



30 November, 2010
ASX/MEDIA ANNOUNCEMENT

**HFA Holdings Limited - 2010 Annual General Meeting
Chairman and Chief Executive Officer's Address
Mr Spencer Young**

Good morning ladies and gentlemen, fellow shareholders.

[Slide 4]

Before proceeding to the formal component of today's meeting I would like to first provide an update on our performance through the 2010 financial year and detail some of the key strategic highlights for the year. I will conclude with a trading update on the current financial year and some comments on our outlook for the full year.

Our primary objective throughout the 2010 financial year was to continue re-building the business after the shock of the global financial crisis. Like many financial service businesses we were particularly vulnerable to the systemic structural changes which can be directly attributed to the events of 2008.

While these were difficult and extremely challenging times for the Board, management and staff of HFA I am pleased to report that we have seen over the last 18 months a stabilising of our business and importantly a material reduction in the adverse external pressures which affect our ability to create value for shareholders.

Financially, we are much stronger having delivered underlying operating cashflows of \$29.4 million and Operating EBITDA of \$24.09 million. As a direct result of these achievements we have been able to continue paying down our debt and strengthening our balance sheet.

Lighthouse has performed particularly strongly with an 11% increase in AUM for the year and positive fund flows for 10 of the 12 months. Lighthouse contributed 78% of the Group's total net income of \$60.62 million and 89% of Operating EBITDA of \$24.09 million for the full year.

In Australia, the newly rebranded Certitude Global Investments business remained challenging but I am pleased to report that subsequent to the end of the financial year we have taken some strong positive steps to secure our future with the adoption of this new brand and the appointment of a new CEO.

[Slide 5]

I would like to take the opportunity to focus on some of the key drivers of our financial performance in the year under review. Outside of the strong EBITDA and Operating Cash Flow items I have already mentioned there are a number of other items worth mentioning.

Our pre-tax earnings were \$6.3 million for the year to 30 June, 2010, with a net profit after tax of \$4.7 million compared to a net loss in 2009 of \$573.18 million. As you are aware the 2009 financial results were severely impacted by non cash impairments and write-downs of \$599.54 million primarily related to the acquisition of Lighthouse in 2008.

These large one-off items in 2009 should do nothing to diminish the achievements of 2010 and our ability to focus on reducing costs to reflect the new operating environment and reduction in assets under management.



[Slide 6]

As you are aware our income is largely linked to the size of the assets base which we manage. After two years of steady declines I am pleased to report that in the 2010 year our total Funds Under Management (FUM) fell less than 2% to \$5.51 billion for the year.

Pleasingly our Lighthouse business experienced positive growth in AUM for the year due to strong performance of its core products and overall net inflows. I would also note that the Lighthouse AUM appears flatter in AUD terms as this growth has been off-set by foreign exchange conversion differences arising from the higher Australian dollar compared to 30 June 2009. Lighthouse fund flows for FY10 were a positive \$218m, with 10 of the 12 months recording net inflows.

Falls in assets under management at Certitude were due to net fund outflows and the final deleveraging occurring in its portfolios during the first half. The Certitude fund flows have largely been affected by the withdrawal windows offered by the HFA Diversified Investments Fund totalling \$235m and resulting in net overall outflows, as well as discontinuation of the \$78m management agreement with Signature Capital Investments.

[Slide 7]

I would now like to address some of the issues with our Australian business and the steps we have taken to address these issues. Since the onset of the GFC and resulting structural upheaval of the Australian retail fund management market our domestic business has been under extreme pressure from falling revenues as a result of lower levels of assets under management.

While we are beginning to see evidence of a stabilisation in the local market we have nevertheless decided to take steps to re-position the business to maximise opportunities as the investment environment returns to more historical levels and operating parameters.

From August 1, 2010, our Australian business, previously called HFA Asset Management, became known as Certitude Global Investments. Changing the name of the business is just one element of our strategy to re-position the business to ensure its long term sustainability and maximise opportunities for growth.

Underpinning the name change is a new strategic direction focussing on moving to an open architecture model of investment management services. Previously the business had been focussed on a single multi-manager strategy with distribution primarily to retail investors through Independent Financial Advisers (IFAs)

Under its revised strategy the business will now focus on offering a broader range of products, to a more diverse range of investors, with a focus on providing simple and transparent access to some of the world's leading active investment managers. In the process Certitude will retain HFAAM's market leading expertise in absolute returns and multi-manager products and envisages a pivotal ongoing role for products sourced from Lighthouse with their managed accounts program capabilities and benefits. The successful implementation of the new business strategy under the Certitude brand, including the introduction of high quality single manager products that are liquid, transparent and simple, will lay the foundations for renewed AUM growth and profitability over the medium-term.

The changes at Certitude are being driven by experienced financial services executive Craig Mowll as the newly appointed Chief Executive Officer.



[Slide 8]

While our Australian operations required fundamental changes to adapt to the new post-GFC environment our Lighthouse business has given us the financial certainty to undertake these changes.

