), excluding interest	(0.054)	0.274	↓	(120%)
Loss on settlement and conversion of convertible notes	(2.217)	-	↓	-
EBITDA from continuing operations	26.622	27.624	↓	(4%)
Underlying EBITDA from continuing operations	28.839	27.624	↑	4%
Depreciation and amortisation	(9.564)	(9.923)	↑	4%
Net interest expense	(0.499)	(2.976)	↑	83%
Profit/(loss) before income tax	16.559	14.725	↑	12%
Income tax benefit / (expense)	118.262	(0.045)	↑	-
Net profit after income tax from continuing operations	134.821	14.680	↑	818%
Net profit/(loss) after tax from continuing operations	0.825	(0.766)	↑	-
Underlying net profit after income tax from continuing operations	18.589	14.680	↑	27%
Basic EPS from continuing operations (cents)	83.12	8.17	↑	917%
Underlying basic EPS from continuing operations (cents)	11.49	8.17	↑	41%

Key drivers of the FY15 results

Management and platform fees	<p>Management and platform fee income increased in FY15 by 11% to \$68.3 million.</p> <p>The increase was a result of:</p> <ul style="list-style-type: none"> ▪ a 9.5% increase in the average closing AUMA for the year; and ▪ a 2 basis point increase in the average net management / platform fee rate which applied for the year to 0.73%. 	Operating expenses	<p>Operating expenses increased by 12.9% or \$4.0 million compared to the corresponding prior year. Net of sublease rental income, the increase was 10.7% or \$3.3 million. The largest driver of this increase is higher short term incentive payments, although there have been some other increases in relation to occupancy, travel and other administration costs.</p> <p>Lighthouse commenced incurring licensing fees in relation to risk management software developed in conjunction with an external specialist company from January 2015. An expense of \$0.62 million has been incurred for FY15.</p>
Performance fees	<p>The Group earned \$1.5 million in performance fees this period, down 58% on the prior period.</p> <p>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.</p>		<p>With an increased focus on broadening global distribution over the 2015 financial year, Lighthouse increased its international travel, with a larger number of trips by staff to Europe, Asia and the Middle East. This led to a \$0.4 million or 45% increase in travel related expenses.</p> <p>The Group incurred \$0.4 million of director and executive recruitment fees in the 2015 financial year.</p>
Distribution costs	<p>Distribution costs relate to third party distribution arrangements in place for Lighthouse.</p> <p>Distribution costs remained steady as compared to the prior year, and represent 9.1% of management and platform fees.</p>	Net interest	<p>83% decrease in net interest expense is in line with expectations, due to:</p> <ul style="list-style-type: none"> ▪ Reducing balance of the Westpac loan; and ▪ Buy-back and redemption of the convertible notes early in FY15.

The above comments relate to the FY15 underlying results from continuing operations

HFA Group balance sheet

<i>USD millions</i>	30 June 2015	30 June 2014
Cash	26.896	65.902
Intangible assets	100.701	110.096
Secured bank loan	8.573	22.323
Convertible notes		
▪ portion recognised as a financial liability	-	19.249
▪ total face value at period end	-	89.568
Recognised deferred tax assets	126.573	-
Unrecognised deferred tax assets	68.044	218.761

Key balance sheet items

Cash	<p>\$39.0 million decrease in cash from June 2015 as a result of:</p> <ul style="list-style-type: none"> + \$28.3 million cash generated from operating activities + \$1.4 million (net of transaction costs) received for sale of Certitude - \$16.0 million paid in dividends to shareholders - \$14.5 million paid in interest and principal repayments on the bank loan - \$36.2 million paid buy-back of the convertible notes (net of proceeds from share placement)
Intangible assets	<p>When HFA acquired Lighthouse in January 2008, it recognised:</p> <ul style="list-style-type: none"> ▪ \$76.1 million of client relationships, trademarks and software <p>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 identifiable intangible assets will remain on the balance sheet.</p> <ul style="list-style-type: none"> ▪ \$499.5 million of goodwill. <p>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.</p>
Bank debt	<p>Secured bank loan decreased by \$13.8 million to \$8.6 million as at 30 June 2015.</p> <p>The loan is due to mature in March 2016, and under current repayment terms would be repaid in full at maturity.</p> <p>The loan is classified as a current liability.</p>

