

**REQUEST BY UNITHOLDERS PURSUANT TO SECTIONS 252B  
AND 601NB OF THE CORPORATIONS ACT 2001 (CTH)**

08 October 2018

The Directors  
Aurora Funds Management Limited (ABN 69 092 626 885)  
as the responsible entity of HHY Fund  
Suite 613, Level 6, 370 St Kilda Road  
Melbourne VIC 3004

Dear Sirs,

**Request to convene a general meeting to wind up the HHY Fund**

The following members (**Members**) of HHY Fund (ARSN 112 579 129) (**HHY**) hold at least 5% of the votes that may be cast at a general meeting of HHY Fund:

1. WAM Capital Limited (ACN 086 587 395);
2. WAM Active Limited (ACN 126 420 719); and
3. Botanical Nominees Pty Limited (ACN 081 032 000) as trustee for the Wilson Asset Management Equity Fund.

Pursuant to sections 252B and 601NB of the *Corporations Act 2001 (Cth)* (**Act**) the Members request that Aurora Funds Management Limited (ABN 69 092 626 885) (**Responsible Entity**) as responsible entity of the HHY Fund call and arrange to hold a meeting of the members of the HHY Fund to consider and vote on the following resolution:

To consider and, if thought fit, pass as an **extraordinary resolution**:

*“That in accordance with Section 601NE(1)(b) of the Corporations Act 2001 (Cth), the responsible entity of the HHY Fund (ARSN 112 579 129) is directed to wind up the HHY Fund.”*

In accordance with Sections 252B of the Act, the Responsible Entity is required to call the requested general meeting within 21 days and hold the requested general meeting within 2 months of receiving this Members' request. If the Responsible Entity does not call a general meeting within this timeframe, the Members will be entitled to call and arrange a general meeting at the expense of the Responsible Entity for the purpose of considering the above resolution in accordance with Section 252C of the Act.

In accordance with the Corporations Act, the Members require the Responsible Entity to give to all of the members of the HHY Fund the **attached** statement (see Annexure A) in relation to the resolution set out above with the relevant notice of meeting.

Dated: 08 October 2018

**SIGNED by WAM Capital Limited (ACN 086 )**  
**587 395) in accordance with section 127 of the )**  
Corporations Act: )


  
\_\_\_\_\_  
Director/Secretary

**KATHERINE THORLEY**  
\_\_\_\_\_  
Name (please print)

  
\_\_\_\_\_  
Director

**GEOFFREY WILSON**  
\_\_\_\_\_  
Name (please print)

**SIGNED by WAM Active Limited (ACN 126 )**  
**420 719) in accordance with section 127 of the )**  
Corporations Act: )

  
\_\_\_\_\_  
Director/Secretary

**KATHERINE THORLEY**  
\_\_\_\_\_  
Name (please print)

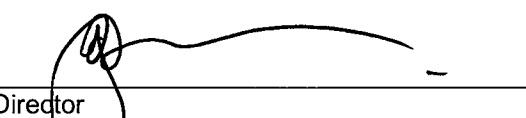
  
\_\_\_\_\_  
Director

**GEOFFREY WILSON**  
\_\_\_\_\_  
Name (please print)

**SIGNED by Botanical Nominees Pty Limited )**  
**(ACN 081 032 000) as trustee for the Wilson )**  
**Asset Management Equity Fund in )**  
accordance with section 127 of the )  
Corporations Act: )

  
\_\_\_\_\_  
Director/Secretary

**KATHERINE THORLEY**  
\_\_\_\_\_  
Name (please print)

  
\_\_\_\_\_  
Director

**GEOFFREY WILSON**  
\_\_\_\_\_  
Name (please print)

**Annexure A**  
**Statement to give to all members of the HHY Fund**

***Unitholders must decide on HHY Fund's future now***

Dear Fellow HHY Fund (HHY) unitholders,

**Ask yourself this question – is the value of your investment in HHY higher today than two years ago? If not, you should VOTE IN FAVOUR of the RESOLUTION to wind up HHY and return capital to unitholders.**

Entities managed by Wilson Asset Management (International) Pty Limited and its related entities (**WAME**, or **we**) have requisitioned a unitholder meeting to consider a resolution to wind up HHY.

We are deeply concerned about the conduct of HHY's responsible entity (Aurora), as well as HHY's substantial underperformance and its high ongoing costs. In considering the future of HHY, unitholders should be mindful of:

- Loss of unitholder assets;
- Loss of unitholder value;
- Excessive operating expenses;
- Regular failure to comply with ASX listing rules;
- Aurora Director associated with theft;
- Aurora's indirect owner, Nicholas Bolton, disqualified by ASIC;
- Aurora Dividend Income Trust suspended from Official Quotation;
- HHY's ongoing trading at discount to net tangible assets (**NTA**);
- Questionable conduct.

