



ASX ANNOUNCEMENT

21 September 2016

Aurora Absolute Return Fund (ASX: ABW) - Notice of Meeting and Explanatory Memorandum

Aurora Funds Management Limited (AFSL 222110) (**Aurora**), as the responsible entity of the Aurora Absolute Return Fund (ARSN 110 303 430) (**ABW**), today lodges a Notice of Meeting and Explanatory Memorandum in relation to a meeting of ABW Unitholders to take place as follows:

Date: Monday, 31 October 2016

Time: 10:30am registration
11:00am meeting commences

Venue: the offices of Registry Direct, Level 6, 2 Russell Street, Melbourne VIC 3000,

(the **Meeting**).

As previously disclosed, the Meeting is being called upon the request of the following members: (i) Michael Rigoni; (ii) R Stewart Pty Ltd <R Stewart Superfund A/C>; and (iii) Andrew Wallis and Jane Wallis <Rolvenden Super Fund A/C>. Unitholders should be aware that the proposed resolutions are not being put to Unitholders voluntarily by Aurora and have not been proposed or endorsed by Aurora.

Aurora does not support or endorse the proposed resolutions and recommends all Unitholders **VOTE AGAINST** all of the proposed resolutions.

If you have any queries do not hesitate to contact Betty Poon by telephone +61 3 8687 2263.



Aurora Absolute Return Fund

ARSN 110 303 430

Notice of General Meeting and Explanatory Memorandum

For an extraordinary general meeting to be held 11:00am on Monday 31 October 2016 at the offices of Registry Direct, Level 6, 2 Russell Street, Melbourne VIC 3000.

Date: 21 September 2016

This Notice of Meeting and Explanatory Memorandum has been issued by Aurora Funds Management Limited (ACN 092 626 885) (**Aurora**), as responsible entity of the Aurora Absolute Return Fund (ARSN 110 303 430) (**ABW**), in relation to a general meeting called by: (i) Michael Rigoni; (ii) R Stewart Pty Ltd <R Stewart Superfund A/C>; and (iii) Andrew Wallis and Jane Wallis <Rolvenden Super Fund A/C> (**Requisitioning Members**) pursuant to section 252B of the Corporations Act to consider resolutions concerning the winding up of ABW and the removal of Aurora as the responsible entity of ABW and to be voted on by eligible unitholders of ABW (**Unitholders**).

The Board of the Responsible Entity unanimously recommends that you vote AGAINST all of the resolutions

This is an important document and requires your immediate attention. You should read the document in its entirety before deciding how to vote on the resolutions and, if necessary, consult your investment, tax, legal or other professional adviser.

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Important Notices to this Notice of Meeting

This Notice of Meeting is issued by Aurora Funds Management Limited (ABN 69 092 626 885) (**Aurora**), as responsible entity of the ABW Fund (ARSN 110 303 430) (**ABW** or the **Fund**).

Defined Terms

The Explanatory Memorandum forms part of the Notice of Meeting (**Notice of Meeting**). Capitalised terms have the meaning given in this Notice of Meeting. All other terms, including undefined capitalised terms, are to be given a meaning as is appropriate and reasonable in the context.

Purpose of this Notice of Meeting

This Explanatory Memorandum has been prepared for the Unitholders in relation to a request from members holding at least 5% of the votes that may be cast in relation to Proposed Resolutions concerning the winding up of ABW and the removal of Aurora as the responsible entity of ABW and the appointment of Millinium Capital Managers Limited (ACN 111 283 357) (**Millinium**) in its place, to be considered and voted on at the meeting of Unitholders to be held at the offices of Registry Direct, Level 6, 2 Russell Street, Melbourne commencing at 11.00am on Monday, 31 October 2016.

The Notice of Meeting together with the Explanatory Memorandum contains detailed information in respect of the Proposed Resolutions. The purpose of this Explanatory Memorandum is to provide Unitholders with an explanation of the Proposed Resolutions and to assist Unitholders in determining how to vote on the Proposed Resolutions.

You have received this document because as a Unitholder in ABW you are asked to consider and vote on the Proposed Resolutions.

General Information

This is an important document and requires your immediate attention. You should read this Explanatory Memorandum, together with the Notice of Meeting, in their entirety before deciding how to vote on the Proposed Resolutions.

The information contained in this Notice of Meeting does not constitute a personal recommendation by Aurora or any of its affiliates, employees, officers or agents in relation to any financial product or advice. This Notice of Meeting has been prepared without taking into account any person's particular investment objectives, financial situation or needs. You should assess the information contained within this Explanatory Memorandum and if necessary consult your investment, tax, legal or other professional adviser.

Proxy Form

A proxy form for the meeting is enclosed within the Notice of Meeting or sent to you separately if you have since become a registered Unitholder.

ASIC involvement

ASIC and its respective officers take no responsibility for the contents of this Explanatory Memorandum.