Convertible notes	<p>No convertible notes remain on issue as at 30 June 2015.</p> <ul style="list-style-type: none"> ▪ On 2 July 2014, the Company settled the buy-back of 50 convertible notes on issue. ▪ On 11 August 2014, the remaining 25 notes were converted to ordinary shares.
Deferred tax assets	<p>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:</p> <p>Recognised</p> <ul style="list-style-type: none"> ▪ US: \$35.8 million of US carried forward tax losses ▪ US: \$90.8 million of other (capital losses, impairment losses, deductible temporary differences) <p>An assessment has been made that it is probable that the US Group will produce sufficient future taxable profits against which its carried forward tax losses will be utilised. As a result, the Group has recognised deferred tax assets of \$126.6 million as at 30 June 2015.</p> <p>Unrecognised</p> <ul style="list-style-type: none"> ▪ Aust: \$3.0 million of Australian carried forward tax losses ▪ Aust: \$65.1 million of other (capital, impairment losses and deductible temporary differences) <p>Due to current uncertainty as to when, and how much, of the Australian Group's tax losses may be utilised to off-set future tax payable, as at 30 June 2015 HFA has not recognised any existing carried forward losses as deferred tax assets for the Australian Group.</p>

AUMA and investment performance

AUMA has held steady throughout the year

	1 July 2014 AUMA	Net Flows	Low fee account redemption	Performance	Impact of foreign exchange	Impact of sale of Certitude	30 June 2015 AUMA
		1	2	3		4	
Lighthouse							
Funds	USD 3.88 bn	↑ USD 0.10 bn		↑ USD 0.24 bn		↑ USD 0.34 bn	USD 4.56 bn
Customised Client Accounts	USD 4.12 bn	↑ USD 0.52 bn	↓ USD 0.51 bn	↑ USD 0.03 bn			USD 4.16 bn
Certitude	USD 0.66 bn	-		↑ USD 0.04 bn	↓ USD 0.10	↓ USD 0.60 bn	-
Combined total	USD 8.66 bn	↑ USD 0.62 bn	↓ USD 0.51 bn	↑ USD 0.31 bn	↓ USD 0.10 bn	↓ USD 0.26	USD 8.72 bn

1 Net flows includes monies received by Lighthouse for applications effective 1 July 2015, and accordingly excludes monies received by Lighthouse for applications which were effective 1 July 2014. This convention in relation to the reporting of net flows and AUMA has been consistently applied by HFA since Lighthouse became a part of the HFA Group in January 2008.

2 The "Low Fee account redemption " has been shown separately in the table above, as whilst a relatively large amount, these assets were not part of normal Lighthouse investment operations and only earned nominal fees for Lighthouse. As such, this redemption amount has only a nominal impact on HFA's revenue.

3 Performance includes investment performance, market movements and distributions (if any).

4 Impact of sale of Certitude on HFA Group AUMA on 30 April 2015. AUMA managed by Lighthouse on behalf of Certitude funds was re-allocated and is therefore reflected in the AUMA of Lighthouse Funds.

