

5 June 2018

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NOTICE TO INVESTORS IN THE TRUSTS OF PROPOSED MODIFICATIONS TO THE CONSTITUTIONS

This notice is given by Aurora Funds Management Limited ACN 092 626 885 (the RE) under Section 601GCA (3) and (4) of the Corporations Act 2001 (Cth) as modified by ASIC Corporations (Attribution Managed Investment Trusts) Instrument 2016/489 (the Instrument).

The RE is the responsible entity of the registered trusts listed below (each a “Trust” and together the “Trusts”) and gives notice to the unit holders in the Trusts that it proposes to modify the Trusts’ constitutions (“Constitutions”) to facilitate their operation under the new Attribution Managed Investment Trust regime (“AMIT regime”).

Aurora Absolute Return Fund	ARSN 110 303 430
Aurora Property Buy-Write Income Trust	ARSN 125 153 648
Aurora Dividend Income Trust	ARSN 151 947 732
Aurora Global Income Trust	ARSN 127 692 406
HHY Fund	ARSN 112 579129
Aurora Fortitude Absolute Return Fund	ARSN 145 894 800

Details of the AMIT Regime and the proposed amendments to the Constitution are set out below.

THE AMIT REGIME

An attribution managed investment trust (AMIT) is a managed investment trust which, for the 2016 and later income years, elects to apply the attribution rules in Division 276 of the Income Tax Assessment Act 1997 (ITAA 1997). In order for the AMIT Regime to apply, a trust must meet eligibility criteria and the responsible entity must elect that the regime will apply to the trust with effect from a particular financial year. However, even if the responsible entity makes that election, the AMIT Regime may cease to apply at any time if the trust fails to satisfy all of the criteria. The RE will only make the election after having formed the view that this is in the best interests of the unit holders as a whole.

The AMIT Regime is a new set of rules for the taxation of managed investment trusts and their unit holders. The objective of the AMIT Regime is to provide greater certainty than the current rules in relation to the taxation position for managed investment trusts and their unit holders.

The current tax regime is governed by Division 6 of the Income Tax Assessment Act (Cth) 1936. Unit holders of a trust are taxed according to each unit holder's entitlement to the income of the trust. By contrast, under the new AMIT Regime, unit holders are taxed on the taxable income that is "attributed" to unit holders by the responsible entity. The AMIT Regime requires the responsible entity to undertake this attribution on a fair and reasonable basis. The AMIT regime is designed specifically for managed funds to provide certainty and flexibility to managed funds and their investors.

The AMIT Regime may provide the following potential benefits for unit holders of an AMIT:

- Greater clarity and certainty associated with the tax treatment of distributions and the character of income and capital of the AMIT, in contrast to the current "present entitlement" regime. In particular, a removal of the potential for double taxation that may arise for unit holders where there are mismatches between the amount distributed and the taxable income of the AMIT.
- If a variance is discovered between the amounts actually attributed to unit holders for an income year, and the amounts that should have been attributed, the variance can be attributed in the income year in which it is discovered by the responsible entity, rather than amending previous years' tax returns and notifying unit holders of those amendments.
- An AMIT will be deemed to be a "fixed trust" and unit holders will be treated as having vested and indefeasible interests in the income and capital of the AMIT throughout the income year, which can be relevant for utilising trust losses and obtaining the benefit of franking credits.
- Appropriate cost base adjustments, where distributions are greater or less than the amount on which the unit holder is assessed for tax purposes. This minimises the potential for double taxation.

MODIFYING THE CONSTITUTIONS

ASIC has granted relief under the Instrument to allow the responsible entity of a registered trust to amend the trust's constitution to enable the responsible entity to elect into and take advantage of the new regime without holding a unit holders' meeting, provided certain conditions are met. These conditions include that a notice is published explaining the changes to investors. This notice is accordingly issued pursuant to the Instrument.

Under the terms of the Instrument, the RE will modify the Constitutions on or after the day which is 7 days from the date of this notice, unless it receives requests in writing to call a meeting of unit holders to consider and vote on a special resolution to modify the Constitutions as proposed. The requests must be from unit holders with at least 5% of the votes that may be cast on the resolution for a Trust.

While the modifications facilitate the operation of the Trusts under the AMIT regime, they will not take effect unless RE makes an election for the AMIT regime to apply.

WHAT UNIT HOLDERS NEED TO DO

A unit holder does not need to take any action.

However, if you are a unit holder and wish to request a meeting of unit holders of the Trust to vote on the modifications, your request must be in writing and sent to Aurora Funds Management Limited at PO Box 33281, Melbourne VIC 3004 by 12 June 2018.

Your email should include the following information:

- your full name;
- the name of the Trust;
- your investor ID; and
- the word “AMIT” in the email subject line.

PROPOSED MODIFICATIONS TO THE CONSTITUTIONS

The RE is proposing to modify the Constitutions to enable the Trusts to operate under the AMIT regime by 1 July 2018. The proposed modifications are summarised below:

- provide that the existing provisions for the determination of distributable income are retained and will apply for financial years to which the AMIT regime does not apply;
- provide the RE with general powers, which include electing in to the AMIT regime and powers otherwise necessary or desirable to operate the Trusts under the AMIT regime;
- provide the RE with specific powers which are expected to be necessary for the Trusts to operate under the AMIT regime, including determining taxable income components, making attributions to unit holders to be worked out on a fair and reasonable basis and issuing unit holder statements for that purpose and for the RE to comply with the AMIT regime;
- facilitate the exercise of RE’s powers in relation to “under and overs” of the Trusts, in the manner permitted by the AMIT regime;
- permit the RE to determine that on redemption of units, the unit holder will be attributed with taxable income which has arisen for the Trust since the commencement of the current financial year and has not already been distributed (where the RE has reasonably determined that the amount attributed is connected to the redemption price of the units redeemed);
- provide the machinery for the exercise of the rights afforded to unit holders under the AMIT regime to object to the attribution of income, and also requiring unit holders to indemnify the Responsible Entity against costs and liabilities incurred in that process and to acknowledge that their rights may be impacted by the exercise of other unit holder’s objection rights;
- that the Responsible Entity be indemnified for any liability incurred by it in properly performing or exercising its powers or duties under the AMIT Regime, where it has properly performed its duties;
- that the Responsible Entity be indemnified by unit holders in relation to any tax and any other costs, expenses or liabilities incurred as a result of being liable to such tax, that may become payable by the Responsible Entity under the AMIT Regime, which the Responsible Entity reasonably determines relates to the unit holder or units held by the unit holder; and
- Other incidental changes considered by the RE as being necessary or incidental to the Trust being able to be operated as an AMIT, for example, to include specific definitions referable to the AMIT regime.

If you have any queries or concerns, please contact us.

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