Preparation and Responsibility

Other than as set out below, or otherwise indicated, this Notice of Meeting has been prepared by Aurora. Except to the extent required by law, Aurora does not assume responsibility for the accuracy or completeness of the information not put forward by Aurora.

Aurora did not prepare the statement by the Requisition Members at Annexure A and no takes no responsibility for its accuracy, completeness or obedience with the requirements of the law.

Investment Decisions

This Explanatory Memorandum does not take into account the investment objectives, financial situation, tax position or other requirements of any particular person. The information contained in this Explanatory Memorandum is not financial product advice. This Explanatory Memorandum should not be relied on as the sole basis for any investment decision.

You should seek independent financial and taxation advice before making any decision in relation to ABW units, the Proposed Resolutions or the information contained within the Notice of Meeting. It is important you read this Notice of Meeting in full before making any decision as to how to vote on the Proposed Resolutions.

Forward looking statements

This Notice of Meeting may contain forward looking statements which are subject to known and unknown risks, uncertainties and other factors that may cause actual results to vary from those forward looking statements or results express or implied therein.

Variance between actual results and events or results expressed or implied within forward looking statements are typical and expected. Aurora, nor any person mentioned within this Explanatory Memorandum, makes or attempts to make any warranty or representation, express or implied, as to the likelihood, or accuracy of the realisation of those forward looking statements. It is prudent not to place undue reliance on those statements and, if necessary, consult a professional advisor with respect to those statements prior to making any decision relating to the Proposed Resolutions, Notice of Meeting or Explanatory Memorandum.

Notice to foreign persons

This Explanatory Memorandum has been prepared to comply with the requirements of the laws of Australia, which may differ from the requirements in jurisdictions outside of Australia

Business of the Meeting for Aurora Absolute Return Fund

Date: 21 September 2016

Notice is hereby given by Aurora Funds Management Limited (AFSL 222110) (**Aurora**) as responsible entity for Aurora Absolute Return Fund (ARSN 110 303 430) (**ABW or Fund**) that a meeting of ABW Unitholders will be held at the offices of Registry Direct, Level 6, 2 Russell Street, Melbourne Vic 3000 on Monday, 31 October 2016 commencing at 11:00am (**Meeting**).

Items of Business

The resolutions are NOT being proposed by Aurora. The resolutions have been put forward by Michael Rigoni; R Stewart Pty Ltd <R Stewart Superfund A/C>; and Andrew Wallis & Jane Wallis <Rolvenden Super Fund A/C>, together being the registered holders of more than 5% of the voting units in ABW (together, the **Requisitioning Members**).

The resolutions put forward by the Requisitioning Members are in the following terms:

Extraordinary Resolution 1 - Removal of Current Responsible Entity

"Subject to Extraordinary Resolution 2 being passed, that the current responsible entity of the Fund, Aurora Funds Management Limited ACN 092 626 885 be removed as responsible entity of the Fund."

Extraordinary Resolution 2 – Appointment of New Responsible Entity

"That Millinium Capital Managers Limited ACN 111 283 357 be appointed as the new responsible entity of the Fund."

Extraordinary Resolution 3 – Winding up of the Fund

"That the responsible entity of the Fund is directed to wind up the Fund."

(together, the **Proposed Resolutions**).

Resolutions 1 and 2 are interdependent which means that neither resolution will be passed unless both resolutions are passed.

Voting on Resolutions 1, 2 and 3 will be by extraordinary resolution. This means that to be approved, Resolutions 1, 2 and 3 must be passed by at least 50% of the total votes that may be cast by Unitholders entitled to vote on the resolution (including Unitholders who are not present in person or by proxy). This means that 50% of ALL ABW Unitholders eligible to vote must vote in favour of each of Resolutions 1, 2 and 3 for it to pass, respectively.

Please read the enclosed Explanatory Memorandum for more information on the Proposed Resolutions and before deciding how to vote.

Yours sincerely,
Aurora Funds Management Limited
as responsible entity for
Aurora Absolute Return Fund



Betty Poon

Explanatory Memorandum

1. Preliminary Information Relating to the Meeting

1.1 What is in this document?

This Explanatory Memorandum sets out the background to the Proposed Resolutions, and provides other relevant information considered important to your decision in relation to the Proposed Resolutions.

1.2 Background – Aurora, ABW and the Master Fund

Aurora and ABW's Investment Strategy

Aurora is the issuer and responsible entity of ABW. Aurora was established in 2003 and is a boutique funds manager specialising in managing funds that invest in Australian and global listed securities and derivatives.

The investment objective of the Fund is to achieve absolute and positive returns in both rising and falling equity markets.

The Fund invests into the unlisted Aurora Fortitude Absolute Return Fund (ARSN 145 894 800, APIR Code: AFM0005AU) (**Master Fund** or **AFARF**) which is also issued by Aurora.

