

# Aurora Dividend Income Trust (Managed Fund)

PRODUCT DISCLOSURE STATEMENT (PDS)

ARSN 151 947 732  
APIR CODE: AFM0010AU  
ASX Code: AOD  
DATED 13 May 2013

**This PDS is for the offer of ASX Quoted Units**

**Issuer & Responsible Entity:**

Aurora Funds Management Limited ABN 69 092 626 885 AFSL No. 222110

**Investment Manager:**

Fortitude Capital Pty Ltd ABN 62 100 306 723 AFSL No. 221131

## **Important Notice and Disclaimer**

This PDS was lodged with both the Australian Securities and Investments Commission ('ASIC') and ASX Limited (ASX) on 13 May 2013. No responsibility as to the contents of this PDS is taken by ASIC or ASX Limited ('ASX').

At the time of lodgement of this PDS with ASIC, the Quoted Units are yet to be quoted. An application for quotation will be made to the ASX as required.

Investment in the Aurora Dividend Income Trust (Managed Fund) ('Trust') is offered by Aurora Funds Management Limited ABN 69 092 626 885 AFSL 222110 (referred to in this PDS as 'Aurora', 'the Responsible Entity', 'Issuer', 'we', 'our', or 'us'). No Aurora Group company other than us makes any statement or representation in this document. The information contained in this PDS is general only and does not take into account your individual investment objectives, financial profile, or requirements. You should assess the information within the PDS, and consider talking to a financial adviser, before making an investment in the Fund. All individual or joint investors in the Funds must be at least 18 years of age.

The Units referred to in this PDS is a separate class of units in the Trust, i.e. the Quoted Class of units is a separate class of Units in the Trust. As such it is only the Quoted class, of the underlying Trust, that will be quoted on the AQUA market of the ASX. Unless otherwise stated in this PDS, references to provisions for the Quoted Unit refer to the Quoted class only. References to 'Trust' in this PDS, is a reference to Aurora Dividend Income Trust (Managed Fund) generally, which will have relevance to the Quoted class also. The Trust expects to maintain at least one un-Quoted class of units.

The information in this PDS is up to date at the time of preparation. However, some information and terms can change from time to time. If a change is considered materially adverse we will issue a supplementary or replacement PDS. For updated or other information about the Fund (such as performance), please consult your financial planner, call us on 1300 553 431 or visit our website [www.aurorafunds.com.au](http://www.aurorafunds.com.au). We will send you a copy of the updated information free of charge upon request.

The Trust may make investments directly or indirectly by investing in other funds (including funds related to or managed by a member of the Aurora Group) that have investment objectives and authorised investments that are consistent with the Trust. This structure helps to minimise transaction costs and can enhance diversification.

The Trust's constitution permits a wide range of investments and gives us as Responsible Entity broad investment powers. We may vary the investment objectives, strategies, benchmarks, asset allocation ranges and processes of the Trust set out in this PDS. We will give Unit holders written notice of any material variation we believe they would not have reasonably expected.

Where this PDS is provided in electronic form, you must print all pages including the Application Form. Quoted Units in the Trust will not be issued unless you use the Application Form attached to either the paper or electronic copy of this PDS, or the approved electronic application facility.

The Prime Broker, as at the time of preparation of this PDS, is UBS AG, Australia Branch (ARBN 088129613, AFSL 231087) (referred to throughout this PDS as the 'Prime Broker'). The Custodian, as at the time of preparation of this PDS, is UBS Nominees Pty Limited (ABN 32 001 450 522, AFSL 231088) (referred to throughout this PDS as the 'Custodian'). The Custodian and Prime Broker may be replaced from time to time by the Responsible Entity. The Prime Broker and Custodian nor any of its employees, associates and subsidiaries has not prepared this PDS and is not responsible for its contents, nor do they give any guarantee of the return on your investment, or repayment of capital or particular rates of return on income and capital.

The Responsible Entity and its employees, agents or officers do not guarantee the success, repayment of capital or any rate of return on income or capital or the investment performance of the Trust. Your investment does not represent deposits or other liabilities of the Aurora Group or the Prime Broker and Custodian, or any related company. Your investment can be subject to investment risk, including possible delays in repayment and loss of income and principal invested and Aurora and AFM do not in any way stand behind the capital value and/or rates of return of the Trust.

This PDS is not an offer or invitation in relation to the Quoted Units in any place in which, or to any person to whom, it would not be lawful to make that offer or invitation. The distribution of this PDS outside Australia may be restricted by the laws of places where it is distributed and therefore persons into whose possession this document comes should seek advice on and observe those restrictions. Failure to comply with relevant restrictions may violate those laws.

We authorise the use of this PDS for investors who wish to access the Trust through an Investor Directed Portfolio Service ('IDPS', or 'IDPS-like' schemes commonly known as a master trust or wrap account) or a nominee or custody service. We are not responsible for the operation of an IDPS or IDPS-like service.

Unless otherwise stated, all amounts specified in this PDS include GST and are net of any input tax credits or RITC, where available. No image contained in the PDS represents an asset of the Trust. Unless identified to the contrary, all references to monetary amounts are to Australian dollars. Capitalised terms have the meaning given to them in the Glossary.

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## Quoted Units

The Responsible Entity has applied to the ASX to have this class of units of the Trust admitted under the AQUA Rules, and hence be tradable on the AQUA platform. This allows you to buy and/or sell the Quoted Units on the ASX as you would for any other Australian listed or quoted security.

The AQUA Rules were introduced to offer greater flexibility than the ASX Listing Rules, and have been designed having regard to managed investment schemes and other investment products.

## The Aurora Group

Aurora Funds Limited and its subsidiaries ('Aurora', or the 'Aurora Group') provide asset management and responsible entity/ trustee services to Australian and New Zealand investors. Aurora Funds Limited was listed on the ASX in July 2010 with the ASX Code: AFV.

Both Aurora Funds Management Limited ('AFM', established 2003) and Fortitude Capital Pty Ltd (the 'Investment Manager', established 2002) of the Trust are wholly owned subsidiaries of Aurora with headquarters in Sydney. See [www.aurorafunds.com.au](http://www.aurorafunds.com.au) for the backgrounds of the key executives within the Aurora Group.

Aurora is the issuer of the:

- Aurora Absolute Return Fund (ARSN 110 303 430) ASX Code: **ABW**
- Aurora Global Income Trust (ARSN 127 692 406) ASX Code: **AIB**
- Aurora Property Buy-Write Income Trust (ARSN 125 153 648) ASX Code: **AUP**
- van Eyk Blueprint Alternatives Plus (ARSN 121 722 521) ASX Code: **VBP**
- Aurora Fortitude Absolute Return Fund (ARSN 145 894 800) APIR Code: AFM0005AU

You may contact Aurora at:

**Telephone:** 02 9080 2377 or 1300 553 431

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**Website:** [www.aurorafunds.com.au](http://www.aurorafunds.com.au)

**Post:** PO Box R1695  
Royal Exchange NSW 1225

## Key features of the AQUA Market

The AQUA Rules form part of the ASX Operating Rules. The Trust will not be listed on the ASX under the ASX Listing Rules. The main differences between the AQUA Rules and the ASX Listing Rules are summarised below:

	ASX LISTING RULES	ASX AQUA RULES
<b>CONTINUOUS DISCLOSURE</b>	Products under the Listing Rules <b>are subject</b> to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the Corporations Act.	<p>Issuers of products quoted under the AQUA Rules <b>are not subject</b> to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the Corporations Act.</p> <p>There <b>is a requirement</b> under the AQUA Rules that an issuer of a product quoted under the AQUA Rules provides the ASX with any information that may lead to the establishment of a false market in its products or would materially affect the price of its products.</p> <p>Managed funds must provide daily portfolio holdings information or substantially continuous intra-day NAV (INAV) per Unit as well as portfolio information at least monthly, on one months' delay. In contrast, ETFs have no such express requirement.</p> <p>Issuers of ETFs/traded managed investments <b>must also</b> disclose information about dividends, distributions and other disbursements to the ASX via the CAP. Any other information that is required to be disclosed to ASIC under s675 or s323DA of the Corporations Act must be disclosed to the ASX via CAP at the same time it is disclosed to ASIC.</p>
<b>PERIODIC DISCLOSURE</b>	Products under the Listing Rules <b>are required</b> to disclose half yearly and annual financial information or annual reports under Chapter 4 of the Listing Rules.	<p>Under AQUA Rules, issuers are not required to disclose half yearly and annual financial information or annual reports under the Rules.</p> <p>Responsible entities of AQUA Products that are registered managed investment schemes <b>are still</b> required to lodge financial reports with ASIC at the same time they are sent to product holders.</p>
<b>CORPORATE CONTROL</b>	Requirements in the Corporations Act and Listing Rules in relation to matters such as replacement of the Responsible Entity, takeovers, buy-backs, change of capital, new issues, restricted securities, directors' interests and substantial shareholding disclosures <b>apply to</b> companies and schemes.	<p>Certain requirements in the Corporations Act and the Listing Rules in relation to matters such as takeover bids, buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings that apply to companies and listed schemes <b>do not apply</b> to products quoted under the AQUA Rules.</p> <p>Under AQUA Rules, issuers <b>are subject</b> to a general requirement to provide the ASX with any information concerning itself that the non-disclosure of which, may lead to the establishment of a false market or materially affect the price of its product.</p> <p>As the scheme is not listed, replacement of the responsible entity may only be done by resolution passed by a majority of votes of all the votes that are eligible to be cast (s601FL).</p>
<b>RELATED PARTY TRANSACTIONS</b>	Chapter 10 of the Listing Rules, relating to transactions between an entity and persons in a position to influence the entity, specifies controls over related party transactions.	Chapter 10 of the Listing Rules does not apply to AQUA Products. The Trust, as a registered managed investment scheme, is subject to Chapters 2E and 5C.7 of the Corporations Act.
<b>AUDITOR ROTATION</b>	There are specific requirements regarding auditor rotation in Part 2M.4 Division 5 of the Corporations Act.	Issuers of products quoted under the AQUA Rules are not subject to the requirements under Part 2M.4 Division 5 of the Corporations Act.
<b>PRODUCT DISCLOSURE</b>	<p>Entities admitted under the Listing Rules are subject to the requirements of the Corporations Act in relation to the issue of a PDS.</p> <p>Information on the risks associated with an investment in a product is to be included.</p>	<p>Products quoted under the AQUA Rules will also be subject to these requirements of the Corporations Act.</p> <p>Investors should read the PDS carefully before investing in an AQUA Product to fully understand the risks involved in investing in these types of products.</p>
<b>APPLICATIONS AND REDEMPTIONS</b>	Managed Fund entities admitted under the Listing Rules may allow investors to apply for and redeem units from the issuer in some situations.	With managed funds, investors are permitted to apply for and redeem units from the issuer. For ETFs, investors (other than Authorised Participants) are only permitted to buy and sell on the secondary market (AQUA).

# Key features of the Offer

Further Details

The Offer	Quoted Units in the Aurora Dividend Income Trust (Managed Fund).	
ASX Market Liquidity	The Quoted Units are quoted on the AQUA market of the ASX ( <b>ASX Code: AOD</b> ). This allows investors to buy and sell the Quoted Units in the same way as ASX listed securities.  The estimated NAV per Unit will be published on our website every 15 minutes during the period in which the ASX is open for trading.	
Off Market Liquidity	The Quoted Units may also be applied for and redeemed off market.	
<b>Investment Summary</b>		
Investment objective <sup>1</sup>	To provide investors with returns in excess of the S&P/ASX 200 Accumulation Index, adjusted to include the value of franking credits, over rolling 5 year periods, distribute more income and franking credits each year and to do so with less volatility.	
Investment Strategy	To invest in a portfolio of companies listed on the ASX the Investment Manager expects will pay fully franked dividends while employing a risk management overlay to reduce the net exposure to equity market risk.	Page 4
Asset Allocation Ranges (net of hedging)	Cash 25 – 60% Australian Equities 40 – 75%	Page 4
Suggested timeframe	At least 5 years.	
<b>Distribution Payments</b>		
Frequency	Quarterly.	
Amount <sup>2</sup>	At least 1.5% of NAV per quarter of cash plus available franking credits.	Page 16
Payment methods	Either reinvested into additional Units, or paid to your nominated bank account.	Page 16
<b>Fees and other costs<sup>3</sup></b>		
Contribution fee	Nil.	Pages 9 – 11
Withdrawal fee	Nil.	Pages 9 – 11
Management fee	0.97375% per annum (incl GST) of the value of the Trust's Net Asset Value.	Pages 9 – 11
Normal Expenses	We may recover the normal operating expenses of the Trust capped at 0.3075% per annum (incl GST).	Pages 9 – 11
Buy/Sell spread	0.1%	
<b>Risks</b>	All investments are subject to risk. The significant risks are described herein.	Pages 6 – 8
<b>Custodial / Prime Broker</b>	The Trust has implemented custodial and prime broking arrangements.	Page 15
<b>Application/Redemption</b>		
Investment – via ASX	You may buy and sell Units on the ASX under the ASX Code: AOD.	
Investment – via PDS	The minimum initial investment via the PDS is <b>A\$2,000</b> and in multiples of <b>\$500</b> thereafter. Additional investments may be for a minimum of <b>A\$500</b> and in multiples of <b>A\$500</b> thereafter.	Page 20
Application /Redemption Timing	Valid application or redemption requests must be received by 12.00pm each Business Day to be processed at the end of the Business Day.	
Application	You may apply for Quoted Units by submitting an Application Form and Application Monies.	
Anti-Money Laundering (AML)	In order to process your Application, we may require information from you to confirm your identity and source of funds.	Page 22
Cooling Off / Complaints	No cooling off period applies. A complaints handling process has been established.	Page 14
Redemption	You can lodge a redemption request subject to certain limits in the constitution and this PDS. The minimum redemption (other than for a full redemption) must be for 2,000 Quoted Units or such other amount as we approve.	Page 20
<b>Investor reporting</b>		
General information and updates	For further information, including any updates issued by us, the Trust's monthly newsletter, and other statutory reports can be found at <a href="http://www.aurorafunds.com.au">www.aurorafunds.com.au</a> .	
Transaction confirmations	We generally send transaction confirmations for investments and redemptions.	
Electronic reports	Where practicable we send all investor reports by Email.	
Annual tax reporting	We send annual tax statements.	Page 16

1. The investment objective is expressed after the deduction of fees and before taxation. See pages 9-11 for details on fees and costs and page 12 for details on taxation. The objective is not intended to be a forecast, and is only an indication of what the investment strategy aims to achieve over the medium to long term. While we aim to achieve the objective, the objective and returns are not guaranteed.

2. The Trust intends to distribute at least 1.5% of NAV per quarter regardless of Trust performance. This means that if the Trust has insufficient net income in a given quarter, investors may receive a partial (or full) return of capital.

3. These are the current fee and not the maximum fees that can be charged.

# The investment objective and strategy

## Investment Objective

The objective of the Trust relative to the Australian equity market is to provide investors with:

- greater total returns over rolling 5 year periods;
- more income and franking credits each year; and
- less volatility.

The Australian equity market is measured by the S&P/ASX200 Accumulation Index adjusted to include franking credits.

The objective is not intended to be a forecast, and is only an indication of what the investment strategy aims to achieve over the medium to long term. Please note that while we aim to achieve the objective, the objective is not guaranteed.

## Investment Strategy

The Trust seeks to achieve the objective by investing in a portfolio of companies listed on the Australian Securities Exchange (ASX) the Investment Manager expects will pay fully franked dividends.

The investments will be actively managed and selected at the discretion of the Investment Manager. The Investment Manager may also reduce part of the equity market exposure by short selling securities (by borrowing those securities and selling them).

The purpose of selling borrowed shares is to reduce the risk of loss from adverse market movements. This risk reduction is expected because most securities on the ASX are positively correlated. That is, on average, their prices tend to go up and down together. Consequently, when the market falls, we expect the securities the Trust owns (the long securities) will fall. Similarly, when the market falls we expect the securities the Trust is short will fall. If this is the case, the Trust will make a profit on the short securities. When the market falls, the profit on the short securities is expected to partially offset the loss on the long securities. The extent of the offset will depend upon the value of the short securities relative to the long securities and the extent to which the short securities and long securities are correlated. The opposite is expected to occur when the market rises.

The key limitation to reducing risk by short selling securities is that the securities the Trust are short are expected to lose money when the market rises. This limitation is managed by restricting the amount of securities the Trust may short sell.

The table below details the net asset allocation ranges of the Trust.

<b>Asset class</b>	<b>Exposure (% of net assets)</b>
Australian Equities after hedging	40% - 75%
Cash after hedging	25% - 60%

What this means is that if the Trust invests 100% of its net assets in fully franked dividend paying companies, it must short sell at least 25% and no more than 60% of its net assets. To implement this, the Trust may borrow securities with a value up to 60% of the Trust's net assets. Note that when a security is short sold, cash is raised. The cash raised when securities are sold is held on deposit and earns interest for the Trust.

Because the maximum exposure to equities is 75% of the net assets of the Trust, whether hedging is used or not, the Trust is expected to outperform when the market falls and underperform when the market rises and, as such, is expected to be less volatile than the market. Where hedging is used, while not expected, it is possible the securities the Trust is short prove to be negatively correlated to the securities the Trust is long. In this situation, the volatility of the Trust may be greater than the market's.

