

Notice of meeting of members of Aurora Sandringham Dividend Income Trust (ASX Code: AOD)

Aurora Funds Management Limited (ABN 69 092 626 885, AFSL No. 222110), as responsible entity for the Aurora Sandringham Dividend Income Trust ARSN 108 249 154 (**Trust**) gives notice that a meeting of members of the Trust will be held:

Time: 11.00am.

Date: 17 June 2013

Place: Suite 2.02 Level 2, 350 George Street, Sydney

The Explanatory Notes and the Explanatory Memorandum accompanying and forming part of this notice of meeting describe in more detail the matters to be considered. Defined terms in this Notice of Meeting, including the Explanatory Notes, have the meanings given to those terms in the Explanatory Memorandum.

The following will be transacted at the meeting.

Ordinary Business

As a consequence of the Proposal, the business of the meeting is for Unit holders to consider, and if thought fit, pass the following resolutions:

Resolution 1 –In-specie distribution of assets

"That the Responsible Entity make an in-specie distribution to Unit holders of the assets of the Aurora Sandringham Dividend Income Trust ARSN 108 249 154 (ASDIT) (being units in the Aurora Dividend Income Trust (Managed Fund) ARSN 151 947 732 (ADIT). In effect of such, unit holders are exchanging their ASX-listed units in ASDIT for ASX-quoted units in ADIT on an one-for-one basis."

RESOLUTION 2 – DELIST ASDIT

"That the Responsible Entity delist ASDIT from the ASX."

BY ORDER OF THE BOARD OF THE RESPONSIBLE ENTITY

Dated: 13 May 2013

Richard Matthews
Company Secretary

Explanatory Notes to the Notices of Meeting

The Meeting will be conducted subject to the discretion of the Chairman to adjourn or reconvene the meeting.

1 Proposal Business

The following resolutions are required for implementation of the Proposal. Background to and explanation of the Resolutions is provided in the accompanying Explanatory Memorandum.

Resolution 1 - In-specie distribution of assets

"That the Responsible Entity make an in-specie distribution to Unit holders of the assets of the Aurora Sandringham Dividend Income Trust ARSN 108 249 154 (ASDIT) (being units in the Aurora Dividend Income Trust (Managed Fund) ARSN 151 947 732 (ADIT). In effect of such, unit holders are exchanging their ASX-listed units in ASDIT for ASX-quoted units in ADIT on an one-for-one basis."

Resolution 2 – Delist ASDIT

"That the Responsible Entity delist ASDIT from the ASX."

Both resolutions are ordinary resolutions. To pass, an ordinary resolution requires approval of at least 50% of the votes cast at the meeting (including proxies).

2. Voting Exclusions

The following voting restrictions apply:

Resolution 1	Voting exclusions
"That the Responsible Entity make an in-specie distribution to Unit holders of the assets of the Aurora Sandringham Dividend Income Trust ARSN 108 249 154 (ASDIT) (being units in the Aurora Dividend Income Trust (Managed Fund) ARSN 151 947 732 (ADIT). In effect of such, unit holders are exchanging their ASX-listed units in ASDIT for ASX-quoted units in ADIT on an one-for-one basis."	Aurora Funds Management Limited (as responsible entity)
Resolution 2	Voting exclusions
"That the Responsible Entity delist ASDIT from the ASX."	Aurora Funds Management Limited (as responsible entity)

The Trust need not disregard a vote under each Resolution, if;

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The proxy form accompanying this Explanatory Memorandum specifies that the chair of the meeting is appointed as proxy if a Unit holder does not appoint another person to act as the Unit holder's proxy or the Chair is appointed proxy by default.

The Chair intends voting undirected proxies in favour of each of the Resolutions on which he is permitted to vote.

3. Proxy votes

If you do not plan to attend the Meetings in person, you are encouraged to complete and return the Proxy Form which accompanies these Notices of Meeting.

Any Unit holder entitled to attend and vote at the Meetings is entitled to appoint one or two proxies to vote on their behalf in respect of each share they hold in the Company and each unit they hold the Trust. If two proxies are appointed, the Unit holder may specify the proportion or number of votes each proxy is appointed to exercise. If two proxies are appointed and no proportion or number is specified, each proxy may exercise half of the votes. A proxy need not be a Unit holder.

The Proxy Form contains voting instructions and other important information which you should read carefully.

To be effective, Proxy Forms (duly completed and with any necessary documentation) must be received by 11.00am on 14 June 2013.

Proxy Forms may be returned by any of the following means:

By mailing it to:

ShareandFund Pty Ltd
PO Box 18366, Collins Street East
VIC 8003 AUSTRALIA

By faxing it to:

+61 3 9111 5652

By hand delivering it to:

ShareandFund Pty Limited
Level 2, Professional Chambers
120 Collins Street
Melbourne VIC 3000 AUSTRALIA

Proxy Forms must be signed by a Unit holder or the Unit holder's attorney or, if the Unit holder is a body corporate, by two Directors or by a director and secretary, or if it is a proprietary company that has a sole director who is also the sole secretary (or has no secretary), by that director, or under hand of its attorney or duly authorised officer.