Information about the Master Fund

The Master Fund aims to achieve absolute positive returns in both falling and rising markets by utilising a number of different investments that allow the Master Fund's return to aim to achieve minimal correlation to the performance of the stock market index. The focus on absolute returns differs from traditional funds and allows AFARF to aim to produce positive returns regardless of equity market conditions

1.3 Why has this Meeting been called?

On 31 August 2016, Aurora's Company Secretary received, by email, a request from the Requisitioning Members to convene a meeting (**Requisition Notice**) under section 252B of the Corporations Act.

The Requisitioning Members requested the Meeting following a series of events not aligned to their general views. These events include a purported non-disclosure of the withdrawal fee of 1.85% charged by the Master Fund. Aurora strongly rejects all assertions by the Requisitioning Members for the reasons set out in sections 2.1 and 2.2 of this Explanatory Memorandum.

1.4 What is the subject matter of the Proposed Resolutions?

Aurora considers the Proposed Resolutions **NOT** to be in the best interests of the Unitholders.

In its request, the Requisitioning Members requested three resolutions be put to Unitholders of ABW, which are set out in the Notice of Meeting and concern the following:

- Extraordinary Resolution 1:** The removal of Aurora as responsible entity of ABW;
- Extraordinary Resolution 2:** The appointment of Millinium Capital Managers Limited (ACN 117 400 987) (**Millinium**); and
- Extraordinary Resolution 3:** The winding up of ABW.

Under law, Aurora must call a meeting of ABW Unitholders to consider and vote on the Proposed Resolutions in the precise manner set out within the Requisition Notice.

The Meeting is not being convened voluntarily by Aurora and the Proposed Resolutions have not been proposed by Aurora. The Board of Aurora does not support the Proposed Resolutions and strongly urges that **Unitholders vote AGAINST the Proposed Resolutions**. The Board's reasons for their view are included in this Explanatory Memorandum.

The Requisitioning Members' statement is set out at Annexure A of this Notice of Meeting.

1.5 Millinium

The Requisitioning Members have not provided any information regarding Millinium generally, or as to its suitability to be appointed as the responsible entity for ABW, nor have they advised whether they have any commercial relationship with Millinium.

Aurora is aware that Macquarie Investment Management Limited, a subsidiary of Macquarie Group Limited, has commenced proceedings in the Supreme Court of NSW against a related entity of Millinium, Millinium Asset Services Pty Ltd, in connection with its management of two investment funds, the Bear Real Opportunities Fund and the Borg Fund. Those proceedings remain on foot and are a matter of public record (see *Macquarie Investment Management Limited v Millinium Asset Services Pty Ltd* [case number 2014/00361912]).

The Requisitioning Members state “*Millinium has agreed to cap its Management Fees at \$15,000 per month (plus GST) for three months and then \$10,000 plus (GST) per month until the Fund is wound up*”. It is important to note that these are additional fees which Millinium would charge to the fund (if Resolutions 1 and 2 are passed), as Aurora does not presently charge a management fee to ABW. Accordingly, Millinium’s appointment as responsible entity to ABW does not change the management fee, or withdrawal fee applicable at the Master Fund level, and it actually increases the total fees paid by ABW.

Appointing Millinium as Responsible Entity does not change the fee structure at the Master Fund, and may only serve to increase costs to Unitholders of ABW.

It is also unclear what Millinium’s fee policy is on cost recovery. In addition, Aurora has not been provided with any details on Millinium’s intentions regarding the ASX listing status of the Fund or whether Millinium will maintain the on-market share buy back program to enhance liquidity.

Unitholders are encouraged to take steps to familiarise themselves with and, where appropriate, take advice as to the suitability of Millinium as a replacement responsible entity, as nominated by Requisitioning Members, to manage Unitholders’ investments in ABW.

This section 1.5 is not making any statement as to Millinium in any manner, but is provided to ensure that Unitholders are able to exercise their independent judgment or, if necessary, to seek other professional advice, in relation to all aspects of the proposals, including the suitability of Millinium as the proposed replacement responsible entity.

1.6 Need to Preserve Cash

The Requisitioning Members have stated ‘*The Fund is a feeder fund into the [Master Fund] and redemptions in both the Master Fund and the Fund have been suspended since 25 February 2016 ... Aurora, the current Responsible Entity, has announced its intention to provide a liquidity mechanism for unit holders wishing to exit the Master Fund but it intends to impose 1.85% exit fee ... we consider Aurora has not demonstrated it appreciates the need to preserve cash so as to maximize unit holder distributions*’.

Putting aside the fact that the Requisitioning Members are Unitholders of ABW and are critical of Aurora’s implementation of an exit fee in relation to another fund of which they are not direct Unitholders, that being the Master Fund, and also that their comment relating ‘*to the need to preserve cash*’ are in respect of the Master Fund of which they are not direct Unitholders, Aurora provides the following information for your consideration:

- The fees charged by Aurora, pursuant to the Master Fund’s Product Disclosure Statement (PDS) and Constitution, are levied on AFARF’s total Funds under Management (FUM), so need to be considered in conjunction with the level of FUM, as follows:
 - In FY16, the Master Fund’s average FUM was \$74.9 vs \$150.9 million in FY14; and
 - In FY16, the total management, performance and responsible entity fees charged to AFARF by Aurora were \$1.4 million vs \$2.8 million in FY14.

