HFA Holdings Limited
ACN 101 585 737

26 October, 2009
ASX/MEDIA ANNOUNCEMENT

HFA Holdings Limited - 2009 Annual General Meeting
Executive Chairman
Mr Spencer Young

Good morning ladies and gentlemen, fellow shareholders.

[SLIDE 4]

The last 12 months has been a period of unprecedented upheaval for financial markets. We witnessed an incredible sequence of financial crises which had a devastating effect on the global economy, particularly in the United States, Europe and Britain. The economic crisis emanated from a rapid and severe meltdown of the financial sector which was triggered by the sub-prime mortgage crisis in the United States. The severity and swiftness of the global downturn and the subsequent distress in credit and global capital markets dramatically impacted the entire financial markets ability to function. Most markets, particularly credit markets, effectively stopped functioning.

Against this backdrop HFA's Board and senior management acted quickly to safeguard the long term future of the business and took a number of proactive steps to ensure we were in a position to begin rebuilding shareholder wealth when conditions improved.

These steps included:

- Reducing overall risk levels in our investment funds as volatility increased rapidly;
- Re-negotiating the Company's debt to better reflect the current market;
- Reducing operating expenses; and
- Fast tracking the implementation of our managed account program to better meet the expectations of investors.

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Despite the extraordinary events of the last year it is a testament to the strength of our business that we were able to achieve positive underlying earnings with EBITDA (before non-cash impairment losses and non-cash equity settled transactions) of $52.65 million, up 5 per cent on the same period last year.

Net operating revenue for the year was $95.54 million compared to $76.27 million in the previous year. The result included the first full year contribution from our US-based manager Lighthouse Partners.

Our net profit was impacted by a non-cash impairment of $599.53 million, predominantly related to a write-down of goodwill arising from the merger with Lighthouse, and a non-cash accounting expense for equity settled transactions of $12.4 million for shares issued to employees under employee incentive plans. Neither of these items affected the company's cash balance, cash flows or operating profits in the year under review.

While severely impacting our headline earnings figure the Board considered the decision to amend the Lighthouse valuation as prudent. Despite the impairment, the merger with Lighthouse has given us the global scale, diversity and skills to deal effectively with the financial crisis and we are confident the business will provide long term value.

During the year ended 30 June 2009, the Group successfully extended its existing loan facility until November 2011 and has reduced its US$ denominated debt from US$127.76 million to US$113.07 million, and its A$ denominated debt from A$10 million to A$6.90 million.

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At 30 June, 2009, the Group's Funds Under Management (FUM) and Assets Under Management (AUM) were A$5.62 billion and A$6.16 billion respectively, down 29 per cent and 34 per cent respectively on the same period last year. These falls are broadly in line with those experienced by others fund of hedge fund managers in our industry and were the result of the combined impact of redemptions, performance and de-leveraging.

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Despite the difficult conditions already highlighted we are proud of the relative performance of the Group's flagship funds compared to most major indices during the last year. We have previously acknowledged a failure to deliver 'absolute' returns regardless of market conditions and accept many investors were disappointed with this failure. Ultimately, the speed and severity of the downturn was unprecedented and we, along with many others, did not believe the US Government would allow a global investment bank like Lehman Brothers to fail overnight which caused the near shut down of the entire global financial system. Until the failure of Lehman, the funds were performing in a manner consistent with our expectations given the difficult market conditions.

While it is rarely acknowledged by critics of the hedge fund industry our Group's core funds, the Lighthouse Partners Diversified Fund and Lighthouse Partners Global Long/Short Fund, outperformed key investment benchmarks both over the last year and over the longer term. Combined these funds represent approximately 60% of the Group's total AUM.

Since inception in August 1996 the Lighthouse Diversified Fund has delivered a total return of 205.2%, compared to 92.2% for the Morgan Stanley World Index and 107.9% for the S&P500 over the same period.

Over the 12 months to the end of September the Lighthouse Global Long/Short Fund returned a positive 7.2%, compared to a negative return of 2.5% by MSCI World index and a 6.9% fall in the S&P500 index. Over the same period the ASX/S&P 200 fell 10.9%.

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This ability to perform well while other indices are experiencing much larger declines leaves investors well positioned to benefit when markets do eventually enter a new phase of growth. For example investors in our Diversified Fund need only a 9.4% gain to return back to pre-crash levels of October 2007. Our Global Long/Short investors require only a 4.8% gain.

Meanwhile investors linked to the MSCI World Index require a 37.4% gain to get back to their pre-crash levels; S&P500 linked investors need a return of 37.7% and ASX200 linked investors need to generate 26% return.

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While the underlying performance of our funds gives us confidence, we are fully aware that the global investment environment has undergone a major shift since October last year. If anything last year has also highlighted the need to change and adapt our business to the new reality of global markets.

To this end the Group has expanded and expedited implementation of its proprietary Lighthouse managed account program that will underpin its fund of hedge fund portfolio structures. We believe the managed account program will materially differentiate our product offerings in an environment where investors will expect greater transparency and security. The program offers us direct control over the underlying assets, independent asset valuations and full transparency.

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In providing some forward-looking statements I would like to re-iterate our commentary provided at the time of announcing our full year results.

We believe the worst of the crisis has now passed and markets are slowly returning to more normal levels of functionality and performance. This return to normality has happened remarkably quickly and throughout the second half and into the new financial year we have seen hedge fund investment returns move to more traditional levels.

Pending any other unforeseen events we would anticipate this trend towards normalisation will continue throughout the current year. We have also seen early signs that the redemption levels we witnessed at the height of the crisis have diminished and we are cautiously optimistic that overall fund flows will stabilise. We have already seen early evidence of this stabilisation with positive net inflows for the Group in both August and September.

While these conditions provide us with some confidence we do not believe markets have yet stabilised to a point where it is possible for us to provide any quantitative guidance on earnings in the current year. Future earnings are largely dependent on the Group's level of funds under management with any increases having a positive impact on earnings and any decreases having a negative impact. As we have learned over the last 12 months we remain largely beholden to global economic and financial forces - and while things are improving - there is still significant uncertainty in the outlook for global economic and financial markets.

Ultimately, our commitment to good people and sound processes has provided a stable foundation to move forward in this improving environment. We are now looking forward to once again delivering strong risk adjusted investment returns to our product investors, which overtime should help us build a strong, profitable business for our shareholders.

We have previously flagged to our shareholders that we are in the process of securing an additional non-executive director to the Board as part of our commitment to meeting best practice standards for Corporate Governance. To this end we have already spoken to a number of potential candidates and will hopefully be in a position to announce a new appointment shortly.

I would like to conclude by thanking my fellow Board members, and the management and staff of the HFA Group for their efforts over the last 12 months and their continued commitment to our business and our shareholders. I would also like to thank our loyal shareholders for their support in an extremely difficult period for the world economy and our Company.

Thankyou for your time.

Spencer Young
Executive Chairman and
Chief Executive officer
HFA Holdings Limited