If a proxy is signed by a Unit holder's attorney, the power of attorney must have been previously noted by the Registrar or a certified copy thereof must also be received by 11.00am on 14 June 2013.

Notice of Meeting of Members and Explanatory Memorandum

Aurora Sandringham Dividend Income Trust

(ARSN 108 249 154, ASX Code: AOD, "ASDIT")

In relation to a proposal to make an in-specie distribution to Unit holders of the assets of the Aurora Sandringham Dividend Income Trust ARSN 108 249 154 (ASDIT) (being units in the Aurora Dividend Income Trust (Managed Fund) ARSN 151 947 732 (ADIT)) and subsequently delist and close ASDIT.

THIS DOCUMENT IS IMPORTANT

This document is issued by Aurora Funds Management Limited (ABN 69 092 626 885 AFSL No. 222110) as Responsible Entity of the Aurora Sandringham Dividend Income Trust ARSN 108 249 154 (the **Responsible Entity**)

If you do not understand this document or are in any doubt about the action to be taken by you, you should consult your financial adviser, solicitor or accountant immediately.

The information contained in this Notice of Meeting and Explanatory Memorandum has been prepared without taking account of any Unit holder's objectives, financial situation or needs. Because of that, each Unit holder should, before acting on any such information, consider the appropriateness of the information, having regard to their objectives, financial situation and needs.

EXPLANATORY MEMORANDUM

KEY DATES FOR THE MEETING

11.00am on 14 June 2013	Last date for receipt of proxy forms
5:00pm on 14 June 2013	Date and time for establishing entitlement to vote at Meetings
11.00am on 17 June 2013	Meeting of members

Note: These dates are indicative only and are subject to change.

Important Notice

This document is the Explanatory Memorandum which accompanies and forms part of the Notice of Meeting and is dated 13 May 2013.

This Explanatory Memorandum contains important information in relation to the Resolutions to be proposed at the meeting of members of the Aurora Sandringham Dividend Income Trust to be held on 17 June at 11.00am at Suite 2.02A Level 2, 350 George Street, Sydney NSW 2000.

This Explanatory Memorandum does not constitute financial product advice. In preparing this Explanatory Statement, the Responsible Entity has not taken into account the investment objectives, financial situation or particular needs of any particular person. You should read the entire Explanatory Memorandum before making any decision on how to vote on the Resolutions. You should also consider how to vote on the Resolutions having regard to your objectives, financial situation and needs.

What you need to do:

- (a) carefully read the Notice of Meeting and Explanatory Memorandum and, if necessary, consult your adviser;
- (b) if you wish to vote, you can:
 - (i) attend the Meeting at Suite 2.02A Level 2, 350 George Street on 17 June 2013 at 11.00am; or
 - (ii) complete the enclosed personalised proxy forms and return them to ShareandFund. Your proxy form must be received by ShareandFund Pty Limited no later than 11.00am on 14 June 2013.

Documents accompanying this Explanatory Memorandum

- Notice of Meeting
- Proxy Form for the Meeting
- Product Disclosure Statement – Aurora Dividend Income Trust (Quoted Units)

1 Overview

1.1 Executive Summary

The Aurora Sandringham Dividend Income Trust ARSN 108 249 154 (**'ASDIT'**) was listed on the Australian Securities Exchange (**ASX**) on 17 November 2005.

ASDIT obtains its market exposure by investing into the Aurora Dividend Income Trust (Managed Fund) ARSN 151 947 732 (**'ADIT'**). Accordingly, ASDIT holds units in ADIT and it is ADIT that conducts the day-to-day implementation of the investment strategy. We have included a diagram in section 2.1 to illustrate this.

On 13 May 2013, the Responsible Entity, Aurora Funds Management Ltd (ABN 69 092 626 885, AFSL No. 222110) announced its intention to make an in-specie distribution of the assets of ASDIT, being units in ADIT, and to then subsequently delist and close the ASDIT. An in-specie distribution means the distribution of the assets in their present form – i.e. without selling the assets and distributing cash. The effect of this would mean that Unit holders in ASDIT would become Unit holders in ADIT, and cease to be Unit holders in ASDIT.

Subject to ASX approval, ADIT will then become quoted on the ASX AQUA trading platform also (under the ASX Code: AOD). For more information about the ASX AQUA trading platform, see section 2.4 of this document.

THE RESPONSIBLE ENTITY EXPECTS THAT THERE WILL BE NO CHANGE TO THE:

- **Value of each Unit holder's investment; or**
- **Number of Units held by each Unit holder; or**
- **Investment Strategy; or**
- **Fees payable to Aurora; or**
- **ASX Code by which Unit holders may buy and sell the Units.**

1.2 The Proposal

The investment strategy of ASDIT is predominantly to invest in a portfolio of fully franked dividend paying companies listed on the ASX while employing a risk management overlay to limit the exposure to Australian equities to around 50% of the net assets of the trust (**Investment Strategy**).

