

# ASX Announcement

Hastings High Yield Fund (HHY)

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## Presentation – Results for the half year ended 31 December 2009

Attached is a presentation of results for the half year ended 31 December 2009.

### For further enquiries, please contact:

**George Batsakis**

Chief Operating Officer

Hastings High Yield Fund

Tel: +61 3 8650 3600

Fax: +61 3 8650 3701

Email: [investor\\_relations@hfm.com.au](mailto:investor_relations@hfm.com.au)

Website: [www.hfm.com.au/hhy](http://www.hfm.com.au/hhy)

**Simon Ondaatje**

Head of Investor Relations

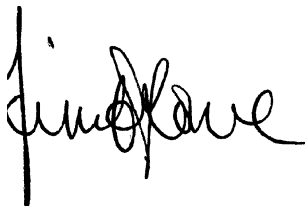
Hastings Funds Management

Tel: +61 3 8650 3600

Fax: +61 3 8650 3701

Email: [investor\\_relations@hfm.com.au](mailto:investor_relations@hfm.com.au)

Website: [www.hfm.com.au/hhy](http://www.hfm.com.au/hhy)



**Kim Rowe**

Company Secretary

Hastings Funds Management Limited

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# Hastings High Yield Fund

## Half Year Results Presentation

February 2010

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All data in this presentation has been calculated using the most accurate sources available, however any rates or totals manually calculated may differ from those shown due to rounding. Asset results for the half year ended 31 December 2009 reflect the most current available and may be unaudited, and therefore subject to further adjustment following the publication of this report. Figures may also differ from those previously disclosed due to adjustments made following period end.

## Agenda

1. HHY description
2. HHY update
3. Distribution guidance
4. 2010 half year results
5. Current investment portfolio
6. HHY risk profile
7. Summary & outlook

## HHY description

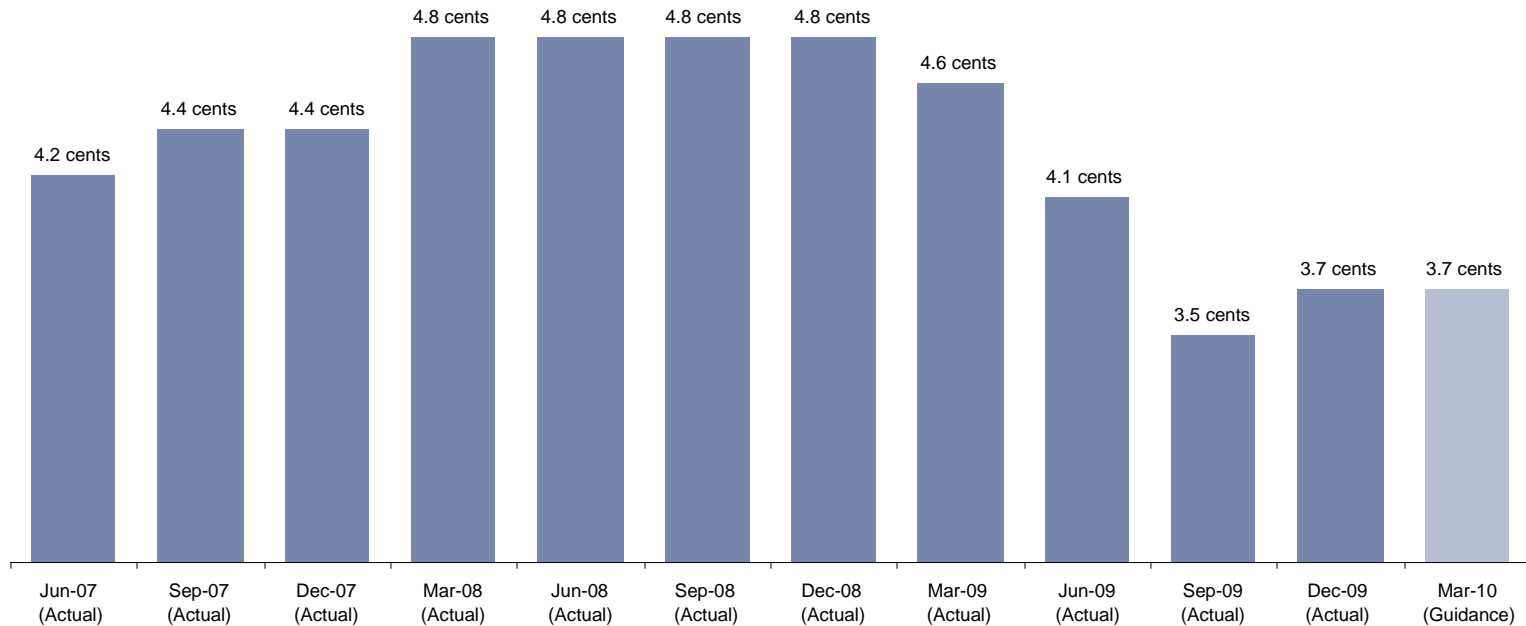
- Portfolio of loans and hybrid securities that generate regular interest income
- Investments not otherwise readily accessible to ASX investors
- Investments domiciled in Australasia, Europe and North America
- Securities issued by entities that:
  - Are exposed to the infrastructure and essential services industry sectors
  - hold a significant market position
  - Generate relatively predictable cash flows
  - share an alignment of interest with management and shareholders
  - rank ahead of an appropriate level of shareholder equity
- Hold to maturity investment horizon