Derivatives may also be used to improve the efficiency of implementing the Investment Strategy. Derivatives will only be held for short periods of time. The Investment Manager may not use derivatives or borrowings to gear the portfolio.

Any securities purchased or short sold must be issued by or over companies from within the S&P/ASX 200 Index.

The Investment Manager may implement this strategy by investing via other trusts managed by the Investment Manager where the Responsible Entity is the issuer.

The Investment Strategy can only be changed with approval of 75% of holders in the Fund (per AQUA Rule S10A.4.1).

### **Investment Implementation**

The implementation of the investment strategy is conducted by a team of investment professionals within the Aurora Group. This team is overseen by Mr Steuart Roe BSc MAppFin (who is the portfolio manager of the Trust and the chairman and managing director of Aurora). Mr Roe is a founding director of Aurora Funds Limited and has in excess of 20 years' experience in investment banking and funds management.

Prior to founding Aurora, Mr Roe was Executive Director and Head of Equity Risk Management Products for UBS for Australasia. His responsibilities included the origination, structuring and the distribution of equity derivative and cash products to corporate, financial intermediaries and retail clients. From 1992 to 2001, Mr Roe worked for Citigroup (formerly Salomon Smith Barney and County NatWest) holding numerous roles including, Director and Head of Corporate and Retail Equity Derivative Products, Head of Equity Risk Management, Associate Director and Portfolio Manager Structured investments.

Mr Roe is supported by Aurora's investment management team which consists of 6 additional investment professionals (as at the date of this PDS). Aurora's compliance with its operational and investment obligations is also reviewed each quarter by an independent compliance committee.

## What are the risks?

Prior to investing you should have regard as to whether this is a suitable investment for you, and whether it meets your individual investment objectives and financial circumstances. For example, you should consider your financial targets, investment timeframe, how the risks of this Trust compare to your other investments and what degree of risk you will accept in order to achieve your targets. All investments are subject to varying amounts of risks – both internal and external. Accordingly, like all investments, the Trust is expected to make losses from time to time.

The table below lists the significant risks associated with investing in the Trust. Nevertheless, other risks will exist, which may ultimately become material, and may result in material financial loss. Before investing you should consider talking to an adviser about the risks involved in the Trust and how they might impact on your individual financial circumstances.

Risk	
<b>Market risk</b>	The Trust is exposed to equity market risk. This risk is impacted by broad factors such as interest rates, availability of credit, political environment, investor sentiment and significant external events (e.g. natural disasters).
<b>Counterparty credit risk</b>	<p>The Trust is exposed to the credit risks of its Prime Broker/Custodian and other counterparties (see 'What else do you need to know' for more information). Should a counterparty go into administration/liquidation, the Trust may lose some or all of its assets. For example, the Custodian holds cash on deposit on behalf of the Trust, and should the Custodian go into liquidation this cash may not be returned.</p> <p>These risks are managed by ensuring that the Trust manages its stock borrowing, lending and derivative positions within pre-determined limits, and by only dealing with lenders/counterparties that are regulated by ASIC, hold at least investment grade credit ratings, or whose arrangements are based on enforceable legal contracts, and by limiting the lenders'/counterparties' recourse to only Trust assets.</p>
<b>Operational and administration risks</b>	Some counterparties (which may include the Issuer and its related entities or related parties) hold the financial and unit holder records for the Trust, and provide the platform for the execution of the Trust's securities trading. There is a risk that these counterparties may fail, or fail to accurately price the Trust's Units and/or properly retain and update the Trust's or investors' investment interests on a timely basis, and/or properly conduct and record the securities trading of the Trust. This may result in some short-term liquidity or other material constraints on the Trust or Issuer, and/or loss to unit holders. A risk of fraud also exists and can never be entirely eliminated. Nevertheless, this risk is mitigated by such things as segregation of functions, segregation of assets, dealing with reputable counterparties, annual financial and compliance audit, etc.
<b>Liquidity of Trading</b>	The price that the Quoted Units may trade on the AQUA platform may differ from the actual Net Asset Value of the Quoted Units. The liquidity of the trading may be limited.
<b>Investment Manager risk</b>	The skill and performance of the Investment Manager can have a significant impact on the investment returns of the Trust. Changes in the personnel and resources of the Investment Manager may also have an impact on investment returns of the Trust.
<b>Short selling risk</b>	<p>A loss will be incurred when short selling securities if the short selling price is lower than the subsequent purchase price (plus any associated transaction costs). If the short selling price is higher than the subsequent purchase price, a profit will be made (provided all the costs associated with the transaction are also recouped).</p> <p>Short selling securities involves additional risks such as liquidity risk, leverage risk and regulatory risk. In addition, losses incurred through selling shares that have been borrowed can be unlimited. The Trust may short sell up to 60% of the Trust's Net Asset Value. Whilst short selling shares that have been borrowed can be used to reduce market risk, it is also possible for a Trust's long positions and short positions to both lose money at the same time.</p>
<b>Securities borrowing risk</b>	The Trust may borrow securities (up to 60% of the Trust's Net Asset Value) as part of its investment strategy. The risks of borrowing securities include the risk that the lender recalls the securities loan thereby requiring the Trust to unwind a trading position, even if this unwinding results in a loss. There is no guarantee that the securities necessary to cover a



	<p>short position will be available for purchase. As the level of securities borrowings increase so too does the interest cost of those borrowing, as does the sensitivity to any variation in interest rates themselves. The cost of securities borrowing may increase materially, or become unavailable, which may lower the targeted and actual returns.</p>
<b>Derivatives risk</b>	<p>The Trust does not intend to make material use of derivatives, and where they are used they are not intended to be held for a material period of time. The value of derivative investments is linked to the value of an underlying asset (or an interest rate, share index or some other reference point) and can be highly volatile. While derivatives offer the opportunity for higher gains for a smaller initial cash outlay, they can also result in significant losses, sometimes significantly in excess of the amount invested to obtain the derivative. Risks associated with using these tools might include the value of the derivatives failing to move in line with the underlying asset, potential illiquidity of, or inability to get set in, the derivative, the Trust not being able to meet payment obligations as they arise, and counterparty risk (this is where the counterparty to the derivative contract cannot meet its obligations under the contract). Using derivatives may not provide the desired returns or protection from loss, and may increase losses. We aim to keep derivative risk to a minimum by constantly monitoring the Trust's use of derivatives, and by only entering into derivative contracts with reputable counterparties.</p>
<b>External risk</b>	<p>External factors are outside our control, and can affect both the value of the investment and also the income that the investment might produce. These factors include such things as interest rates, government policies, taxation and other laws, global stock market and economic conditions/volatility in general. External risk factors cannot be eliminated.</p>
<b>Interest Rate risk</b>	<p>The risk that the income of the Trust, or an investment of the Trust, may be adversely affected when interest rates fluctuate.</p>
<b>Issuer risk</b>	<p>The skill and performance of the Issuer can have a significant impact (both directly and indirectly) on the investment returns of the Trust. Changes in the personnel and resources of the Issuer may also have a material impact on investment returns of the Trust.</p>
<b>Conflicts of Interest risk</b>	<p>The Issuer, and its various service providers may from time to time act as issuer, investment manager, custodian, registrar, broker, administrator, investment manager, distributor or dealer in relation to, or be otherwise involved in other ways, or have other funds established by parties other than the Trust, as the case may be, which have similar objectives to those of the Trust. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Trust.</p> <p>The Issuer or any of their affiliates or any person connected with the Issuer may invest in, directly or indirectly, or manage or advise other funds which invest in assets which may also be purchased or sold by the Trust. Neither the Issuer nor any of their affiliates nor any person connected with them is under any obligation to offer investment opportunities of which any of them becomes aware to the Trust or to account to the Trust in respect of (or share with, or inform, the Trust of) any such transaction or any benefit received by any of them from any such transaction.</p> <p>The issuer maintains a conflicts of interest policy to ensure that we manage our obligations to the Trust such that all conflicts (if any) are resolved fairly. In addition, subject to applicable law, any of the foregoing may deal, as principal or agent, with the Trust, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis. The Investment Manager may be subject to conflicts of interest in the performance of its duties. However, it maintains its own conflicts of interest policy to ensure that any actual or perceived conflicts are managed in accordance with ASIC guidelines.</p>
<b>Trust risk</b>	<p>Trust risk refers to specific risks associated with the Trust, such as termination and changes to fees and expenses. The performance of the Trust or the security of your capital is not guaranteed. Your investment may not keep pace with inflation, which reduces the purchasing power of your money. There is no guarantee that the Investment Strategy will be managed successfully, or will meet its objectives. Failure to do so could negatively impact performance. From time to time the Issuer may be subject to conflicts of interest, and the Trust may invest in other investments that are related to Aurora or AFM. The Investment Strategy is specific and may not provide the targeted objectives. Unit holders should also be aware that the Investment Strategy is expected to lose money from time to time. The Investment Strategy, process and guidelines are executed on a best endeavours</p>

