HFA Holdings Limited
ACN 101 585 737

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ASX/MEDIA ANNOUNCEMENT

HFA HOLDINGS LIMITED – FULL YEAR RESULTS

Key results at a glance: full year to 30 June 2012

- Assets under management & advice (AUMA) $6.6 billion, up 15%
- Operating revenue $66.2 million, down 3% on FY 2011
- Operating EBITDA $15.2 million, down 23%
- Net profit after tax (NPAT) $2.7 million, down 51% on last year
- Continued reduction in corporate debt: $26.3 million in 2012 down from $28.3 million
- A final dividend of 3.0 cents per share, added to the interim dividend of 2.0 cents per share

Consolidated Group operating and financial overview

HFA Holdings has continued to build momentum with a 15% increase in Assets Under Management and Advice (AUMA) for the 12 months to 30 June 2012. The Group, which comprises US-based Lighthouse Partners, LLC and the domestically focussed Certitude Global Investments Limited, finished the year with total AUMA of $6.6 billion, up from $5.8 billion at the end of FY 2011.

The Company has announced a net profit after tax of $2.7 million. This result, as foreshadowed by the December 2011 half year result, is 51% down on last year's NPAT. Whilst operating revenue remained relatively steady at $66.2 million, down 3% on last year, a 23% downturn in EBITDA, from $19.7 in FY 2011 to $15.2 as at 30 June 2012, was the result of higher operating expenditure.

The board has determined to pay a final dividend of 3.0 cents per share. Added to the interim dividend of 2.0 cents per share, the Company will pay a total dividend of 5.0 cents per share in relation to the 2012 financial year.

According to Spencer Young, HFA Chairman, the 2012 result demonstrates steady progress on the part of each of its underlying businesses.

"The Board believes the results should be read both within the broader context of unprecedented market volatility and, more narrowly, with reference to the considered expansion and evolution of each businesses that is currently under way," he said.

Investing in long term strategic outcomes

The 15% growth in AUMA is a positive achievement in the face of on-going market volatility, providing evidence of Lighthouse Partners' ability to deliver on its strategy of broadening distribution into the larger institutional investment market. As predicted last year, while in the short term participating in significantly larger mandates has had the net effect of reducing margins, the Board remains convinced that the growth and scale benefits offered by pursuing this strategy will best position the Company to deliver long term benefits to shareholders.

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

Another factor in reduced profitability for FY 2012 was increased operating expenses, which (excluding depreciation and amortisation costs) increased to $40.2 million, up 17% compared to the previous financial year.

Whilst the increase is considerable compared to the Company's historical expense levels, there is a long term strategic intent underpinning this result. Specifically, the additional expenditure was concentrated in two areas: in remuneration and incentive arrangements that enable the Company to attract and retain high quality personnel in key positions; and ensuring that technology and systems meet the growing and complex requirements of businesses whose success relies on real time data capture and analysis.

Lighthouse Partners operating and financial overview: a course for growth

Lighthouse is a US-based investment manager dedicated to managing fund-of-hedge funds for diversification and absolute return. both its managed funds and customised client solutions business use its proprietary managed account program to, respectively, manage a number of multi-strategy and strategy-focused funds and develop tailored solutions for sizeable strategic clients.

As at 30 June 2012, AUMA for Lighthouse increased by 24% on the previous financial year, from $4.6 billion to $5.7 billion.

The increase was driven by both positive net inflows for the year of $1.2 billion, partially offset by slightly negative investment performance across the Lighthouse products.

Inflows that increased AUMA are primarily from Lighthouse's customised client solution business, which for the first time in July 2011 established several sizeable strategic clients.

With the growth of the customised solutions business, average net management fees (after investment management costs) earned on AUMA decreased 23% to 0.92%pa. As outlined in the Company's prior year Annual Report, this fall is in line with expectations and arises from the increased distribution to large institutional investors achieved over the year.

Not unexpectedly, given the poor performance of markets for the 2012 financial year, and in keeping with the experience of others in the industry, performance fee revenue was lower, down to $0.2 million in FY 2012 (2011: $2.6 million).

As noted above, FY 2012 saw increases in operating expenses in the order of 24% as compared to FY 2011, the largest of which is $3.6 million in personnel expenses and $1.0 million spent on technology solutions and enhancement of investment risk management systems.

“The picture we are seeing with the Lighthouse business results is the outcome of five years’ work in creating a managed account program which provides true transparency in asset positions and allows Lighthouse to effectively analyse and utilise vast amounts of daily data for timely risk management and monitoring of external fund managers,” said Mr Young.

“It’s a history that positions the Lighthouse business well, because its managed account program is already integral to the investment process. So, while certainly the market has posed challenges in terms of volatility and outlook, they are challenges that the whole industry shares. In spite of these challenges, Lighthouse’s focus on the bigger strategic picture of where and how to grow the business is unwavering and results in this regard indicate that it is on course.”

Certitude Global Investments operating and financial overview: positioned for the future

Certitude is an Australian-based provider of global investment management, selecting leading active managers from around the globe and bringing their expertise to Australian investors. Certitude's approach is to use its worldwide connections and strong partnerships to translate complex global events into simplified investment intelligence.

As did most of the Australian funds management industry, Certitude experienced a fall in overall AUMA over the 2012 financial year, totalling 15%. This was caused by net fund outflows of AUD192 million, AUD71 million of which was from closed-ended legacy structured products. It is worth noting that these outflows were anticipated, and a portion relate to structured products which generate nominal or nil fees.

Certitude's open-ended products, on the other hand, represented a 10% reduction in AUMA, commensurate with industry average.

Certitude operations experienced a 19% decrease in net income from operating activities to $7.0 million, consistent with the 18% decrease in average AUMA compared to the 2011 financial year, as well as a 4.5% reduction in the AUD net management costs (after investment costs).

Despite difficult investment markets, fund performance contributed AUD51 million in AUMA growth.

As expected, difficult markets also resulted in reduction in performance fees, with $0.4 million in performance fee revenue, down from $1.1 million in FY 2011.

Against challenging market circumstances, controlling operating costs has been a significant focus. Excluding a once-off personnel cost increase of due to termination/redundancy payments required to restructure the Australian business to pursue its new strategy, the business achieved a 7% reduction in other operating expenditure.

"Certitude's results should be viewed in context, notably the considerable change that has taken place in every part of the business over the past two years. Accordingly, the Board sees the reduction in AUMA as the unavoidable result of the current Australian market conditions. The redemptions from the LHP Diversified Investment Fund, which occurred at higher levels when it first returned to normal monthly liquidity terms at the start of FY 2012, have eased off significantly in the latter half of the year.

"Certitude's current business strategy, to distribute high quality products that are liquid, transparent and simple, provides a solid foundation to benefit when Australian market conditions improve," said Mr Young.

In summarising the Group's results, Mr Young said: "While on the one hand the Group's 2012 results reflect the bumps in the road that all our industry is experiencing, they also signal that both the Lighthouse and Certitude businesses are positioning themselves to weather the storms and forge ahead with their future plans."

Dividends

The directors have determined a final dividend of United States (US) of 3.0 cents per share. The dividend will be paid on 19 September 2012 to all shareholders registered on the record date of 29 August 2012. The dividend will be fully franked for Australian taxation purposes.

HFA dividends are determined and declared in US dollars. However, shareholders will receive their dividend in Australian dollars. Currency conversion will be based on the foreign exchange rate on the record date of 29 August 2012.

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