## HHY update

- Portfolio of 14 securities maintained
- All investments continue to receive interest and dividend income as anticipated
- Active management of existing portfolio with improved terms negotiated during the 2009 calendar year for Maher Terminals, DCA Group and Prime Infrastructure SPARCS
- Recapitalisation of Prime Infrastructure successfully completed with full cash redemption of SPARCS anticipated at the next reset date of 17 November 2010
- Unit price improvement during the half year, albeit still trading at a material discount to net tangible asset backing
- Previously provided distribution guidance of 15.0 cents per unit (inclusive of tax credits) for FY10 is reaffirmed
- Full compliance of HHY's debt facility maintained

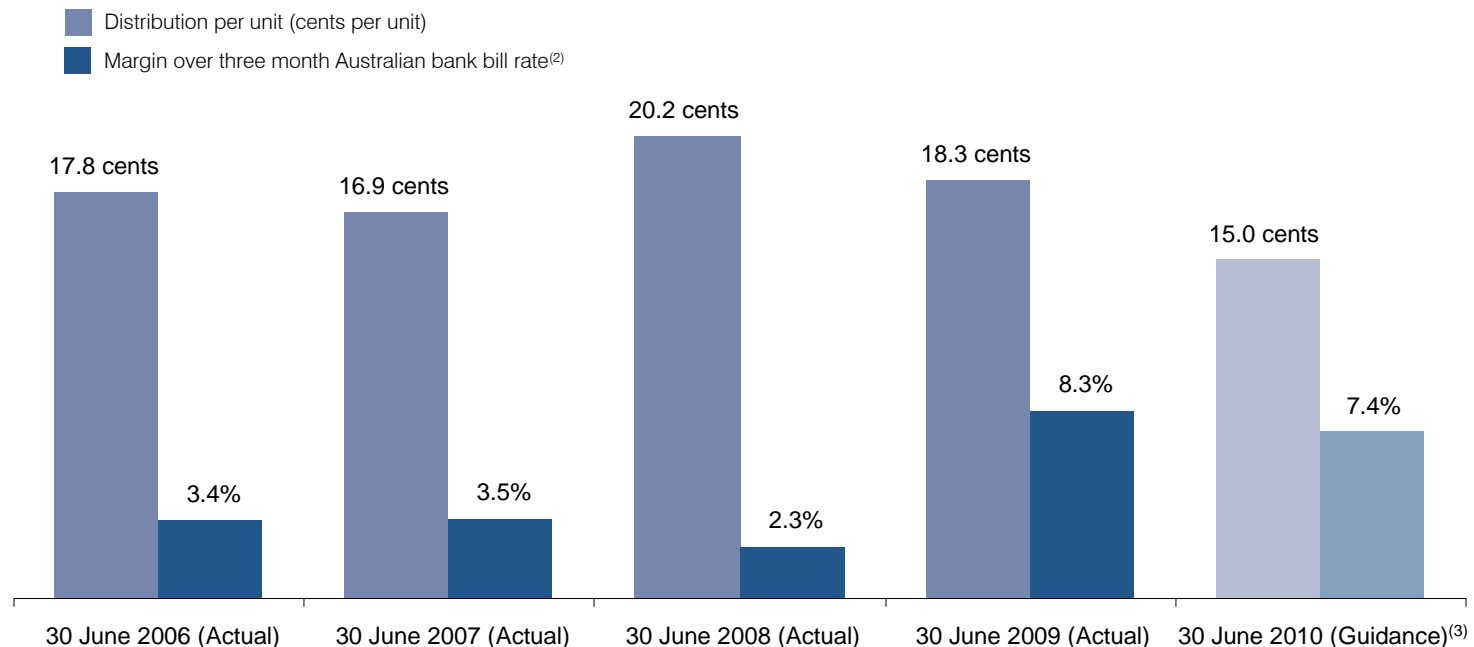
## Quarterly distribution guidance

- Distribution of 3.7 cents cash per unit paid for the December 2009 quarter
- Distribution guidance of 3.7 cents cash per unit for the March 2010 quarter