	<p>basis only.</p> <p>Returns from investing in securities, derivatives, and hedges can be volatile – particularly over the short to medium term. The volatility of the Trust may be higher as the returns are not always evenly distributed over long periods. Trust loss provisions can apply to deny the availability of tax losses and the Trust will not be able to pass through the benefit of any franking credits it receives during that financial year to Unit holders, and these franking credits may be permanently lost. Investing in the Trust may give different results than investing individually because of income or capital gains accrued in the Trust and the consequences of investment and withdrawal by other Unit holders.</p> <p>An investment in the Trust is governed by the terms of the constitution and the PDS, each as amended from time to time. The Trust is also governed by the rules of the ASX AQUA market, and is exposed to risks of listing on that platform, including such things as the platform or settlements process being delayed or failing. The ASX/AQUA may suspend, or remove the Units from quotation on the AQUA platform.</p> <p>If the Trust size falls below an economic level, and if it is considered by the Responsible Entity (at the Responsible Entity’s sole discretion) to be in the best interests of Unit holders, or if any material service or investment contract terminates and cannot be replaced to our satisfaction, we have the right to close the Unit Class or Trust, and return your remaining investment to you. The constitution allows us to treat different Unit classes differently.</p> <p>We aim to manage these risks by monitoring the Trust and acting in Unit holders’ interests.</p>
<b>Liquidity and withdrawal risk</b>	<p>If a Unit holder or a group of Unit holders seeks to make large withdrawals, then selling assets to meet those withdrawals may result in a detrimental impact on the price we receive for those assets. Alternatively, unusual events may occur that cause market liquidity to decrease and / or adversely change. Any such event may prevent the Trust from fully implementing the Investment Strategy, or from entering/liquidating security and/or derivative positions, or may adversely affect the ability of the Trust to price its investments. In these situations, we may choose to restrict, delay, or suspend Unit pricing, applications, or redemptions. The Trust’s Assets may be illiquid, particularly during adverse market conditions, and this may adversely affect the NAV. In addition, we may seek to manage the assets (and if necessarily temporarily amend the Investment Strategy without prior notice) of the Trust in order to minimise disruption, costs, and capital risk to the Trust - and thereby seek to protect the Trust in the interests of all Unit holders.</p>
<b>Regulatory risk</b>	<p>The risk that the value or tax treatment of an investment in a Trust or its underlying assets, or the effectiveness of the Trust’s Investment Strategy may be adversely affected by changes in government (including taxation) policies, regulations and laws, or changes in generally accepted accounting policies or valuations methods. Such changes may make some Unit holders consider that a managed investment scheme to be a less attractive investment option than other investments, prompting greater than usual levels of withdrawals, which could have adverse effects on the Trust.</p>

## Fees and other costs

### Consumer advisory warning

The warning below is required by law. The fees and other costs associated with investing in the Trust are described in this section.

#### Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns. For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

#### To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed investment fee calculator to help you check out different fee options.

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money or from the returns on your investment or from the Trust assets as a whole. You should read all of the information about fees and charges, as it is important to understand their impact on your investment. Unless otherwise stated, all amounts specified in this PDS include the net effect of GST.

Type of fee or cost	Amount	How and when paid
<b>Fees when your money moves in or out of the Trust<sup>1</sup></b>		
<b>Establishment fee:</b> The fee to open your investment.	Nil.	Not applicable.
<b>Contribution fee:</b> The fee on each amount contributed to your investment.	Nil.	Not applicable.
<b>Withdrawal fee:</b> The fee on each amount you take out of your investment.	Nil.	Not applicable.
<b>Termination fee:</b> The fee to close your investment.	Nil.	Not applicable.
<b>Management Costs:<sup>1</sup></b>		
<b>Management costs:</b> The fees and costs for managing your investment.	0.97375% per annum of the Trust's Net Asset Value.	Calculated daily, and paid at the end of each month.
<b>Normal operating expenses</b>	Up to 0.3075% per annum of the Trust's Net Asset Value.	Calculated daily, and paid at the end of each month.
<b>Securities Borrowing costs</b>	The Trust may pay interest/ fees on any securities borrowings. It is not possible to estimate what these costs will be.	These costs are generally accrued daily. This cost reduces the Trust's assets and is reflected in the Trust's Unit price.
<b>Service fees:</b>		
<b>Investment switching fee:</b> The fee for changing investment options.	Not applicable.	Not applicable.

<sup>1</sup> For more detail, including on the buy-sell spread incurred when your money moves in or out of the Trust, and for a worked dollar example, please refer to the "Additional explanation of fees and costs".

## Additional explanation of fees and costs

### **Management costs**

Management costs comprise the additional fees or costs that an investor incurs by investing in the Trust rather than investing directly in the underlying assets. They may include such things as the management fee, normal operating expenses, abnormal expenses and performance fees.

### **Management fee**

This is the fee we charge for overseeing the Trust's operations, providing access to the Trust, and appointing an Investment Manager.

### **Normal operating expenses**

We may recover from the Trust all expenses incurred in relation to the proper performance of our duties. For example, this would include Trust promotion (including product disclosure statements, advertising and promotional material and printing), custody, registry, accounts and audit, taxation advice, external consultants and compliance, insurance, stationery, communications and postage. The constitution does not place any limit on the amount of the normal operating expenses that can be paid from the Trust. Should we increase the amount of expense recovery, we will give 30 days' notice.

### **Abnormal expenses**

We may recover abnormal expenses (such as costs of Unit holder meetings, legal advice/proceedings, specialist tax advice, etc) from the Trust. The constitution does not place any limit on the amount of the abnormal expenses that can be paid from the Trust.

### **Transaction costs - buy-sell spread**

The buy-sell spread reflects the estimated transaction costs associated with buying and selling the assets of the Trust when investors invest in or withdraw from the Trust. The buy-sell spread is an additional cost to the investor but it is included in the Unit price and incurred when an investor invests in or withdraws from the Trust and is not charged separately to the investor. The constitution allows us to charge these costs, and we may do without notice. As at the date of this PDS the buy spread is 0.1% and the sell spread is 0.1%.

For example, the buy-sell spread on a \$50,000 investment or redemption is \$50.00

### **Securities borrowing costs**

The Trust may borrow securities within the investment strategy. The Trust will pay fees on these securities borrowings (if any) at a rate which is subject to change without notice. Securities borrowing costs are not included in the management costs and are paid by the Trust. We are not able to estimate these costs.

### **Example of annual fees and costs**

The following table give an example of how fees and costs can affect your investment over a one-year period. You should use these tables to compare this product with other managed investment products. Please note that this is an example only. In practice, the actual investment balance of an investor will vary daily and the actual fees and expenses we charge are based on the value of the Trust, which fluctuates daily.

Cash Application		Balance of \$50,000 with a contribution of \$5,000 during the year*
Contribution fee	Nil	For every additional \$5,000 you put in, you will be charged \$0.
<b>Plus</b> Management costs	0.97375%	<b>And</b> , for every \$50,000 you have in the Trust you will be charged \$486.88 each year.
<b>Plus</b> normal operating expenses	0.3075%	<b>And</b> , for every \$50,000 you have in the Trust you will be charged \$153.75 each year.
<b>Equals</b> Cost of the Trust		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you will be charged fees of <b>\$640.63</b> .
		<b><i>What it costs you will depend on the fees you negotiate with your fund or financial adviser.</i></b>

\* The above example assumes that the \$5,000 contribution is made at the end of the first year, that your balance remains constant throughout the year, the Unit price does not change, and that no additional service fees are incurred by you and that fees are not

individually negotiated with us. The example does not include the effect of any transaction costs (including the buy-sell spread).

ASIC provides a fees calculator on its website [www.moneysmart.gov.au](http://www.moneysmart.gov.au) which you could use to calculate the effects of fees and costs on your investment in the Trust.

### ***Can the fees change?***

Yes, all fees can change. Reasons might include changing economic conditions and changes in regulation. The constitution provides for the following maximum fees (which are provided for information only, and are not the current fees charged):

	<b><u>Maximum Allowable Fees</u></b>	<b><u>Current Fees</u></b>
Contribution fee	3% of the Application Monies	Nil – not charged
Management fee	3% of total asset value	See page 9.
Establishment fee	3% of the Application Monies	Nil – not charged
Withdrawal fee	3% of the withdrawal amount	Nil – not charged
Termination fee	1% of the account balance	Nil – not charged
Switching fee	3% of the amount switched	Nil – not charged
Administration fee	\$5 per month	Nil – not charged

If you ask us to do something outside our normal administrative function for you, we might charge you a fee. These fees vary, depending on what you ask us to do. Currently, our fees are \$30 if you want a replacement cheque or EFT, or \$15 for a copy of the constitution or IMA. To change fees above levels allowed by the constitution, we would need the approval of investors. We will give you 30 days' written notice of any proposed increase to the fees.