ASDIT currently obtains its market exposure solely through investing into ADIT. The Aurora Sandringham Dividend Income Trust ARSN 108 249 154 (**ASDIT**) and the Aurora Dividend Income Trust ARSN 151 947 732 (**ADIT**) are separate registered managed investment schemes (with different constitutions that govern the rights and obligations of unit holders).

Under this Proposal, the Responsible Entity intends that Unit holders in ASDIT will receive Units in ADIT (one a one-for-one basis) by way of an in-specie distribution. ADIT units are intended to be quoted on the ASX Aqua Trading Platform.

The ASX has provided approval for the units in ADIT to be quoted, and trade, on the ASX AQUA Trading Platform under the **ASX Code: AOD** (which is the ASX Code of ASDIT).

On completion of the above, you would relinquish your ASX-listed Unit holding in ASDIT and you would become a Unit holder in the ASX-AQUA traded ADIT.

Further details of the Proposal and the implementation of the Proposal are set out below.

1.2.1 Reasons for the Proposal and any alternatives

Reasons

There are two main reasons (benefits) for the Issuer pursuing this Proposal, being:

- (a) The implementation of ADIT's Investment Strategy has been reviewed in order to seek to maximise its operating efficiency under current taxation laws. Accordingly, we believe that ADIT is more likely to be able to pass on to its unit holders the franking credits it accrues under the Investment Strategy than ASDIT, as its ability to continue to pass on franking credits may be restricted; and
- (b) Being able to issue multiple units classes (ie. a listed/traded and an un-listed/un-traded unit) in the single entity reduces the administrative/operating cost burden of running duplicate structures. The ASX AQUA Platform offers the ability to do this.

Alternatives

One alternative to this Proposal is for ASDIT to issue an unlisted unit within its existing structure. Whilst this does not maximise the fund's ability to continue to distribute franking credits to its unit holders, it does resolve the costs of running duplicate investment structures. Nevertheless, the ASX has previously rejected the Issuer's request to be allowed to issue an unlisted unit in ASDIT.

1.2.2 Value of your investment

The Responsible Entity expects that there will be no change in a Unit holders' new interest in Units in ADIT versus their Unit holding in ASDIT. This is because the value of ASDIT is already recognising the value of the underlying investments held directly by ADIT. Eliminating the interposed entity (ie ASDIT) does not affect the underlying investment held by ADIT.

As a market making process around the ADIT units will be implemented on the same basis as has been conducted around the ASDIT units to date, Aurora also believes that there will also be no difference in the on-market trading price of ADIT Units versus the current trading profile of the ASDIT Units.

Market making – a brief description

Market making is a process whereby an entity (the 'market maker') seeks to ensure that a substantially continuous bid and offer price for a security is maintained on the market around the security's actual unit price – thereby ensuring that the market remains orderly, and that the security is fairly priced and readily tradeable.

This process has a number of key risks and limitations, including:

- the market maker's ability to price the underlying assets of the security (and hence price the security itself). This may become restricted where any underlying assets held within the Trust themselves become illiquid (for example where they have been suspended from trading on the ASX); and
- that the ASX trading market itself fails, or fails to operate efficiently.

The Responsible Entity is unable to guarantee that the market making process will not be affected from these operational risks/limitations from time to time. Nevertheless, we believe that in the normal course of events the market making process will be able to provide a substantially continuous market in the ADIT units.

1.3 Unit holder approvals

Unit holder approval (via Ordinary Resolutions) is being requested to allow the Responsible Entity to implement the Proposal in full under the Corporations Act and the ASX Listing Rules. This approval will be sought at the meeting of members of ASDIT.

This Explanatory Memorandum provides Unit holders with information regarding the Proposal and the Resolutions. We encourage you to review all the enclosed material, and consider obtaining your own financial and taxation advice in relation to the material, and the proposed Resolutions.

1.4 Directors Recommendations

The Directors of the Responsible Entity believe that the Proposal is in the best interests of Unit holders.

THE DIRECTORS OF THE RESPONSIBLE ENTITY UNANIMOUSLY RECOMMEND THAT UNIT HOLDERS VOTE IN FAVOUR OF THE RESOLUTIONS TO BE CONSIDERED AT THE MEETINGS WITH RESPECT TO THE PROPOSAL.