**In light of these facts, we believe that unitholders have no other choice but to vote to wind up HHY.**

**Loss of unitholder assets**

The NTA for HHY units has fallen 29.2% since WAME called a meeting to wind up the fund on 2 August 2016 (12.72c on 31 July 2016 to 9.0c as at 31 August 2018). Thirty minutes before the initial meeting was held on 29 September 2016, Aurora Fund Management Limited as responsible entity of the Aurora Global Income Trust (**AIB**) announced its intention to make a takeover bid for 100% of HHY. As a result, the meeting was adjourned. Proxies received and known to Aurora prior to the meeting confirmed that all resolutions put to unitholders by WAME would have passed, including HHY's winding up. The NTA as at 30 September 2016 was 12.53c, unfortunately the current unit price is 36.2% lower at 8.0c.

Since 31 July 2016, HHY's NTA has fallen 29.2% compared to the S&P ASX All Ordinaries Accumulation Index (**All Ords Index**) which has risen 24.6% over the same period. This underperformance of 53.9% validates concerns WAME raised in 2016, with Aurora's underperformance subsequently devaluing unitholder assets.

The unit price of AIB, the fund that bid for HHY, has fallen more than 70% from the date the scrip takeover bid for HHY was announced (77.5c on 29 September 2016 to 23.0c as at 5 October 2018). Unitholders who accepted that bid have also lost significant value.

### **Loss of unitholder value**

Over the 12 months to 28 September 2018, HHY's unit price has fallen 33.3% (10.5c to 7.0c) while the All Ords Index has risen 14.7%. This represents an underperformance of 48.0% over the period.

During financial year 2018, revenues from HHY's investment activity decreased 277.77% compared to the corresponding 2017 period. The loss HHY incurred during financial year 2018 increased 90.27% compared to the corresponding 2017 period.

### ***Excessive operating expenses***

During financial year 2018, total expenses were \$424,951 on assets of \$6.9m at 30 June 2018. During the period, operating costs were 428.6% higher than the management fee.

### **Frequent failure to comply with ASX listing rules**

During calendar years 2017 and 2018, Aurora as responsible entity for HHY has failed six times in its obligation under ASX Listing Rule 4.12 to disclose HHY's NTA within 14 days of the end of each calendar month.

We are concerned that HHY securities may therefore have traded in an uninformed market.

### **Aurora Director associated with theft**

In February 2017, Ms Betty Poon, the CFO, Executive Director and Company Secretary of Aurora, misappropriated \$1 million of unitholder funds by misdirecting money into her personal account from a bank account held in the name of Aurora as responsible entity for the Aurora Property Buy-Write Income Trust.

Ms Poon's fraud remained undetected by Aurora for approximately nine months.

Following the ASIC investigation into this misappropriation of investors' funds, ASIC has acted to address concerns about the operations of Aurora. ASIC has imposed conditions on Aurora's Australian financial services licence which currently remain in place. ASIC remains concerned that the misappropriation of funds, and Aurora's failure to detect it for several months, occurred due to significant deficiencies in Aurora's corporate governance and risk management frameworks. In ASIC's opinion, Ms Poon held several senior and conflicting roles that facilitated the incident and cover-up of her fraud.<sup>1</sup>

### **Aurora indirect owner disqualified by ASIC**

On 17 November 2015, Mr Nicholas Bolton, 49.9% owner of Aurora via an investment in the Aurora Trust was disqualified from being a director of, or taking part in managing, a corporation for three years by ASIC.

### **Aurora Dividend Income Trust Suspended from Official Quotation**

On 21 September 2018, Aurora Dividend Income Trust (**AOD**), another fund of which Aurora is the responsible entity, announced its immediate suspension from quotation under ASX Operating Rule 10A.8.1, pending enquires about AOD's market-making arrangements. That suspension remains in place.

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<sup>1</sup> "18-184MR ASIC imposes licence conditions on Aurora Funds Management Limited", 26 June 2018; <https://asic.gov.au/about-asic/media-centre/find-a-media-release/2018-releases/18-184mr-asic-imposes-licence-conditions-on-aurora-funds-management-limited/>

***Discount to NTA***

To compound the poor performance of HHY, unitholders are unable to sell their units on-market at or close to NTA.

At the close of trading on 5 October 2018, HHY units were trading at 8c, representing an 11.1% discount to the last announced NTA (August 2018).

***Questionable conduct***

ASIC has submitted in Takeover Panel Review proceedings that Aurora had been involved in collaborative conduct in defending Aurora's position as responsible entity of HHY, the Aurora Global Income Trust (AIB) and the Aurora Fortitude Absolute Return Fund.<sup>2</sup>

**Unitholders should VOTE IN FAVOUR of the RESOLUTION to wind up HHY.**

--ENDS--

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<sup>2</sup> "Reasons for Decision Molopo Energy Limited 01 & 02 [2017] ATP 10"; paragraph 186(b); [https://www.takeovers.gov.au/content/Reasons\\_For\\_Decisions/2017/downloads/010.pdf](https://www.takeovers.gov.au/content/Reasons_For_Decisions/2017/downloads/010.pdf)