AURORA
FUNDS MANAGEMENT

Aurora Fortitude Absolute Return Fund

ARSN 145 894 800
APIR Code AFM0005AU

Replacement Product Disclosure Statement No.4 | Dated 25 October 2017

Issued by Aurora Funds Management Limited ABN 69 092 626 885
AFSL no. 222110

Contents

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Updates to information

Information in this PDS may change from time to time. We will notify on our website at www.aurorafunds.com.au any updated information that would otherwise be required to be specified in this PDS at the time it is given to a retail investor, or any other material change to information required to be specified in this PDS.

You can also obtain a copy of updated information by calling or emailing us and we will email or post you a copy (without charge).

Important information

This document is a replacement product disclosure statement (**PDS**) and is dated 25 October 2017.

This PDS is issued by Aurora Funds Management Limited **ABN** 69 092 626 885 (**Aurora**) as responsible entity of the Aurora Fortitude Absolute Return Fund **ARSN** 145 894 800 (**Fund**), and replaces product disclosure statement no.3 dated 14 February 2014.

This PDS provides information to help investors and advisers assess the merits of investing in the Fund. It should be used to compare the Fund with other investment opportunities on offer. You are encouraged to read this PDS in full before making an investment decision.

Offer under this PDS

The offer or invitation under this PDS to subscribe for units in the Fund (**Units**) is subject to the terms set out in this PDS. Aurora reserves the right to change these terms. We also reserve the right to withdraw the offer or invitation to subscribe for Units or this PDS at any time.

Aurora authorises the use of this PDS as disclosure to investors and potential investors who wish to access the Fund indirectly through an investor directed portfolio service (**IDPS**) commonly known as a master trust or wrap account. This PDS may also be used for direct investment by retail and wholesale investors and by IDPS operators.

Note to applicants

The information contained in this PDS is not financial product advice and does not take into account your particular investment objectives, financial situation or needs. As investors' needs and aspirations differ, you should consider whether investing in the Fund is appropriate for you in light of your particular needs, objectives and financial circumstances. You may also wish to obtain independent advice, particularly about such individual matters as taxation, retirement planning and investment risk tolerance.

Neither Aurora nor any other person guarantees the repayment of your capital, any particular rate of return on income or capital or other performance of your investment in the Fund. An investment in the Fund is not a deposit with, and does not represent any other liability of, Aurora or any other person. An investment in the Fund is subject to investment risks including loss of principal invested, loss of income and delays in payment of proceeds from redemption of the investment. Some of the risk factors that should be considered by interested investors are set out in section 6. There may be risk factors in addition to these that should be considered by you.

No person other than Aurora is responsible for the contents of this PDS or is authorised to give any information or to make any representation in connection with an offer or invitation to subscribe for Units that is not contained in this PDS.

Forward looking statements

Any forecast or any forward looking statement contained in this PDS may involve significant elements of subjective judgment and assumption as to future events which may or may not be correct, and there are usually differences between forecasts and actual results because events and actual circumstances frequently do not occur as forecast (including due to the risk factors described in section 6) and these differences may be material. Nothing contained in this PDS is, or may be relied on as, a promise or representation as to a future outcome.

PDS available electronically

This PDS may be viewed in electronic form on, and downloaded from, Aurora's website at www.aurorafunds.com.au.

Applications for Units required to be offered under this PDS may only be made by completing the application form that accompanies this PDS in accordance with the instructions set out on the form. Subject to any relief granted by ASIC, the Corporations Act requires that a person who provides access to the application form must provide access, by the same means and at the same time, to this PDS.

No unlawful offering outside Australia

The offer or invitation to subscribe for Units under this PDS is only available to persons receiving or accessing this PDS in Australia or another jurisdiction in which it is lawful to make such an offer or invitation.

The distribution of this PDS outside Australia may be restricted by law and persons who come into possession of this PDS outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the applicable law.

This PDS does not constitute an offer or invitation in any jurisdiction or place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Units or to otherwise permit an offer of the Units outside Australia. In particular, the Units have not been and will not be registered under the US Securities Act and may not be offered or sold in the United States of America unless an exemption from the requirements of the US Securities Act and applicable US state securities laws is available.

Glossary

A number of capitalised terms and abbreviations used in this document are defined in the glossary in section 11. Unless otherwise stated, a monetary reference in this document is a reference to Australian currency.

Our website

Unless stated otherwise, any references to, or documents included on, Aurora's website (www.aurorafunds.com.au) are provided for convenience only and none of the documents or other information on the website is incorporated by reference into this PDS.

1. About Aurora Funds Management Limited

Aurora is the responsible entity and trustee of the Fund.

As responsible entity, Aurora is responsible for overseeing all of the operations of the Fund. In that capacity Aurora also provides investment management services for, and is responsible for selecting and managing the assets of, the Fund.

Aurora is a specialist investment manager that also provides responsible entity services for investors in a number of other managed investment schemes, including:

- Aurora Absolute Return Fund **ARSN** 110 303 430 (**ASX code**: ABW)
- Aurora Dividend Income Trust **ARSN** 151 947 732 (**ASX code**: AOD)
- Aurora Global Income Trust **ARSN** 127 692 406 (**ASX code**: AIB)
- Aurora Property Buy-Write Income Trust **ARSN** 125 153 648 (**ASX code**: AUP)
- HHY Fund **ARSN** 112 579 129 (**ASX code**: HHY)

Aurora differs from most other investment managers because our executives are key stakeholders in Aurora's owner, investing their own money to ensure an alignment of interests with investors in the Fund.

Section 10 summarises the trade allocation policy across Aurora's funds and our website at www.aurorafunds.com.au provides further information about Aurora.

2. Key features at a glance

Aurora Fortitude Absolute Return Fund	
Fund name	Aurora Fortitude Absolute Return Fund
ARSN	145 894 800
APIR code	AFM0005AU
Responsible entity	Aurora Funds Management Limited
Investment timeframe	At least 5 years. See section 5 for more information.
About the Fund	The Fund is a registered managed investment scheme governed by a constitution. More information about the Fund is contained in section 4.
Investment objectives	The objectives of the Fund are to: ▪ provide positive returns through capital appreciation and income over the medium to long term; ▪ produce returns that are independent of equity market movements; and ▪ preserve the value of investors' capital. See section 5 for more information.
Asset classes and allocation ranges	The Fund has a broad discretion in relation to asset classes and allocations. However, it primarily focuses on Australian equities. See section 5 for more information.
Net Asset Value (NAV)	The NAV of the Fund is calculated by deducting the liabilities (including any accrued fees) of the Fund from the aggregate value of assets. The NAV per Unit is calculated by dividing the NAV by the number of Units on issue in the Fund. For this purpose, assets will be valued and liabilities determined as at the last Business Day of every calendar month (or at such other time as the Responsible Entity determines). For more information about how and when the NAV of the Fund is determined, refer to section 10 under the heading 'Unit price'.
Benchmark	RBA cash rate. See www.rba.gov.au for information about this rate, and section 5 for information about how it is used as a benchmark.
Entering and exiting the Fund	Investors can enter and exit the Fund by applying for Units under this PDS and by requesting redemption of their Units. The price at which investors enter or exit the Fund this way will be the NAV per Unit (plus the buy/sell spread for applications and less the buy/sell spread for redemptions, and subject to any rounding as permitted under the Fund's constitution). Investors may also invest indirectly through an IDPS.
Distributions	Aurora's current distribution policy for the Fund is to make distributions quarterly. The targeted distribution is 1% of NAV per quarter plus available franking credits. Distributions may be a combination of Fund income and capital (or Aurora may elect not to pay a distribution if there is insufficient income) and Aurora may change the distribution policy at any time.
Fees and other costs	Refer to section 7.
Risks	All investments are subject to risk. The significant risks associated with the Fund are described in section 6 of this PDS.
Cooling off and complaints	Cooling off rights can apply to retail investors who apply for Units directly. See section 9 for more information. Aurora's complaints handling process is described in section 10.

Aurora Fortitude Absolute Return Fund	
General information and updates	Further information, including any updates issued by Aurora can be found at www.aurorafunds.com.au.
Tax issues	General tax guidance for Australian investors is provided in section 8. Investors should seek their own tax advice on the impact of investing in Units.

3. ASIC hedge fund disclosures

In accordance with the Fund's investment strategy and as permitted by the Fund's constitution, the Fund uses derivatives to gain an enhanced economic exposure in the underlying reference assets and the notional derivative exposure may exceed 10% of the Fund's NAV. The Fund may also engage in short selling and is entitled to a performance fee. As a consequence, the Fund is considered a hedge fund for the purposes of ASIC Regulatory Guide 240, which sets out ASIC's guidance on benchmarks and disclosure principles to address the key issues ASIC considers should be included in a product disclosure statement relating to a hedge fund to allow prospective retail investors to make an informed decision about whether or not to invest.

The following table provides a summary of the information identified in the benchmarks and disclosure principles, together with cross-references where further information can be found in this PDS.

ASIC benchmarks

ASIC benchmark	Summary	Further information
1. Valuation of assets		
This benchmark addresses whether valuations of non-exchange traded assets are provided by an independent administrator or an independent valuation service provider.	This benchmark is met. Where the Fund invests in non-exchange traded assets, the Responsible Entity will engage an independent valuation service provider to value those assets.	See the information under the heading 'Valuation' in section 5.
2. Periodic reporting		
This benchmark addresses whether periodic disclosures of certain key information will be provided on an annual and monthly basis.	The Fund meets this benchmark. The Responsible Entity has a policy to make available to investors periodic reports and updates on certain key information in relation to the Fund as follows: **Annual reporting** ▪ Actual asset allocation ▪ Liquidity profile of assets ▪ Maturity profile of liabilities ▪ Leverage ratio ▪ Details of derivative counterparties ▪ Investment returns **Monthly updates** ▪ Net Asset Value ▪ Unit redemption value ▪ Net return on assets after fees, costs and taxes ▪ Material changes in risk profile or investment strategy ▪ Changes to key service providers ▪ Changes to key investment decision makers **Ongoing availability** The latest reports and updates containing the above information will be available from the Aurora website.	See the table under the heading 'Periodic reporting' in section 10.

ASIC disclosure principles

ASIC disclosure principle	Summary	Further information
1. Investment strategy		
This disclosure principle is intended to ensure that investors are made aware of the details of the investment strategy for the Fund, including the type of strategy, how it works in practice and how risks are managed.	The Fund seeks to employ an opportunistic value-orientated investment approach, with a focus on situations where Aurora may act as the catalyst to unlock value. Investment opportunities are sourced from internal sources, broker relationships and through other investors that may seek Aurora's assistance to implement an activist strategy at an investee company.	See section 5. For the specific risks associated with investing in the Fund and the Fund's risk management strategy, refer to section 6.
2. Investment manager		
This disclosure principle is intended to ensure	Aurora, as Responsible Entity, is also the investment	See section 5.