2 The Proposal

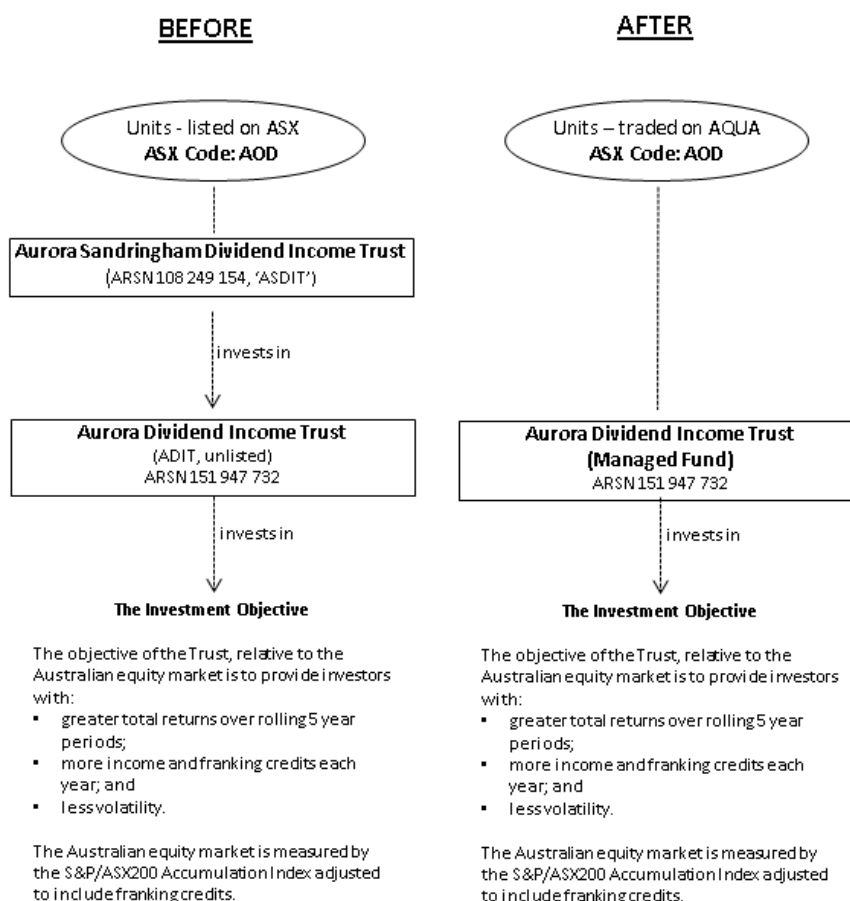
2.1 Introduction

On 13 May 2013, the Responsible Entity (Aurora Funds Management Ltd) announced its desire to make an in-specie distribution of the assets of ASDIT, being units the ADIT and to then subsequently delist the ASDIT. On completion of this, Unit holders in ASDIT would become Unit holders in the ADIT and their unit holdings in ASDIT would cease to exist.

Subject to ASX approval, ADIT will then become quoted on the ASX AQUA trading platform (also under the ASX Code: AOD).

ASDIT and ADIT share the same Investment Strategy.

The effect of the Proposal is summarised as follows:



2.2 ASDIT – What assets will be distributed?

ASDIT holds units in ADIT. Accordingly, should the Proposal proceed, Unit holders will receive the equivalent number of units (being Quoted Units') in ADIT as they currently hold in ASDIT.

2.3 Aurora Dividend Income Trust (Managed Fund) ('ADIT')

Please see a copy of the Product Disclosure Statement (for the ADIT Quoted Units). We recommend that you consider this document in detail as a part of your review and consideration of the Proposal.

ADIT was established on 3 February 2011 and registered with ASIC on 14 July 2011.

It was established to:

- (i) provide for the Investment Strategy to be available to investors via an unlisted unit; and also
- (ii) facilitate the effective implementation of ASDIT's Investment Strategy on an ongoing basis.

ASDIT's and ADIT's investment objective and strategy, are identical. Both aim to provide investors with:

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

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

The objective is not intended to be a forecast, and is only an indication of what the investment strategy aims to achieve over the medium to long term. While we aim to achieve this objective, the returns are not guaranteed.

ADIT intends to only allow distribution payments to be either direct credited to an Australian bank account in the name of the unit holder, or reinvested in additional units.

ADIT is governed by a constitution which has been lodged with, and registered by the ASIC as a managed investment scheme under Chapter 5C of the Corporations Act. A compliance plan which sets out how we will ensure compliance with both the Corporations Act and the constitution when operating the Trust has also been established.

On the successful completion of this Proposal, ADIT will offer **two classes of units**, being:

- a unit quoted and traded on the ASX AQUA market; and
- an un-quoted unit, which is only available off-market via a Product Disclosure Statement. This unit does not trade on AQUA, and is not directly interchangeable with the Quoted Unit.

You will become the holder of quoted units.

Please see a copy of the ADIT Product Disclosure Statement (for the Quoted Units) as attached to this Explanatory Statement for further information.

2.4 The ASX AQUA Market

2.4.1 What is ASX AQUA market?

The AQUA market has been established by the ASX to facilitate the quotation, trading and clearing and settlement of a wider range of products.

