HFA Holdings Limited
ACN 101 585 737

September 19, 2007
ASX ANNOUNCEMENT

HFA HOLDINGS BUSINESS UPDATE

HFA Holdings Limited (ASX: HFA) would like to take this opportunity to update the market on some key performance highlights achieved on a year to date basis and comment on the prospect of the company earning normalised performance fee revenue in FY 2008.

Year to date, HFA has recorded a **100% increase in total net funds inflows**, compared to the same period last year. The total inflows comprise a 9% increase in net retail funds inflows with wholesale and institutional inflows making up the balance.

The increase in inflows supports management expectations of continued strong growth in Assets Under Management (AUM) for the current year. This growth will be driven and supported by an 80% increase in product sales staff following a number of recent appointments. These appointments, which include a dedicated institutional/wholesale sales executive and a national key account manager, will allow HFA to lengthen and deepen its highly successful distribution channels.

August was an extremely difficult month for hedge fund strategies in general, regardless of their exposure or not to US Sub Prime and CDO's. In some respects this period has been the most difficult for the entire hedge fund industry since 1998 during the Asian, Russian and LTCM crisis.

Following these recent upheavals in equity and credit markets HFA's core investment product, the HFA Diversified Investments Fund (DIF), reported negative returns in July (-0.63%) and August (-3.92%*). The returns were within expectations given overall market volatility / liquidity. Updated performance of HFA's key funds as at 31 August is outlined in the below table:

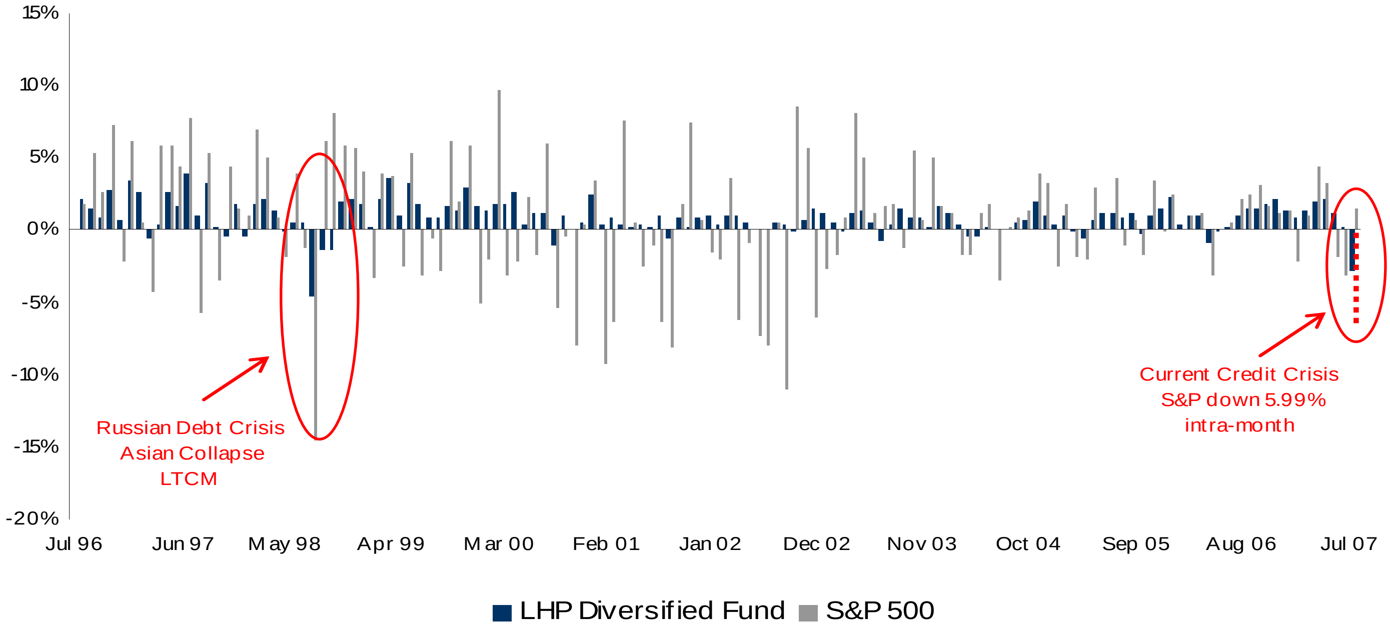
Return net of fees	1 Month*	6 Month	1 year Return pa	3 year Return pa	5 year Return pa
HFA Diversified Investments Fund	-3.92%	2.04%	11.84%	9.64%	8.70%
HFA International Shares Fund	-1.95%	5.28%	16.24%	12.61%	10.84%
HFA Octane Fund 1	-4.55%	1.12%	11.23%	-	-
HFA Octane Fund 2	-4.78%	0.86%	10.51%	-	-
HFA Octane Asia Fund	-3.81%	6.62%	16.41%	-	-
HFA Partners Fund	-8.18%	1.87%	13.42%**	-	-

HFA Funds Data are sourced from HFA Asset Management.
* Returns for August 07 are estimates only.
** Inception date for HFA Partners Fund is 1 Jan 2007, 1 year return is annualised.