### ***Differential fees & discretion***

For wholesale clients we may negotiate the fees on an individual basis. This may include establish different unit classes for specific wholesale investors. The law may restrict us from negotiating our fees with other investors. The terms of these negotiable arrangements are at our sole discretion. Please contact us to find out if and how you can negotiate your fees.

We have prepared a policy in relation to the guidelines and relevant factors taken into account when we use discretion in determining such things as unit prices, calculating transaction costs, etc. A copy of this policy is available on request.

### ***Government taxes and duties***

Government taxes and duties may be applied as appropriate. In addition to the fees and costs described in this section, standard government fees, duties and bank charges may also apply such as stamp duties. Some of these charges may include additional GST and may apply to your investments and withdrawals.

### ***Adviser remuneration***

We do not pay commissions to adviser groups for selling you this product. We may provide financial assistance out of our own resources (for seminars, client mailings, cooperative advertising etc.) to licensed financial intermediaries. This is not an additional cost to you. Additional fees may be paid to a financial adviser if consulted. These fees should be set out in a Statement of Advice provided to you by the adviser.

### ***Aurora - disclosures and benefits***

Except for interest, distribution, management and performance fees, remuneration, and interests disclosed in this PDS, Aurora, AFM and its directors and employees have not received and are not entitled to any benefit in relation to the offer of Units in the Trust. Aurora may receive benefit in the form of the provision of research, and/or research systems from trading through various brokers through a commission sharing agreements. The purpose of these arrangements is to allow the Fund to diversify its access to investment research (outside its prime-broking arrangement) whilst concentrating (and reducing the costs) of trade execution. Accordingly, we believe that these arrangements are in the interests of Unit holders, and no direct benefit is received by Aurora executives.

Subject to law, directors may receive a salary as employees of the Aurora group, consulting fees, director's fees, and from time to time may hold interests (directly or indirectly) in the shares of Aurora or any class of units in the Trust.

## Taxation for Australian residents

Taxation issues are complex and taxation laws, their interpretation and associated administrative practices, may change over the term of an investment in the Trust. This brief summary assumes tax provisions relevant as at the date of this PDS for Australian tax residents who hold these Units on capital account. The information below is of a general nature only and does not purport to constitute legal or tax advice.

This PDS cannot address all of the taxation issues that may be relevant to a particular Unit holder. As the taxation implications for each potential Unit holder may be different, each prospective Unit holder must not rely on this summary, and must obtain their own independent professional taxation advice on the full range of taxation implications applicable to their own individual facts and circumstances regarding investing in, or to holding, or disposing of, the Units.

Because investors can move into and out of the Trust at different points in time, there is a risk that taxation liabilities in respect of gains that have benefited past investors may have to be met by subsequent investors. Where the net income of the Trust for any particular financial year is a loss, trust loss provisions can apply to deny the availability of tax losses and the Trust will not be able to pass through the benefit of any franking credits it receives during that financial year to Unit holders. These franking credits will be permanently lost.

### **Taxation on income distributions**

Depending on your total taxable income and income tax rate you may be liable to pay tax on any income distributions. Generally, you will be required to include any franking or withholding tax credits received from the Trust in your assessable income and you may be entitled to a tax offset equal to the amount of franking or withholding tax credits so included.

### **Taxation of sale, redemptions and transfers**

Depending on your total taxable income and income tax rate be liable to pay tax on any sale, redemption and transfer of Units. Any gain you derive or loss you incur on the sale, redemption, or transfer should generally be taxable as a capital gain/loss. In certain circumstances you may qualify for concessional tax treatment which can reduce the liability by up to 50%, if you are an individual, or 33% if the investment is by a superannuation fund.

### **Part IVA**

Australia has a comprehensive anti-avoidance regime under its tax laws that can apply to any tax benefit obtained under a scheme where any party to the scheme has entered into it for the dominant purpose of enabling a taxpayer to obtain a tax benefit in connection with the scheme. The application of anti-avoidance regime will depend upon the circumstances of each Unit holder. The potential application of these rules to your investment should be discussed with your own tax adviser.

### **Goods and Services Tax (GST)**

No GST should be payable in respect of the subscription, acquisition, disposal or redemption of Units, nor in respect of any distributions paid in respect of the Units. GST may apply to fees charged to you. You should obtain your own advice as to whether an input tax credit is available for any such GST, as it may depend on your personal circumstances.

Where GST applies to fees that are charged to the Trust and recoverable from the Trust's assets, those fees plus any applicable GST may be recovered from the assets of the Fund. However, the Trust may be entitled to claim input tax credits or reduced input tax credits for that GST, depending on the precise nature of the fee.

### **Quoting your Tax File Number (TFN) or an Australian Business Number (ABN)?**

It is not compulsory to quote your TFN, Australian Business Number, or exemption details. However, should you choose not to, we are required to deduct tax from your distributions at the maximum personal rate (plus the Medicare levy). Collection of TFNs is permitted by taxation and privacy legislation.

# What else do I need to know?

## **What rules govern the Trust?**

The Trust is governed by a constitution which has been lodged with, and registered by the ASIC as a managed investment scheme under Chapter 5C of the Corporations Act. You can inspect a copy of the constitution at our office or we will provide you with a copy, for the disclosed fee, if you call us. The constitution and the Corporations Act govern the rights and obligations of investors and us. The constitution sets out the conditions under which the Trust will operate, terminate, and the rights, obligations and liability of the responsible entity. Unit holder approval is required where changes to the constitution may adversely affect Unit holders.

Under the constitution, and Corporations Act, Unit holders have certain rights to call meetings of members and to seek the removal of the Responsible Entity.

The responsible entity can only be replaced by an extraordinary resolution (i.e. at least 50% of the votes that may be cast by Unit holders entitled to vote on the resolution rather than those who are voted). Only the first named of joint investors in the register may vote, unless the manager otherwise agrees. Each investor present in person or by proxy (that is entitled to vote) has, on a show of hands and on a poll, one vote for each whole unit held.

While the Trust is registered:

- (a) who may demand a poll, and when;
- (b) the value of a vote (on a show of hands or a poll);
- (c) whether the chair of the meeting has a casting vote;
- (d) the number or, on a poll the value, of votes required to pass a resolution;

is governed by the Corporations Act.

Under the constitution, by investing in the Trust you represent to us that you have read, understood and agree to any terms of issue (including under the constitution and PDS). When any interests in the fund are Quoted, a person applying for units agrees to indemnify us against any cost, charge, expense, liability or loss arising for either or both of us and the Trust as a result of the Applicant paying, or failing to pay for Units. We may claim amounts owing to either or both of us and the Trust under this indemnity prior to us actually incurring the relevant costs, charges, expenses, liability or loss.

A compliance plan is in place. This plan sets out how we will ensure compliance with both the Corporations Act and the constitution when operating the Trust. Under this compliance plan, the responsible entity is required to manage, monitor, and report on the ongoing compliance of the Trust with the Corporations Act, the constitution, and the PDS. Within the compliance plan we are required to consider such things as:

- the appointment and monitoring of counterparties;
- Trust investments and property arrangements;
- asset valuation and unit pricing;
- Trust records and financial reporting;
- related party transactions;
- complaints handling; and
- AFS licensing.

An independent compliance committee meets on a quarterly basis to monitor our compliance with the compliance plan. You can inspect a copy of the compliance plan at our office during normal business hours.

## **Past performance**

Performance history and Trust size information can be obtained visiting [www.aurorafunds.com.au](http://www.aurorafunds.com.au), or see the Trust's quarterly newsletter, and other announcements to the ASX, at [www.asx.com.au](http://www.asx.com.au). Past performance is no indication of future performance.

## **ASIC Relief**

### **Unit Pricing across separate unit classes that are not quoted**

ASIC has granted relief under section 601QA of the Corporations Act 2001 modifying sections 601GAB(2) and 601GAC(2) to allow for (where there is more than one unit class) a formula or method to determine the issue price that is based on the assets, liabilities, revenues and expenses properly attributable to the class and number of interests in the class.

### ***PDS and Issue of Securities Requirements***

ASIC has granted relief under s1020F of the Corporations Act from sections 1013H and 1016D, to reflect the continuous offering of Units in the Trust. For the purposes of this relief, Units issued pursuant to an application will be quoted under the AQUA Rules on the ASX with effect from the settlement of the issue of the relevant Units through CHESS, and on a monthly basis we will announce to the ASX via the Company Announcement Platform the Trust's total Units on issue within 5 Business Days after the month end. As settlement of the issue of Units for Units sold on market is made through CHESS, we will not be required to hold application moneys prior to the issue of units. The issue of Units made following an off-market application will generally occur within 5 Business Days of receipt of a valid application and relevant application monies.