This new service has been tailored to the requirements of fund managers and investment banks enabling them to quote managed funds, exchange-traded funds (**ETFs**) and other innovative product structures that previously were not readily accommodated by the ASX Listing Rules and systems.

In addition to allowing a wider range of products to benefit from quotation on ASX, the service also provides access to the fast and economical CHES (Clearing House Electronic Sub-Register System) clearing and settlement facilities - as has been available in relation to the ASDIT and its ASX trading to date.

Please see the ASX Website at www.asx.com.au for further information about the AQUA market.

2.4.2 How do AQUA Rules and the ASX Listing Rules differ?

	ASX LISTING RULES	ASX AQUA RULES
CONTINUOUS DISCLOSURE	Products under the Listing Rules are subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the Corporations Act.	Issuers of products quoted under the AQUA Rules are not subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the Corporations Act. There is a requirement under the AQUA Rules that an issuer of a product quoted under the AQUA Rules provides the ASX with any information that may lead to the establishment of a false market in its products or would materially affect the price of its products. Managed funds must provide daily portfolio holdings information or substantially continuous intra-day NAV (INAV) per Unit as well as portfolio information at least monthly, on one months' delay. In contrast, ETFs have no such express requirement AQUA Rules requires an issuer to immediately disclose the fund's NAV to ASX if the issuer's management activities cause the last reported NAV to move by more than 10%. In addition an issuer must disclosure information monthly to the ASX (and on the Issuer's website) about redemptions.

		Issuers of ETFs/traded managed investments must also disclose information about dividends, distributions and other disbursements to the ASX via the CAP. Any other information that is required to be disclosed to ASIC under s675 or s323DA of the Corporations Act must be disclosed to the ASX via CAP at the same time it is disclosed to ASIC.
PERIODIC DISCLOSURE	Products under the Listing Rules are required to disclose half yearly and annual financial information or annual reports under Chapter 4 of the Listing Rules.	Under AQUA Rules, issuers are not required to disclose half yearly and annual financial information or annual reports under the Rules. Responsible entities of AQUA Products that are registered managed investment schemes are still required to lodge financial reports with ASIC at the same time they are sent to product holders.
CORPORATE CONTROL	Requirements in the Corporations Act and Listing Rules in relation to matters such as replacement of the Responsible Entity, takeovers, buy-backs, change of capital, new issues, restricted securities, directors' interests and substantial shareholding disclosures apply to companies and schemes.	Certain requirements in the Corporations Act and the Listing Rules in relation to matters such as takeover bids, buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings that apply to companies and listed schemes do not apply to products quoted under the AQUA Rules. Under AQUA Rules, issuers are subject to a general requirement to provide the ASX with any information concerning itself that the non-disclosure of which, may lead to the establishment of a false market or materially affect the price of its product. As the scheme not being listed, replacement of the responsible entity may only be done by resolution passed by a majority of votes of all the votes that are eligible to be cast (s601FL).
RELATED PARTY TRANSACTIONS	Chapter 10 of the Listing Rules, relating to transactions between an entity and persons in a position to influence the entity, specifies controls over related party transactions.	Chapter 10 of the Listing Rules does not apply to AQUA Products. The Trust, as a registered managed investment scheme, is subject to Chapters 2E and 5C.7 of the Corporations Act.
AUDITOR ROTATION	There are specific requirements regarding auditor rotation in Part 2M.4 Division 5 of the Corporations Act.	Issuers of products quoted under the AQUA Rules are not subject to the requirements under Part 2M.4 Division 5 of the Corporations Act.
PRODUCT DISCLOSURE	Entities admitted under the Listing Rules are subject to the requirements of the Corporations Act in relation to the issue of a PDS. Information on the risks associated with an investment in a product is to be included.	Products quoted under the AQUA Rules will also be subject to these requirements of the Corporations Act. Investors should read the PDS carefully before investing in an AQUA Product to fully understand the risks involved in investing in these types of products.

Source: ASX Rules Framework

2.4.3 How will the ADIT units trade while the Trust is quoted on AQUA?

Quoted Units

On completion of the Proposal, Unit holders in ASDIT will become holders of the ADIT 'Quoted Unit'.

The Quoted Units will trade live (under the ASX Code: **AOD**) in an open market with T+3 settlement of transactions via ASX CHESS.

Un-quoted Units

In parallel to this Proposal, ADIT also offers a separate class of units to investors. These units are un-quoted/listed, and are not inter-changeable with the Quoted Units.