It is only early in the financial year and we are seeing plenty of opportunity for our underlying managers to recoup the short term losses and to profit in an environment where "risk premiums" and "spreads" have now been restored to more historical levels, compared to those that have been in existence throughout the bull run of the past few years. We remind investors that even absolute return or hedge funds will from time to time suffer negative returns. What is important to remind ourselves is that those negative returns are manageable, infrequent and that they are generally caused by extreme market dislocations. In the months ahead, we see multiple investment opportunities stemming from the dislocation that occurred during August - we are confident that our portfolios continue to be well positioned to take advantage of these opportunities.

Our underlying fund and specialist managers have a proven ability to profit through these equity, debt and credit events / cycles as is demonstrated by the below graphs and tables.

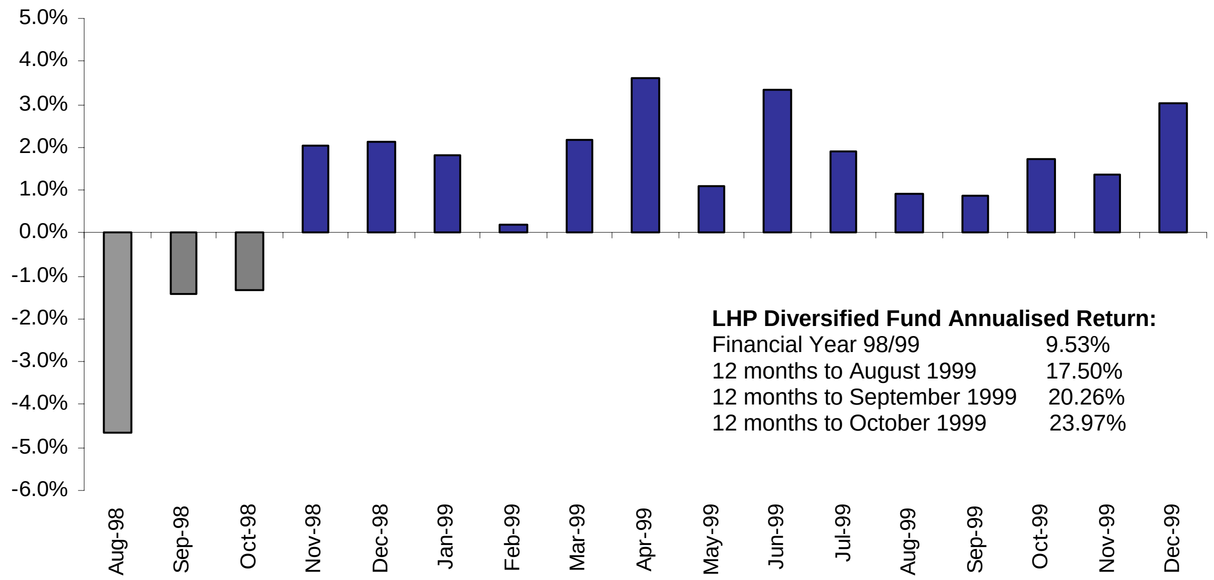
Monthly returns of Lighthouse Diversified Fund vs Equities (S&P 500)



Source: HFA Asset Management, Lighthouse Partners.

We specifically point to our experience following the 1998 Russian Bonds / LTCM crisis, which we believe is the closest proxy for the current credit events. The below graph illustrates the performance of the Lighthouse Diversified Fund through the 1998 credit crisis as well as the pursuing 12 months where the Fund delivered annual returns up to 24%, far in excess of the 11% longer term average. Therefore we see no reason to change our **expectation for annual performance fee revenue in FY 2008 to be inline with our long term average**.

Monthly Returns Bar Chart for Lighthouse Diversified Fund August 1998 to December 1999



Source: HFA Asset Management, Lighthouse Partners.

HFA retains the belief that its absolute return investment philosophy utilised by the underlying fund will benefit investors in the current environment. The HFA funds continue to be highly diversified and highly rated by the Australian investment research houses Standard & Poors, Lonsec, van Eyk, Zenith and IWL.

HFA recently reported record full year earnings with a Net Profit After Tax (NPAT) for the year to 30 June, 2007, of $20.28 million which was 157% up on normalised earnings from the previous financial year. The result was also 46% better than the company's 2007 Prospectus forecast of $13.9 million.

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