



HFA Holdings Limited

FY17 Interim Results Presentation

16 February 2017

The numbers in this presentation have been presented in **US dollars (USD)**, unless otherwise indicated.

Headline results for FY17 first half

As at 31 December 2016:

AUMA

USD 8.73 billion

Net profit after tax from continuing operations

USD 8.4 million

EBITDA from continuing operations

USD 14.1 million

EPS from continuing operations

USD 5.20 cps

Interim Dividend

USD 6.0 cents per share

Financial results

AUMA & performance

Business overview

Financial performance

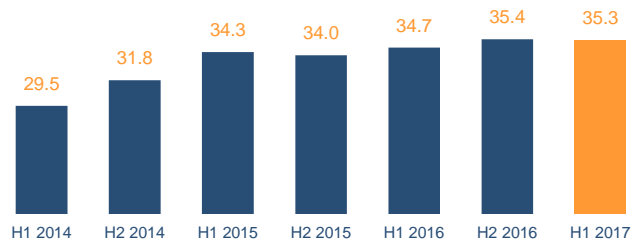
Summary of financial performance

Management & platform fees

Management fee revenue increased by \$0.65 million or 1.9% for the six months to 31 December 2016 in comparison the corresponding prior year period. The increase was due to:

- a 3 basis point increase in the net management / platform fee rate to 0.76%pa (HY16 : 0.73%pa); offset by
- a 1.27% decrease in average AUMA.

Management & platform fees for each half year period
USD millions



Performance fees

Performance fees are earned on select managed funds and certain customised client portfolios. The fees represent an agreed share of investment outperformance of the relative fund or portfolio over a defined benchmark and/or high watermark. Performance fees are variable in nature, and it is difficult to forecast how much, if any, performance fee revenue will be earned by the Group in future periods.

The Group earned \$0.42 million of performance fees during the period, a 70.7% improvement on the corresponding prior period. This reflects the relatively improved manager performance in this half, resulting in overall positive investment performance of the Lighthouse portfolios. Despite this, performance fee revenue continues to remain a relatively immaterial component of the Group's revenue.

Distribution costs

Distribution costs relate to third party distribution arrangements in place for Lighthouse, whereby Lighthouse makes ongoing payments to third parties in relation to clients they have introduced and who continue to be invested in Lighthouse managed funds.

Distribution costs have decreased by \$0.27 million or 8.9% in comparison to the prior period. This is due to a reduction in the proportion of AUMA which is subject to third party distribution arrangements. Distribution costs as a percentage of management and platform fee income has reduced to 7.7% for the current period (HY16 : 8.6%).

Operating expenses

Operating expenses (excluding depreciation and amortisation have increased by \$0.74 million compared to the prior period. The key drivers for this increase were:

- additional personnel costs associated with an increase in employee numbers from 72 to 79, as well as an increase in the short-term incentive based on Lighthouse calendar year EBITDA.
- additional consulting expenses incurred in relation to a variety of areas, such as the Lighthouse risk management system, investment treasury services and IT security testing; offset by
- a reduction in software licensing fees due to the re-negotiation of a key agreement.

Share of loss from equity accounted investee

During the period, the Group entered into a joint arrangement with Casement Capital Management, LP ('Casement'), a start-up commodities fund management company which commenced operations in July 2016. Casement is in the process of establishing its business and creating new investment funds. The Group holds a 40% interest in Casement, and has recognised a loss of \$0.24 million in the income statement which represents its share of the operating losses for the period.

Summary of EBITDA by half year

	FY2016		FY2017
	H1 USD millions	H2 USD millions	H1 USD millions
Management and platform fee income	34.683	35.419	35.332
Performance fee income	0.246	0.171	0.419
Distribution costs	(2.987)	(3.098)	(2.721)
Net income from operating activities	31.942	32.492	33.030
Operating expenses, net of sublease income and excluding depreciation and amortisation	(17.243)	(17.501)	(18.305)
Earnings from core business operations	14.699	14.991	14.725
Net finance costs, excluding interest	(0.133)	(0.067)	(0.383)
Share of loss of equity accounted investee	-	-	(0.234)
EBITDA from continuing operations	14.566	14.924	14.108

H1 = six months ending 31 December

H2 = six months ending 30 June

Refer to slide 4 for the reconciliation of the EBITDA from continuing operations to Net profit after tax

