



27 June 2018

Company Announcements
ASX Limited
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SYDNEY NSW 2000

AURORA
FUNDS MANAGEMENT

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VARIATION OF LICENCE CONDITIONS

Aurora Funds Management Limited, in its capacity as Responsible Entity for the HHY Fund (Aurora), acknowledges the conditions placed on its licence following the misappropriation of funds by its former Chief Financial Officer, Ms Betty Poon.

On 25 November 2017, Aurora management identified the misappropriation of funds, resulting in the immediate termination of Ms Poon, with the matter being reported to the Victoria Police on the same day. On Monday 27 November 2017, Aurora notified ASIC and made an ASX Announcement. Since this time, a thorough forensic investigation has been completed, Aurora has changed its auditors, is in the process of changing its unit registry arrangement and Ms Poon has pleaded guilty to the misappropriation of funds. Aurora has also recovered a portion of the misappropriated funds and other recovery actions remain on foot.

In March 2018, Aurora in its own capacity repaid the misappropriated funds for the benefit of fund members.

Since the misappropriation, Aurora has reviewed and altered its risk management framework to avoid this situation occurring again. The variation of the licence conditions will not currently impact the way Aurora funds are managed and business will continue as normal, whilst the review is carried out.

ASIC has imposed licence conditions that require Aurora to engage an ASIC-approved independent expert to assess and report on the adequacy of its resources, corporate governance and risk management practices. Aurora has agreed to the conditions and must engage an independent expert by 30 June 2018.

The independent expert's review will consider, among other things, Aurora's:

- risk management systems;
- internal governance and communication systems;
- processes and procedures for handling scheme property;
- financial, technological and human resources considering the size, nature and complexity of Aurora's business; and
- processes and procedures to ensure its representatives have the necessary qualifications, skills and on-going education.

The independent expert will report to ASIC and Aurora and provide interim recommendations for any steps that Aurora should take to ensure that its procedures are adequate by 1 October 2018. Aurora is required to inform ASIC of any recommendations that it will not implement and explain why it will not do so. The independent expert will then provide a final report to ASIC and Aurora by 29 March 2019.

At all times, Aurora has worked cooperatively with the Victoria Police and ASIC and will continue to do so. As part of this cooperation, Aurora has agreed with ASIC to appoint an independent party to conduct a review of its corporate governance and risk management practices. Accordingly, ASIC has amended Aurora's licence to take into account this review.

Yours faithfully

Aurora Funds Management Limited
as responsible entity for
the HHY Fund

A handwritten signature in black ink, appearing to read 'Adrian Martin', written in a cursive style.

Adrian Martin
Company Secretary