



**Spencer Young
Chief Executive Officer
HFA Holdings Limited**

Half Year 2011 Results Presentation

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HY11 Overview... solid foundations for future growth

HFA Group: Sound Financial Performance

- Positive growth in USD AUM
- Strong underlying operating cash flows of \$13.47 million, with operating EBITDA of \$11.09 million
- Strengthening of balance sheet continues through debt reduction

International Business: Lighthouse Partners performing strongly

- Steady recovery from the worst impacts of the GFC
- AUM increase of 8.3% with positive net inflows
- Completion of globally-recognised managed account program

Australian Business: Certitude repositioned for growth

- Australian retail funds management sector recovering slowly
- Adopted new brand – Certitude Global Investments – from August 1, 2010
- Moving towards open architecture model to diversify product and client base

Half Year 2011 Key Financial Outcomes

Income

- Operating Income** • Stabilised post GFC operating income of \$28.3 million. Lighthouse contribution of \$23.8 million down 3.6% in AUD terms due to an increase in the average Australian Dollar exchange rate, offset by higher average USD AUM. Australian operations contributed \$4.5 million, down 30.5% due to lower average AUM.

Expenses

- Operating Expenses** • Operating expenses (excluding non cash depreciation and amortisation) remained steady at \$17.3 million.

Earnings

- Operating EBITDA** • Strong \$13.47 million operating cash flow leads to \$11.09 million EBITDA (before equity settled transactions), down from \$13.83 million. Result reflects the increase in the average Australian Dollar exchange rate to 94.54 cents from 87.19 cents.
- EBIT** • Pre-tax earnings of \$3.33 million compared to \$2.14 million for HY10, driven primarily by a lower equity settled transaction expense.
- NPAT** • Net profit after tax of \$3.02 million (HY10: \$993 thousand), positively impacted by a decrease in interest expense.

Cash flows and debt position

- Operating cash flows** • Cash flows from operating activities were \$13.47 million
- Debt reduction** • \$6.4 million in debt repayments through HY11
- Debt as at 31 December 2010** • USD 97.01 million
- Net debt of AUD 63.05 million (30 June 2010: AUD 87.70)

Sound financial performance

\$'000	31 December 2010	31 December 2009	% Change
Revenue	34,728	36,443	(5%)
Investment management costs	(6,436)	(5,277)	(22%)
Operating income	28,292	31,166	(9%)
Foreign exchange gain/(loss) on operating activities	87	(144)	160%
Operating expenses, net of other income	(17,290)	(17,193)	(1%)
Operating EBITDA (before equity settled transactions)	11,089	13,829	(20%)
Equity settled transaction expenses ¹	(338)	(2,457)	86%
Operating EBITDA (after equity settled transactions)	10,751	11,372	(5%)
Depreciation and amortisation	(5,580)	(6,090)	8%
Net interest income / (expenses)	(1,840)	(3,140)	41%
Profit/(loss) before income tax	3,331	2,142	56%
Income tax benefit / (expense)	(308)	(1,149)	73%
Net profit /(loss) after income tax	3,023	993	204%
Basic EPS (cents)	0.644	0.216	198%

1. Non-cash equity settled transactions.

8% increase in AUM from 30 June 2010 in USD terms

AUD billion	Certitude Global Investments			Lighthouse Partners			Total Group		
	31-Dec-10	30-Jun-10	%Change	31-Dec-10	30-Jun-10	% Change	31-Dec-10	30-Jun-10	% Change
FUM	1.134	1.254	-10%	3.870	4.259	-9%	5.004	5.513	-9%
AUM	1.157	1.281	-10%	3.870	4.259	-9%	5.027	5.540	-9%
USD billion									
FUM	1.153	1.069	-8%	3.933	3.630	+8%	5.086	4.699	+8%
AUM	1.176	1.092	-8%	3.933	3.630	+8%	5.109	4.722	+8%

AUM & FUM - Analysis

- AUM & FUM**
- Lighthouse has experienced positive growth in AUM for the half year due to strong performance of its core products and overall net inflows.
 - Lighthouse AUM has decreased in AUD terms as USD growth has been off-set by foreign exchange conversion differences arising from the higher Australian dollar compared to 30 June 2010.
 - Decrease in Certitude AUM has been due to net fund outflows during the first half. As at 31 December 2010, only \$23 million in leverage remains in the HFAAM branded products.
- Fund flows**
- Lighthouse fund flows for HY11 were positive USD 8.4 million.
 - Certitude fund flows for HY11 were negative AUD 187.7 million, largely due to the withdrawals windows offered by the HFA Diversified Investments Fund.

Impact of net flows, performance and FX on the Group's AUM

HFA Holdings Limited - Consolidated AUD AUM movements for the six months ended 31 December 2010

