HFA Holdings Limited
ACN 101 585 737

19 August, 2009
ASX/MEDIA ANNOUNCEMENT

HFA HOLDINGS LIMITED – FULL YEAR RESULTS

KEY POINTS – FULL YEAR TO 30 JUNE, 2009

- Net revenue of $95.54 million, up 25 per cent
- Operating EBITDA[1] of $52.65 million, up 5 per cent
- 'Cash' EPS[2] of 8.86c per share
- Assets Under Management (AUM) of A$6.16 billion, down 34 per cent
- Funds Under Management (FUM) of A$5.62 billion, down 29 per cent
- FY10 guidance not appropriate

International fund manager holding company HFA Holdings Limited (ASX: HFA) has reported a full year operating EBITDA[1] (before non-cash impairment losses and non-cash equity settled transactions) of $52.65 million, up 5 per cent on the same period last year.

Net operating revenue for the year to 30 June, 2009, was $95.54 million compared to $76.27 million, including the first full year contribution of operating fee revenue from the merger with US-based manager Lighthouse Partners.

HFA Chief Executive Officer Spencer Young said the increase in underlying earnings for the company was a good result in one of the most challenging environments for business in decades.

"It has been a tough year with a rolling series of global crises having an impact on our industry and our business," he said. "Ultimately, our commitment to good people and sound processes has provided a stable foundation to move forward."

The net result for the year was impacted by two major items which do not affect the company's cash balance, cash flows or operating profits in the year under review. These items were predominantly captured in the half year accounts and were previously announced to the market on 26 February, 2009. The items include a non-cash impairment of $599.53 million, predominately related to a write-down of goodwill arising from the merger with Lighthouse, and a non-cash accounting expense for equity settled transactions of $12.40 million for shares issued to employees under employee incentive plans.

During the year ended 30 June 2009, the Group successfully extended its existing loan facility until November 2011 and has reduced its US$ denominated debt from US$127.76 million to US$113.07 million, and its A$ denominated debt from A$10 million to A$6.90 million.

The Board has declared that no final dividend for the financial year ended 30 June 2009 will be paid.

At 30 June, 2009, the Group's Funds Under Management (FUM) and Assets Under Management (AUM) were A$5.62 billion and A$6.16 billion respectively, down 29 per cent and 34 per cent respectively on the same period last year.

Mr Young said the global financial crisis created one of the most difficult operating environments for fund managers in recent history.

"The severity and swiftness of the global crisis and the subsequent distress in credit and global capital markets dramatically impacted the entire financial markets ability to function. Most markets, particularly credit markets, effectively stopped functioning," he said.

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[1] before non-cash equity settled transactions and non-cash impairment losses. Prior year comparative is before non-cash equity settled transactions and foreign currency gains on derivative instruments.
[2] based on net profit/(loss), adding back non-cash items of depreciation and amortisation, impairment losses and equity settled transactions, and adjusting for non-cash income tax benefit / (expense).

"We are proud of the relative strong performance of the Group's flagship funds compared to most major indices during this period but acknowledge a failure to deliver 'absolute' returns."

Mr Young said the company now believed the worst of the crisis had passed and markets were returning to more normal levels of functionality and performance.

"Markets have moved back toward normality remarkably quickly and throughout the second half we saw hedge fund investment returns move to more traditional levels of performance," he said. "Pending any other unforeseen events we would anticipate this trend towards normalisation will continue throughout the current year."

Mr Young added the funds management industry was also seeing early evidence of an end to redemption demand.

"We have seen early signs that the redemption levels we witnessed at the height of the global financial crisis have diminished and we are cautiously optimistic that overall fund flows will stabilize," he said.

HFA Asset Management has also materially completed the process of de-leveraging the company's leveraged funds.

Mr Young said that while the company's net result had been significantly impacted by an impairment of goodwill relating to the carrying value of the Lighthouse business, the Board considered the decision to amend the valuation as prudent.

"Despite the impairment, the merger with Lighthouse has given us the global scale, diversity and skills to deal effectively with the current market turmoil and we are confident the business will provide long term value."

The Group's core funds, the Lighthouse Partners Diversified Fund ("LHP DF") and LHP Global Long/Short Fund ("LHP GLS"), which combined represent approximately 60% of the Group's total AUM, have on a relative basis continued to significantly outperform key industry benchmarks.

Since the market's peak in October 2007 the LHP DF has fallen 13.8% while the LHP GLS has fallen 8.7%. This compares to falls in the MSCI World (down 37.7%), the S&P500 (down 37.2%) and the S&P/ASX200 (down 34.7%).

To better meet the expectations of investors in the current and future markets, the Group has also continued to extend its proprietary Lighthouse managed account program that will underpin its fund of hedge fund portfolio structures.

Management believes the managed account program will materially differentiate its product offerings in an environment where investors will expect greater transparency. The program offers direct control over the underlying assets, independent asset valuations and full transparency.

Given the uncertainty still surrounding the global economy and financial markets HFA does not believe it is appropriate to provide definitive guidance on future earnings.

ENDS

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