Additionally, the Master Fund’s cash balance at 30 June 2016 was \$39.3 million in comparison to \$54.2 million as of 6 September 2016. This is an increase \$14.9 million in the Fund’s liquidity and is a testament to the fact that the current management, since taking over ownership of Aurora on 1 July 2016, has focused on finding a solution to restore liquidity to the Master Fund (and associated funds) and is committed to building a long term successful funds management business.

Accordingly, Aurora strongly rejects the assertion by the Requisitioning Members that Aurora does not appreciate the need to reduce expenses and preserve cash.

1.7 How do I follow the Responsible Entity's Recommendations?


I WANT TO VOTE FOR ABW TO CONTINUE AND FOR AURORA TO REMAIN AS RESPONSIBLE ENTITY.

If you want to follow the recommendations of your responsible entity and their directors so the Fund and Aurora may continue, you should:

- vote **AGAINST** Extraordinary Resolution 1: Removal of Current Responsible Entity;
- vote **AGAINST** Extraordinary Resolution 2: Appointment of New Responsible Entity; and
- vote **AGAINST** Extraordinary Resolution 3: Winding up of the ABW Fund.

as illustrated below.

STEP 2	VOTING DIRECTIONS						
Agenda Item:	For	Against	Abstain*	Agenda Item	For	Against	Abstain*
Extraordinary Resolution 1: REMOVAL OF CURRENT RESPONSIBLE ENTITY	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Extraordinary Resolution 3: WINDING UP OF THE FUND	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Extraordinary Resolution 2: APPOINTMENT OF NEW RESPONSIBLE ENTITY	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>				

 *If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If you are voting by proxy, use the Proxy Form accompanying the Notice of Meeting.

1.8 Chairperson and their voting intentions

Under the constitution of ABW, Aurora has the right to nominate the person to chair the meeting of Unitholders. Aurora has not yet decided who it will nominate

The Chair's intention in relation to the voting of any undirected proxies will be communicated to Unitholders before the closing time for lodgement of proxies.

1.9 Who is paying for the Meeting?

The cost of calling and convening the Meeting, as requested by Requisitioning Members, is to be met by Unitholders, in accordance with the requirements of the Corporations Act.

2. Reasons to Vote Against or For the Proposed Resolutions and Aurora's Recommendations

2.1 Directors' Recommendations to vote AGAINST the Proposed Resolutions

Aurora has not proposed, does not endorse and does not support the Proposed Resolutions in any manner.

Your vote is important and, for the reasons outlined in this section 2.1 and section 2.2, the Directors of the responsible entity recommend you vote AGAINST all of the Proposed Resolutions.

2.1.1 Key Background Information and summary Reasoning Against the Resolutions

Aurora is an alternative asset manager dedicated to producing risk-adjusted returns for retail, institutional and high net worth investors. The proposed winding up of the Fund, or appointing Millinium with the view to wind up the Fund, is not considered in the best interests of all Unitholders and is not considered the best course of action for the reasons set out within this section 2.1.1 and 2.2.

Aurora has been working for some time to determine the best way to address and reverse the status of the Master Fund as 'frozen' (ie. removing the temporary suspension on redemptions). We have been mindful in developing a solution that allows Unitholders who wish to maintain exposure to the core investment strategy to continue to do so whilst also unlocking value for those seeking to redeem their investment and exit the Fund.

Winding up the Fund now, on the other hand, imposes the will of certain Unitholders to the detriment of the remaining Unitholders on the basis of what is considered to be misconceived reasoning. A winding up of ABW prevents the opportunity for the Fund to continue through the market cycle and succeed in realising the expected benefits.

Reasoning for recommendations

In the unanimous opinion of the Board of the responsible entity, pursuing the Proposed Resolutions is unlikely to deliver optimal results to you and Unitholders as a whole and is not considered the best course of action for following reasons:

1. The Proposed Resolutions, including the requested change in responsible entity with the view of winding up the Fund, are short-term orientated and not in the long-term interests of all Unitholders;
2. No information has been provided by the Requisitioning Members regarding the background of Millinium generally or regarding its suitability to be appointed as a responsible entity for ABW;
3. The proposal to appoint Millinium as responsible entity is on uncertain terms and contrary to the continuation of ABW as an investment scheme fulfilling its investment objectives to produce positive and absolute returns despite market conditions;
4. The Proposed Resolutions and the appointment of the proposed replacement responsible entity are made by Requisitioning Members are considered to be made on a basis without any substantiated merit and are misinformed in relation to pivotal matters including their perspective on the withdrawal fees and its disclosure, and their perspective of Aurora's appreciation of the need to preserve cash;
5. Based on the information provided, appointing Millinium as responsible entity will likely increase the total fees payable by Unitholders;
6. Winding up of the ABW may result in the responsible entity of the Master Fund being a forced seller of certain investments which in turn may not maximise the proceeds to Unitholders of the Master Fund nor ABW;
7. Winding up of ABW may result in unexpected transaction costs, reducing the proceeds available to Unitholders;
8. Winding up of ABW may lead to adverse tax consequences;
9. The assets of the Master Fund, and therefore ABW, may increase in the future, resulting in unit values and distributions in excess of those contemplated under the Proposed Resolutions; and
10. Contrary to Requisitioning Members' claims, the withdrawal fee by the Master Fund was implemented and disclosed in accordance with its Constitution and PDS. After careful consideration, Aurora elected to introduce a 1.85% withdrawal fee to compensate Aurora for the time and effort spent on developing and implementing a liquidity solution as well as for the anticipated loss of business that is likely to follow. It is important to note that this fee is less than the 3.0% maximum allowable under the Master Fund's Constitution and is in lieu of any special exertion fees the responsible entity would otherwise be able to charge the Master Fund.

Despite the above reasoning and recommendation by the board of Aurora to vote AGAINST all resolutions, should Unitholders pass Resolution 3 to wind up the Fund, Aurora is not only capable of effecting that resolution but is best placed to do so and is not required to be replaced, and therefore Aurora again recommends that all Unitholders vote AGAINST resolutions 1 and 2.

Detailed reasons to vote **AGAINST** the Proposed Resolutions are outlined in section 2.2 below.

2.2 Key Reasons to vote AGAINST the Proposed Resolutions

2.2.1 ABW's Investment Capability

Despite any implied or express assertion made by the Requisitioning Members' statement, Aurora intends to continue to act as the responsible entity of ABW and has the requisite skills, experience and expertise to continue to accomplish the investment objectives and strategy of ABW, and this remains as its sole and primary objective as the responsible entity of ABW.

Aurora considers that the Requisitioning Members have failed to provide substantiated evidence or facts relating to their reasoning for acceptance of the Proposed Resolutions. In addition, the Requisitioning Members are not considered to have provided any substantiated evidence on the investment capability of Millinium.

2.2.2 General Winding Up Considerations

Should Resolution 3 to wind up ABW be passed by the Unitholders, Aurora would be required to realise the assets and investments of ABW. The nature of such a process may result in the realisation of assets being lower than otherwise would be achieved in the normal course of operation.

2.2.3 Transaction Costs

A forced sale of ABW's assets and the winding up of the Fund generally, may result in unexpected transaction costs reducing the sale proceeds and the overall pool of funds available to be distributed to Unitholders. Utilisation of these resolutions to exit the Fund in this manner may also be to the long-term detriment of Unitholders and presents as a notable opportunity cost.

2.2.4 Potential Adverse Tax Consequences

Whilst ABW's investments, via the Master Fund, are structured in a tax-effective manner, it is not possible to eliminate all adverse tax consequences arising from a forced-asset sale. The magnitude or nature of adverse tax consequences that may arise will be dependent upon how the assets, and the interests in those assets, are disposed. The winding up of the Fund may also cause Unitholder to forfeit the benefit of any unrealised tax losses in the Fund, which would otherwise be an intangible asset for the benefit of Unitholders.

2.2.5 Uncertainty relating to the Proposed Replacement Responsible Entity (Millinium)

The responsible entity nominated by Requisitioning Members is Millinium. The Requisitioning Members have not provided any information in relation to Millinium, their affairs, capabilities or their overall suitability as responsible entity for the Fund.

The responsible entity of ABW has many complex duties in managing the Fund and in respect of the fiduciary duties owed to ABW Unitholders. Accordingly Unitholders, for their own protection, should carefully consider the qualifications and experience of any responsible entity, including any proposed responsible entity, to determine if the proposed responsible entity is suitable to act in that role. To seek to remove Aurora without allowing Unitholders the opportunity to consider the suitability and the credentials of the proposed replacement responsible entity is considered by Aurora not to be in the interest of Unitholders.

Aurora is aware that Macquarie Investment Management Limited, a subsidiary of Macquarie Group Limited, has commenced proceedings in the Supreme Court of NSW against a related entity of Millinium, Millinium Asset Services Pty Ltd, in connection with its management of two investment funds, the Bear Real Opportunities Fund and the Borg Fund. Those proceedings remain on foot and are a matter of public record (see *Macquarie Investment Management Limited v Millinium Asset Services Pty Ltd [case number 2014/00361912]*).

The Unitholders are recommended to ensure their familiarity, and sufficient level of comfort, with Millinium and its ability and competence to operate as the responsible entity of the Fund.

This section 2.2.5 is not making any statement as to the nature, competence or capability of Millinium in any manner what so ever, rather only to recommend to Unitholders that they exercise their independent judgment or, if necessary, to seek other professional advice, in relation to all aspects of the proposals including the proposed replacement responsible entity.