ASIC disclosure principle	Summary	Further information
that investors have the necessary information about the people responsible for managing the Fund's investments.	manager for the Fund, and its investment management team comprised of Aurora executives implements the Fund's investment strategy.	
3. Fund structure		
This disclosure principle is intended to ensure that the investment structures involved, the relationships between entities in the structure, fees payable to the Responsible Entity, the jurisdictions involved, the due diligence performed on underlying funds, and the related party relationships within the structure are explained.	The Fund is an Australian unit trust registered under the Corporations Act as a managed investment scheme. Aurora is the responsible entity of the Fund. There are a number of service providers that support the Fund, including: ▪ Deloitte Touche Tohmatsu, the auditor of the Fund ▪ Interactive Brokers LLC, the prime broker and custodian of the Fund ▪ Registry Direct Limited, the unit registrar of the Fund	See sections 4 and 7.
4. Valuation, location and custody of assets		
This disclosure principle is intended to ensure that the Responsible Entity discloses the types of assets held, where they are located, how they are valued and the custodial arrangements.	**Valuation of assets** The assets of the Fund principally comprise equities, derivatives, cash and cash equivalents which are valued at the end of every calendar month in accordance with Aurora's valuation policy. **Location and custody of material assets** The Fund is able to purchase assets globally and, at the date of this PDS, most investments of the Fund (both in Australia and overseas) are held by the Fund's custodian or sub-custodians.	See section 4 under the heading 'Fund structure', section 5 under the heading 'Investment strategy' and section 10 under the headings 'Unit price' and 'Custodian'.
5. Liquidity		
This disclosure principle is intended to ensure that investors are made aware of the Fund's ability to realise its assets in a timely manner and understand the risks of illiquid classes of assets.	At the date of this PDS, Aurora does not reasonably expect to be able to realise at least 80% of the Fund's assets under normal market conditions, at the value ascribed to those assets in calculating the Fund's Net Asset Value, within 10 days. As a result, Aurora has a liquidity management policy covering the adoption of redemption guidelines to address how requests for the redemption of Units may be processed in a way that is equitable for all investors.	See the information under the heading 'Liquidity' in section 5. For the risks associated with liquidity, refer to section 6. See also section 9.
6. Leverage		
This disclosure principle is intended to ensure that investors are made aware of the maximum anticipated level of leverage of the Fund (including leverage embedded in the assets of the Fund).	The Fund may utilise leverage as part of its investment strategy up to a targeted maximum of 500% of the Fund's gross asset value.	See the information under the heading 'Leverage' in section 5.
7. Derivatives		
This disclosure principle is intended to ensure that investors are made aware of the purpose and types of derivatives used by the Responsible Entity, and the associated risks.	Derivatives may be used for risk management or to create new investment exposures, can be either over-the-counter or exchange traded, and may be in respect of any asset or thing e.g. specific equities, an equity index or a currency.	See the information under the heading 'Derivatives' in section 5. For the risks associated with derivatives, refer to section 6.
8. Short selling		
This disclosure principle is intended to ensure that investors are made aware of how short selling may be used as part of the investment strategy, and of the associated risks and costs of short selling.	Short selling of securities may opportunistically occur for risk management or to generate additional returns. A loss will be incurred when short selling securities if the short selling price is lower than the subsequent purchase price. Short selling securities also involves additional risks such as liquidity risk, leverage risk and regulatory risk.	See the information under the heading 'Short selling' in section 5. For the risks associated with short selling, refer to section 6.
9. Withdrawals		
This disclosure principle is intended to ensure that investors are made aware of the circumstances in which the Responsible Entity allows withdrawals and how this might change.	Aurora has a broad discretion in relation to accepting and processing redemption requests including restricting or suspending redemptions. At the date of this PDS, Aurora has implemented a liquidity management policy which allows for the scale back of redemption requests in certain circumstances.	See the information under the heading 'Liquidity' in section 5. See also section 9.

4. About the Aurora Fortitude Absolute Return Fund

The Fund is a unit trust registered as a managed investment scheme under the Corporations Act and is governed by a constitution. Investors in the Fund are issued Units. Units are not admitted to quotation on ASX or any other financial market.

What is a managed investment scheme?

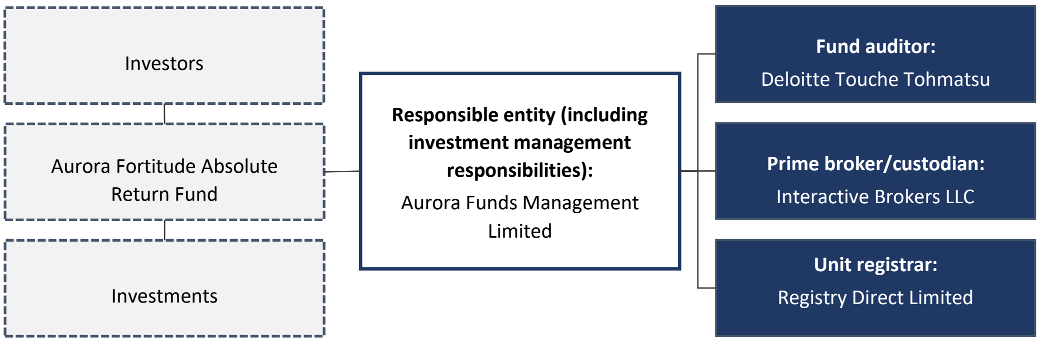
Managed investment schemes such as the Fund allow you to pool your money with that of many individual investors. This money is then invested, in a way that aims to achieve the investment objectives of the Fund. By investing in the Fund, investors have access to investments they may not be able to access on their own and they also benefit from the insights of Aurora's investment team.

Unit classes

Under the Fund's constitution, the Responsible Entity may issue different classes of Units to which are attached different rights, obligations and restrictions. However, the Fund currently has on issue only one class of Units, and the Units offered under this PDS upon issue will be of the same class.

Fund structure

The structure of the Fund can be summarised by the following diagram:



Most investments of the Fund (both in Australia and overseas) are held by Interactive Brokers LLC or a sub-custodian. However, Aurora directly holds some assets such as cash in its bank accounts and certain securities for administrative purposes.

The terms of engagement of Interactive Brokers LLC (**IBL**) as prime broker and custodian:

- authorise IBL to undertake and/or arrange dealings in investments for the Fund (including entering into derivatives and engaging in short selling);
- provide for assets of the Fund to be held in safe custody by IBL or a sub-custodian appointed by IBL;
- allow IBL to charge such fees and costs as it may notify on its website from time to time;
- generally, limit IBL's liability to loss arising due to its fraud, wilful default or gross negligence;
- grant to IBL a security interest in and continuing lien over the Fund's assets to secure the Responsible Entity's obligations and liabilities to IBL or in relation to the arrangements entered into by IBL on behalf of the Fund; and
- in the case of the prime broking terms, are governed by New York state law, and in the case of the custody terms, are governed by New South Wales law.

The Responsible Entity has engaged Registry Direct Limited to provide Unit registry services to the Fund including maintenance of a copy of the register of holders of Units representing the Fund's records relating to Unit ownership and the issue, transfer and redemption of Units, receipt of redemption requests, and compilation of information for redemption payments.

All of the entities involved in the Fund structure are domiciled in Australia, except for Interactive Brokers LLC which is based in the United States of America. Aurora has no relationship with the Fund's service providers beyond the contractual arrangements under which they provide services to or for the Fund. Aurora monitors the performance of the Fund's service providers periodically in accordance with the Fund's compliance plan. Risks in the structure include counterparty risk and operational and administration risk as noted in section 6. No statement in this PDS is made by, or based on a statement made by, a service provider.

The Fund may make investments in other schemes managed by Aurora. Where this occurs, Aurora's management fees will be charged such that there is no duplication of fees received by Aurora in respect of that investment.

5. Investment objectives and strategy

Investment objectives

The objectives of the Fund are to:

- provide positive returns through capital appreciation and income over the medium to long term;
- produce returns that are independent of equity market movements; and
- preserve the value of investors' capital.

Investment strategy

The Fund employs an opportunistic value-orientated investment approach, with a focus on situations where Aurora can act as the catalyst to unlock value. Investment opportunities are sourced from internal sources, broker relationships and through other investors that may seek Aurora's assistance to implement an activist strategy at an investee company. The Fund's assets will primarily comprise investments in:

- securities trading at a discount to Aurora's view of intrinsic value; and
- special situations or arbitrage opportunities, including, but not limited to takeovers, mergers and acquisitions, corporate spin-offs, restructurings, liquidations, placements, buy-backs, hybrid securities and rights issues.

When appropriate, Aurora may take an activist approach in relation to investments made, such as proposing changes in areas of corporate governance, capital management, strategic and operational matters and other related issues.

The Fund may invest in a wide range of investments including market quoted equities (e.g. shares, units, options, convertible notes, hybrids and other rights convertible into equity securities), unquoted equities (including those about to be quoted on a securities exchange), derivatives (both exchange traded and over-the-counter), cash and cash equivalents.

The Fund's targeted gross asset allocation range after hedging is:

Asset class	Allocation range (% of gross asset value of the Fund)	Location
Australian equities	0% - 500%	Australia
Australian unquoted equities	0% - 20%	Australia
International equities	0% - 20%	Overseas jurisdictions
Exchange traded derivatives	0% - 100%	Australia and overseas jurisdictions
Over-the-counter derivatives	0% - 20%	Australia and overseas jurisdictions
Cash or cash equivalents	0% - 100%	Australia and overseas jurisdictions

Liquidity: The Fund may invest in significant concentrated positions in listed entities that are not an ASX top 200 company, and accordingly their securities may not be highly liquid. In consequence, at the date of this PDS it is not expected that the Fund could realise 80% of its investments within 10 days in the ordinary course. A description of each asset class in which the Fund is invested that has a value of more than 10% of NAV at the date of this PDS and cannot be reasonably expected to be realised at the value ascribed in calculating the Fund's most recent NAV, within 10 days is set out below:

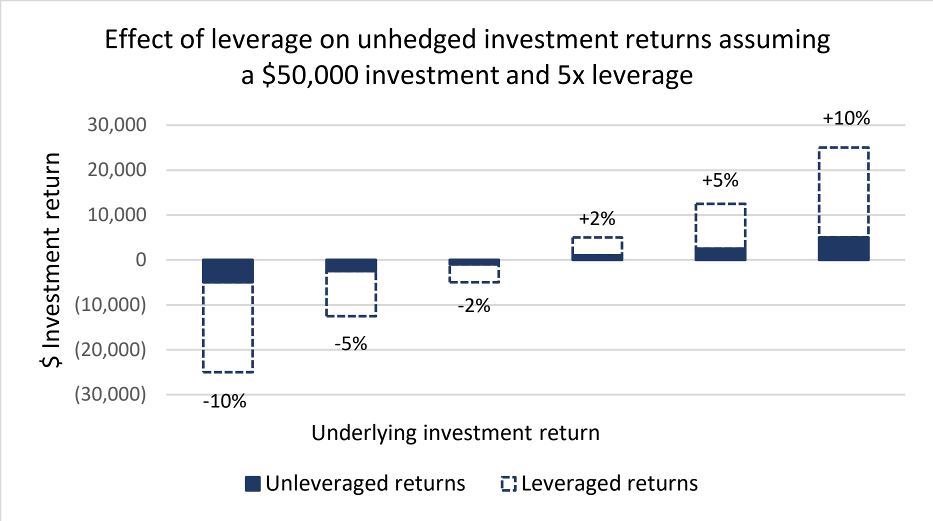
- ASX-listed entities that are not included in the list of the 200 largest entities based on market capitalisation

Aurora actively manages the liquidity requirements of the Fund in a way that aims to allow the investment objectives of the Fund to be achieved whilst also providing Unit holders with the ability to access their investment in the Fund when they may wish to do so. Balancing equitably the competing interests of those Unit holders who wish to remain invested in the Fund and those seeking to redeem their investment, may involve restricting redemptions from time to time. Accordingly, Aurora has a liquidity management policy covering the adoption of redemption guidelines that aim to achieve this balance. Refer to section 9 for more information about the redemption process.