### ***Periodic statement relief***

ASIC has granted relief under s1020F of the Corporations Act from sections 1017D, to allow Aurora to use either the net asset value of Quoted Units or the closing price of Quoted Units as the basis for calculating the opening and closing balances as required to be communicated to investors in periodic statements pursuant to section 1017D(5) of the Act;

### ***Ongoing Disclosure Relief***

ASIC has granted relief under section 1020F(1)(a) of the Corporations Act 2001 from the ongoing disclosure requirements in section 1017B on the condition that the Responsible Entity complies with the continuous disclosure requirements of the Corporations Act 2001 as if the Trust were a disclosing entity.

## **Indemnity**

AFM, as the Responsible Entity of the Trust is indemnified out of the assets of the Trust for any liability incurred by it in properly performing or exercising any of its powers or duties in relation to the Trust. To the extent permitted by the Fund's constitution and at law, this indemnity includes any liability incurred as a result of any act or omission of a delegate or agent appointed by the Responsible Entity. The Trust may retain and pay out of any money in its hands all sums necessary to affect such an indemnity.

## **How are complaints handled?**

You may lodge any complaints by writing to us at the address shown on the back cover of this PDS. We will always acknowledge any complaint in writing and respond within 45 days. If you remain unhappy, you can contact the Financial Ombudsman Service (FOS) - which is independent from us on:

Financial Ombudsman Service  
GPO Box 3, Melbourne VIC 3001  
Telephone: 1300 780 808  
Email: [info@fos.org.au](mailto:info@fos.org.au)

FOS has a total jurisdictional limit of \$500,000. Nevertheless, FOS is only able to make a determination with value of remedy of up to \$280,000 per managed investment claim (excluding compensation for costs and interest payments). If you are investing through an IDPS or IDPS-like service then enquiries and complaints should be directed to the operator of that service, and not to us. The Australian Securities and Investment Commission also has a free call Infoline on 1300 300 630 which you may use to make a complaint and obtain information about your rights.

## **Asset allocation ranges**



It is expected that the actual market and company exposures will vary over time. If market movements, applications into or withdrawals from a Trust, or changes in the nature of an investment, cause the Trust to exceed the indicative asset allocation or a limit in this PDS, the exposure limits will be brought within the stated boundaries as soon as practical.

The Trust may use an overdraft or other facility to assist the management of day to day liquidity.

#### **Prime broking and custody arrangements**

We have appointed UBS AG, Australia Branch to be Prime Broker and UBS Nominees Pty Limited as Custodian for the Trust. Both are members of the UBS Group of companies. The appointments were made pursuant to the prime brokerage customer documents (the 'Customer Documents') entered into between the Responsible Entity for the Trust and the Prime Broker (for itself and as agent for certain other members of the UBS Group of companies (the 'UBS Companies') and the Custodian. These services may include the provision of gearing financing, clearing, and settlement. The Trust may utilise the Prime Broker, other members of the UBS Group of companies, and other brokers and dealers for the purposes of executing transactions for the Trust.

The fees of the Prime Broker and Custodian are payable by the Trust. The Prime Broker has no decision making discretion relating to the investment of the assets of the Trust and makes no representation in respect of the Trust or the investment of the Trust's assets. Certain assets of the Trust will, subject to the following, be held by the Custodian in segregated accounts together with assets deposited by it on behalf of other customers of the Custodian or Prime Broker. Such assets will not be mixed with the property of the Custodian or the Prime Broker and should not be available to third party creditors of the Custodian or Prime Broker in the event of insolvency of the Custodian or Prime Broker (as the case may be). However, the assets of the Trust held by a Custodian will be subject to a charge to secure the Trust's obligations to the Prime Broker.

The obligations of the Trust to the Prime Broker in respect of any transactions may be secured by transferring to the Prime Broker by way of security title to certain investments, cash or other assets of the Trust (together referred to as 'Collateral'). The Prime Broker is entitled to sell, lend or otherwise use any Collateral for their own purposes, subject to an obligation to return equivalent securities or cash value. Such Collateral is not segregated from the Prime Broker's own property and may be available to third party creditors of the Prime Broker in the event of the insolvency of the Prime Broker.

Under the Customer Documents, the Prime Broker is not responsible for and is not liable for any loss on settlement of a transaction, any acts or omission of the executing broker, its employees or agents, non-compliance with any regulatory requirements to report transactions, refusing to settle a transaction or failing to notify the Trust of its failure to settle a transaction (except where the Prime Broker performs such functions in its own capacity).

Where the Fund intends to short-sell securities it is anticipated that the securities will be borrowed from or by the Prime Broker under the Customer Documents. Under the terms of the Customer Documents, the Trust may seek to borrow the securities with a borrowing request. If the Prime Broker accepts the Trust's borrowing request, the Prime Broker will deliver the securities borrowed to the Fund or as the Fund directs.

The Trust will have an obligation to redeliver the securities borrowed or equivalent securities on an agreed date or otherwise the Prime Broker may call for the redelivery at any time by giving notice on any Business Day of not less than the standard settlement time for such equivalent securities. The Trust must provide Collateral to secure its obligations under the relevant Customer Documents. The amount of Collateral is the value of the securities borrowed plus a margin. In the event that the value of the securities borrowed plus a margin exceeds the Collateral provided, further Collateral will need to be delivered so that the Collateral equals the value of securities borrowed plus the margin.

UBS Nominees Pty Limited will provide custody services for the assets of the Trust including documents of title or certificates evidencing title to investments, held on the books of the Prime Broker as part of its brokerage function in accordance with the terms of the Customer Documents. The Custodian may appoint sub-custodians, including a member of the UBS Group, for such investments.

We may remove UBS AG, Australia Branch as the Prime Broker and UBS Nominees Pty Limited as the Custodian and appoint another prime broker and custodian in their respective place at any time without notice to investors. Neither the Prime Broker, the Custodian nor any UBS Company will be liable for any loss to the Trust resulting from any act or omission in relation to the services provided under the terms of the Customer Documents unless such loss results directly from the gross negligence, wilful default breach of contract or fraud of the indemnified person.

The Prime Broker and the Custodian are providers to the Trust and are not responsible for the preparation of this or the activities of the Fund and therefore accepts no responsibility for any information contained in this document. Neither the Prime Broker nor the Custodian will participate in the investment decision-making process for the Trust.

UBS has financial resources in excess of US\$200 million.

See the section "What are the risks?" for further risks associated to using gearing, and also to prime broker and custodian arrangements generally.

### **Distribution Policy**

The Trust expects to distribute all its net income each year to Unit holders. The Trust intends to make quarterly cash distributions of at least 1.5% of the Net Asset Value ('NAV') per Unit each quarter plus available franking credits. Should the Trust not generate sufficient net income to cover the distribution in any financial year, then part or all of any distribution may be a return of capital. Interim cash distributions of 1.5% of the NAV will generally be made within 30 days following the quarters ending September, December and March each year. The final cash distribution will be the higher of 1.5% of NAV or the excess net income and realised capital gains generated during the year over the interim cash distributions paid and Trust expenses, and may take longer than 30 days for payment.

The Unit Price generally falls by the amount of any distribution (per Unit) immediately after the distribution is paid. If you invest just prior to a distribution then that distribution may effectively represent a return of your investment. Depending on your circumstances, this may have certain tax implications and we recommend that you speak with your financial adviser or tax adviser to determine your own situation.

### **Distribution Re-investment Plan**

You may choose to have your distributions reinvested as additional Quoted Units via the Trust's Distribution Reinvestment Plan (DRP), or paid directly to your nominated Australian bank account. **Unless you nominate an Australian bank account on the Application Form, we will reinvest your distributions.** Thereafter, if you wish to change your distribution payment instructions, please mail us an original, signed, written request. Distribution payments will generally not be paid by cheque.

The number of Quoted Units issued will be rounded down to the nearest whole number of Quoted Units. The balance of funds will be retained to the benefit of the Trust.

Generally, if any distribution payments are returned to us and remain outstanding for a period of three months, we may at any time thereafter reinvest those distributions (at the prevailing issue price) and amend your future distribution method to reinvest. If your distribution cheque (if any) remains unrepresented for three months, we may stop the cheque and reinvest the proceeds in the Trust and amend your future distribution method to reinvest. Any reinvestment of an unclaimed or returned distribution will be processed using the issue price current at the time of the reinvestment transaction.

### **Investor Communication, Continuous Disclosure, and Documents available for Inspection**

The Trust is required to meet the continuous disclosure requirements of the Corporations Act 2001 as if the Trust were a disclosing entity. Accordingly, the Trust will:

- (a) prepare and lodge with ASIC both yearly and half yearly financial statements (if required) accompanied by a Director's statement and report and an audit or review report;

- (b) at the end of each month, tell the ASX the number of Units on issue;
- (c) on each trading day, tell the ASX the Net Asset Value backing of its Units as at the end of the previous day; and
- (d) immediately notify the ASX of any information concerning the Trust of which it is, or becomes aware and which a reasonable person would expect to have a material effect on the price or value of Units, subject to certain limited exceptions related mainly to confidential information.