Financial results

AJMA & performance

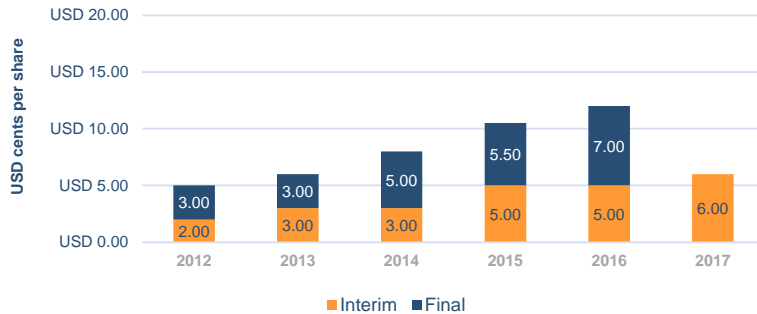
Business overview

Key balance sheet items as at 31 December 2016

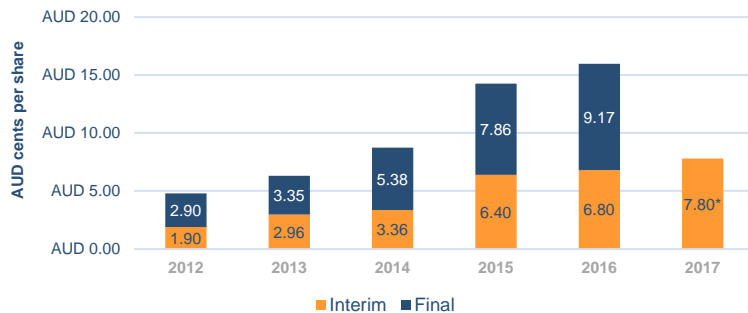
\$23.4 million	Current assets	Cash	<p>Key sources and uses of cash for the period:</p> <ul style="list-style-type: none"> + \$11.0 million cash generated from operating activities - \$11.4 million paid in dividends to shareholders - \$2.0 million net cash movement related to investments in Lighthouse funds - \$1.2 million paid for acquisition of interests in other external investment entities
\$15.3 million		Non-current assets	Investments
\$95.6 million	Intangible assets		<p>Intangible assets recognised in the balance sheet:</p> <ul style="list-style-type: none"> ▪ \$93.8 million of goodwill ▪ \$1.8 million of trademarks and software
\$111.9 million	Deferred tax assets		<p>Recognised in the balance sheet – relate to US tax consolidated group</p> <ul style="list-style-type: none"> ▪ \$38.2 million of US carried forward tax losses ▪ \$73.7 million of other impairment losses and other deductible temporary differences <p>Unrecognised – relate to Australian tax consolidated group</p> <ul style="list-style-type: none"> ▪ \$64.2 million, comprised of \$3.0 million of carried forward tax losses and \$61.2 million of impairment losses and other temporary differences

Dividend & share price history

Dividends in USD cents per share



Dividends in AUD cents per share



* Estimated AUD interim dividend only assuming an FX conversion rate of AUD/USD 0.7650. The actual AUD dividend per share will be determined using the AUD/USD rate on the Record Date, being 23rd February 2017.

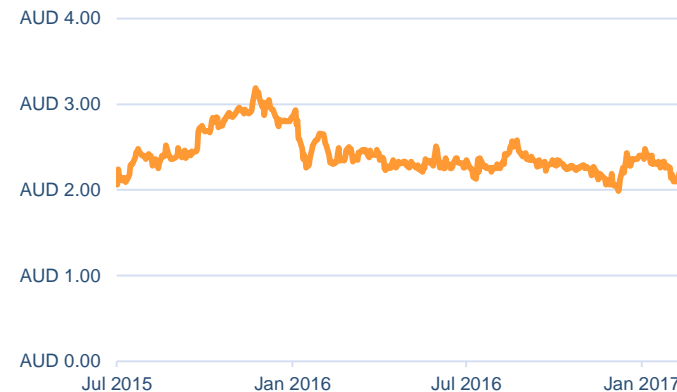
Capital management policy

The Company has set a policy to apply for the 2017 financial year onwards of paying a dividend of 70% to 80% of the earnings before interest, depreciation, amortisation and tax (EBITDA). Dividends will be unfranked, however may have conduit foreign income credits attached.

The payment of dividends will be subject to corporate, legal and regulatory considerations.

The above policy allows the HFA Group to retain a portion of cash generated from operating activities, and to therefore have funds available to make additional investments into the Lighthouse Funds where such investments further the overall operating interests of the Group, or to act on external investment and/or acquisition opportunities as and when they may arise.