Leverage: The Fund may utilise leverage as part of its investment strategy. Leverage is used in order to allow the Fund to participate in short term opportunities that provide attractive risk-return propositions. The maximum targeted leverage position of the Fund in Australian equities is 500% of the Fund's gross asset value. This means that, subject to other investment restrictions, for every $1 of gross asset value, the Fund may leverage its investment in Australian equities by a further $4.

Leverage may be obtained through derivatives and short selling securities (see below). Leverage may also be obtained by borrowing money to buy investments. The Fund obtains leverage principally through its prime broker, entering into derivative contracts or undertaking short selling on behalf of the Fund. In order to undertake such leveraged transactions, the Fund is generally required to provide collateral in the form of a security interest in the Fund's assets in favour of the prime broker (who is also the Fund's custodian). Any assets held as collateral will not be segregated from the prime broker's own assets, and the prime broker will generally have the right to lend, pledge and hypothecate these assets to or in favour of others.

In the normal course of events (on an un-hedged basis), leverage magnifies returns (both positive and negative) from the value of an investment relative to a comparable unleveraged investment. The following chart illustrates the notional gain or loss on a notional un-hedged investment of $50,000 geared to the maximum of 500% where the value of the underlying investment rises or falls by 2%, 5% or 10%. This is an example only and it does not represent a forecast or actual returns.



Derivatives: Derivatives may be used for risk management or to create new investment exposures, and can be either over-the-counter or exchange traded. The Fund may use multiple derivative counterparties and all counterparties must be of investment grade at the time of trading. The Fund primarily deals in derivatives through exchange traded futures and options, and (should they be used) over-the-counter derivatives will be limited to currency futures to hedge currency risks within the portfolio. All derivatives are backed by collateral which may be cash or other assets of the Fund. The collateral for exchange traded derivatives is held by a third party central clearing facility. However, collateral for the over-the-counter derivative position (if any) is held directly by the derivative counterparty and is not segregated from the counterparty's own assets. As such, in the event of a counterparty becoming insolvent, the Fund may not be able to recover its collateral.

Short selling: Short selling of securities may occur for risk management or to generate additional returns. Short selling is achieved by borrowing securities from a third party and selling them. By this, the Fund attempts to profit from a decrease in the value of the securities. The difference between the higher sale price and lower purchase price is a profit (provided all the costs associated with the transaction are also recouped). However, if the subsequent purchase price is higher than the initial short selling price then a loss will be incurred equal to the amount by which the purchase price exceeds the short selling price (plus any associated transaction costs). The use of short selling enables the Fund to balance the directional exposure of the portfolio in order to adopt a more market neutral bias. Short selling can nevertheless add to the effective leverage of the Fund. This is because some of the cash that is realised from short selling a borrowed security is available to buy other securities. Short selling can also involve a greater risk than holding a long position in that in theory losses incurred through short selling can be unlimited as the cost of covering a short position is not necessarily capped.

See section 6 for more information about the risks for the Fund due to leverage, derivatives trading and short selling, and how they can be managed.

Portfolio management guidelines

The portfolio management guidelines of the Fund are as follows:

Portfolio construction	Guideline
Number of companies and other investees in which the Fund invests	10-25
Largest single long position	100% of NAV (on cost basis)
Largest single short position	50% of NAV (on cost basis)
Maximum long/short mix (single investment)	250% of NAV long with a corresponding 250% short position

The Fund has the flexibility to take substantial positions in individual securities. This may reduce the diversity of the Fund and therefore increase the exposure to falls in the market price of any one investment. Aurora has a wide discretion over the investments that may be held by the Fund and may sometimes invest in situations that may be considered distressed and/or illiquid. Aurora may also make investments in any other securities it considers offer an appropriate risk/return profile.

Minimum suggested investment timeframe and suitability

The suggested minimum timeframe for an investment in the Fund is 5 years. The Fund is more suited to long term investors seeking a return from investing in Australian equities over at least a 5 year period.

Risk level

An investment in the Fund is moderate to high risk. There is a risk that investors may lose some or all of their investment.

Benchmark

Aurora uses the RBA cash rate as a benchmark against which to compare the Fund's performance. See www.rba.gov.au for information about this rate.

Aurora measures the Fund's performance by comparing the percentage by which the NAV per Unit actually changes over a period with the RBA cash rate for the same period. Currently, the period is monthly and Aurora publishes the Fund's performance against this benchmark in its monthly portfolio update for the Fund available on its website (www.aurorafunds.com.au).

Valuation

The assets of the Fund are valued, and the Fund's liabilities are determined, as at the last Business Day of every calendar month in accordance with Aurora's valuation policy for the purpose of determining Unit price summarised in section 10. The assets of the Fund (whether held by the custodian or a sub-custodian or directly by the Responsible Entity) are typically rights and interests in equities, derivatives, cash and cash equivalents most of which are 'located' in Australia or governed by Australian law, and the acquisition cost of which is denominated in Australian currency.

Where the Fund invests in securities through a securities exchange (which is typically the case), their value will generally be based on the latest available closing sale price on the relevant exchange. In the event that the Fund invests in equities or derivatives that are not exchange traded, an independent valuation service provider will be engaged to value the assets.

Investment management

The key individuals involved in the Fund's investment management are as follows:

Victor Siciliano	Victor Siciliano joined Aurora as a Portfolio Manager in July 2016.
B Bus (Banking & Finance) and Master of Applied Finance (Investment Management)	Victor has circa 10 years' equity market experience, most recently as portfolio manager of the HHY Fund at Keybridge Capital Limited. Prior to this, Victor worked as an assistant portfolio manager at boutique fund manager Sterling Equity, as well as an investment adviser at Macquarie Group. Through these roles Victor was responsible for undertaking detailed company analysis on Australian and International listed companies, implementing investment strategies and making investment decisions.
John Patton	John Patton joined Aurora as Managing Director in July 2016.
B Ec, ACA	Previously, John was a partner with Ernst & Young in the Transactions Advisory Services division and prior to that was the Chief Financial Officer of the Hastings Diversified Utilities Fund. With over 30 years of professional services and industry experience, Mr Patton has extensive corporate finance credentials being involved in over 150 corporate transactions, including mergers & acquisitions (lead advisory), structuring, debt & equity raisings, IPO's, management buy-outs, valuations (including Independent Expert Reports), due diligence, financial modelling, restructure and corporate advisory.

The Fund's investment personnel spend as much time as is required to manage the investment strategy of the Fund.

Adverse regulatory findings

Aurora has had the following adverse regulatory findings:

- In November 2014, Aurora entered into an enforceable undertaking (**EU**) with ASIC concerning on market acquisitions and redemptions in its listed funds. The EU arose because ASIC considered that Aurora had not complied with certain substantial holder disclosures. The EU places some restrictions on Aurora from acquiring or disposing of units in those funds on market.
- In June 2017, the Australian Takeovers Panel (**Panel**) made a declaration of unacceptable circumstances in relation to the acquisition of shares in Molopo Energy Limited (**Molopo**) by the Fund and another fund that Aurora acts as responsible entity for (**Aurora Funds**). The Panel considered that Aurora was an associate of another Molopo shareholder, Keybridge Capital Limited (**Keybridge**), and had contravened sections 606 and 671B of the Corporations Act. The Panel also considered that an unacceptable control effect in Molopo had arisen in part due to actions by Mr Patton, his influence over Aurora and to an extent over Keybridge and other factors. The Panel required that Molopo shares held by the Aurora Funds be vested in the Commonwealth of Australia for sale by ASIC as its agent, with the sale proceeds remitted to the Aurora Funds.

6. Risks of investing in the Fund

All investments carry risk. The likely investment value, return and the risk of losing money is different for each managed investment scheme as different investment strategies carry different levels of risk depending on the underlying mix of assets and investment timeframe. Future returns may differ from past returns. Those assets with potentially the highest long term return (such as shares) may also have the highest risk of losing money. You should consider the risks which will vary with respect to your own risk profile when deciding whether or what proportion of your assets to invest in the Fund.

These are some of the risks of investing in the Fund:

Counterparty risk: The Fund is exposed to the credit risk of its counterparties such as brokers and custodians. Should a counterparty go into administration or liquidation the Fund may lose some or all of its assets. For example, where a custodian holds cash on deposit on behalf of the Fund, should the custodian go into liquidation this cash may not be returned.

Derivatives risk: 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 instruments might include the value of the derivative failing to move in line with the underlying asset, potential illiquidity of, or inability to get set in, the derivative, the Fund 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 regularly monitoring the Fund's use of derivatives, and by entering into derivative contracts with reputable counterparties.

Investment manager risk: The skill and performance of Aurora as responsible entity of the Fund can have a significant impact on the investment returns of the Fund. Changes in the personnel and resources of Aurora's investment team may also have an impact on investment returns of the Fund.

Leverage risk: Leverage may be employed through short selling, derivatives or borrowed funds. The use of leverage will magnify the potential gains and losses achieved by the Fund. Losses from the use of leverage can be substantial and exceed the original amount invested.

Securities lending risk: The Fund's securities may be subject to securities lending by the Fund's prime broker/custodian (or a sub-custodian). Under a securities lending transaction, securities are lent to a third party (borrower) for a period of time. Securities lending of the Fund's securities exposes the Fund to additional risks e.g. where the parties to the lending transaction default and/or become insolvent.