2.2.6 Uncertainty of the Fees to be charged by Millinium

The Requisitioning Members state "*Millinium has agreed to cap its Management Fees at \$15,000 per month (plus GST) for three months and then \$10,000 plus (GST) per month until the Fund is wound up*". It is important to note that these are the responsible entity fees which Millinium would earn (if Resolutions 1 and 2 are passed) and are additional fees, as at present Aurora does not charge a Management Fee to ABW.

As a result, the fees set out by Requisitioning Members do not represent the totality of the fees to be charged to the Fund in managing both the administration and investments of the Fund by the responsible entity and investment manager.

It is also unclear what Millinium's fee policy is on cost recovery and responsible entity fees.

2.2.7 The Antares Notes and Liquidity Solution

The statement by the Requisitioning Members, as set out in Annexure A to the Notice of Meeting, states "*Aurora has not demonstrated it appreciates the need to preserve cash so as to maximize unit holders distributions*" and

“this exit fee was not disclosed or included in the original PDS for the Master Fund nor in the PDS of the Fund and we believe it is not warranted ...”.

The Requisitioning Members are not considered to have adequately substantiated the basis for these comments.

(a) The Antares Notes and the Master Fund

As previously communicated, on 25 February 2016 redemptions were temporarily suspended as a result of the Master Fund holding convertible notes (**Antares Notes**) issued by Antares Energy Limited (**Antares**). This occurred as a result of Antares being suspended from trading on the ASX and as such the Antares Notes being considered illiquid.

The “*unlisted illiquid asset*” referred to by the Requisitioning Members’ statement is the Antares Notes held by the Master Fund.

Given the uncertainties surrounding the value of the Antares Notes, Aurora considered it prudent to seek independent, objective and unbiased professional advice. Aurora engaged an independent and external valuer, South Texas Reservoir Alliance LLC, to undertake an independent valuation of the assets held by the Antares. In addition to the external valuation, Aurora had regard to confidential information and reports provided by the joint administrators of Antares. Based on all of the information available, Aurora determined that the appropriate value for the Antares Notes was nil as at 30 June 2016.

While there is always subjectivity involved in impairment calculations, and it may be that circumstances change in the future as it relates to the Antares Notes, the Board of Aurora are confident that they have discharged their duties of care and diligence based on information available at the present time.

The valuation of the Antares Notes was also considered by the Fund’s auditors, Deloitte, as part of the year end audit procedures, who concurred with the position taken by Aurora.

(b) Aurora’s solution for the ABW Fund and Master Fund

Considerable work and effort was carried out to identify solutions to all Unitholders across all funds affected by the Antares Notes and managed by Aurora. This has been a complex and time consuming process. The result of these efforts is a liquidity solution with respect to the Master Fund thereby providing a mechanism for investors to redeem their investment and exit the Master Fund (**Liquidity Solution**).

Aurora has also been gradually realising the investments in the Master Fund, in the lead up to 31 August 2016, to ensure it has sufficient cash on hand to meet the likely redemption requests. This in turn will enable Aurora to process a higher level of redemption requests than would otherwise be the case as contemplated by the Master Funds Constitution.

(c) ABW Unitholder’s ability to redeem their investment

Aurora does not charge any withdrawal fee on the redemption of ABW units. However, as ABW is completely invested in the Master Fund, the only manner in which Aurora may fund a redemption request by an ABW Unitholder is by causing ABW to redeem a sufficient number of AFARF units that it holds to the number of ABW units sought to be redeemed.

Accordingly, the withdrawal fee charged by the Master Fund is directly passed to the redeeming ABW Unitholder and is not charged to the ABW Fund generally.

2.2.8 The Disclosed Withdrawal Fee and Expenses

The withdrawal fee of 1.85% applicable to the Master Fund was disclosed in the Master Fund Update Circular, dated 25 July 2016, in accordance with the constitution and PDS of the Master Fund. Specifically, Aurora elected to implement a withdrawal fee for the following reasons:

- to compensate Aurora for the time and effort spent on developing and implementing a liquidity solution;
- to compensate Aurora for the loss of business that is likely to follow upon reinstatement of the liquidity solution;
- Aurora has managed the Master Fund in such a way so as to enable a higher level of redemption requests to be processed than would otherwise be the case as contemplated by the Constitution;
- the withdrawal fee is consistent with the Constitution and is below the maximum allowable of 3.0%; and
- the withdrawal fee is in lieu of special exertion fees that Aurora may otherwise charge to the Master Fund.

2.3 Key Reasons to vote FOR the Proposed Resolutions

Reasons for voting in favour of the Proposed Resolutions are given in the Requisitioning Members' statement which is contained as Annexure A to the Notice of Meeting.

3. Information relating to the Proposed Resolutions

3.1 Replacing a responsible entity at the request of members

Under section 601FM of the Corporations Act, Unitholders of a registered scheme proposing to remove a responsible entity may take action under Division 1 of Part 2G.4 of the Corporations Act through the calling of a members' meeting to consider and vote on a resolution that the current responsible entity should be removed and a resolution choosing a company to be the new responsible entity.