HFA share price in AUD

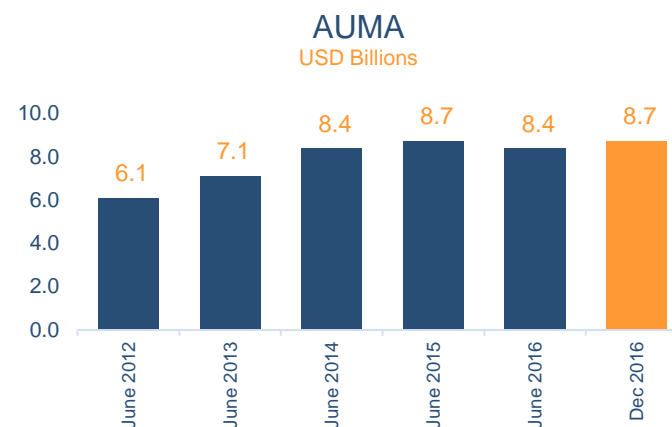


AUMA and investment performance

AUMA holding relatively steady

Six months ended 31 December 2016	30 June 2016 AUMA	Net Flows		Performance	31 December 2016 AUMA (Estimate)
		Note 1	Note 2 & 3	Note 3	Note 3
Lighthouse Funds	USD 4.58 bn	↓ USD 0.36 bn	↑ USD 0.11 bn		USD 4.33 bn
Lighthouse customised solutions	USD 3.80 bn	↑ USD 0.53 bn	↑ USD 0.07 bn		USD 4.40 bn
Combined total	USD 8.38 bn	↑ USD 0.17 bn	↑ USD 0.18 bn		USD 8.73 bn

- Net flows includes monies received by Lighthouse for applications effective 1 January 2017, and accordingly excludes monies received by Lighthouse which were effective 1 July 2016. This convention in relation to the reporting of net flows and AUMA has been consistently applied by the HFA Group since January 2008. The net flow numbers reflect a \$0.31bn client transfer from Lighthouse Funds to a custom fund. Therefore, excluding the impact of this transfer, Lighthouse Funds had a net outflow of \$0.05bn for the period, whilst Customised Clients had a net inflow of \$0.22bn.
- Performance includes investment performance, market movements, the impacts of foreign exchange on non-US denominated AUMA and distributions (if any).
- 31 December 2016 AUMA is based on performance estimates which may be subject to revision upon final audit. AUMA excludes a non-discretionary long-only managed account structured for a single investor. AUMA may include transfers from other Lighthouse Funds that occurred on the first day of the following month.



Key Lighthouse Funds – performance

December 2016 performance estimates

Lighthouse Fund	December 2016	1 Year	3 Year	5 Year	3 Year Volatility
Lighthouse Diversified Fund Limited <i>Class A</i>	0.60%	1.21%	3.96%	5.91%	3.09%
Lighthouse Global Long/Short Fund Limited <i>Class A</i>	0.25%	-0.27%	3.82%	7.37%	4.24%

Benchmarks	December 2016	1 Year	3 Year	5 Year	3 Year Volatility
S&P 500 TR Index	1.98%	11.98%	8.89%	14.67%	10.74%
MSCI AC World Daily TR Gross USD	2.20%	8.51%	3.70%	9.96%	11.22%
Barclays US Agg Gov/Credit Total Return Value Unhedged USD	0.21%	3.05%	3.04%	2.29%	3.51%
91-Day Treasury Bill	0.04%	0.33%	0.14%	0.12%	0.05%
Hedge Fund Research HFRX Global Hedge Fund Index	0.86%	2.51%	-0.60%	1.64%	3.82%

Performance may vary among different share classes or series within a Fund. Past performance is not indicative of future results.

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December 2016 returns for the Lighthouse Funds, and consequently, the other figures appearing in this document that include these returns in their computation, are estimated and subject to revision near the 20th business day of the month and upon final audit. The performance data represents the returns for each of the respective Lighthouse Funds, or any related predecessor Fund, net of all fees and expenses, including reinvestment of earnings. Results include reinvestment of all income and capital gains. Performance shown for periods over one year has been annualised. 2016 Performance is not audited and is subject to revision. The performance data for the selected Class A shares of the above Lighthouse Funds is presented as a representative proxy for the two main investment strategies of AUMA invested in Lighthouse Funds. Returns may vary between different Funds of a similar strategy, as well as between share classes or series within the same Fund.

The indices included are unmanaged and have no fees or expenses. An investment cannot be made directly in an index. The Lighthouse Funds consist of securities which vary significantly to those in the indices. Accordingly, comparing results shown to those of such indices may be of limited use.