Securities borrowing risk: The Fund may borrow securities as part of its investment strategy. The risks of securities borrowing includes the risk that the lender recalls the securities loan thereby requiring the Fund to unwind a trading position, even if this unwinding results in a loss. As the level of securities borrowings increase so too does the cost of those borrowings. The cost of securities borrowing may increase materially, or become unavailable, which may lower the targeted and actual returns.

Short selling risk: A loss will be incurred when short selling securities if the short selling price is lower than the subsequent purchase price. 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). Short selling securities involves additional risks such as liquidity risk, leverage risk and regulatory risk. In addition, losses incurred through selling securities that have been borrowed can be unlimited. Whilst short selling securities that have been borrowed can be used to reduce market risk, it is also possible for long positions and short positions to both lose money at the same time.

Strategy risk: The Fund's investment strategy may not provide the targeted objectives. You should also be aware that the investment strategy is expected to lose money from time to time. Returns from investing in equities and derivatives can be volatile – particularly over the short to medium term. The active trading nature of the Fund means that the volatility of the Fund may be higher as the returns are not always evenly distributed over long periods.

Investee specific risk: Investments by the Fund in securities of a company or other entity will be subject to many of the risks to which that particular entity is itself exposed. These risks may impact the value of the securities. These risks include factors such as changes in management, actions of competitors and regulators, sovereign risk, changes in technology and market trends. Further, underlying investees may themselves utilise leverage which could have the effect of magnifying total Fund leverage (and hence risk of default and/or loss). As the Responsible Entity is not involved in and generally has no control over the day-to-day operations or activities of investees, the actual risks associated with each specific investment cannot be fully predicted or described.

External risk: External factors are outside our control, and can affect both the value of an investment in the Fund and also the income that the investment might produce. These factors include such things as changes in interest rates, government policies, taxation and other laws, global stock market and economic conditions, and volatility in general. External risk factors cannot be eliminated.

Interest rate risk: The value of or distributions from your Units, capital value or income of the Fund, or an investment of the Fund, may be adversely affected when interest rates fluctuate.

Liquidity and withdrawal risk: As Units are not quoted on ASX or any other financial market, the ability to dispose of them (other than through the redemption process) is limited. The Fund may invest in significant concentrated positions in listed entities that are not an ASX 200 company, and accordingly their securities may not be highly liquid. In consequence, it is not expected that the Fund could realise 80% of its investments within 10 days in the ordinary course. 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 Fund from fully implementing the investment strategy, or from entering/liquidating security and/or derivative positions, or may adversely affect the ability of the Fund to price its investments. In these situations, we may choose to restrict, delay, or suspend Unit pricing, applications, or redemptions. In addition, we may seek to manage the Fund's assets (and, if necessary, temporarily suspend or change the investment strategy without notice) in order to minimise disruption, costs, and capital risk to the Fund – and thereby seek to protect the Fund in the interests of all Unit holders.

Market risk: The Fund is exposed to equity market risk. This risk is impacted by broad factors such as interest rates, availability of credit, economic factors, political environment, investor sentiment and significant external events (e.g. natural disasters).

Operational and administration risk: Some counterparties hold the Unit holder records for the Fund, and provide the platform for the execution of the Fund's securities trading. There is a risk that these counterparties may fail to properly or accurately price the Units, maintain or update the Fund's or investors' investment interests, or conduct or record the securities trading of the Fund. This may result in some short term liquidity or other material constraints on the Fund 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, and annual financial and compliance audits.

Concentration risk: The Fund may hold concentrated investment positions in a small number of companies and other entities. There is a risk that the performance of the Fund will be more volatile than if investments were held in a greater number and/or broader range of entities. Further, concentrated exposures have the potential to result in significant losses.

Fund risk: There are specific risks associated with the Fund, such as termination and changes to fees and expenses. The performance of the Fund 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. Investing in the Fund may give different results than investing individually because of income or capital gains accrued in the Fund and the consequences of investment and withdrawal by other Unit holders.

Distribution risk: There is a risk that the regular cash distributions from the Fund may be reduced or not made at all, depending on the income and/or general performance of the Fund.

Exchange rate risk: Currency movements relative to the Australian dollar can cause changes in the value of the Fund's investments and its ability to pay distributions.

Offshore market risk: By investing in offshore markets, the Fund may be exposed to a broad range of international risks, including political, legal and regulatory, taxation, currency, trading and settlements, and international custody and sub-custody risks. Investing in assets from less developed regions or markets display higher levels of volatility of investment return than assets in mature markets.

Risk management

The Fund's overall risk management program focuses on ensuring compliance with the Fund's constitution, this PDS and the investment guidelines of the Fund, and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Specific areas focused upon to ensure this compliance include:

Investment universe: Only selecting potential investments where we have a good understanding of legal, regulatory and operational matters.

Investment catalyst and exit options: Identify an appropriate catalyst for entering into a trade, including identifying where Aurora can act as a catalyst, and identify alternate exit options for the trade.

Investment due diligence: Ensuring an appropriate due diligence process is conducted on each investment using both investee company provided information, externally provided data and through primary research.

Trade: Providing stop losses for derivative and short selling trades where applicable.

Counterparties: Ensure that the Fund engages and trades with reputable counterparties.

7. Fees and other costs

Consumer advisory warning

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) has a managed funds 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 (i.e. your investment in the Fund), from the returns on your investment or from the assets of the Fund as a whole. Taxes are set out in another part of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
Fees when money moves in or out of the Fund		
Establishment fee The fee to open your investment	Nil	Not applicable
Contribution fee The fee on each amount contributed to your investment	Nil	Not applicable
Withdrawal fee The fee on each amount you take out of your investment	Nil	Not applicable
Exit fee The fee to close your investment	Nil	Not applicable
Management costs		
The fees and costs for managing your investment	5.18973% pa (inclusive of GST) of NAV comprising: **Management fee** 1.48625% pa (inclusive of GST) of NAV PLUS **Estimate of reimbursable expenses**[1] 3.36965% pa (inclusive of GST) of NAV PLUS **Estimate of indirect costs**[2] 0.33383% pa (inclusive of GST) of NAV **Estimate of performance fee**[3] 0.0% p.a. (inclusive of GST) of NAV	**Management fee** is accrued daily and paid monthly in arrears out of Fund assets **Reimbursable expenses** are deducted from Fund assets when due and payable **Indirect costs** apply within the Fund's investments that reduce returns. They are not paid out of Fund assets **Performance fee** is accrued daily, and assessed and paid half yearly. The fee is paid out of, and the accrual reduces, the Fund's assets
Service fees		
Switching fee The fee for changing investment options	Nil	Not applicable

1. This estimate is based on the normally incurred reimbursable expenses that Aurora, at the date of this PDS, expects will apply. It does not include any extraordinary expenses. For more information about reimbursable expenses, see the additional explanation of fees and costs on page 13.
2. This estimate is based on the indirect costs incurred within the Fund's investments that reduce returns that Aurora, at the date of this PDS, expects will apply for the current financial year. For more information about indirect costs, see the additional explanation of fees and costs on page 13.
3. This estimate is based on historic issues that has caused performance of the Fund to be negative compared to the benchmark. Accordingly, no performance fee is currently expected to be paid. For more information about the performance fee, see the additional explanation of fees and costs on page 14.

AURORA
FUNDS MANAGEMENT

Example of annual fees and costs

This table gives an example of how fees and costs in the Fund can affect your investment over a 1 year period. You should use this table to compare this product with other managed investment products.

EXAMPLE		BALANCE OF $50,000 WITH A CONTRIBUTION OF $5,000 DURING YEAR
Contribution Fees[1]	0%	For every additional $5,000 you put in, you will be charged $0
PLUS Management Costs[2]	5.18973%pa	**And**, for every $50,000 you have in the Fund you will be charged $2,594.87 each year
EQUALS Cost of investment[3]		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 would be charged fees of: $2,594.87* **What it costs you will depend on the fees you negotiate**

*Additional fees may apply:

Establishment fee[4] – $0

And, if you leave the Fund early, you may also be charged exit fees of $0

1. See note 3(a) below.
2. This is an estimate. A breakdown of the fees and costs comprised in this estimate is provided in the previous table. See also notes 3(b) to (d) below.
3. This cost of investment has been calculated on the basis that the additional $5,000 is contributed at the end of the year. The cost does not include the buy-sell spread – see page 19 for more information about the buy-sell spread. Further, the cost assumes that the estimated fees and costs noted in the previous table will continue to apply, no additional fees are charged and fees are not individually negotiated with us. The Fund's constitution allows the Responsible Entity to charge the following:
   (a) A contribution/application fee of up to 5.125% (inclusive of GST) of the proceeds subscribed for Units under an application accepted by the Responsible Entity. This fee is not currently charged, but if it were, on application money of $50,000 this fee would be up to $2,562.50 and up to $256.25 for each additional $5,000 of application money.
   (b) A management fee of up to 5.125% pa (inclusive of GST) of the total value of assets (i.e. gross value) of the Fund. The management fee currently charged is 1.48625% pa (inclusive of GST) of NAV, but if the maximum fee were charged, on an investment of $50,000 the fee would equate to $2,562.50 each year.
   (c) A time cost fee for work required to be undertaken by the Responsible Entity outside the ordinary day-to-day trustee and management obligations at the rate of $236 per hour (inclusive of GST) (as may be adjusted to reflect increases in the consumer price index from the date of this PDS) of time spent by an employee or agent of the Responsible Entity on the work. This fee is not currently charged.
   (d) A performance fee of up to 30.75% (inclusive of GST) of the amount by which increases in the NAV of the Fund outperform the benchmark over a 6 month period ending 30 June or 31 December. The Responsible Entity was not entitled to any performance fees for the previous financial year ended 30 June 2017 and does not expect to be entitled to any performance fees for the current financial year due to historic negative performance of the Fund. However, if the Responsible Entity does become entitled to a performance fee, it intends to charge a performance fee rate of just 20.5% (inclusive of GST) of the outperformance – see the additional explanation of fees and costs below for more information about the performance fee.
   (e) A withdrawal fee of up to 3.075% (inclusive of GST) of each withdrawal amount. The fee is not currently charged, but if it were, on withdrawal of an amount of $50,000 the withdrawal fee would be up to $1,537.50 and up to $153.75 for each additional $5,000 of withdrawal amount.
4. See note 3(a) above.
5. See note 3(e) above.

Additional explanation of fees and costs

Management costs: Management costs for the Fund incorporate all relevant ongoing fees and other costs involved in managing the Fund and deriving investment returns. The management costs comprise the Responsible Entity's management fee, reimbursable expenses and indirect costs, as well as any time cost fee or performance fee. They are not paid directly from an investor's investment, however, the management fee and reimbursable expenses (as well as any time cost fee or performance fee) are paid out of the assets of the Fund, and they and the indirect costs reduce or are factored into NAV and are reflected in the Unit price.