Key Lighthouse Funds – performance

July 2015 Performance Estimates

Lighthouse Multi-strategy Funds	July 2015	7 months to July 2015	3 year	5 year	10 year	3 year volatility
Lighthouse Diversified Fund LP	0.35%	3.63%	8.38%	6.63%	5.19%	2.79%
Lighthouse V Fund Ltd	0.20%	2.78%	7.48%	5.60%	4.35%	2.78%
Lighthouse Multi-Strategy Fund Ltd	0.25%	3.87%	8.10%	6.45%	n/a	2.75%
Lighthouse Strategy-Focused Funds	July 2015	7 months to July 2015	3 year	5 year	10 year	3 year volatility
Lighthouse Global Long/Short Fund LP	0.40%	4.85%	10.97%	7.59%	6.21%	3.77%
Lighthouse Credit Opportunities Fund LP	-1.70%	0.72%	5.63%	6.12%	5.58%	4.28%
Lighthouse Managed Futures Fund LLC	2.45%	-4.85%	-2.62%	0.54%	n/a	7.18%
Lighthouse Healthcare Series	0.10%	10.96%	16.52%	11.75%	n/a	7.03%
Benchmarks	July 2015	7 months to July 2015	3 year	5 year	10 year	3 year volatility
S&P 500 (with reinvested dividends)	2.10%	3.36%	17.59%	16.25%	7.72%	8.57%
MSCI AC World Index	0.90%	3.90%	13.42%	10.96%	6.67%	8.73%
Barclays Government / Credit Bond Index	0.73%	0.45%	1.47%	3.44%	4.58%	3.25%
91 Day US Treasury Bills	0.00%	0.00%	0.06%	0.08%	1.39%	0.02%
HFRX Global Hedge Fund Index	-0.03%	1.24%	3.00%	1.28%	0.83%	3.02%
Newedge CTA Index	3.00%	0.63%	3.66%	3.28%	4.26%	7.30%

- Performance may vary among different share classes or series within a fund. Past performance is not indicative of future results.
- Please refer to slide 22 for important information on the information provided above.

Financial results

AUMA & Performance

Business Overview

Business overview

Who we are

HFA Holdings is the parent entity for Lighthouse Investment Partners, LLC



The Lighthouse business commenced formal operations in 1999 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 2015, Lighthouse is managing USD8.7 billion of assets.

Whilst the HFA parent company is an ASX-listed Australian company, Lighthouse is based in the United States and has offices in New York, Chicago and Palm Beach Gardens in addition to offices in London and Hong Kong.



Our people

The HFA Board



Michael Shepherd, Independent Chairman
Director since December 2009

Based in Australia



Sean McGould, Director & Chief Executive Officer
Director since January 2008

Based in the United States
12% shareholder in HFA



Andy Esteban, Independent Non-Executive Director
Director since June 2008

Based in the Australia



Andrew Bluhm, Non-Executive director
Director since October 2012

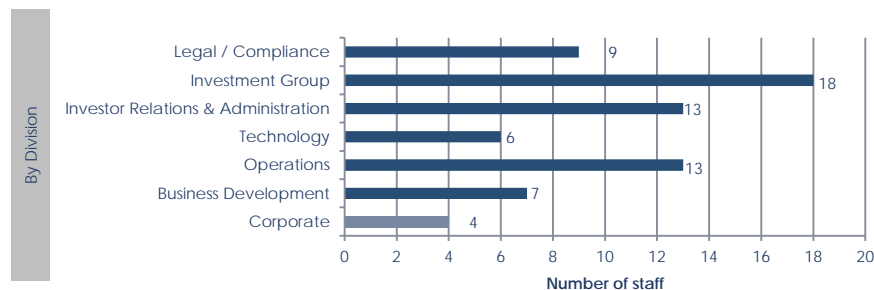
Based in the United States
Principal of Delaware Street Capital, the manager of Delaware Street which is a 16.1% shareholder in HFA



Randall Yanker, Independent Non-executive Director
Director since October 2014

Based in the United States

As at 30 June 2015, we have 70 staff:



Name	Position	Experience		
		Lighthouse	Hedge fund	Investment
Sean McGould	Chief Executive Officer & Co-Chief Investment Officer	19	22	26
Kelly Perkins	Co-Chief Investment Officer	15	21	23
Robert Swan	Chief Operating Officer	15	21	21
Scott Perkins	Executive Managing Director	14	14	19
Jack Swan	Executive Managing Director	14	21	21
Paul Schwarz	Managing Director, <i>Credit</i>	14	20	22
Clark Prickett	Managing Director, <i>Relative Value</i>	12	13	18
John FitzGibbon	Managing Director, <i>Global Trading</i>	12	14	24
Ethan Baron	Managing Director, <i>Equity</i>	12	13	19
Barry Timmins	Managing Director, <i>Equity</i>	10	10	11

What we do

Lighthouse's purpose is to protect and grow our clients' assets. How we do that sets us apart.