You will receive notification (as required by law) of including:

- your account details and any investment or redemption;
- any changes in the terms of your investment; and
- performance updates, and half-yearly and annual reports (if any).

We may provide updates, and issue information relevant to the Trust, on our website from time to time. We may use e-mail to provide reports and to contact you. You may request that we forward hard copies of the statutory reports to you free of charge. Copies of all documents lodged by the Trust with the ASIC may be obtained from or inspected at an office of ASIC.

Portfolio information will be published at least monthly, on one month's delay. In addition, we will disclose the Scheme's NAV on our website updated every 15 minutes during the trading hours of the ASX on an ASX trading day. See 'valuations and pricing' on page 21 for a description of how NAV is determined.

### **Conflicts of Interest**

The Issuer, and its various service providers may from time to time act as issuer, investment manager, custodian, registrar, broker, administrator, investment adviser, distributor or dealer in relation to, or be otherwise involved in other ways, or have other funds established by parties other than the Trust, as the case may be, which have similar or competing objectives to those of the Trust. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Trust.

The Issuer or any of their affiliates or any person connected with the Issuer may invest in, directly or indirectly, or issue, manage or advise other funds which invest in assets which may also be purchased or sold by the Trust. Neither the Issuer nor any of their affiliates nor any person connected with them is under any obligation to offer investment opportunities of which any of them becomes aware to the Trust or to account to the Trust in respect of (or share with, or inform, the Trust of) any such transaction or any benefit received by any of them from any such transaction.

The Issuer maintains a conflicts of interest policy to ensure that it manages its obligations to the Trust such that all conflicts (if any) are resolved fairly.

In addition, subject to applicable law, the Issuer or its various service providers may deal, as principal or agent, with the Trust, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis.

### **Investment Management Agreement (IMA)**

Under an IMA (dated 11 February 2011), the Investment Manager was appointed to invest the assets of the Trust on the terms and strategy as directed under the IMA. The IMA contains certain rights of termination including (among other things) if the Investment Manager goes into liquidation, breaches the IMA and the breach is not remedied within a specified time frame, or if the Investment Manager fails to provide adequate professional services to resource the mandate. The IMA can be mutually terminated at any time with no penalty or other break costs. Any material changes to the IMA will be notified to investors at least one month prior to the IMA being implemented. The IMA is available for inspection at our office.

### **May I transfer my Units?**

The constitution of the Trust provides that while the Trust is ASX traded, Unit holders may make transfers in any manner permitted by CHES and AQUA Rules.

### **ASX and CHESS**

The Trust is ASX traded on the Australian Securities Exchange (AQUA Market) under the ASX Code: AOD. The Trust participates in CHESS, operated by ASX Settlement Pty Ltd, a wholly owned subsidiary of ASX Limited (or such other similar settlement/register system). In CHESS, the Trust operates an electronic CHESS Subregister of security holdings and an electronic Trust Sponsored Subregister of security holdings. Together the two Subregisters will make up the Trust's principal register of securities. The Trust will not be issuing certificates in respect of Units allotted. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Units allotted to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Trust and allocated a Securityholder Reference Number (SRN).

### **Other classes of Units**

The Trust may offer different classes of Units without notice. Identical rights attach to all Units within a class, however, rights and obligations may vary between classes and are set out in the Constitution and relevant PDS or offer document.

### **Minimum/maximum size**

The Trust may be wound up at any time if it is considered to be in the best interest of Unit holders. In particular, if the net assets of the Trust falls below an economic level, we may consider winding up the Trust.

Should we decide to close the assets of the Trust will be sold and the proceeds, after all costs have been deducted, distributed proportionally to the number of Units held, whilst having regard to the respective rights/obligations and liabilities of the various Unit classes.

### **Labour standards or environmental, social or ethical considerations**

We do not take into account labour standards or environmental, social or ethical considerations in determining the selection, retention or realisation of assets of the Trust.

### **How can I provide instructions?**

Subject to the requirements outlined, or as stipulated by us, you, or persons authorised by you, can provide instructions (quoting your investor number) in writing, by facsimile, or by any other method allowed by us from time to time. By investing in the Trust, you authorise us to accept instructions provided by these methods.

You acknowledge that there are risks associated with using various methods of providing instructions such as, but not limited to, fraud, loss, misappropriation, failure in technology, or any other cause. You or persons authorised by you, agree to indemnify us against any claims, damage, loss, cost or expense that it suffers or incurs because of its acting or not acting on instructions purporting to be from you or any person authorised by you. We are not required to make enquiries as to the genuineness or validity of any instruction. A person is taken to be you, or a person authorised by you, if that person quotes your investor number and the name in which the investment is held. A person is also taken to be a person authorised by you to give instructions if you have held out that person to us as a person authorised by you to give instructions and have not yet notified us in writing that such a person has ceased to be authorised.

### **Is my personal information collected and protected?**

We collect personal information from you in order to administer your investment (including disclosing information to your financial adviser), and conduct research. We may also tell you about other products and services offered, or distributed, by us or other members of the Aurora Group. If you do not want us to use your personal information in this way please contact us anytime. If you think that our records are wrong or out of date – particularly your address, email address, or adviser – please contact us and we will correct this information immediately. You can always access the personal information that we hold about you. Our privacy policy is available on our website.

### **What consents have been provided?**

UBS AG, Australia Branch as Prime Broker and UBS Nominees Pty Limited as Custodian have given and, at the date of this PDS, had not withdrawn their consent: to be named in this PDS in the form and context in which they are named; and to the inclusion of the statements made about them and which are specifically attributed to them, in the form and context in which they appear.

Neither the Prime Broker, the Custodian nor any UBS company will be liable for any loss to the Trust resulting from any act or omission in relation to the services provided under the terms of the Customer Documents unless such loss results directly from the negligence, willful default breach of contract or fraud of the indemnified person. The Prime Broker and the Custodian are providers of services to the Trust and are not responsible for the preparation of this or the activities of the Trust and therefore accepts no responsibility for any information contained in this document. Neither the Prime Broker nor the Custodian will participate in the investment decision-making process for the Trust.

Fortitude Capital Pty Ltd (Fortitude) has given, and has not withdrawn as at the date of this PDS, its consent to being named in this PDS as the provider of Investment Management services for the Trust. Fortitude does not make any statements in or take any responsibility for any parts of the PDS.

# How to transact with us

## Applications

You should read the PDS in its entirety before applying for Units in the Trust. Applications can be made using the Application Form, and for a new investor must be for a minimum of **A\$2,000**, and in multiples of **A\$500** thereafter. If you are an existing Unit holder, your additional investment should be for a minimum of **A\$500** and in multiples of **A\$500** thereafter.

You may make your payment by either of the following methods:

### **OPTION 1 - PAYMENT BY CHEQUE**

Make your cheque (drawn from an ***Australian domiciled bank only***) payable to “**Aurora Dividend Income Trust**”. Third party and cheques from a foreign domiciled bank branch will not be accepted.

### **OPTION 2 - PAYMENT BY DIRECT CREDIT**

Electronic funds transfer (of Australian dollars) into the Trust’s Application account. Please write your reference code on the **Application Form** (page 25) in the space provided.

An Application cannot be recognised as being received until a completed Application Form (and Application Monies) is received by us. The bank account details are as follows:

Account Name:	Aurora Dividend Income Trust
BSB:	032-000
Account Number:	68-9895

**Your completed Application Form should be forwarded to:**

#### **BY MAIL**

Aurora Funds Management Limited  
PO Box R1695  
Royal Exchange NSW 1225

#### **BY HAND**

Aurora Funds Management Limited  
Suite 404, Level 4, 1 Alfred Street  
Sydney NSW 2000

Please see the **Application Form** for additional instructions.

Your valid Application should be received by us by 12.00pm of each Business Day, and will be processed using the Application Price applicable as at the close of business on that Business Day. If the Application is received after 12.00pm, it will be processed as if it had been received at the start of the following Business Day.

## Redemptions

You may redeem your investment directly with us. Unless it is for a full redemption, off market redemptions must be for a minimum of 2,000 Units (or such other minimum as we may advise from time to time). Please complete and return a redemption form which is available on our website.

Your redemption request must be received by us by 12.00pm of each Business Day, and will be processed using the redemption price applicable as at the close of business on the same Business Day. If the request is received after 12.00pm, it will be processed as if it had been received at the start of the following Business Day.