2.4.4 AQUA-Traded Units versus ASX Listed Units – a practical day-to-day view

A brief outline of the key differences (or similarities) between holding an ASX listed unit and AQUA quoted unit at a practical level is as follows:

	CURRENT STATUS (ASX-LISTED UNIT)	PROPOSE UNIT (ASX AQUA - QUOTED UNIT)
BUYING AND SELLING – On Market	Unit holders can buy and sell units on the ASX under the ASX Code: AOD .	Unit holders can buy and sell units on the ASX under the ASX Code: AOD .
INVESTING AND REDEEMING – Off Market	Unit holders can apply for, or redeem, Units off-market to the Issuer on a monthly basis.	Unit holders can apply for, or redeem, Units off-market to the Issuer each Business Day.
MARKET UNIT PRICE	The Issuer maintains a generally continuous market around the NAV of the Unit on the ASX.	The Issuer will maintain a generally continuous market around the NAV of the Unit on the ASX AQUA Platform. The Issuer will publish the ADIT NAV per Unit on the Aurora website broadly every 15 minutes during each ASX trading day.
CHANGES TO INVESTMENT STRATEGY	The Issuer may change the investment strategy at its discretion by giving notice to Unit holders.	The Issuer may only change the investment strategy if approved by a resolution presented to Unit holders.
CONTINUOUS DISCLOSURE	ASDIT complies with the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the Corporations Act.	Whilst ADIT will not be subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the Corporations Act, it must provide the ASX with any information that may lead to the establishment of a false market in its products or would materially affect the price of its products. Aurora will disclose information about dividends, distributions and other disbursements to the ASX via the CAP. Any other information that is required to be disclosed to ASIC under s675 or s323DA of the Corporations Act must be disclosed to the ASX via CAP at the same time it is disclosed to ASIC. Aurora will publish the ADIT NAV/Unit on the Aurora website broadly every 15 minutes during the ASX trading day. Aurora will publish the portfolio information at least monthly, on one months' delay.
RISKS	Not pursuing the Proposal: <ul style="list-style-type: none"> - reduces the fund's capacity to continue to pass on franking credits to Unit holders; - duplicates the operating and administration costs of having to continue to operate two separate trusts (one listed and one unlisted) for the same strategy. 	The Proposal may have negative tax implications on some investors. Please see Item 2.6 below for an outline of the taxation implications of the Proposal. The ASX AQUA market is still in its early stage of growth, and is less proven than the ASX Listed market. Unit holders in ADIT will have different rights than as unit holders in ASDIT.
BENEFITS	N/A	Pursuing the Proposal: <ul style="list-style-type: none"> - maximises ADIT's capacity to continue to pass on franking credits to Unit holders; - reduces the duplication of operating and administration costs of having to continue to operate two separate trusts (one listed and one unlisted) for the same strategy.

2.5 Indicative timetable

If the Resolutions are approved, it is intended that the changes will occur as soon as practicable after the Meeting. The indicative timetable of these changes is as follows:

Date	Day Count	Event
17 June 2013	0	Meeting of ASDIT Unit holders. Advise ASX of outcome via ASX Announcement.
18 June 2013	1	Last Trading Day of ASDIT
19 June 2013	2	Trading in ADIT Starts – Deferred Settlement (ASX Code: AODXX)
21 June 2013	6	Last day for registration of ASDIT Off-market transfers
24 June 2013	7	First Day to send out Notices to Unit holders
28 June 2013	11	Despatch Date First Day of Fixed Settlement Trading in (new ADIT) AOD units

Note: These dates are indicative only and are subject to change.

2.6 Taxation Implications

The taxation information provided below is intended as a brief guide only. It is based on existing Australian income tax law and established interpretations as at the date of this Explanatory Memorandum. This summary is not intended to constitute a complete analysis of all the tax considerations relating to participation in ASDIT and ADIT. Neither Aurora Funds Management Limited, their related bodies corporate, associates, officers and employees, or their taxation and other advisers accept any liability or responsibility in respect of any statements concerning the Australian taxation consequences of the in-specie distribution or investing in ASDIT or ADIT.

The following tax commentary only considers current ASDIT Unit holders who are resident in Australia for income tax purposes and hold their Units in ASDIT on capital account. For information about the Australian taxation implications of holding units in ADIT, please refer to the PDS for ADIT (attached). In light of their own circumstances, Unit holders are recommended to seek their own independent taxation advice in relation to the in-specie distribution and their investment in ASDIT and ADIT.

Income Tax Implications of the In-Specie Distribution

Current ASDIT Unit holders will receive one ADIT Unit for each Unit they hold in ASDIT by way of an in-specie distribution of ADIT units by ASDIT. No consideration will be paid by ASDIT Unit holders in order to receive ADIT units.

The expected Australian income tax outcome of the in-specie distribution is:

- the units received should not give rise to assessable income in the hands of Unit holders;
- if the market value of a Unit holder's ADIT Units exceeds the capital gains tax ('CGT') cost base in their ASDIT Units, then the Unit holder should make a capital gain on the cancellation of their ASDIT Units. Alternatively, if the market value of the ADIT Units received by a Unit holder is less than their reduced cost base in their ASDIT Units, then they should make a capital loss;
- however, a CGT rollover relief should be available for any capital gain made. If the CGT rollover relief is available, and Unit holders choose to apply the rollover relief, then any capital gain they make is disregarded. The cost base and reduced cost base for Unit holders' ADIT Units will be equal to the cost base of their ASDIT Units (plus, for example, additional incidental costs of acquisition and disposal of the ADIT Units); and

- in the event a Unit holder disposes of their ADIT units following the date of the in-specie distribution, the CGT discount should be available in respect of any capital gain made on disposal if Unit holders have held their ASDIT and ADIT Units for at least 12 months in total.