Lighthouse believes the most effective way to achieve diversification from traditional markets is through exposure to intelligently and actively managed portfolios of hedge funds. Lighthouse's overall objective is to create and deliver innovative investment solutions that compound investor capital.


We manage our clients money by carefully selecting and investing with specialist hedge fund managers. We create diversified multi-manager portfolios that provides the diversification required to manage the volatility of investment returns.

We believe that we have created a better way to invest in hedge fund managers:

- We're a leader and early adopter in managed accounts
- We have full transparency into our portfolios at the security level
- We carry out operational due diligence on a daily basis
- We're able to be opportunistic and flexible in our

Lighthouse is about underpinning consistent, risk-adjusted investment returns with strong investment governance.

• 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 

- Protection through housing of assets in a segregated structure, no commingling of assets between managed accounts
- Approximately 100 funded managed account investments
- Approximately 85% of Lighthouse AUMA is managed via managed accounts

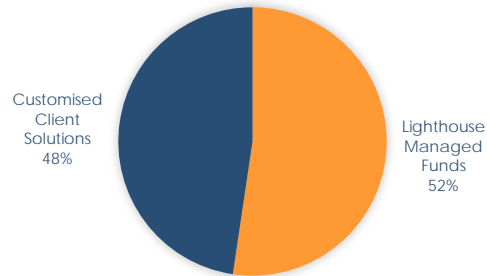
Who are our clients?

Assets under management and advice as at 30 June 2015:

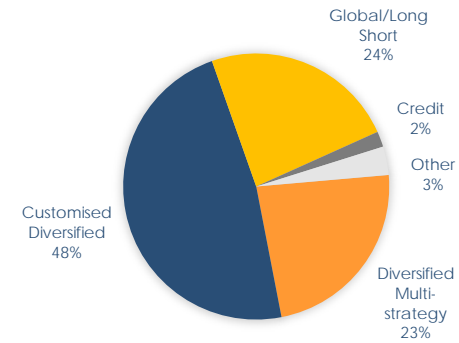
US\$8.72bn

How do our clients invest with us?

By services provided

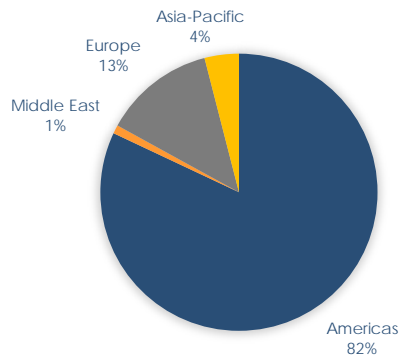


By investment strategy

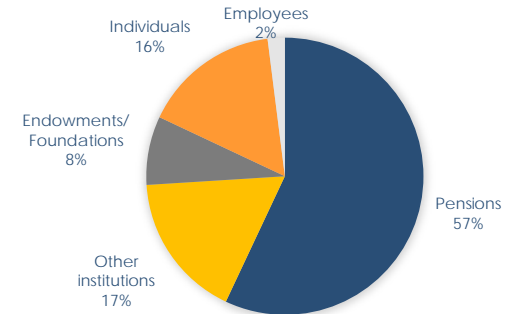


What type of investors are they, and where are they based geographically?

By geographical location



By investor type



What do we offer our Customised Solutions clients?



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)