Under the guidance of President Sean McGould and his team, the Lighthouse business has emerged from the GFC as a strong, stable business with tremendous potential to grow well into the future.

Lighthouse's current success is built not just on its industry leading investment performance but also on the fundamental decision in 2005 to migrate fund portfolio positions away from investments in underlying hedge funds to direct investments via a proprietary managed accounts program. When the GFC struck in 2007 hedge fund investors immediately began demanding greater transparency, security of investment assets and enhanced liquidity from their managers and the progress Lighthouse had already made in migrating to Managed Accounts, albeit still work in progress, positioned them well to be a global leader in meeting investors' expectations.

As one of the largest fund of managed accounts providers in hedge fund products globally, Lighthouse's managed accounts program has been well received by its existing and new clients, with 70% of all inflows received during FY10 going to Lighthouse products which have 100% of their assets invested via the managed accounts program.

The Lighthouse business will continue to focus on the development and distribution of its managed accounts program, in particular focussing on broadening distribution not only geographically, but also deeper into the larger institutional investor space.

[Slide 9]

The success of the Lighthouse business is in no small part due to the continued success of the underlying funds which they manage.

Despite continued volatility throughout global markets as a result of the uncertainty surrounding the US economy and European sovereign debt issues we have continued to deliver on our investor's expectations for risk adjusted outperformance of our key funds.

While we are proud of the relative performance of the Group's flagship funds compared to most major indices during the last year the true value of Lighthouse's investment management skills are most evident over the long term

Since inception in August 1996 the Lighthouse Diversified Fund has delivered a total return of 222.5%, compared to 40.2% for the Morgan Stanley World Index and 120.5% for the S&P500 over the same period.

[Slide 10]

An important measure of investment performance is the period since the most recent market high in October 2007. As at the end of October this year investors in our Lighthouse-managed Diversified Fund were just 3.4% down from the October 2007 high while our Lighthouse Global Long/Short funds investors were 1.6% down from their peak. Meanwhile investors linked to the MSCI World Index are down 18.9% from the peak and S&P500 remains 18.7% below high water mark. Importantly this means MSCI linked investors require a 23.4% gain to get back to their pre-crash level and S&P500 and ASX200 linked investors need a return of roughly 23% to get back level.



[Slide 11]

In Australia our Certitude investors are well positioned compared to other index-linked investments with the HFA Diversified Investments Fund down 8.26% from October 2007 and the HFA International Shares Fund up 10.36% on 2007 levels.

[Slide 12]

Turning now to our performance in the current year I am pleased to report that we started the new financial year with the same momentum with which we finished the previous year.

Our Australian business is beginning to see the benefits of its re-branding with increasing numbers of former clients re-engaging with the business and our renewed focus on customer service and greater diversity in product offerings.

A combination of fund performance and steady inflows helped us to reach assets under management of AUD5.2 billion at the end of the October, which while lower than the figure for the end of June 2010 was impacted by the well publicised rise in the Australian dollar. If measured in US dollar terms, AUM has in fact increased by 7.6% to USD 5.08b billion since 30 June.

As you are aware by our statements of the last few years it is extremely difficult for the Board and management to provide any clear guidance in relation to future earnings. The international nature of our business and the relationship to investment markets means our earnings are intrinsically linked to currency and stock market fluctuations. As such we are not in a position to provide definitive guidance on future earnings. As always we remind shareholders that future earnings are largely dependent on the Group's level of funds under management. Increased FUM will improve earnings and decreased FUM will decrease earnings.

In summary, the operating and financial performance of our business during the last financial year and into the new year gives us the confidence to look forward and plan for the future with more clarity than at any time since the onset of the GFC.

The structural changes to the global funds management landscape have been consumer driven with all investors requiring enhanced transparency, liquidity and security of assets in their investments. Both the Lighthouse and the Certitude businesses have faced these challenges and re-focussed their strategies on meeting these demands through their product offerings and services. In addition, both businesses are actively pursuing a diversification of their traditional distribution channels.

Shareholders will be aware that we were last week queried by the ASX about a sharp one-day increase in our share price. Our response included the disclosure that we were currently in confidential and incomplete discussions with a party in relation to a potential transaction. As we highlighted to the ASX the discussions are incomplete and there is no certainty they will result in a more detailed proposal. The transaction is being investigated as part of the ongoing assessment of HFA's strategic direction and we will alert shareholders immediately that we have any certainty the transaction will proceed. Any transaction will be subject to shareholder approval.

I would like to take this opportunity to thank my fellow Board members, the senior management and staff of HFA, Lighthouse and Certitude, for their continued efforts not just in sustaining HFA throughout the GFC but more importantly to entrench it as a company that is well positioned to deliver long term value for both our shareholders and our product investors.

Thank you for your time.

Spencer Young
Chairman and Chief Executive Officer
HFA Holdings Limited