

23 November 2016

ASX Market Announcements Office
Australian Securities Exchange
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Notice of Meeting of Unitholders Update

Pursuant to Listing Rule 3.17.1, please find attached notice sent to unitholders today.

Yours faithfully

Aurora Funds Management Limited
as responsible entity for HHY Fund



Betty Poon
Company Secretary

23 November 2016

Dear Unitholder,

VOTE NO – VOTE AGAINST ALL RESOLUTIONS

- **CURRENT MANAGEMENT DRIVING UNITHOLDER VALUE**
- **AURORA HAS IMPLEMENTED CLEAR STRATEGY TO ADDRESS TRADING BELOW NTA**
- **WAM'S PROPOSAL TO REPLACE RESPONSIBLE ENTITY JEOPARDISES STRATEGY WITH NO STATED ALTERNATIVE**
- **PROPOSED REPLACEMENT RESPONSIBLE ENTITY ALSO HAS NO KNOWN STRATEGY/AGENDA**
- **WAM'S INTENTIONS UNDISCLOSED**

By now you would have received a Notice of Meeting scheduled to be held on 6 December 2016 (**2nd Meeting**) from entities associated with Wilson Asset Management (**WAM**), seeking to replace your Responsible Entity (**RE**) Aurora Funds Management Limited (**Aurora**).

The Directors of Aurora are considering the validity of the Notice of Meeting and the eligibility of those entities stated to have convened the 2nd Meeting.

In the meantime, the Directors strongly recommend that you vote your Units **AGAINST** all resolutions set out in the Notice of Meeting, and an additional proxy form accompanies this letter which allows you to appoint a representative of Aurora as your proxy to do so should you be unable to attend the meeting.

Background:

HHY Performance

HHY's performance under Keybridge/Aurora management has been strong, as evidenced by a 17.27% return after taxes and management fees for FY16.

Market Price of HHY relative to NTA

WAM have in the past called a separate meeting (**1st Meeting**) to remove Aurora as the RE of the Fund and to wind-up HHY on the basis that the unit price of HHY has trailed the performance of its rising underlying net tangible assets (**NTA**).

In response to this criticism, Aurora considered a mechanism that allowed ALL Unitholders to exit their investment in HHY (at their discretion) at the NTA backing of HHY.

The solution was a takeover bid at prevailing NTA by another Aurora managed fund (**AIB**), providing Unitholders with a superior outcome, compared to the proposed wind-up by WAM. Separately you will receive information in relation to this bid.

Adjourning of 1st Meeting called by WAM

As a result of this takeover bid, the 1st Meeting was adjourned by the Independent Chairman of the meeting to provide time for Unitholders to properly consider the merits of the takeover bid, along with the relevant statutory disclosures. This meeting is due to be reconvened once the Bidder's Statement, Target's Statement and Independent Expert Report are released to Unitholders, thereby enabling Unitholders to make an informed decision at the resumption of the meeting.

Whilst the decision to adjourn this meeting, subject to further disclosure, was not Aurora's decision, Aurora believes that the adjournment follows best corporate governance practice.

WAM's 2nd Meeting

WAM have since called a 2nd Meeting mentioned in the first paragraph. This meeting no longer seeks to wind-up HHY, however now seeks to appoint an RE with an unknown intention or agenda for the HHY Fund.

WAM is unprepared to wait for important statutory disclosure

Aurora requested WAM to delay the holding of their 2nd Meeting by about 2 weeks to allow Unitholders time to consider the full disclosures required in respect of the takeover bid by AIB, including an Independent Expert Report as to the fairness and reasonableness of the takeover offers.

For reasons only known to WAM, WAM refused to delay their meeting by this short period, instead electing to hold the meeting in an environment where Unitholders may not be fully informed.

In the context of HHY's very strong performance and WAM's undisclosed intention for the Fund, this refusal only serves to heighten our concerns over WAM's conduct.

In the circumstances, we continue to make representations to WAM to defer the 2nd Meeting as it should.