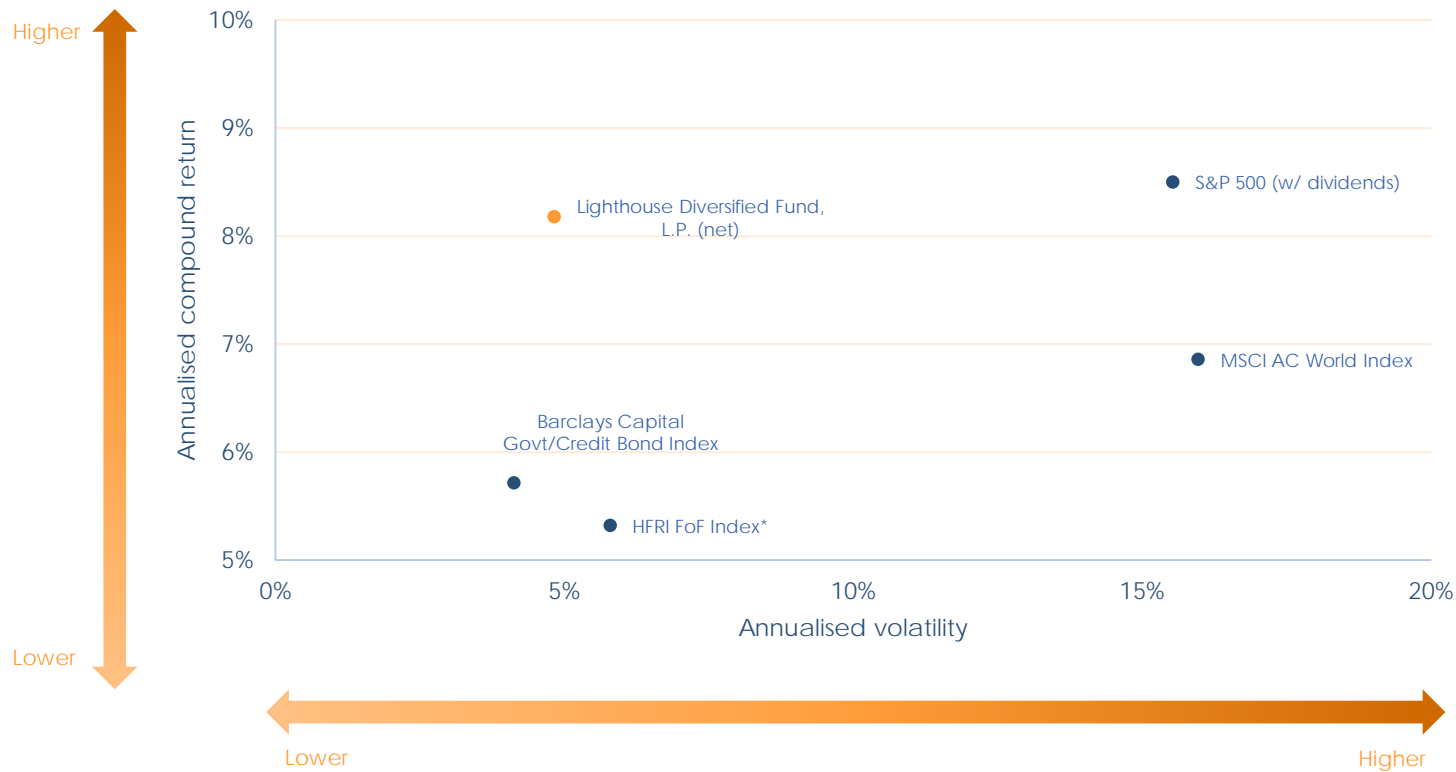
Strive to simplify, streamline and integrate existing hedge fund/fund of hedge fund portfolios

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

How has our flagship fund delivered over the long term?

We believe sound investing is a marathon, not a sprint. That's why we strive to safely compound investor capital over market cycles.

