HFA Holdings Limited
ACN 101 585 737

26 February, 2009
ASX/MEDIA ANNOUNCEMENT

HFA HOLDINGS LIMITED - HALF YEAR RESULTS

HIGHLIGHTS – HALF YEAR TO 31 DECEMBER, 2008

- Revenue of $65.6 million, up 99 per cent
- Operating EBITDA* of $35.4 million, up 161 per cent
- 'Cash' EPS** of 10.2 c per share, up 183 per cent
- Assets Under Management (AUM) of $8.838 billion, down 5.6 per cent
- Funds Under Management (FUM) of $7.162 billion, down 8.9 per cent
- Full year guidance not possible or appropriate in current environment

Fund of hedge fund manager HFA Holdings Limited (ASX: HFA) today reported first half operating EBITDA (before impairment losses and equity settled transactions) of $35.4 million, up 161 per cent on the same period last year, with increased management fee revenue from the acquisition of US-based manager Lighthouse Partners driving a 99 per cent increase in revenue.

Operating revenue for the six months to 31 December, 2008, was $65.6 million compared to $33.0 million and included a $41.9 million contribution from Lighthouse.

Despite difficult market conditions the company's Funds Under Management (FUM) and Assets Under Management (AUM) recorded only small declines and were $7.162 billion and $8.838 billion respectively, down 8.9 per cent and 5.6 per cent respectively from 30 June, 2008.

Earnings before Interest, Tax, Depreciation and Amortisation and Impairment losses were $22.0 million, up 62 per cent on the same period. This figure includes a non cash accounting expense for Equity Settled Transactions of $13.4 million for shares issued to employees under employee incentive plans. As previously advised to the market, $13.0 million of these shares were not issued by the Company but transferred from SGM Holdings LLC (a Director-related entity of Lighthouse Partners President Sean McGould) to employees. Accounting standards require an expense to be recognised by the Company.

Despite the positive operating earnings, the Company reported a net loss after tax of $570.3 million due to impairment expenses of $596.6 million, predominately related to a write-down of goodwill arising from the acquisition of Lighthouse. HFA has decreased the carrying value of this goodwill from $518.9 million to $135.4 million after taking into account foreign exchange translation. These write-downs do not affect the company's cash balance, cash flows or operating profits.

HFA Chief Executive Officer Spencer Young said the positive operating result and relatively small declines in AUM were a good outcome in the current environment.

"The half year under review saw an unprecedented dislocation in global credit and equity markets which has continued into the new year," he said. "Despite this challenging environment HFA has managed to report positive operating earnings and retained assets under management relatively well compared to our peers.

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* *before impairment losses and equity settled transactions*
** *based on net profit/(loss), adding back non-cash items of depreciation and amortisation, Impairment losses and equity settled transactions*

"The net result has been significantly impacted by an impairment on the carrying value of Goodwill for the Lighthouse business and which now more accurately reflects the prevailing market conditions. Despite the impairment, the acquisition of 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 Company has this week also negotiated a new extended corporate loan facility which expires in November 2011. The Board believes this longer term funding, will adequately support the Company through the current market and leave it well positioned to benefit from an expected rationalisation of the fund of hedge fund industry.

Despite solid core product investment returns (relative to equity markets) the Company expects new investment inflows to remain subdued while our investors review their own portfolios and await greater clarity on global economies. The Company also expects a period of net redemptions from its funds over the short to medium term as investors satisfy a need for cash to service their own commitments. The Group expects to retain approximately 85% of its 31 December 2008 FUM at the end of the March 2009 quarter.

To better meet the expectations of investors in the current and future markets HFA has expedited the roll out of its proprietary Managed Account platform that will underpin its fund of hedge fund portfolio structures.

Management believes the Managed Account platform will materially differentiate its product offerings in an environment where investors will expect greater transparency. The platform offers direct custody over the underlying assets, independent asset valuations, control over asset liquidity and direct control over counter party appointments.

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

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