HFA Holdings Limited
ACN 101 585 737

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ASX/MEDIA ANNOUNCEMENT

HFA HOLDINGS EXCEEDS FULL YEAR TARGETS

HIGHLIGHTS – FULL YEAR TO 30 JUNE, 2008

- Record full year Net Profit After Tax (NPAT) of $35.2 million, **up 73 per cent**
- Revenue of $98.6 million, **up 32 per cent**
- Adjusted Cash EPS of 11.7 cents, **up 14 per cent**
- Assets Under Management (AUM) of $9.365 billion, **up 141 per cent**
- Funds Under Management (FUM) of $7.873 billion, **up 244 per cent**
- Successful merger with US-based fund manager Lighthouse Investment Partners LLC.
- Total net inflows of $535.41 million
- Product performance demonstrating key capital preservation qualities
- Financial guidance not appropriate in current environment

Leading global absolute return fund manager HFA Holdings Limited (ASX: HFA) today reported record full year earnings with a Net Profit after Tax (NPAT) for the year to 30 June, 2008, of $35.2 million, a 73% increase on the previous year.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) were $58.6 million, 5% above previous guidance provided to the market of $56 million. The Board has declared a final 3.5 cps fully franked dividend, resulting in a fully franked dividend for the full year of 5.6 cps. The record date for the dividend is 12 September 2008 and payment date is 26 September 2008.

The result includes nearly six months trading for US-based Lighthouse Investment Partners LLC (LHP) which HFA merged with effective 3 January, 2008.

Other results for the year include a 244% increase in Funds Under Management (FUM) to $7.873 billion and a 141% increase in Assets Under Management (AUM) to $9.365 billion. The large increase is primarily due to the addition of LHP investment funds.

HFA Chief Executive Officer Spencer Young said the result reflected HFA's ability to differentiate its product offering in a rapidly changing investment environment.

"The merger with Lighthouse has given us the increased scale, diversity and skills to deal effectively with the ongoing market upheavals by maintaining positive net inflows and ensuring our products continue to outperform the market," he said.

"By focussing on our core strengths of investment management and product distribution we have been able to deliver in excess of our guidance for FY08 and are well placed to meet the challenges of the future."

Management Fees for the year increased by $53.1 million resulting from higher HFA Asset Management fees of $14.7m (growth in average AUM) and the six-month contribution from Lighthouse of $38.4 million. Performance Fee revenue fell 76% to $9.2 million as a result of difficult market conditions.

Mr Young said HFA had performed well in a difficult economic environment with positive investment inflows of $215.87 million for the June quarter and positive inflows in excess of $100 million for the three preceding quarters.

"During the year we also saw redemption activity remain in line with our historical redemption activity, which is a good result in a market where the global credit crisis and related economic uncertainty has seen a general tendency by investors to move into cash," Mr Young said.

Mr Young said HFA's ability to retain and attract new investment capital for its products in the current market was testament to the capital preservation qualities of the group's core absolute return investment funds.

The company's core investment funds – the LHP Diversified Fund and the LHP Global Long Short Fund – continued to provide above average risk-adjusted returns in the June Quarter 2008. Together, the funds represent approximately 75% of HFA's total AUM.

"The combination of new inflows and fund performance has allowed us to retain robust levels of assets under management while many financial services companies are reporting significant declines," he said.

"The core strength of the absolute return investment philosophy is its focus on capital preservation which leaves our investors with a well preserved capital base for when markets begin to recover and removes a need for a 'catch-up' phase (to recoup losses) before participating in market rebounds."

OUTLOOK

HFA does not believe accurate financial guidance is appropriate in the current volatile economic climate. The company draws income from a mix of recurring management fee revenue and non-recurring performance-based revenue. The latter can be distorted by the prevailing financial and economic conditions.

Mr Young said the company had established a strong foundation over the past 10 years and revenue from management fees alone is sufficient to generate profits. This means the company is well positioned to meet the challenges of a volatile market.

"It is important to recognise that the major shift by investors away from traditional long-only investments and towards alternatives will continue for a number of years and the strength of the HFA and Lighthouse brands in their respective markets will ensure we benefit from this shift."

"We believe there are a number of opportunities to continue the out-performance of our core funds with the possibility for material upside in fund performance and inflows during FY09," he said.

ENDS

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