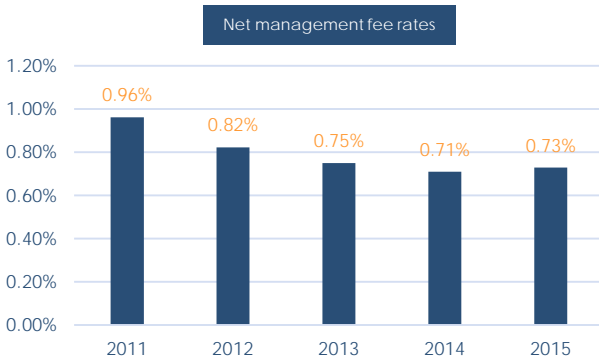
Risk-adjusted returns since August 1996



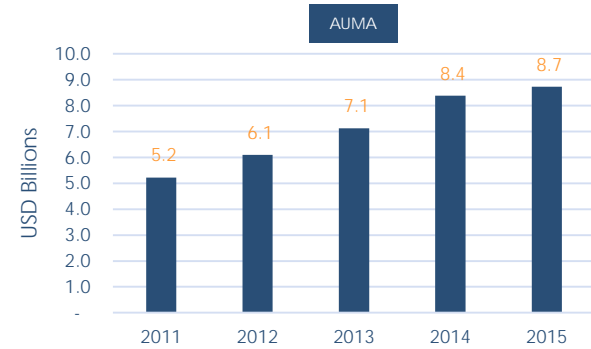
* The HFRI Fund of Funds Composite Index estimates the current month and the prior three months and, therefore, its performance is subject to change.

Information is for the period from August 1996 to July 2015. The full legal name of the Fund is Lighthouse Diversified Fund (AP) II, L.P. Performance for periods over one year has been annualized. Past performance is not a reliable indicator of future performance.

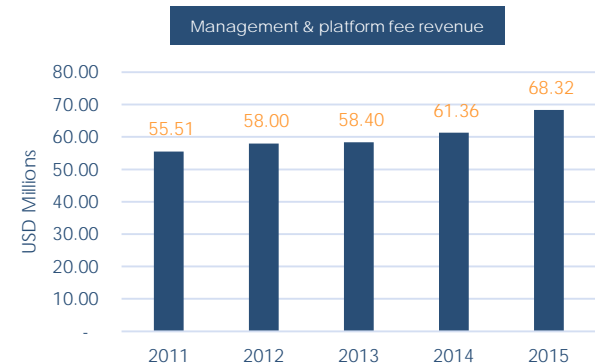
Core revenue a solid foundation for future performance



The growth in Customised Client Solutions business had a pronounced influence on net management fee rates in FY2011 & FY2012, however this has stabilised in recent years.



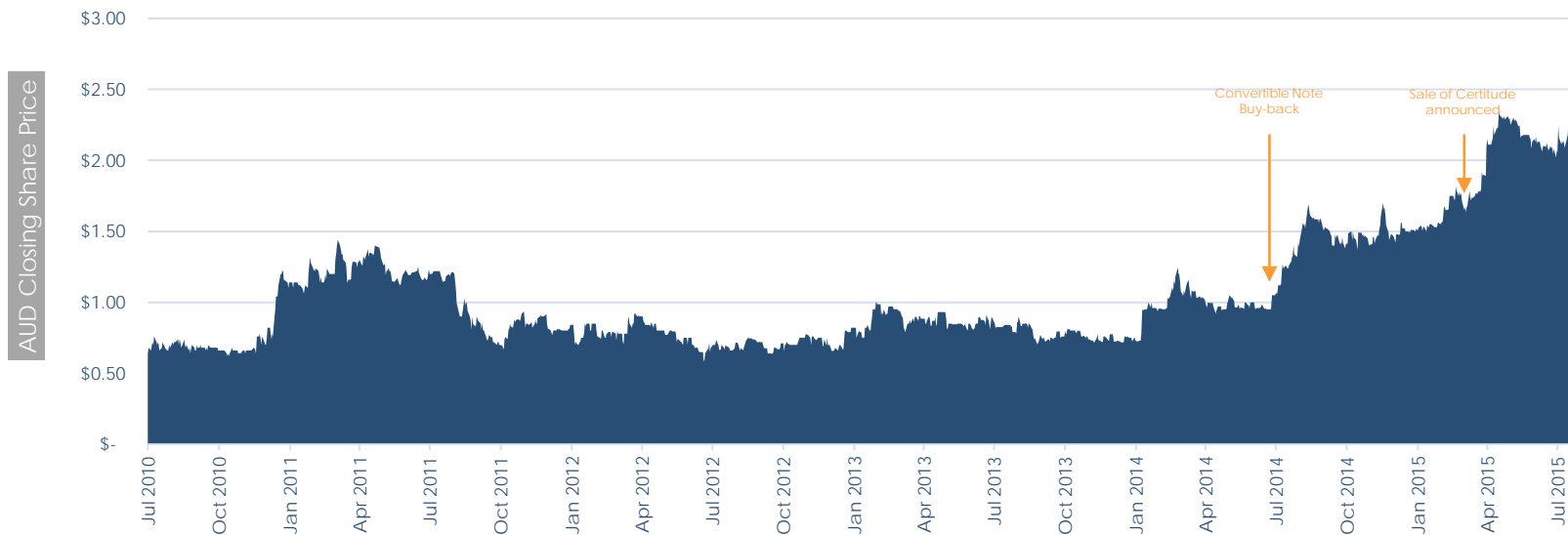
HFA has continued to deliver year on year growth in AUMA. The following chart shows Lighthouse's AUMA over the past 5 years.