The acquisition date of the ADIT units for CGT purposes will be the date they acquired their ASDIT Units. As the Australian income tax outcome will depend upon a Unit holder's particular circumstances, Unit holders are recommended to seek their own independent tax advice.

Income Tax Position of ADIT

No Australian income tax should be payable by ADIT for the year ending 30 June 2013 as Unit holders will be presently entitled to all of the income of ADIT, including any realised gains, at the end of each tax year of ADIT (30 June each year).

Despite the above, ADIT may be taxed like a company in certain circumstances, where either ADIT is a corporate unit trust, as defined in Division 6B of the *Income Tax Assessment Act 1936*, or is a public trading trust as defined in Division 6C of that Act, in respect of a tax year. Whether Division 6B or Division 6C will apply for a particular tax year will depend upon the activities of ADIT in that year.

Any tax loss made by ADIT in any income year will not flow through to Unit holders. Any such loss may be carried forward by ADIT and offset against its income in future years, subject to the trust loss rules.

Unit holders should be aware that the trust loss rules restrict the circumstances in which a trust may claim an allowable deduction for prior and current year tax losses. Broadly, ADIT may need to show a greater than 50% continuity of underlying ownership before ADIT can utilise tax losses (or that it carried on the same business during the relevant test period if the trust is a listed widely held trust for the purposes of these rules).

Income Tax Position of Australian Tax Resident Unit holders

Liability for Income Tax for Unit holders

The assessable income of Unit holders will include their share of the taxable income (if any) derived by ADIT. If the actual payment of income occurs at a time after the Unit holders are presently entitled to the income of ADIT, Unit holders will still be required to include in their tax return their share of the taxable income of ADIT in the tax year in which the Unit holders becomes presently entitled to the income.

The income of ADIT may include revenue profits, other income amounts (e.g. interest and dividends and franking credits) and capital gains from both Australian and foreign sources. Where the income of ADIT includes a capital gain, Unit holders may be entitled to claim the CGT discount in respect of their share of the capital gain made by ADIT if the Unitholder is an individual, trustee or superannuation fund and the requirements for the CGT discount are met.

As a general principle, the character of the income derived by ADIT will retain its character in the hands of the Unit holders. Where ADIT has distributed income for the year (including distributions of income to redeeming Unitholders), an annual Australian tax statement will be sent to Unitholders receiving distributions after 30 June each year indicating the tax components of their distributions.

An Unit holder need not quote a Tax File Number ('TFN') to ADIT. However, if a TFN is not quoted, or appropriate TFN exemption information is not provided, tax is required to be deducted from any income distribution entitlement at the highest marginal tax rate, plus the Medicare Levy. Unitholders that hold units as part of their business may quote their Australian Business Number ('ABN') instead of their TFN. ASDIT Unit holders who have already provided their TFN, TFN exemption information or ABN to Aurora are not required to provide this information again in respect of their ADIT Units.

Stamp Duty on dealings in ADIT Units

As the ADIT units will be quoted on the ASX at the time of the in specie distribution, under current law, no marketable security duty should apply where the current ASDIT Unit holders receive one ADIT Unit for each ASDIT unit they hold by way of an in-specie distribution of ADIT units by ASDIT. General dealings in the Quoted Units, including an issue, redemption, transfer of Quoted Units or calls on Quoted Units, should not attract any marketable security duty.

Dealings in any Un-quoted Units in ADIT will attract marketable security duty in NSW as the register of members of the ADIT is located in NSW.

Holders any Quoted Units or Un-quoted Units should seek their own stamp duty advice in relation to the subscription, redemption or acquisition of ADIT Units.

Goods and Services Tax (GST) on dealings in ADIT Units

The GST disclosures contained in this Explanatory Memorandum are of a general nature only. ADIT Unit holders should seek their own advice as to how GST impacts upon them in their circumstances.

No GST should be payable in respect of the in-specie distribution of the units in the Fund. GST should not be payable in respect of dealings in ASDIT units on the basis that these transactions are input taxed financial supplies.

Unit holders in ADIT are not likely to be entitled to claim the full amount of GST incurred as part of their expenses relating to the in specie distribution of units in ADIT, for example, lawyers' and accountants' fees. Where a Unit holder in ADIT is registered for GST, the Unit holder in ADIT may be entitled to claim a reduced input tax credit on certain acquisitions which qualify as Reduced Credit Acquisitions.