WAM's conduct

In the short time since the takeover offer was made by AIB for all units in HHY, an entity associated with WAM has taken steps to acquire more than 5% of the units in two other listed trusts managed by Aurora that are independent of HHY, with the seemingly sole

purpose of removing Aurora as the Responsible Entity of these funds also. The reasons given to the unitholders of those unrelated Aurora funds for their own meetings relate to WAM's dissatisfaction in the adjournment of the HHY 1st Meeting and the takeover bid made by AIB.

This dissatisfaction is notwithstanding the fact that the adjournment of the 1st Meeting was implemented by an Independent Chairman of the meeting, not otherwise associated with Aurora, and that the takeover bid by AIB may be in the interests of all HHY Unitholders.

Aurora cannot reconcile why entities associated with WAM would seek to take such aggressive action in the circumstances, other than to seek to specifically disadvantage Aurora and/or benefit WAM and their associates.

WAM's actions versus its representations

WAM's stated intention in requisitioning its 1st Meeting for HHY was to facilitate the winding-up of HHY to allow Unitholders to exit at a price closer to NTA.

Aurora as RE of AIB has since implemented a mechanism to allow all Unitholders to receive a superior outcome than winding-up, with full details about the merits and advantages/disadvantages of AIB's takeover bid, including the opinion of the Independent Expert engaged to assess the bid, to be provided to Unit Holders.

Following the adjournment of the 1st Meeting, WAM has written to Aurora advising that it is not to dispose of ANY of HHY's assets, as WAM considers them to be 'strategic', and to have value above disposal value. This is in circumstances where the winding up of the Fund would have mandated the RE to dispose of these 'strategic assets'.

WAM's 2nd Meeting no longer seeks to wind-up HHY. In fact it is entirely unclear as to what WAM is now proposing for the Fund under the new RE.

Investment Management Agreement

Keybridge Capital Limited (**Keybridge**) holds an ongoing contractual entitlement to manage the funds in HHY, subject to review after June 30th 2019 (or earlier if there is mismanagement or failure to meet investment objectives) and the RE's right to terminate due to default by or insolvency of Keybridge. The change of RE does not invalidate this contractual right, nor provide a unilateral right of the new RE to terminate.

It is accordingly unclear as to what WAM or the new RE's intentions are in regards to this agreement in light of its previous claims that a reason to change the RE was Keybridge's management of the Fund.

WAM's past unsuccessful attempt to control Keybridge, HHY and Aurora and timeline of conduct

On May 12th 2016, WAM put forward a restructure proposal to Keybridge that sought to deliver management control of Keybridge, HHY, Aurora and other Aurora controlled trusts

to entities associated with WAM. This proposal was without any control premium, nor any consideration for the value of management rights to be received by entities associated with WAM.

On June 10th 2016, WAM withdrew this proposal for reasons including the lack of support from independent Keybridge shareholders.

On August 3rd 2016, WAM called its 1st Meeting to wind-up HHY.

On November 11th 2016, WAM called meetings to remove Aurora from two listed funds unrelated to HHY, and its 2nd Meeting to remove Aurora from HHY.

It is perhaps not unreasonable to conclude from the above sequence of events that WAM and its associates are seeking to obtain control of HHY without full disclosure of their motivation or intentions regarding HHY, and without paying a control premium to you.

Voting with WAM's recommendations may reduce liquidity and tradable value of your HHY Units

The takeover bid for your HHY Units at NTA may be withdrawn in the event that WAM are successful in appointing their RE at the 2nd Meeting.

The withdrawal of this bid would likely have the consequence of reduced liquidity for your Units.

Conclusion

Under Aurora's stewardship as Responsible Entity, HHY investors have benefited from strong returns on their investment and have received an offer to receive NTA for all their Units in the Fund.

Under Aurora, WAM as a Unitholder has benefited from the Fund's performance and the opportunity to exit all their Units at NTA in a circumstance where they paid a discount to the then NTA. Notwithstanding this, WAM and its associates continue to press for outcomes that appear to be only explained by self-serving interests.