Reimbursable expenses: The Fund's constitution allows all expenses incurred by the Responsible Entity in relation to the proper performance of its duties in respect of the Fund to be recovered from the assets of the Fund and does not place any limit on the amount or type of expenses that can be recovered. Reimbursable expenses include fund and manager establishment, promotion (including offer documents, advertising and promotional material and printing), licensing, custodian, registry, insurance, listing, audit, external consultants, accounts, stationary, postage and termination costs as well as compliance and compliance committee costs, Unit holder meetings, legal proceedings and such other expenses as the terms of the issue may contemplate from time to time. Reimbursable expenses vary from year to year, and for the financial year ended on 30 June 2017 were in aggregate 2.50996% (inclusive of GST) of the average NAV of the Fund for that year. At the date of this PDS, reimbursable expenses for the current financial year (i.e. ending on 30 June 2018) are estimated to be 3.36965% (inclusive of GST) of the current NAV of the Fund. This estimate of reimbursable expenses is included in the management costs set out in the tables above.

Indirect costs: Indirect costs include any amounts not already disclosed as a management cost that we know, reasonably ought to know or, where this is not the case, may reasonably estimate will directly or indirectly reduce the return on Units. For example, indirect costs may include:

- Management fees or costs incurred in certain investment funds and companies in which the Fund has invested e.g. where managers of the underlying funds charge their own management costs and these are deducted from the underlying funds and reduce the unit price of the underlying funds
- Costs of trading in certain types of derivative financial products which are not traded or quoted on a recognised exchange and/or not used for hedging purposes but rather to gain or reduce market exposure e.g. derivatives such as over-the-counter options and swap arrangements. The Fund does not currently engage in this kind of derivative trading.

At the date of this PDS, indirect costs for the current financial year are estimated to be 0.33383% of the current NAV of the Fund, having regard to the construction of the Fund's investment portfolio, our estimate of the management costs of any such investment fund or company for the previous financial year based on the published audited or reviewed financial information for the investment fund or company, and our view of the likely construction of the investment portfolio based on the Fund's investment strategy. This estimate is included in the management costs set out in the tables above.

Indirect costs are dependent upon a number of factors, including the extent to which and for how long the Fund is invested in another relevant investment fund or company, and may change from year to year. Actual indirect costs for the current financial year or future periods may be higher or lower than the currently estimated indirect costs.

Indirect costs attributable to the management costs of a listed investment fund or company in which the Fund invests should be reflected in the market price of the securities of the entity and, as such, will be factored into NAV and reflected in the Unit price. You are not separately charged these costs.

Performance fee: Under the Fund's constitution, the Responsible Entity is entitled to receive a performance fee of up to 30.75% (inclusive of GST) of the amount by which the increase in the Net Asset Value of the Fund exceeds the benchmark performance during the relevant performance period. However, Aurora intends to charge a performance fee of only 20.5% (inclusive of GST) of the Fund's outperformance of the benchmark (if any). Accordingly, the performance fee will be calculated and accrued daily as follows:

Performance fee = (FP – BP) x 20.5% (inclusive of GST)

where:

FP = CV – OV

BP = B x OV

CV = the Net Asset Value of the Fund at the close of the day (after other fees and expenses have been accrued but before the accrued performance fee)

OV = the Net Asset Value of the Fund at the opening of the day (pre-performance fee accrued Net Asset Value of the Fund but post-paid performance fee)

B = the percentage return of the RBA cash rate (or its replacement or another benchmark that the Responsible Entity considers to be appropriate) at the commencement of the day. See www.rba.gov.au for information about the RBA cash rate.

The performance period is any period of 6 months ending on 30 June or 31 December, subject to adjustment where the Responsible Entity is replaced or the Fund is terminated.

We are not required to reimburse the Fund or Unit holders for the amount of any negative performance fee accrual over a performance fee period, including on termination of the Fund.

The Responsible Entity's entitlement to a performance fee for a performance period is subject to the Net Asset Value of the Fund at the end of the period exceeding the high water mark. Under the constitution, the high water mark is the Net Asset Value of the Fund at the end of the preceding performance period (adjusted for subsequent applications, redemptions and distributions). However, Aurora intends only to charge a performance fee once the negative performance for past periods where Aurora was responsible for the management of the Fund under the control of its current owners has been recouped in full. That is, Aurora intends to set the high water mark for the purposes of determining its entitlement to any future performance fee under the Fund's constitution as the highest Net Asset Value of the Fund at the end of any performance period (adjusted for subsequent applications, redemptions and distributions) since 1 July 2016.

Any accrued performance fee will be payable as at 1 January and 1 July out of the assets of the Fund (in the same way as the ongoing management fee is paid).

Expected performance fee: A performance fee is not currently expected to be paid as Aurora has decided that it will not be entitled to a performance fee until the negative performance of the Fund compared to the benchmark performance since 1 July 2016 has been recouped. Once the Net Asset Value of the Fund (adjusted for subsequent applications, redemptions and distributions) has been restored to off-set the resultant losses to the Fund such that a performance fee becomes payable, Aurora will provide an update on its website.

Receipt of non-cash benefits: Aurora may receive non-cash benefits in connection with the Fund, such as research and promotional activities from stock brokers through whom investment transactions are carried out. However, we will only use stock brokers and other service providers for Fund transactions where we are satisfied that the services are consistent with the best available services in the market for equivalent rates.

Can fees be different for different investors?: Aurora may negotiate lower fees (for example, by rebating or waiving some or all fees) for wholesale clients (as defined by the Corporations Act), to the extent that the Corporations Act and any applicable ASIC class order relief allows us to do so. Aurora is not able to negotiate lower fees for retail clients. If you are a wholesale client you may contact Aurora's chief operating officer on 1300 553 431 to negotiate a fee.

Indirect investors: If you are an indirect investor in the Fund (e.g. via an IDPS) you will need to consider the fees and other costs of the IDPS (or any other similar arrangement) when calculating the total cost of your investment.

Tax: Refer to section 8 for an explanation of the income and capital gains tax ramifications of investing in the Fund for Australian resident investors.

GST: Unless otherwise noted, all fees and costs specified in this PDS are GST inclusive net of any reduced input tax credits. GST is additionally incurred net of any reduced input tax credits. Services supplied to the Fund are generally taxable supplies for GST purposes and will therefore usually include a GST component (being 1/11th of the total amount charged for the services). Generally, the Fund cannot claim full input tax credits for these services but is usually entitled to a reduced input tax credit equal to 55%-75% of the GST component included in the charges for those services.

Adviser fees: A financial adviser who introduces a prospective investor to the Fund, and whose details appear on the completed application form accompanying this PDS submitted by or on behalf of the investor, may be paid an adviser service fee at the investor's instruction. This is an arrangement between the investor and his or her financial adviser that we will facilitate on behalf of the investor. These fees are not set by Aurora, but rather by agreement between you and your adviser.

Platform operator fees: Aurora may enter arrangements to pay from its own management fee to some IDPS operators fees representing 'scale efficiencies' because they offer the Fund on their investment menus. These fees could be rebated back to the investor or they could be retained by the IDPS operator. It is important to note that these fees are not additional fees to the investor, but are fees that are paid out by Aurora from its management fee. Fees and other benefits paid by Aurora to IDPS operators will be consistent with the Future of Financial Advice reforms enshrined in section 964A of the Corporations Act.

Buy-sell spread: The buy-sell spread reflects the estimated transaction costs associated with buying and selling the assets of the Fund when investors invest in or withdraw from the Fund. The buy-sell spread is an additional cost to the investor but it is included in the Unit price and is not charged separately to the investor. The buy-sell spread that is currently applied to calculate Unit price is 0.02%. The buy-sell spread may change without notice. The buy-sell spread on a $50,000 investment or redemption is $10.

Securities borrowing costs: The Fund may borrow securities within the investment strategy, and 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 fee. They are reimbursable expenses payable out of Fund assets. We are not able to estimate these costs.

Can the fees change?: Yes, all fees can change. Generally, the Fund's constitution provides for the maximum fees that we can charge. Footnote 3 to the table containing an example of fees and costs summarises all of the fees (and limits) that we can charge under the constitution. If we make a change that increases (or might result in an increase) in any fees or charges (e.g. increasing the management fee or performance fee rate currently charged, resetting the high water mark for the performance fee calculation or imposing a fee not currently charged), we will give at least 30 days' notice before the change takes effect. To change fees above levels allowed by the constitution would need the approval of investors.

8. Taxation

Any investment can have a substantial impact on your tax position from year to year. Indirect investors should refer to tax information in their IDPS disclosure statement document. Tax statements will be sent by us to your IDPS operator after the end of each financial year.

The following information is a general summary. It is not intended to be comprehensive and is based upon Aurora's interpretation of Australian income tax legislation in force as at the date of this PDS. You should not rely on these comments as advice. We recommend that you obtain your own professional advice regarding your position as tax and social security laws are complex and subject to change, there could be consequences in addition to those generally described below and investors' individual circumstances vary.

The summary is not exhaustive of all possible Australian income tax considerations that could apply and, in particular, does not address the tax considerations applicable to investors that may be subject to special tax rules or who are not residents of Australia for tax purposes. Further, this section 8 does not address any taxation ramifications that may be applicable under the taxation laws of any foreign jurisdictions.

Taxation of the Fund

The Fund will generally not be liable for income tax provided investors are presently entitled to the net income of the Fund and are not under any legal disability. Tax losses of the Fund are quarantined in the Fund and can be carried forward to offset taxable income in future years.

Tax position of Australian resident investors

Distributions: Australian resident investors will have to include in their taxable income for the year, the share of taxable income of the Fund (including any net capital gains) to which they are presently entitled at the end of that year, even if they reinvest distributions or if payment is not received in that year. In case of non-resident investors, tax may be withheld from distributions. To the extent that distributions from the Fund are distributions of a capital gain made on the realisation of long term investments, this may entitle Australian resident investors to a discount on the capital gain (refer to the paragraph below titled Capital gains tax).

Tax deferred: Any tax deferred income will generally be non-taxable in the year of distribution but will be applied to reduce the investors' cost base in the Units. This will ultimately have the effect of reducing the investors' cost base on the end sale, increasing the capital gain (or reducing the capital loss) on disposal of Units. To the extent the total tax deferred component exceeds an investor's cost base in the Units, the excess will be taxable as a capital gain in the year of payment.