## Annual distribution guidance

- Distribution guidance of 15.0 cents per unit (inclusive of tax credits) for FY10 represents forecast yield of 11.1 percent<sup>(1)</sup>



(1) Based on HHY's closing unit price of \$1.35 as at 31 December 2009

(2) Three month Australian bank bill rate is taken as the average daily three month Australian bank bill rate over the respective financial year. Margin assumes investment at the 30 June closing unit price for the prior financial year

(3) Guidance based on current rates. The forecast swap rate for 2010 is taken to be the average of the daily three month Australian bank bill swap rates for the period from 1 July 2009 to 17 February 2009

## Distribution guidance – key drivers

The level of distributions to unitholders are predominantly impacted by:

- The level of Australian bank bill interest rates:
  - approximately 80 percent of current investment portfolio is floating rate which provides some protection in a rising interest rate environment
  - a movement of 1.0 percent would change annual distribution guidance by 1.0 to 1.5 cents per unit
- Interest and dividend income generated by HHY's investment portfolio:
  - continue to receive interest and dividend income as anticipated
  - all principal and interest obligations are hedged against movements in foreign currencies and foreign interest rates
  - portfolio approach provides diversification benefits and reduces reliance on any single investment

## 2010 half year results

Summary Income Statement	Variance (%)	Half year to 31 December 2009 (\$'000)	Half year to 31 December 2008 (\$'000)
Interest income – investments		10,885	14,846
Interest income – cash		98	408
<b>Interest income – total</b>	<b>↓ 28%</b>	<b>10,983</b>	<b>15,254</b>
Interest expense – debt facility		(2,694)	(2,616)
Fee income		216	43
Realised & unrealised gains/(losses)		4,743	(4,001)
<b>Net income</b>	<b>↑ 52%</b>	<b>13,248</b>	<b>8,680</b>
Other expenses		(963)	(954)
<b>Net profit attributable to unitholders</b>	<b>↑ 59%</b>	<b>12,285</b>	<b>7,726</b>
<b>Earnings (cents per unit)</b>	<b>↑ 58%</b>	<b>11.13</b>	<b>7.03</b>

(1) Based on net profit and weighted average units outstanding

- Decrease in interest income largely reflective of fall in Australian bank bill interest rates
- Net income has increased predominantly due to the unrealised asset write back to face value of Prime Infrastructure SPARCS

## 2010 half year results

Summary Balance Sheet <sup>(1)</sup>	31 December 2009		30 June 2009	
	(\$'000)	(\$ per unit)	(\$'000)	(\$ per unit)
Investments in high yield securities	268,809	2.43	262,513	2.38
Cash & cash equivalents	7,471	0.07	8,021	0.07
Debt facility	(64,514)	(0.58)	(69,611)	(0.63)
Distribution payable	(4,085)	(0.04)	(4,527)	(0.04)
Other	120	0.00	2,785	0.03
<b>Net assets</b>	<b>207,801</b>	<b>1.88</b>	<b>199,181</b>	<b>1.81</b>

(1) Summary balance sheet reflects the consolidated entity

## Current investment portfolio

Investment	Instrument	Unrated	Unlisted	Potential for gain	Fee income	Transaction Source
AB Ports	Junior Floating Rate Loan	✓	✓	Early repayment	✓	Infrastructure
Arqiva	Junior Floating Rate Loan	✓	✓	Early repayment	–	Infrastructure
BAA	Toggle Facility	✓	✓	Early repayment	–	Infrastructure
Cory Environmental	Junior Floating Rate Loan	✓	✓	–	✓	Infrastructure
DCA Group	Junior Floating Rate Loan	✓	✓	Repayment premium	✓	Private equity
Eircom	Senior Term Loans	–	✓	Capital gain	–	Private equity
EnviroWaste	Junior Floating Rate Loan	✓	✓	Early repayment	✓	Private equity
European Directories	Second Lien Loan	✓	✓	Early repayment	✓	Private equity
Hyne Timber	High Yield Non-cumulative Exchangeable Securities	✓	✓	Equity upside	✓	Financial restructure
Maher Terminals	Junior Floating Rate Loan	✓	✓	–	✓	Infrastructure
Manildra Group	Reset Secured Notes	✓	✓	Early repayment	✓	Financial restructure
Prime Infrastructure SPARCS	Subordinated Prime Adjusting Reset Convertible Securities	✓	–	Equity upside	–	Infrastructure
South East Water	Junior Floating Rate Loan	✓	✓	Early repayment	✓	Infrastructure
Thames Water	Junior Floating Rate Loan	✓	✓	Early repayment	–	Infrastructure