VOTE NO - VOTE AGAINST ALL RESOLUTIONS AT THE UPCOMING MEETING BY COMPLETING THE ATTACHED PROXY FORM

By order of the board of directors of Aurora Funds Management Limited


John Patton
Managing Director

HHY Fund

ARSN 112 579 129

Name
Address line 1
Address line 2
Address line 3
Address line 4
Address line 5
Postcode / Country

LODGE YOUR VOTE

 www.registrydirect.com.au/investor/login

 **By mail**
Aurora Funds Management Limited
C/- Registry Direct
PO Box 18366
Collins Street East VIC 8003

 **By hand**
Registry Direct
L6 2 Russell Street
Melbourne VIC 3000

 **By facsimile** 1300 55 66 35 (within Australia)
+61 3 9111 5652 +61390207934 (outside Australia)

By email: aurora@registrydirect.com.au

SRN/HIN: I/X*****

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be received before 4:00pm (Sydney time) on Sunday, 4 December 2016.

Proxy Collection

Please note that, in order for your appointment of proxy to be effective, it must be received by Registry Direct or the Responsible Entity by no later than 4:00pm (Sydney time) on Sunday, 4 December 2016. Please complete, sign and return your Proxy Form as soon as possible.

To vote by completing the Proxy Form

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint John Patton or Betty Poon as your proxy, mark the box. If you wish to appoint someone other than John Patton or Betty Poon as your proxy please write the full name of that individual or body corporate. This can include the Chairman of the Meeting. If you leave this section blank, or your named proxy does not attend the meeting, then John Patton or Betty Poon will be your proxy. A proxy need not be a unitholder of the HHY Fund. Do not write the name of the HHY Fund or the registered unitholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting Registry Direct or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of units applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

This proxy form has been prepared to direct your proxy to vote against resolutions 1 and 2. All your units will be voted in accordance with such direction.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from Registry Direct.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the unitholder.

Joint Holding: where the holding is in more than one name, all the unitholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **4:00pm (Sydney time) on Sunday, 4 December 2016**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

 **By Fax** + 61 3 9111 5652

 **By Mail** c/- Registry Direct
PO Box 18366
Collins Street East VIC
8003 Australia

 **In Person** Level 6, 2 Russell Street
Melbourne VIC 3000

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

HHY Fund

ARSN 112 579 129

Name
Address line 1
Address line 2
Address line 3
Address line 4
Address line 5
Postcode / Country

LODGE YOUR VOTE

 www.registrydirect.com.au/investor/login

By mail

Aurora Funds Management Limited
C/- Registry Direct
PO Box 18366
Collins Street East VIC 8003

By hand

Registry Direct
L6 2 Russell Street
Melbourne VIC 3000

By facsimile

+61 3 9111 5652

1300 55 66 35 (within Australia)
+61390207934 (outside Australia)

All enquiries

By email: aurora@registrydirect.com.au

SRN/HIN: I/X*****

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **HHY Fund** (Fund) and entitled to attend and vote hereby appoint:

☐

John Patton or failing him attending the meeting, **Betty Poon** as my/our proxy

OR if you are **NOT** appointing John Patton or failing him attending the meeting, Betty Poon as my/our proxy, please write the name of the person or body corporate (excluding the registered unitholder) you are appointing as your proxy below. Please note you may name the Chairman of the Meeting here if you wish.

or failing the individual or body corporate named, or if no individual or body corporate is named, John Patton or failing him attending the meeting, Betty Poon as my/our proxy at the General Meeting of the Fund to be held at **The Justice & Police Museum, Albert Street entry, Crn Albert & Phillip Streets, Circular Quay, Sydney NSW 2000 on Tuesday, 6 December 2016 at 4:00pm (Sydney time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions on the resolutions. The proxy may also vote on all procedural motions and procedural resolutions as the proxy sees fit.

John Patton and Betty Poon intend to vote all undirected proxies given to them **AGAINST** each Resolution.

STEP 2 VOTING DIRECTIONS

Resolution 1 Removal of Responsible Entity

Against



Resolution 2 Appointment of new Responsible Entity



STEP 3 SIGNATURE OF UNITHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Unitholder 1

Sole Director and Sole Company Secretary

Unitholder 2

Director

Unitholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2016