Imputation: The Fund may pass on to investors any benefits of imputation credits in respect of distributions including franked dividends from the Fund's investments. Investors receiving distributions, including franked dividends, will be required to include their share of dividends in their tax returns. However, investors may be denied franking credits in respect of distributions on Units which they have not owned at risk for a continuous period of 45 clear days (i.e. not counting the day of acquisition or the day of disposal). Investors may be able to reduce their tax liability for that year by offsetting the credits against other tax payable (excluding Medicare levy).

Capital gains tax: Australian resident investors' assessable income from their investment in the Fund may include a capital gain. This may arise due to the Fund distributions to which they are entitled including a net capital gain component (i.e. capital gains after offsetting any capital loss derived from the disposal of Fund assets) or due to the withdrawal/redemption or other disposal of their Units for a price greater than their cost base. Australian individuals, trusts and complying superannuation entities may be eligible for partial capital gains tax relief in relation to the capital gain component of distributions and the disposal of Units where they have held the Units for at least 12 months.

Providing your tax file number (TFN) or Australian business number (ABN): Australian resident investors may choose to quote their TFN or ABN (if applicable) or claim an exemption in relation to their investment in the Fund by completing a Tax File Number or Australian Business Number notification form. The law strictly regulates how we may use TFNs and ABNs. If an Australian resident investor chooses not to give us their TFN or ABN or to claim an exemption, we must deduct tax at the highest personal tax rate (plus Medicare levy) before we pass on each distribution to the investor.

Goods and services tax (GST): The Fund has been registered for GST, which applies to most supplies that are connected with Australia. The majority of goods and services that the Fund will acquire for its operation will be subject to GST and GST will be payable on Aurora's fees as responsible entity of the Fund and most other fees and expenses incurred by the Fund. In specified circumstances, the Fund may be entitled to reduced input tax credits of 55%-75% of GST paid. All fees and costs stated in this PDS are inclusive of any GST and net of reduced input tax credits, unless otherwise stated. No GST will apply on amounts received by the Fund for the issue of Units, sale proceeds of the securities, or investment income and gains.

Duty: Duty laws vary between Australian jurisdictions. Generally, the issue or redemption of Units should not attract any duty imposed under a state or territory law. Duty may also not be payable on the transfer of Units, however, you should confirm the duty consequences of transferring Units with your tax adviser.

The Attribution Managed Investment Trust (AMIT) regime: An eligible managed investment trust can elect to become an Attribution MIT by irrevocable choice. It is not intended that the AMIT regime will significantly change the tax system for investors in the Fund. The current tax rules will continue to apply unless an election to enter the AMIT regime is made. We will provide notification on our website if and when this election is made. Investors should seek their own tax advice with respect to the potential impact.

AURORA FUNDS MANAGEMENT

9. Making and redeeming an investment

Making and redeeming an investment

Investments and redemptions in the Fund may be made:

- directly with Aurora by applying for and redeeming Units; and
- indirectly through an IDPS (i.e. by acquiring and disposing of interests in the IDPS that invests in Units).

Applying for and redeeming Units directly with us

Investments

Investors who want to acquire Units may complete the application form that accompanies this PDS and submit the completed application form, in accordance with the instructions set out on the form.

The application form is available through Aurora's website at www.aurorafunds.com.au, accompanied by this PDS.

The minimum initial investment is A$2,000. The minimum additional investment is A$2,000. If an application form is received and accepted, the Units applied for will be issued within 10 days following the end of the calendar month in which the application is received at the issue price based on the NAV as at the end of the last Business Day of the month. This is subject to the application form being received before 12 noon on the last Business Day of the calendar month (or such other Unit pricing cut-off time determined by the Responsible Entity). Where an application is received after this time, it will be taken to have been received in the next calendar month.

Cooling off rights

Under the Corporations Act cooling off rights are available to retail clients who acquire certain managed investment products. Where Units are issued under this PDS to a retail client, cooling off rights are available to allow the investor to change his or her investment decision and ask for the initial investment to be returned after adjusting for transaction costs and any market movement since the initial investment. Transaction costs include, but are not limited to, brokerage, taxes and other charges and expense from buying or selling Fund investments. If you apply for Units as a retail client and wish to exercise your cooling off rights, the following applies:

- You must instruct us before the end of the cooling off period. This is a 14 day period which begins from the earlier of the day you received our transaction confirmation and the fifth day after the Units were issued. Should you choose to cancel your investment during this period, the amount returned to you will be adjusted to take account of any movements in investment values since the day on which you acquired the investment and reasonable transaction costs.
- The cancellation of your investment will be processed at the withdrawal price on the date your request was received. If a distribution has occurred between acceptance of your application and receipt of your cooling off period notification, there may be taxation implications for you. We suggest you seek professional advice under these circumstances.
- If you wish to cancel your investment during the cooling off period, you must inform us in writing or electronically (or in any other way specified by the regulations) of your intention to exercise this right before the end of the cooling off period (and before exercising any rights or powers you have in respect of your investment in the Fund). The cooling off period does not apply where the Fund is not liquid, that is where liquid assets of the Fund (money, bank accepted bills, marketable securities and other prescribed property) do not constitute at least 80% of the assets of the Fund.

Redemptions

Holders of Units may request redemption of their investment through completing a redemption request form for the Fund (available on our website at www.aurorafunds.com.au or by calling us on 1300 553 431) and sending it to us, in accordance with the instructions set out on the form.

The amount withdrawn will be remitted directly into your nominated account by electronic funds transfer. A cheque can be sent to you (the investor) upon request, although this process usually takes longer than direct debiting. We do not issue third party cheques.

Following a receipt of a request for withdrawal, and provided no redemption limitations or suspensions are in force, we will endeavour to pay the amount you request to be withdrawn within 10 days following the end of the calendar month in which your redemption request form is received. The withdrawal will be processed at the withdrawal price based on the NAV as at the end of the last Business Day of that calendar month. This is subject to the redemption request form being received before 12 noon on the last Business Day of the calendar month (or such other Unit pricing cut-off time determined by the Responsible Entity). Where a redemption request is received after this time, it will be taken to have been received in the next calendar month.

Limiting or suspending redemptions

Aurora has a broad discretion in relation to accepting and processing redemption requests including restricting (or 'scaling back') the quantum of total Unit redemption requests that are accepted and paid during a period. Redemption limits may apply in circumstances where outstanding redemptions exceed 10% of the value of the Fund, paying redemption requests would impact on the Fund's ability to execute on an investment strategy or Aurora believes it is in the best interests of investors to do so.

As a result, Aurora has a liquidity management policy covering the adoption of redemption guidelines that aim to achieve an equitable balance between the competing interests of those Unit holders who wish to remain invested in the Fund and those seeking to redeem their investment.

Where redemption restrictions apply, the redemption guidelines will be posted on Aurora's website www.aurorafunds.com.au which potential investors are encouraged to read prior to investing in the Fund. Because it is not possible to identify the quantum of redemption requests prior to them being received, Aurora may change existing redemption guidelines, or adopt new ones, that will apply to a redemption request already submitted (but not accepted). Aurora may change the guidelines, or adopt new ones, (either restricting or relaxing liquidity measures) at any time, depending on the circumstances of the Fund. At the date of this PDS, redemption guidelines have been adopted that provide for:

- calendar quarterly consideration and processing of redemption requests at a redemption price based on the NAV per Unit on the last Business Day of the quarter in which the requests are received;
- proportionate scale back of redemption requests where the aggregate amount sought to be withdrawn in any given calendar quarter exceeds 5% of the total funds under management in the Fund; and
- carry over of unsatisfied redemption requests to the next calendar quarter for consideration, as though they were fresh redemptions requests made in that quarter.

As at 30 September 2017, there were outstanding redemption requests received by Aurora for 7,177,693 Units, representing $4,480,315 in outstanding redemption payments (based on the then prevailing redemption price) and approximately 33% of the total number of Units on issue as at that date (excluding the Units to be redeemed under redemption requests for the quarter in accordance with the redemption guidelines).

We may also suspend or limit redemption requests where:

- circumstances outside our control, in our opinion, adversely affect our ability to properly or fairly calculate Unit price (for example, if the assets or relevant currencies are subject to restrictions or if there is material market uncertainty);
- in our opinion (acting reasonably) there is an emergency or other state of affairs which makes it impractical to redeem Units or may prejudice the remaining investors;
- there is a declaration of a moratorium, or restrictions on trading in a relevant foreign exchange market, in a country in which the Fund has investments;
- Fund assets cannot be disposed of or withdrawn;
- the Fund's cash reserves fall and remain below 5% for 10 consecutive Business Days or there is insufficient cash reserves available to meet redemptions and pay the operating expenses of the Fund; or
- the law permits us to do so.

While Fund is not liquid

Under the Corporations Act, a scheme is liquid if the scheme's liquid assets account for at least 80% of the value of scheme property. Liquid assets include cash, cash equivalents and marketable securities that can reasonably be expected to be realised within the period specified in the scheme constitution for satisfying withdrawal requests. Under the Fund's constitution, redemptions of Units may be suspended for such period as the Responsible Entity considers appropriate in all the circumstances. On this basis, the Fund is currently liquid is likely to remain so.

However, were the Fund ever not liquid, a Unit holder may only withdraw when the Responsible Entity makes a redemption offer to investors in accordance with the Corporations Act, and the Responsible Entity is not obliged to make a redemption offer.

Compulsory redemption

The Responsible Entity can compulsorily redeem Units:

- if the Unit holder has breached its obligations to the Responsible Entity;
- to satisfy any amount owing by the Unit holder or by the Responsible Entity that relates to the Unit holder;
- if the Fund's constitution otherwise allows (e.g. where a minimum holding is or will be breached);
- where the Responsible Entity suspects that the law prohibits the Unit holder from legally being a Unit holder;
- to satisfy the Responsible Entity's obligations under the anti-money laundering and counter-terrorism financing legislation and rules; or
- in such other circumstances as the Responsible Entity determines in its absolute discretion.

Directly investing through an IDPS

Applications

Indirect investors must complete the documentation which their IDPS operator requires in order to make the investment. If you have invested in the Fund through an IDPS and have any questions about the cooling-off rights (if any) that apply to your investment in or through your IDPS, please contact your financial adviser or IDPS operator. Indirect investors may only access cooling off rights against their IDPS operator, and not against the Fund.

Redemptions

Investors that have invested through an IDPS can only make withdrawals against their IDPS operator, and not against the Fund. Please contact your financial adviser or IDPS operator to obtain additional information in relation to redemptions.

Withdrawals from an IDPS may be limited or suspended in the same way that withdrawals of investments in the Fund directly with us can be (see above).

10. Other information

Unit price

The price or value of a Unit in the Fund (**Unit price**) at a particular time is based on NAV divided by the total number of Units on issue. NAV is the value of all assets of the Fund (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 an amount in a distribution account), less all present liabilities of the Fund including any provision which we decide should be taken into account in determining the liabilities of the Fund. Where Unit price is to be calculated for a class of Units, the calculation is based on the proportion of NAV that we determine is properly referrable to the class divided by the total number of Units on issue in that class. When calculating NAV we must use the most recent valuations of the Fund's assets and the most recent determination of its liabilities.