2.7 Advantages of implementing the Proposal

The main advantages of implementing the Proposal are:

- The implementation of ADIT's Investment Strategy has been reviewed in order to seek to maximise its operating efficiency under current taxation laws. Accordingly, we believe that ADIT is better able to pass on to its unit holders the franking credits it accrues under the Investment Strategy than ASDIT, as its ability to continue to pass on franking credits may be restricted.
- ADIT will become traded on the ASX AQUA market, and therefore be able to issue multiple classes of units. Investors will be able to access the Investment Strategy via either a quoted, or un-quoted unit through the single registered managed investment trust. It is noted that only interests in one class of units in ADIT will become traded on AQUA and that Aurora will have to apply to the ASX for quotation of any additional classes of units so it wish to do so in the future.
- As a result of an increased ability to market this fund through a single legal entity, the issuer may be able to achieve some additional efficiencies (such as reduced administration, audit, and compliance costs, etc) and may in turn be able to reduce management fees and expense recoveries in the future as the ADIT fund grows in size. The elimination of ASDIT's performance fee as at 1 November 2012 (in preparation of the implementation of this Proposal) is a demonstration of Aurora's capacity, and willingness, in this area.

2.8 Disadvantages of implementing the Proposal

The main disadvantages of implementing the Proposal are:

- There may be some taxation implications to some individual unit holders. Unit holders are encouraged to obtain their own taxation advice. For example, a tax disadvantage could arise should CGT rollover relief not be available. Please refer to section 2.6 above for a brief guide to the tax implications of the Proposal.
- Some unit holders may prefer to retain a unit that is listed on the ASX, and opposed to being traded on the ASX AQUA market. This may be for various reasons including such things as:
 - they prefer the ASX Listing Rules Framework as opposed to the new ASX AQUA Rules Framework;
 - they prefer the greater flexibility that the ASX Rules Framework provides to the issuer in quickly updating the investment strategy as new market opportunities are identified;
 - based on their own taxation advice they may see the Proposal as having personal negative tax implications; and
 - the ASX AQUA market is still in its early stage of growth, and hence may have a higher risk of failure than the ASX Listed market.
- Unit holders in ADIT will have different rights than as unit holders in ASDIT. We encourage you to read the accompanying Product Disclosure Statement in detail. Please see Section 2 for additional information.

2.9 Failure to approve the Proposal

If Unit holders do not approve the Proposal, the Directors will need to reconsider the options available for the ASDIT. The Directors believe that the move to the AQUA market provides the best alternative for Unit holders.

As a result, if the Proposal is not approved by Unit holders, and in the absence of other third party proposals for the ASDIT (which the Directors are not aware are available at present), Aurora may consider winding up the ASDIT or otherwise it may resign as Responsible Entity.

2.10 Recommendation

The Directors consider that the advantages of the Proposal outweigh the disadvantages and unanimously recommend that Unit holders vote in favour of the Resolutions to approve the Proposal.

3 The Resolutions

The following Resolutions will be considered at the Meeting:

RESOLUTION 1 - IN-SPECIE DISTRIBUTION OF ASSETS

"That the Responsible Entity make an in-specie distribution to Unit holders of the assets of the Aurora Sandringham Dividend Income Trust ARSN 108 249 154 (ASDIT) (being units the Aurora Dividend Income Trust ARSN 151 947 732). In effect of such, unit holders are exchanging their ASX-listed units in ASDIT for ASX-quoted units in ADIT on an one-for-one basis."

RESOLUTION 2 – DELIST ASDIT

"That the Responsible Entity delist ASDIT from the ASX."

These Resolutions are to consider whether or not to allow the Responsible Entity of ASDIT to make an in-specie transfer of its assets to Unit holders, and to subsequently delist the trust.

It is noted that Clause 4.12 of the Trust's Constitution allows Aurora to compulsorily acquire Units by distributing assets of the Trust to Unit holders, subject to the Corporations Act and ASX Listing Rules.

Aurora has decided to ask unit holders to vote on the Proposal.

The Directors recommend that Unit holders vote in favour of the Resolutions to approve the Proposal.

GLOSSARY

ADIT	Aurora Dividend Income Trust (Managed Fund) ARSN 151 947 732, a managed investment scheme registered with ASIC.
ASDIT or Trust	Aurora Sandringham Dividend Income Trust ARSN 108 249 154, a managed investment scheme registered with ASIC.
AQUA market	a securities trading market established by the ASX.
ASIC	Australian Securities & Investments Commission.
ASX	Australian Securities Exchange.
ASX Listing Rules	the official rules of the ASX.
CAP	the Companies Announcements Platform of the ASX.
Corporations Act	the <i>Corporations Act</i> 2001 (Cth) as amended and associated regulations.
ETF	exchange-traded funds.
Investment Strategy	See section 2.1.
Quoted Unit	unit(s) in ADIT that will be quoted, and will trade on, the ASX AQUA market under the ASX Code: AOD.
Responsible Entity	Aurora Funds Management Limited (ABN 69 092 626 885 AFSL No. 222110).
Unit holder	A person holding units in ASDIT.