

Fund Update – 23 February 2023

Aurora Funds Management Limited (Aurora), in its capacity as responsible entity for the Aurora Absolute Return Fund (ABW), Aurora Dividend Income Trust (ADIT), Aurora Fortitude Absolute Return Fund (AFARF), Aurora Global Income Trust (AIB), Aurora Property Buy-Write Income Trust (AUP) and HHY Fund (HHY) (collectively the Funds) provides the following market update, where applicable, in relation to the Funds' investments in RNY Property Trust (RNY) and Molopo Energy Limited (Molopo).

RNY Property Trust update

RNY Property Trust (RNY) is an Australian unlisted property trust with five (5) commercial property assets located in the tri-state area of New York, USA, with 3 properties located in Long Island and 2 properties located in Westchester County, collectively having 830,000 sq feet of lettable office space. Huntley Management Limited is the responsible entity for RNY and Aurora Funds Management Limited is the investment manager.

On 6 October 2020, during COVID-19 (which greatly impacted New York city), Aurora closed a Loan Modification with RNY's US lender, ACORE Capital (Lender) with a larger facility to fund certain planned capital works (as required by the Lender), with the following key terms:

- a three-year term – comprising an initial 6-month term, one six-month extension and two 12-month extension terms following the initial term;
- interest only;
- an existing loan facility of US\$76.2 million, with US\$64.6 million having been drawn, leaving US\$11.6 million available for approved capital expenditures and leasing costs;
- a new mezzanine loan facility of US\$15.6 million to fund additional approved leasing costs and capital expenditures; and
- RNY to complete the approved capital expenditure program.

Through the course of 2022, the Lender made various overreaching demands of RNY, including multimillion dollar claims for fees, which Aurora disputes, and demands that all the buildings be sold in an accelerated manner, for total sale consideration that would have amounted to circa US\$92 million.

Separately, Aurora worked with an alternate financier (being a Tier 1 financier) to refinance the 3 Long Island properties (representing approximately two thirds of the portfolio's lettable area), based on a signed Term Sheet for US\$60 million of debt finance (before reserves) on those properties at prime lending rates (locked for 10 years in March 2022). The valuations obtained for the three Long Island properties, in an orderly market, to support this alternative financing exceeded US\$90 million.

In addition, based on comparable recent sales of properties in the Westchester area, the value of the remaining 2 RNY properties (in Westchester) is in the vicinity of US\$30 million, with these buildings having benefited from circa US\$7 million of recent capital improvements.

In late 2022, the Lender took steps to enforce its security by seeking to commence foreclosure action, seeking to appoint a receiver, and selling the mezzanine debt in the US properties through a Uniform Commercial Code (UCC) auction process. This UCC process has the result of transferring the equity in the properties to purchaser of the mezzanine finance (which in this case totalled just US\$1.7 million). The UCC auction process was ultimately cancelled after RNY's related entity, RAOC, acquired the mezzanine debt and paid the associated fees (circa US\$1 million).

Aurora is actively defending any enforcement actions taken by the Lender, and engaged US Counsel in June 2022 to assist. In addition, Aurora is working to resolve the deadlock situation with the Lender. Until this matter is satisfactorily resolved, and a new debt facility can be agreed, there is significant uncertainty regarding the valuation of the subordinated loans and equity interests in RNY.

RNY Leasing

Following the substantial capital works program, Aurora is encouraged by the current levels of improved leasing velocity. Aurora is however cautious given the current turbulent economic conditions and interest rate environment; and remains optimistic with the short to medium term prospects of the Portfolio. Furthermore, Aurora is pleased with the retention of its current tenants, with minimal reduction in the portfolio occupancy since the on-set of COVID.

Some recent new leasing highlights include:

- Full floor tenant (22,128 sq ft) signed with high-credit tenant on commercial terms at Westchester County property.
- Letter of intent with second full floor tenant (circa 22,000 sq ft) at Westchester County property. Similarly high credit tenant on commercial terms. This lease is expected to be finalised in the short-term.
- Letter of intent with third full floor tenant (circa 23,000 sq ft) at neighbouring Westchester County property. Similarly high credit tenant on commercial terms. This lease is expected to be finalised in the short-term.
- Letter of intent with tenant (circa 10,000 sq ft) at Westchester Country property. Similarly high credit tenant on commercial terms. This lease is expected to be finalised in the short-term.

Aurora is diligently working to convert the above-mentioned leases into executed deals. If completed, these prospective leases should materially enhance the occupancy and financial characteristics of the Portfolio.

Molopo Energy update

On 17 December 2021, Molopo Energy Limited (Molopo) advised (on its website) that it had settled the legal action against the former Molopo directors for A\$12 million. This equates to 4.8 cents per Molopo share (based on 249,040,648 shares on issue).

Aurora notes that the value of the Funds (AFARF/ABW and AIB) investment in Molopo was written down to nil during the year ended 30 June 2021. The Funds have not adjusted the carrying value of its investment as it is waiting on the outcome of other litigation matters that Molopo is involved in.

The Funds continue to adopt a carrying value of \$nil per Molopo share. Aurora will re-assess the carrying value of its investment in Molopo based on further information being released by Molopo regarding its financial position.

Redemptions

Given the uncertainty created by the abovementioned matters, where applicable, Aurora considers it prudent to maintain a temporary hold on Redemptions until the outcome of the above two (2) matters is known.

Yours faithfully
Aurora Funds Management Limited



John Patton
Managing Director