S&P 500 TR Index: *This index includes 500 leading companies in leading industries of the US economy. Although the S&P500® focuses on the large-cap segment of the market, with approximately 75% of coverage of US equities, it is also an ideal proxy for the total market. S&P 500 is part of a series of S&P US indices that can be used as building blocks for portfolio construction.*

MSCI AC World Daily TR Gross USD: *A free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices.*

Barclays US Agg Gov/Credit Total Return Value Unhedged USD: *An unmanaged market-weighted index, comprised of government and investment grade corporate debt instruments with maturities of one year or greater.*

91-Day Treasury Bill: *A short-term debt obligation backed by the US government with a maturity of 91 days. T-bills are sold in denominations of USD1,000 up to a maximum purchase of USD5 million and commonly have maturities of one month (28 days), three months (91 days), six months (182 days), or 1 year (364 days).*

Hedge Fund Research HFRX Global Hedge Fund Index: *This HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry.*

Business overview

Who we are



We take a global view in everything we do



\$8.73 billion
Total AUMA¹

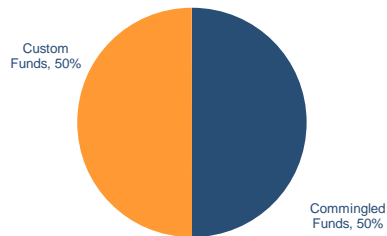
21
Investment professionals

20
Year track record

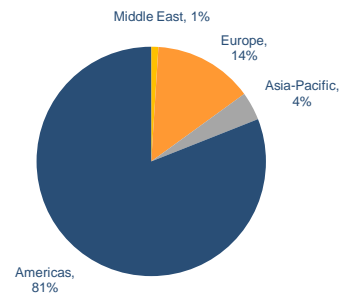
1000+
Investors worldwide

79
Total employees

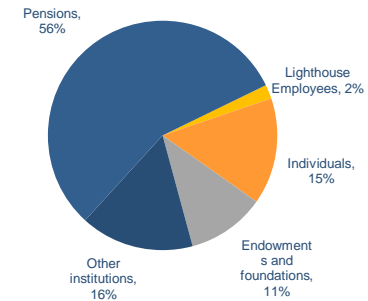
By services provided



By geographical location



By investor type



¹ See notes 1 to 3 on page 10 for additional information on the calculation of AUMA.

What we do

Lighthouse's purpose is to protect and grow our clients' assets. We believe it is how we do it that sets us apart.

The global asset management industry is a highly competitive space. Our focus is on the alternatives sector, and more specifically multi-manager hedge fund solutions. Our purpose is to protect and grow our investors' assets, and we seek to achieve this through diversification from traditional markets with exposure to intelligently and actively managed portfolios of hedge fund strategies.

We believe that what sets Lighthouse apart is:



Lighthouse managed accounts help redefine hedge fund investing

Lighthouse managed account benefit

-  Lighthouse funds own underlying securities and positions
-  Lighthouse has position-level transparency
-  No lock-ups, gates, suspensions, or holdbacks of capital at the managed account level*
-  Ability to revoke managers' authority to trade in the event of breach**
-  Account governed by a negotiated Investment Agreement
-  Lighthouse can reallocate intra-month if necessary

Why we think it's important to our clients

Our accounts are segregated from underlying manager's commingled fund

Lighthouse knows what the managed accounts own and independently value each account

Managers may not apply artificial barriers to liquidity with respect to our funds' capital

Style drift or unapproved risk may be detected and acted on swiftly if necessary

Explicit and enforceable contract of investments constraints empowers monitoring and better asset protection as compared to investing via a commingled fund

Active management of exposure may help manage risk and/or enhance investment opportunity

* Lighthouse retains certain of these rights at the Lighthouse fund level

** The Investment Advisory Agreement, which governs the managed account relationship, generally allows Lighthouse to revoke a manager's trading authority over an account subject to limited exceptions. A minority of investments in the lighthouse funds may be through more traditional structures.

Business strategy

Our strategy continues to centre around retaining and growing assets through a quality client base:



We consider our pipeline will improve for the second half of current financial year, and are cautiously optimistic that we will see some opportunities convert into new clients. As at 31 January 2017 AUMA has increased to \$8.97 billion due to a combination of positive investment performance and net inflows.

Disclaimers

This presentation has been prepared by HFA Holdings Limited (**HFA**) and provides information regarding HFA and its activities current as at 16 February 2017. It is in summary form and is not necessarily complete. It should be read in conjunction with HFA's 31 December 2016 Interim Financial Report.

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