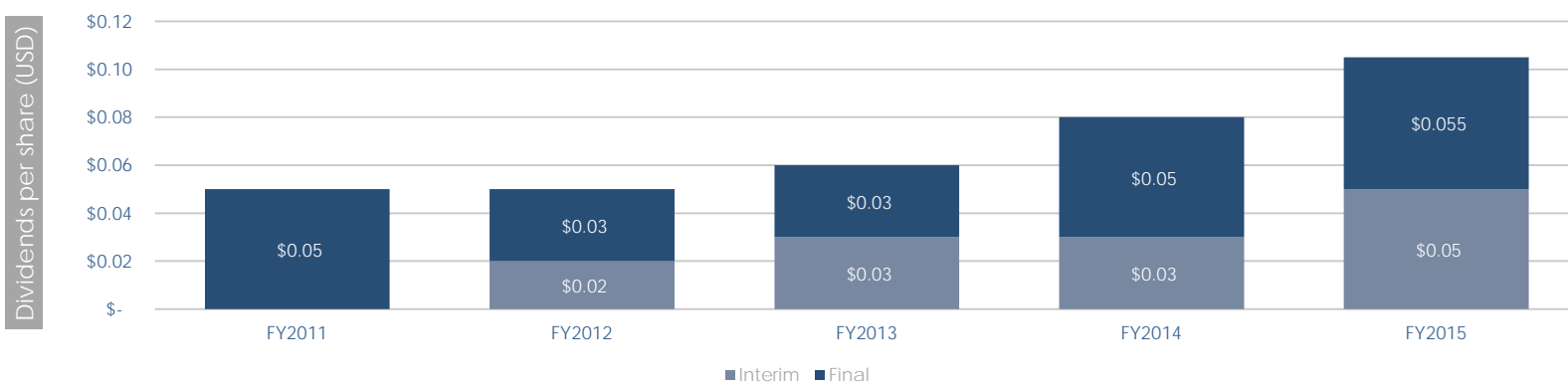
The combined impact of growing AUMA from both funds and customised clients provides a consistent core revenue derived from management and platform fees.

Results which have translated into shareholder value

Daily share price movement over the last 5 years



Dividend history over the last 5 years



Financial results

AUMA & Performance

Business Overview

Disclaimers

This presentation has been prepared by HFA Holdings Limited (**HFA**) and provides information regarding HFA and its activities current as at 20 August 2015. It is in summary form and is not necessarily complete. It should be read in conjunction with HFA's 30 June 2015 Annual Financial Report.

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Certain statements in this presentation may constitute "forward-looking" statements. Forward-looking statements are neither promises nor guarantees and involve known or unknown risks, uncertainties and other factors which may cause actual results to vary materially from any projection, future results or performance expressed or implied by such forward-looking statements. No assurance is given that future developments will be in accordance with HFA's expectations. Actual results could differ materially from those expected by HFA.

Performance data

Performance information contained in this presentation is estimated and subject upon final audit. Certain of the funds may have no external investors. The performance data represents the returns for each of respective Lighthouse Funds, or any related predecessor Fund, net of all fees and expenses, including reinvestment of earnings. Results include reinvestment of income and capital gains. Performance for periods over one year has been annualised. Past performance is not indicative of future results. This information is neither an offer to sell nor a solicitation of an offer to purchase any securities.