We may value the Fund assets at any time we choose, including more than once on each day if appropriate having regard to the nature of the assets. We may also choose the valuation methodology having regard to the nature of the assets. Accordingly, Aurora has adopted the following policy for the purposes of determining Unit price:

- The value of Fund assets and liabilities are to be determined as at the last Business Day of every calendar month.
- The Fund typically invests in exchange traded securities that are generally valued at the latest available closing sale price.
- Securities which are suspended from quotation will generally be priced at the last trade price or at zero, unless an alternate determination is made based on market events.

  As at the date of this PDS:

  - the Responsible Entity has announced an off-market takeover bid for all of the ordinary shares in Molopo Energy Limited (**Molopo**) which are not already owned by or on behalf of the Fund for consideration of $0.135 for each Molopo share, which is payable in cash (subject to total cash consideration being capped at $5 million) or Units with an equivalent value based on NAV for each Unit (without any adjustment for the buy-sell spread);
  - the Fund has a direct investment in Molopo shares representing approximately 1.46% of the Molopo shares currently on issue;
  - additionally, as noted on page 9, Molopo shares held on behalf of the Fund have been vested in the Commonwealth of Australia for sale by ASIC, with the net proceeds of sale to be remitted to the Fund. These divested Molopo shares represent approximately 11.33% of the Molopo shares currently on issue;
  - after careful consideration of the available information, including trading in Molopo shares on ASX during July 2017 (prior to Molopo shares being suspended from quotation), and the range of possible values for a Molopo share, Aurora determined the fair value of a Molopo share to be $0.135 as at 30 June 2017 for the purposes of determining the value of the Fund's investment in Molopo (as disclosed in its audited annual financial statements for the year ended 30 June 2017); and
  - Aurora has not changed the value of the Fund's investment in Molopo.

The price of Units in the Fund on application (**application price**) and the price of Units on withdrawal/redemption (**redemption price**) is based on the Unit price adjusted for the buy-sell spread (see below). Additionally, under the Fund's constitution, the application price and redemption price may be rounded up or down by 1% or 1 cent, as Aurora chooses.

We have adopted a Unit pricing discretion policy. The Unit pricing discretion policy sets out, among other things, the principles we will adhere to when exercising the discretions provided to us under the Fund's constitution in relation to calculating Unit related prices.

Buy-sell spread

The buy-sell spread aims to ensure that other investors do not pay the costs associated with an investor entering or exiting the Fund. The buy-sell spread is not a fee paid to Aurora. It is retained in the Fund to cover costs associated with buying and selling the Fund's investments.

The buy-sell spread is currently 0.02% of the investment or withdrawal amount (as the case may be) and is the cost charged to enter the Fund (acquire Units) and exit the Fund (redeem Units). For example, if an investor makes a $50,000 investment or withdrawal from the Fund, the buy-sell spread of 0.02% of the investment/withdrawal amount will be added to NAV per Unit to determine the Unit application price and will be deducted from NAV per Unit to determine the Unit redemption price, which is equal to a transaction cost of $10. Aurora may change the buy-sell spread at any time.

Distribution policy

Aurora intends to make quarterly cash distributions of 1.0% of the NAV per Unit plus available franking credits within 30 days following the end of each quarter. If the Fund's net income and realised capital gains less expenses for a financial year exceed the periodic cash distributions for the year, the cash distribution for the final quarter may include some or all of the excess. Should the Fund not generate sufficient net income to cover the cash distributions in a financial year, then part or all of any distribution may be a return of capital, or the Responsible Entity may elect not to pay a distribution. The final cash distribution for a financial year may, therefore, take longer to finalise and pay than 30 days from the end of the financial year due to these additional considerations, as well as the end of year audit requirements.

The Unit price generally falls by the amount of any distribution immediately after the date for determining entitlements to the distribution. If you invest just prior to a distribution entitlement date 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.

You may choose to have your distributions either reinvested as additional Units via the Fund's distribution reinvestment plan, or paid directly to your nominated Australian bank account. Until you nominate an Australian bank account (either on the application form or by subsequently updating your investor details to include an Australian bank account), we will reinvest your distributions. Distribution payments will generally not be paid by cheque.

Aurora may change the Fund's distribution policy at any time.

Regulatory regime

The Fund is registered as a managed investment scheme under the Corporations Act, and Aurora is the trustee and responsible entity and holds an AFSL which authorises it to operate the Fund. As such, the operation of the Fund and Aurora's role as responsible entity is principally regulated by ASIC under the Corporations Act.

We have a compliance plan for the Fund which details the methods we take to ensure that in operating the Fund we comply with the Corporations Act and the constitution of the Fund. We also have a compliance committee which (amongst other things) monitors our adherence to the compliance plan. It comprises 3 members, 2 being external to Aurora. The compliance committee is required to report any breach of the Fund's constitution or the Corporations Act to us, and in some instances, to ASIC.

What are the main rights and obligations of investors?

The rights and obligations of investors are governed by the Fund's constitution and this PDS, but are also affected by the Corporations Act, exemptions and declarations issued by ASIC, and the general law relating to trusts. You may inspect a copy of the Fund's constitution at our office by contacting us during office hours and making a time to come in and inspect the copy. Alternatively, you may obtain a copy by contacting us and paying a fee.

Some of the provisions of the Fund's constitution are discussed elsewhere in this document. Others that relate to your rights under the Fund constitution include:

- the nature of Units in the Fund;
- how Units may be transferred;
- how we must calculate Unit price;
- what an investor is entitled to receive upon withdrawal or where the Fund is wound up;
- the times we can delay processing withdrawals (such as if pricing NAV is impracticable); and
- investors' rights to share in any Fund income, and how we calculate it.

Your rights to requisition, attend and vote at meetings of Unit holders are contained in the constitution and the Corporations Act. Each Unit holder entitled to vote at a meeting who is present in person or by proxy (or other representative) has on a show of hands 1 vote and on a poll 1 vote for each $1 of value of the total Units held. Where Units are held jointly, and more than 1 joint Unit holder attends the meeting, only the first named holder in the register of Unit holders is entitled to vote.

The constitution states that your liability is limited to the amounts subscribed, or agreed to be subscribed, by you for your Units but the courts are yet to determine the effectiveness of provisions of this kind. The constitution also states that you indemnify the responsible entity of the Fund for:

- all liability incurred by the responsible entity arising directly or indirectly from your breach of your obligations to the responsible entity; and
- any liability for tax incurred by the responsible entity as a result of your action or inaction.

Aurora's powers and duties

Aurora's powers include:

- the power to invest, borrow and generally manage the Fund (which are practically unrestricted);
- we have discretion to refuse applications for Units and transfers of Units;
- we can change the Fund's constitution, but we need approval at a meeting of Unit holders if the change will adversely affect Unit holder rights; and
- we can charge fees and recover expenses.

As Responsible Entity, Aurora is also subject to many duties including duties to act honestly and in the best interests of investors, exercise care and diligence and treat investors holding Units of the same class equally.

However, under the Fund's constitution:

- Aurora is not liable for any loss except to the extent the loss arises due to Aurora failing to comply with its duties under the Corporations Act; and
- Aurora can be reimbursed for liabilities it incurs in relation to the proper exercise or performance of its powers and duties under the constitution or otherwise in connection with the Fund.

Changing the Responsible Entity

We can retire as Responsible Entity, but in most situations only if a new person is appointed as replacement responsible entity of the Fund.

We may also be replaced as Responsible Entity, by a resolution passed by Unit holders. As the Fund is unlisted, the resolution must be passed as an extraordinary resolution i.e. by at least 50% of the total votes that may be cast by all Unit holders entitled to vote on the resolution (whether or not voting), and we and our associates are not entitled to vote any Units in the Fund we hold on such a resolution.

Anti-money laundering

Under Australia's anti-money laundering laws (**AML Laws**) including the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) we may be required to obtain comprehensive information to verify the identity of an investor and any underlying beneficial owner of Units and the source of any payment. By completing an application form or redemption form in respect of any Units, an investor agrees that:

- the investor does not subscribe to the Fund under an assumed name;
- any money used to invest in the Units is not derived from or related to any criminal activities;
- any proceeds of the investment will not be used in relation to any criminal activities;
- if the Responsible Entity requests, the investor will provide to it any additional information that is reasonably required for the purposes of AML Laws (including information about the investor, any beneficial interest in the Units, or the source of funds used to invest);
- the Responsible Entity may obtain information about the investor or any beneficial owner of the Units from third parties if it is believed this is necessary to comply with AML Laws; and
- in order to comply with AML Laws, the Responsible Entity may be required to take action, including delaying or refusing the processing of any application or redemption, or disclosing information that the Responsible Entity holds about the investor or any beneficial owner of the Units to the Responsible Entity's related bodies corporate or service providers, or relevant regulators of AML Laws (whether in or outside of Australia).

Foreign Account Tax Compliance Act and OECD Common Reporting Standards

The Foreign Account Tax Compliance Act (**FATCA**) is United States (**US**) legislation targeting non-compliance by US taxpayers using foreign accounts. In order to prevent FATCA withholding tax being applied to any US connected payments to the Fund in Australia, the Fund is required to collect and report information to the Australian Taxation Office relating to certain US accounts, which may be exchanged with the US Internal Revenue Service.

Similar to FATCA, the OECD Common Reporting Standards (**CRS**) for the automatic exchange of information is a single global standard for the collection and reporting to tax authorities of information by financial institutions on non-residents. The CRS was implemented in Australia on 1 July 2017.

Accordingly, the Fund may request that you provide certain information about yourself and, where you are an entity, your controlling persons in order for the Fund to comply with its FATCA or CRS compliance obligations.

In the event the Fund suffers any amount of withholding tax (including FATCA withholding tax) and/or penalties, neither the Fund nor the Responsible Entity will be required to compensate you for any such tax or penalty, except in exceptional circumstances.

Environmental, social and ethical considerations

We do not take into account labour standards or environmental, social or ethical considerations for the purpose of selecting, retaining or realising investments. This means that we do not screen out companies solely on the basis of these standards or considerations. If a company's policies fall short of labour standards or its activities are considered environmentally, socially or ethically unacceptable and as a result, the company's earnings are adversely affected, we may not invest or choose to divest ourselves of the investment.

ASIC relief

ASIC has under its power in section 1020F of the Corporations Act granted relief from the operation of the Corporations Act that is applicable to the Fund.