We may redeem some or all of your Quoted Units without you asking, including where you breach your obligations to us (for example, you provide misleading information to us), or we need to pay any amount you owe us, or we owe someone for you (for example, the tax office).

## Important Notes – Applications/Redemptions

If your holding balance is/ below (or falls below) 2,000 Quoted Units (or such other minimum as we may advise from time to time), we are entitled but not obliged to redeem all of your Quoted Units without notice. We will generally dispatch the cash proceeds of any redemption within 10 Business Days of calculation of the redemption amount. Payments will only be made in the name of the investor.

There may be occasions where we may suspend or refuse Application or redemption requests. We will advise you if we do so.

Subject to the Trust Deed, AQUA Rules and at law, we reserve the right to amend, accept, or refuse any Application if we cannot calculate the Net Asset Value. In addition, we may refuse any Application or redemption where acceptance of the Application or redemption would cause us to breach any law, regulation or obligations under which we operate.

We may reject an off-market Application or redemption received during the following periods:

- (a) the period where the T+3 settlement date for Units applied for would occur in the financial year immediately after the financial year during which the Application was received; and
- (b) the period commencing on close of trading on the ASX business day before the date at which Units are officially quoted on an ex-entitlement basis to the close of trading on the last ASX business day of the relevant distribution period.

We will deposit all Application Monies into an interest bearing trust account until the allocation of the Quoted Units. Interest earned will be credited to the benefit of the Trust. If your cheque is not honoured, no Units will be issued to you, and we may charge you for any costs incurred by us. If your Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid, at our absolute discretion.

Quoted Units are issued on the terms set out in this PDS and the constitution. You should ensure that you read and understand these terms. You should note that the lodgment of an Application and payment constitutes an offer by you to acquire the Quoted Units in accordance with the terms contained in this PDS and the constitution, and acceptance of your declarations set out therein.

In normal circumstances, we will redeem units for redemptions in cash, after T+3 and a reasonable period to effect the cash transfer. Where we have delayed a redemption, but have not commenced liquidating assets for the purpose of satisfying the Redemption request, a Unit holder may instruct us to withdraw their redemption request.

Subject (while the fund is registered) to any cooling off rights and to the Corporations Act, the constitution allows for the delay of redemptions for up to 56 days (or such longer period as considered reasonable in Aurora's opinion) in special circumstances, such as if there is a circumstance outside our control which impacts on our ability to properly or fairly calculate asset values (for example, if there is material market uncertainty, limited market liquidity, the realisation of assets cannot be effected at prices which would be obtained if assets were realised in an orderly fashion over a reasonable period in a stable market, the receipt of ASIC relief, and/or market closures). If we delay redemptions for these reasons, the NAV will be calculated after the circumstance stops. We will notify Unit holders within 10 days of such delay.

### **Valuations and pricing**

The valuation methods and policies applied by us, to value the Trust's Assets and liabilities, are consistent with applicable industry standards and result in Unit price calculations that are independently verifiable. Under the constitution, we have certain discretions in determining Application and redemption prices.

Where there is more than one unit class the issue price is based on the assets, liabilities, revenues and expenses properly attributable to the class and number of interests in the class.

Accordingly, the Net Asset Value (NAV), Issue price and withdrawal amount (being the amount payable on the redemption) of the Quoted Units is the proportion of the net asset value of the Trust as is determined to be referable to the Quoted Units under the rules set out in the constitution for the Trust. The amount is determined under the constitution for the Trust, and is based on the assets, liabilities, revenues and expenses properly attributable to the class and number of interests in the class.

Accordingly, the Issue price is determined by dividing the proportion of the net assets of the Trust as is allocated to the Quoted Units (plus spread) by the number of Quoted Units at the time the Issue price is determined (the valuation point). The valuation point for the Quoted Unit is generally the close of an ASX trading day.

The withdrawal amount (being the amount payable to an investor on the redemption of their Quoted Units) is also determined by dividing the proportion of the net assets of the Trust as is allocated to the Quoted Units (less spread) by the number of Quoted Units at the time the withdrawal amount is determined (the valuation point) less deductions that you owe us (if any).

#### **Unit pricing policy**

We have a documented policy as to how we determine unit prices for our funds. The policy has been designed to meet the ASIC requirements and is available on request to all investors and prospective investors at no charge. The policy explains our approach in relation to valuation methodology and unit pricing discretions generally.

#### **Anti-Money Laundering**

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act) requires the Responsible Entity to adopt and maintain an anti-money laundering and counter-terrorism financing (AML/CTF) compliance program. An integral part of the AML/CTF compliance program is the legal requirement for the Responsible Entity to know its customers. To meet this legal requirement certain identification information, including in some cases documentation, will need to be collected from investors making applications. Applications made without providing this information can not be processed until all the necessary information has been provided and verified. The AML/CTF compliance program will also include ongoing customer due diligence, which may require the Responsible Entity to collect further information.



# Glossary

Terms used in this Product Disclosure Statement have the following meanings:

<b>Applicant</b>	a person who submits an Application;
<b>Application</b>	an application for Quoted Units under this PDS;
<b>Application Form</b>	the application form(s) attached to this PDS;
<b>Application Monies</b>	the total monies lodged with an Application;
<b>Application Price/Issue Price</b>	such price determined under the PDS and constitution;
<b>AQUA Product</b>	a product quoted on the AQUA market;
<b>AQUA Rules</b>	the ASX Operating Rules as they apply to AQUA products and trading;
<b>Assets</b>	all the property, rights and income of the Trust, but not application money or property in respect of which Units have not yet been issued, proceeds of redemption which have not yet been paid or any amount in any distribution account;
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) and associated markets as the context requires;
<b>ASX business day</b>	has the meaning given to it in the ASX operating rules;
<b>Aurora / Aurora Group</b>	Aurora Funds Limited and its subsidiaries;
<b>Business Day</b>	generally, a day other than a Saturday or Sunday on which banks are open for general banking business in Sydney and Melbourne (and that the ASX is open for trading);
<b>CAP</b>	the ASX Company Announcements Platform;
<b>CHESS</b>	the Clearing House Electronic Subregister System of the ASX;
<b>Corporations Act</b>	the Corporations Act 2001 (Cth) as amended and associated regulations;
<b>Custodian</b>	the entity which provides day to day custodial and depository services in connection with the Trust. As at the time of preparation of this PDS the Custodian is UBS Nominees Pty Limited (ABN 32 001 450 522, AFSL 231088);
<b>Derivatives</b>	generally, a derivative is a financial contract whose value depends upon, or is derived from, the value of an underlying asset, reference rate or index. Derivatives may relate to securities, bonds, interest rates, currencies or currency exchange rates, commodities, and related indexes. Examples include options contracts, futures contracts, options on futures contracts, and swap agreements;
<b>Future(s)</b>	an agreement to buy or sell an asset or cash equivalent at a date in the future at a price agreed today;
<b>Hedge/Hedged</b>	an investment made in order to reduce the risk of adverse price movements in another investment;
<b>Issue</b>	the issue of Quoted Units in accordance with this PDS;
<b>Liabilities</b>	all present liabilities of the Trust including any provision which the Issuer decides should be taken into account in determining the liabilities of the Trust (for example, unpaid performance fees), but does not include: (a) any amount representing investors' capital; (b) undistributed profits;

- (c) interest attributable to investors accruing on investors' capital;
  - (d) capital reserves; or
  - (e) any other amount representing the value of rights attaching to Units, whether or not redeemable;
- regardless of whether characterised as equity or debt in the accounts of the Trust;

<b>Listing Rules</b>	the official listing rules of ASX AQUA market;
<b>Net Asset Value (NAV)</b>	Assets less Liabilities;
<b>Offer</b>	the offer of Units under this PDS;
<b>Official List</b>	the official list of entities that ASX has admitted and not removed;
<b>Official Quotation</b>	quotation on the Official List;
<b>PDS</b>	this Product Disclosure Statement, as modified or varied by any supplementary or replacement PDS made by the Trust and issued time to time and any electronic copy of this PDS, and any supplementary PDS;
<b>Securities Lending</b>	where securities are lent to a third party (borrower) by the securities' owner (lender) for a period of time in return for a fee or other benefit;
<b>Short / short selling / Short securities</b>	shorting or short selling is selling a security you do not own (ie. that has been borrowed). By short selling a security, one attempts to profit from a decrease in the value of the security;
<b>Unit holder</b>	the holder of Units and/or Quoted Units in the Trust;
<b>Units / Quoted Units</b>	units in the Trust within the Quoted class;
<b>Volatility</b>	is a measure of a security's (or market's) stability and is a measure of risk based on the standard deviation of the asset return. It is an important measure in quantifying risk; for example, a security/market with a higher volatility relative to another is considered to be a higher risk because it has the potential to increase or decrease more of its value.

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**Website:**                    **[www.aurorafunds.com.au](http://www.aurorafunds.com.au)**