## Current investment portfolio

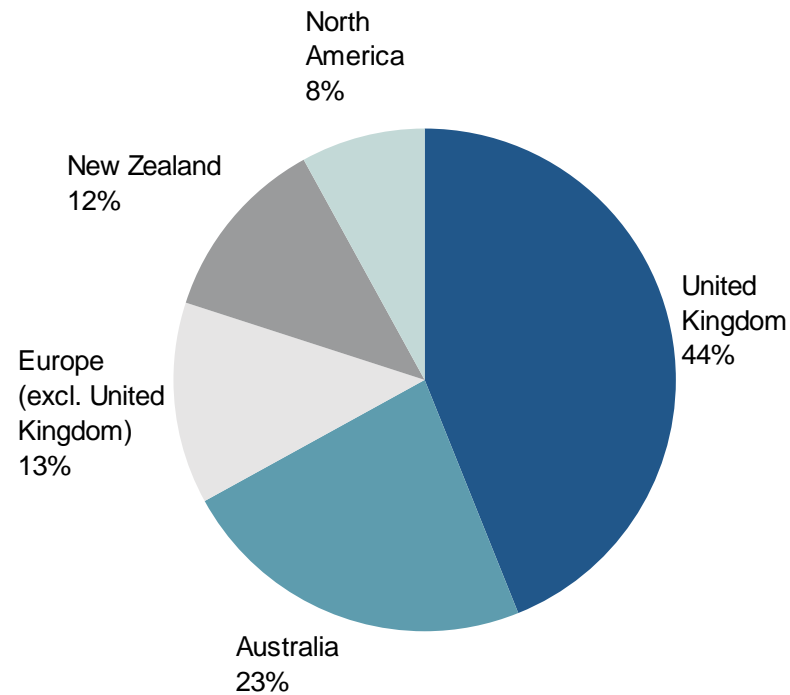
Investment	Value 31 Dec-09	Maturity date /reset date	Term to maturity /reset date	Interest income & fee contribution <sup>(1)</sup>
AB Ports	\$12.6 m	Aug-14	4.6 yrs	3.6%
Arqiva	\$23.9 m	Jul-15	5.5 yrs	7.2%
BAA	\$23.0 m	Jul-26	16.5 yrs	7.2%
Cory Environmental	\$16.4 m	Nov-14	4.9 yrs	5.5%
DCA Group	\$22.8 m	Jul-13	3.5 yrs	11.6%
Eircom	\$17.8 m	Mar-16	6.3 yrs	5.6%
EnviroWaste	\$16.1 m	Oct-13	3.8 yrs	6.7%
European Directories	\$16.7 m	Dec-14	5.0 yrs	6.2%
Hyne Timber	\$14.0 m	Oct-10	0.8 yrs	6.2%
Maher Terminals	\$21.8 m	Jul-15	5.5 yrs	7.7%
Manildra Group	\$24.8 m	Jan-11	1.0 yrs	12.9%
Prime Infrastructure SPARCS	\$16.0 m	Nov-10	0.9 yrs	5.0%
South East Water	\$21.3 m	Dec-14	4.9 yrs	7.2%
Thames Water	\$21.6 m	Dec-13	3.9 yrs	7.4%
<b>Total/weighted average</b>	<b>\$268.8m</b>		<b>5.0 yrs</b>	<b>100.0%</b>