This includes the relief available under ASIC Instrument 2015/847, that modifies the requirements under sections 601GA(1) and (4) of the Corporations Act that the constitution of a registered scheme:

- make adequate provision for the consideration that is to be paid to acquire an interest in the scheme; and
- specify any right to withdraw from the scheme or set out adequate procedures for making and dealing with withdrawal requests;

by allowing the Fund's constitution to provide a formula or method to determine the amount to be paid for the issue or redemption of Units that is based on the value of the Fund property attributable to Units of the relevant class less liabilities that under the constitution may be met from that property divided by the number of Units on issue in that class, subject to the Responsible Entity having certain discretions in relation to the determination. Under this relief, the Responsible Entity must prepare a number of documents including a policy as to how these discretions may be exercised and the records it will keep about the exercise of each discretion, and a document that sets out details of the exercise of each discretion for which there is no documented policy or that involves a departure from the documented policy. The Responsible Entity must retain the documents for 7 years after they cease to be current and will give a copy of the documents to a person who has been given, should have been given or has obtained this PDS or who is a Unit holder, on request at no charge.

The Fund relies on the relief available under ASIC Corporations (Updated Product Disclosure Statements) Instrument 2016/1055, which modifies the requirement under section 1012J of the Corporations Act that the information in a PDS be up-to-date as at the time when it is given. Under this relief, information in a PDS that is not materially adverse (from the point of view of an investor) need not be up-to-date so long as, among other things, the PDS was up-to-date when it was first given, the PDS explains how updated information can be found at any time and the PDS explains that a paper or electronic copy of the updated information will be given or made available to a person without charge on request. The Responsible Entity must establish and maintain a means by which a person may find out any updated information (in a way which is simple, involves no charge and little inconvenience to the person) and keep a copy of any updated information for 7 years after it is prepared.

Periodic reporting

The Responsible Entity lodges with ASIC every year an annual financial report for the Fund comprising the Fund's annual financial statements, a statement and report from the directors of the Responsible Entity and the auditor's audit report in relation to the Fund's annual financial statements. A copy of the Fund's annual financial report most recently lodged with ASIC is available on our website (www.aurorafunds.com.au). Unit holders may also obtain a copy from us (without charge).

Additionally, and as recommended by ASIC in its regulatory guide 240, Aurora has a policy to make available to investors periodic reports and updates on certain key information in relation to the Fund as follows:

Annual reporting

- Actual asset allocation – the percentage of Fund assets (by value) at the end of the financial year within each asset type described in the targeted allocation range set out in section 5.
- Liquidity profile of Fund assets – the estimated time required to sell Fund assets at the end of the financial year at the value ascribed to the assets in the Fund's most recently calculated Net Asset Value.
- Maturity profile of liabilities of the Fund – the liabilities of the Fund categorised by class of liability and maturity date timeframes.
- Leverage ratio – the ratio of total Fund liabilities to value of total Fund assets at the end of the financial year (after taking into account any leverage embedded in assets of the Fund other than quoted equities).
- Details of the counterparties with which the Responsible Entity entered into derivatives during the financial year.
- Investment returns from the Fund (i.e. net return on Fund assets after fees, costs and taxes) for the financial year and the previous 4 financial years.

Monthly updates

- Net Asset Value of the Fund at the end of the month.
- Unit redemption value at the end of the month.
- Net return on Fund assets after fees, costs and taxes since the last update.
- Material changes in the Fund's risk profile or investment strategy since the last update.
- Changes to key service providers since the last update (including any change in their related party status).
- Changes to key investment decision makers since the last update.

Ongoing availability

The latest reports and updates containing the above information will be available from the Aurora website (www.aurorafunds.com.au). We may also provide other updates, and issue information relevant to the Fund, on our website from time to time.

Material changes

We will also notify on our website any updated information that would otherwise be required to be specified in this PDS at the time it is given to a retail investor, or any other material change to a matter, or significant event that affects a matter, required to be specified in this PDS. If the change is (or might result in) an increase in fees or charges, we will give notice at least 30 days before the change takes effect. Any other change or event will be notified before, or as soon as practicable after, it occurs.

Tax statement

A tax statement will be sent to investors if the Fund has distributed income for a financial year. Generally, the tax statement is sent to you shortly after the final distribution for the financial year.

Complaints

Please notify us of complaints in writing. Under the Fund's Constitution, we must acknowledge written complaints within 14 business days. We must ensure that complaints receive proper consideration and we must act in good faith in dealing with complaints. We must respond to your complaint as soon as practicable and, in any event, not more than 38 days after we receive the complaint. If you are not happy with how the complaint has been resolved, you may contact the Financial Ombudsman Service (**FOS**) of which we are a member. This is an independent body and is approved by the ASIC to consider complaints. The number for FOS is 1800 367 287.

If referral to FOS still does not resolve the compliant, you may refer it to an arbitrator agreed on by you and Aurora or, failing agreement, nominated by the national president of Resolution Institute ACN 008 651 232 (or his or her nominee). Parties must bear their own costs in relation to the arbitration, although the arbitrator's fees will be split equally between the parties. The arbitration will be conducted in accordance with the Commercial Arbitration Act 1984 (Vic).

Keeping us informed

Our records about you are important. Please inform us in writing signed by all persons named as investor in the application form of any changes to details which you have given us. This may be a new postal address, a change of name or new financial institution account details for distribution payments. We will send written confirmation of changes. Please quote your investor number when you contact us.

Privacy

By submitting the application form to apply for Units you are providing personal information to Aurora and the Unit Registrar which is contracted by Aurora to manage and process applications. We and the Unit Registrar on our behalf, may collect, hold and use that personal information to process your application, service your needs as a Unit holder, provide facilities and services that you request and administer the Fund.

If you do not provide the information requested in the application form, your application may not be able to be processed or accepted.

Your personal information may also be provided to service providers of Aurora and the Unit Registrar. The types of service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Unit Registrar for ongoing administration of the Unit holder register;
- printers and other companies for the purposes of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the investor base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering and advising on the Units and for associated actions.

You may request access to your personal information held by or on behalf of Aurora and the Unit Registrar. You may be required to pay a fee in order to access your personal information. Please contact enquiries@aurorafunds.com.au or 1300 553 431 if you want to access, or have any question about how we handle, your personal information. You can obtain a copy of our privacy policy on request.

Related party transactions and other conflicts of interest

The Responsible Entity may from time to time obtain services or facilities from its related parties. Where it does so, and the cost is to be paid out of the Fund as a reimbursable expense, rather than being paid by the Responsible Entity out of its own funds (e.g. its management fee), the Responsible Entity will obtain the supply on reasonable arm's length terms or on terms more favourable to the Responsible Entity than reasonable arm's length terms or, unless the financial benefit to the related party falls within another exception set out in sections 210 to 216 of the Corporations Act (as modified by part 5C.7), the Responsible Entity will first obtain the approval of Unit holders to give the benefit in accordance with sections 217 to 227 of the Corporations Act (as modified by part 5C.7).

Aurora is the responsible entity of a number of other funds and may provide investment management services to other entities that have similar objectives to those of the Fund. This could give rise to a potential conflict of interest for Aurora e.g. where a potential investment may be suitable for the Fund and another fund or an opportunity arises to sell an investment held on behalf of a number of funds. A conflict could also arise where Aurora decides to make an investment on behalf of the Fund in another fund managed by Aurora. The Responsible Entity is subject to strict laws as to how to manage conflicts of interest and has adopted a conflict of interest policy to assist it comply with those laws. The Responsible Entity has also adopted a separate policy specifically about how to allocate investment opportunities across the funds it manages – see below for a summary of the trade allocation policy.

Trade allocation policy

Aurora is responsible for the efficient and prudent management of all the funds it manages. In the course of managing a number of funds, there will arise occasions when a potential investment may be appropriate for more than one fund.

In consequence, Aurora has adopted a trade allocation policy that requires a number of factors to be considered when deciding how an investment may be allocated, including:

- how the investment fits into the fund mandate;
- availability of investable funds;
- the concentration effect the investment would have on the fund's portfolio;
- the quality of the investment compared to the existing assets of the fund; and
- any other considerations as applicable (e.g. the effect of allocation on a proportional basis as between the funds for which the investment is appropriate or whether allocation on another basis may be preferable).

Trade allocation will be determined by Aurora on a basis that is fair, reasonable and equitable to all funds based on Aurora's trade allocation policy and each fund's investment objectives.

Custodian

Where the Responsible Entity appoints a custodian to hold the Fund's assets, the custodian's role is generally limited to safe-keeping of the assets and acting on the Responsible Entity's directions to settle the Fund's trades. The custodian does not make investment decisions in respect of the assets held, and has no supervisory role in relation to the operations of the Fund.

Indemnity

Aurora, as the responsible entity of the Fund, is indemnified out of the assets of the Fund for any liability incurred by it in properly performing or exercising any of its powers or duties in relation to the Fund. To the extent permitted by the Corporations Act and at law, this indemnity includes any liability incurred as a result of any act or omission of a delegate or agent. The Fund may retain and pay out of any money in its hands all sums necessary to satisfy the indemnity.

AURORA FUNDS MANAGEMENT

11. Glossary

Term	Definition
AFSL	Australian financial services licence issued under the Corporations Act
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited or the securities market operated by ASX Limited called the Australian Securities Exchange, as the context requires
Aurora, we, us or our	Aurora Funds Management Limited **ABN** 69 092 626 885
Business Day	day that is not a Saturday, Sunday or bank or public holiday in Melbourne or Sydney
Corporations Act	Corporations Act 2001 (Cth)
derivative	financial instrument whose price or value is dependent upon or derived from one or more underlying assets or things e.g. shares, bonds, commodities, currencies, interest rates or market indices. Examples include options contracts, futures contracts, options on futures contracts, and swap agreements
Fund	Aurora Fortitude Absolute Return Fund **ARSN** 145 894 800
futures contract	derivative in the form of an agreement to buy or sell a specified quantity of an underlying asset, such as bank bills, at a particular time in the future and at a price agreed when the contract was executed
GST	goods and services tax
hedge	investment made in order to reduce the risk of adverse price movements in another investment
IDPS	investor directed portfolio service or like scheme including a master trust or wrap account
liquidity	ability of an investment to be easily converted into cash with little or no loss of capital and minimum delay
NAV or Net Asset Value	total value of the Fund's investment portfolio and other assets (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 an amount in a distribution account), less all present liabilities of the Fund including any provision which the Responsible Entity decides should be taken into account in determining the liabilities of the fund
NAV per Unit	NAV divided by the total number of Units
PDS	product disclosure statement (as amended or supplemented)
Responsible Entity	Aurora as responsible entity of the Fund
short selling	selling a security you do not own, usually in an attempt to profit from a decrease in the value of the security
Unit	unit in the Fund
Unit Registrar	Registry Direct Limited **ABN** 35 160 181 840
volatility	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