The Requisition Members have proposed Resolution 1 and Resolution 2 as interdependent extraordinary resolutions.

An extraordinary resolution will be passed if at least 50% of the total votes that may be cast by Unitholders entitled to vote on the resolution (including Unitholders who are not present in person or by proxy). This means that 50% of ALL Unitholders eligible to vote must vote in favour of each of Resolution 1 and Resolution 2 for both resolutions to pass.

3.2 Winding up of a Registered Scheme

Under section 601NB of the Corporations Act, if Unitholders of a registered scheme wish to wind up the registered scheme, they may take action under Division 1 of Part 2G.4 of the Corporations Act through the calling of a members' meeting to consider and vote on a resolution that the responsible entity wind up the scheme.

Under section 601NE(1)(b) of the Corporations Act the kind of resolution that Unitholders must pass to compel the responsible entity to wind up the scheme is an extraordinary resolution.

An extraordinary resolution will be passed if at least 50% of the total votes that may be cast by Unitholders entitled to vote on the resolution (including Unitholders who are not present in person or by proxy). This means that 50% of ALL Unitholders eligible to vote must vote in favour of Resolution 3 for it to pass.

3.3 Consequence if Proposed Resolutions 1 and Resolution 2 are passed and Consent Obtained

If Resolution 1 and Resolution 2 are passed, Aurora will be removed as responsible entity and Millinium will become the responsible entity of ABW, provided that Millinium has first consented in writing to becoming the responsible entity of the ABW. As at the date of this Explanatory Memorandum, Aurora has not been provided with confirmation that Millinium has provided its consent.

The removal of Aurora and the appointment of Millinium will take effect upon the lodgment of a notice of change of responsible entity with ASIC (which must be completed and lodged by Aurora as soon as possible and in any event within two business days after the resolutions are passed) and ASIC updating its records to name Millinium as the responsible entity of ABW.

As a consequence of Millinium becoming the responsible entity of the Fund, the rights, obligations and liabilities of Aurora in relation to ABW will become the rights, obligations and liabilities of Millinium as the responsible entity of the Fund.

3.4 Consequences if either Resolution 1 or Resolution 2 is not passed or Consent Not Obtained

The Requisitioning Members put forward two resolutions to effect the removal and replacement of Aurora. As previously disclosed, both those resolutions are interdependent which means that neither resolution will be passed unless both Resolution 1 and Resolution 2 are passed.

If either of Resolution 1 or Resolution 2 are not passed, or if Millinium does not consent in writing to be the responsible entity of the ABW as required by s 601FM(2) of the Corporations Act, Aurora will remain as responsible entity of the ABW.

3.5 Consequence if Resolution 3 is passed

If Resolution 3 is passed, the current responsible entity will be directed to wind up the Fund in accordance with the Constitution of ABW and the Corporations Act.

Winding up involves realising all of the assets of the Fund, deducting reasonable costs (including unpaid creditors) and distributing the balance, if any, amongst the Unitholders pursuant to the Constitution of ABW and according to the respective interests of the Unitholders in the Fund.

4. Additional Information

4.1 Read the Notice of Meeting

You should ensure that you read this Notice of Meeting including this enclosed Explanatory Memorandum in its entirety. In light of the important information provided by the Explanatory Memorandum and Notice of Meeting, you should then decide how you will vote on the Proposed Resolutions put forward by the Requisitioning Members.

If you are in any doubt as to the course of action to be taken you should obtain professional advice without delay.

4.2 How to vote on the Proposed Resolutions

In the event that you do not wish to attend the Meeting you may complete and return the Proxy Form enclosed and indicate whether you vote against, in favour, or abstain from voting on the Proposed Resolutions as a Unitholder, or attend the Meeting and vote in favour, against or abstain from voting on the Proposed Resolutions.

Proxy Forms must be received by the Fund's unit registrar, Registry Direct, no later than 48 hours before the Meeting as set out in the Notice of Meeting.

Your responsible entity's recommendations of how to vote are illustrated in section 1.7 of this Explanatory Memorandum.

Alternatively, If you wish to cast your vote in person at the Meeting, you or, if you are a body corporate, your corporate representative, may attend the Meeting.

4.3 Proxy

An ABW Unitholder, for the purposes of the Meeting, are registered holders of units in ABW 48 hours prior to the time of the Meeting (**Unitholder**), are entitled to attend and vote at the Meeting and has a right to appoint a proxy to attend and vote on behalf of the Unitholder. A proxy need not be an ABW Unitholder and may be either an individual or a body corporate. If a Unitholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the meetings, in accordance with s 253B of the Corporations Act; and
- provides satisfactory evidence of the appointment of its corporate representative prior to the commencement of the Meeting.

If such evidence is not received before the meetings, the body corporate (through its representative) will not be permitted to act as a proxy.