(1) For the half year ended 31 December 2009

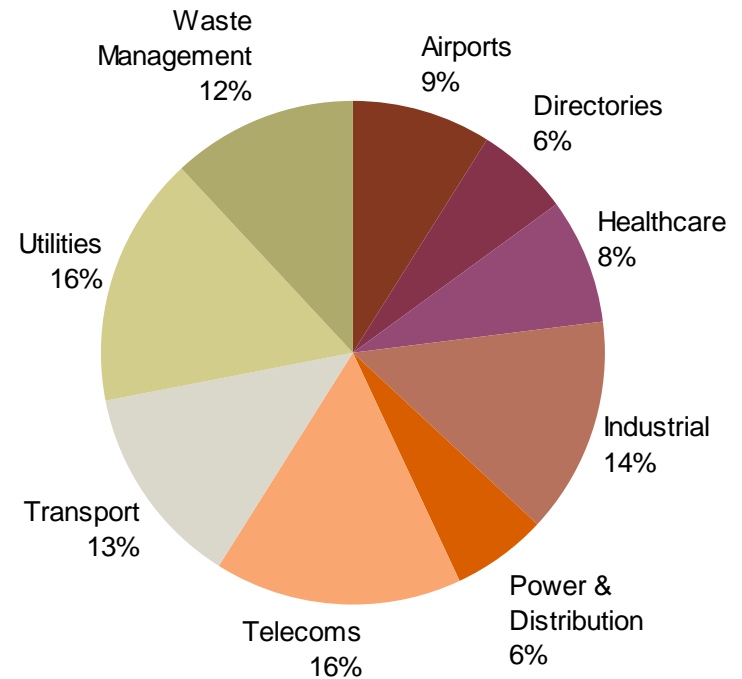
## HHY diversification

Portfolio diversity by geography and Sector

**Geography<sup>(1)</sup>**



**Sector<sup>(1)</sup>**



(1) Based on investment amount of the securities as presented on Slide 12

## HHY risk profile

- All investments made on the basis of a robust due diligence process and active ongoing management
- Investments rank ahead of common equity at issuer level
- Key protections often include:
  - fixed repayment dates
  - financial covenants
  - enforcement rights
  - security
- Contractual obligation of the issuer to repay investments at a minimum of face value

## Summary & outlook

- 2009 calendar year was a period of high credit market volatility
- Second half of 2009 saw fundamentals return to more sustainable levels
- During the 2009 calendar year Hastings restructured three investments (Maher Terminals, DCA Group and Prime Infrastructure SPARCS) to produce positive outcomes for HHY
- Forecast FY10 yield of 11.1 percent<sup>(1)</sup>
- Debt securities continue to offer attractive value on a risk-adjusted basis relative to historic levels
- Hastings continues to actively manage the investment portfolio

(1) Based on HHY's closing unit price of \$1.35 as at 31 December 2009 and FY10 distribution guidance of 15 cents per unit (inclusive of tax credits)

## Appendix: Asset descriptions

## HHY assets

### AB Ports

- largest UK port operator with 21 ports in England, Scotland and Wales
- acquired by consortium of Borealis, GIC, Goldman Sachs & Infracapital in 2006

### Arqiva

- the integrated Arqiva and National Grid Wireless is a leading UK broadcast transmission and infrastructure operator
- the Arqiva consortium acquired National Grid Wireless in 2007

### BAA

- one of the world's leading international airport operators including Heathrow & Stansted
- acquired by Ferrovial led consortium in 2006

## HHY assets

### Cory Environmental

- provider of waste collection, disposal services and energy from waste in the United Kingdom
- acquired by a consortium of ABN AMRO Infrastructure Capital, Finpro and Santander Private Equity in 2007

### DCA Group

- Australia's largest private diagnostic imaging network
- acquired by private equity consortium CVC in 2006

### Eircom

- incumbent Irish telecommunications operator
- acquired by STT communications Limited in early 2010

### EnviroWaste

- New Zealand's second largest solid waste management company
- acquired by Ironbridge Capital in 2006

## HHY assets

### European Directories

- telephone directory services provider with leading market position in nine European countries
- acquired by Macquarie led consortium in 2005

### Hyne Timber

- a leading Australian manufacturer and distributor of engineered, structural and decorative softwood products to the building industry
- Queensland based private company

### Maher Terminals

- largest container terminal operator within the Port of New York and New Jersey (United States) as well as the Port of Prince Rupert (western coast of Canada)
- acquired by Deutsche Bank in 2007

### Manildra Group

- largest user of wheat for industrial purposes in Australia and largest producer of ethanol
- New South Wales based private company

## HHY assets

### Prime Infrastructure

- ASX listed specialist infrastructure manager with a globally diverse portfolio of infrastructure assets
- Transport portfolio comprises coal export terminal, rail and port assets predominantly in Australia, Europe and China
- Energy transmission and distribution portfolio comprises gas transmission, storage and distribution businesses as well as electricity distribution businesses in Australia, New Zealand, the United States and the United Kingdom

### South East Water

- South East Water merged with Mid Kent Water in 2007 to create the second largest water only company in England and Wales
- Equity owned by Hastings managed funds

### Thames Water

- largest water and sewerage company in England
- acquired by a Macquarie managed funds led consortium in 2006