An ABW Unitholder that is entitled to cast two (2) or more votes may appoint two (2) proxies and specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the votes.

A Proxy Form accompanies this Notice of Meeting. For an appointment of a proxy to be effective for the Meeting, the Proxy Form must be received by ABW's unit registrar, Registry Direct, at least 48 hours prior to the commencement of the Meeting. Unitholders appointing a proxy must also send the original or certified copy of any power of attorney or authority under which the proxy was signed (if applicable).

We urge you to complete the Proxy Form (together with any required documentation) and return it by one of the methods provided for by the Proxy Form.

4.4 Voting Entitlements

Aurora has determined that the units will be taken to be held by the persons who are the registered holders 48 hours prior to the commencement of the Meeting.

4.5 Voting Exclusions

Section 253E of the Corporations Act provides that the responsible entity of ABW and its associates are entitled to vote their interest on resolutions to remove the responsible entity and choose a new responsible entity as ABW is a listed managed investment scheme. However, the responsible entity and its associates cannot vote on other resolutions if they have an interest in the resolution or matter other than as a member.

4.6 Quorum and Majority Required

In accordance with rule 12.5 of the Fund's Constitution, the quorum necessary for this Meeting is at least two (2) ABW Unitholders or ABW Unitholders together holding at least 10% of the units.

4.7 Appointment of the Chairperson and how they intend to vote

Under the constitution of the Fund, Aurora has the right to elect an individual to chair the Meeting. Aurora has not yet decided who it will nominate.

The election of a chairperson by Aurora and the chairperson's intention in relation to the voting of any undirected proxies will be communicated prior to the closing time for submission of proxies.

4.8 Further Information

If you have any questions please contact Betty Poon by telephone on +61 3 8687 2263 or by email at bpoon@aurorafunds.com.au.

Annexure A – Requisitioning Members’ Statement to Unitholders

Below is the Requisitioning Members’ statement to Unitholders accompanying the request to call a meeting dated 31 August 2016:

Statement Accompanying Member Request

Aurora Absolute Return Fund, ARSN 110 303 430 (Fund)

We are concerned unit holders in the Fund and have requested that Aurora Funds Management Limited, ACN 092 626 885 (**Aurora**), in its capacity as the responsible entity for the Fund, convene a meeting of unitholders of the Fund.

The purpose of the meeting is to consider a resolution for the replacement of Aurora as responsible entity of the Fund with Millinium Capital Managers Limited ACN 111 283 357 (**Millinium**).

The Fund is a feeder fund into the Aurora Fortitude Absolute Return Fund (**Master Fund**) and redemptions in both the Master Fund and the Fund have been suspended since 25 February 2016 due to an unlisted illiquid asset within the Master Fund. Aurora, the current Responsible Entity, has announced its intention to provide a liquidity mechanism for unit holders wishing to exit the Master Fund but it intends to impose a 1.85% exit fee (plus GST). This is a significant matter and we consider that Aurora has not demonstrated it appreciates the need preserve cash so as to maximize unit holder distributions.

This exit fee was not disclosed or included in the original PDS for the Master Fund nor in the PDS of the Fund and we believe it is not warranted as it will reduce the returns to unit holders in the Fund.

Further, we are aware of the unit holder meeting called to remove Aurora as the Responsible Entity of the Master Fund and to replace Aurora with Millinium which for the reasons set out in this Statement, we consider is in the interests of the Fund. We are also significantly concerned with the recent sale of the shareholding entity of Aurora and of the resignation of all Aurora’s directors that have been with Aurora since the Fund’s inception and in particular, the resignation and the recent removal of Mr John Corr, the former Chief Investment Officer from the premises of Aurora. The removal of Mr Corr from Aurora’s premises is material and we note has not been announced to the ASX.

Accordingly, we believe that it is appropriate to replace Aurora as the Responsible Entity of the Fund.

Millinium, the proposed new responsible entity, subject to Resolution 3 being passed, intends to wind up the Fund in an orderly and timely fashion.

We note that in relation to the Master Fund, Millinium has agreed that if it is appointed as Responsible Entity of the Master Fund, it will not charge any withdrawal fee. Millinium has also agreed not to charge any withdrawal fee for the Fund as well. This will represent a saving of 1.85% of the redemption proceeds for unit holders in the Fund.

Millinium has advised that it will charge a Management Fee of \$15,000 per month (plus GST) for three months and then \$10,000 plus (GST) per month until the Fund is wound up which we agree with given there is significant work to be undertaken for the wind up of the Fund.

Annexure A - Requisitioning Members' Statement to Unitholders (continued)

We urge unitholders to vote in favour of the following resolutions:

Extraordinary Resolution 1 – Removal of Current Responsible Entity

Subject to Extraordinary Resolution 2 being passed, that the current responsible entity of the Fund, Aurora Funds Management Limited ACN 092 626 885 be removed as responsible entity of the Fund.

Extraordinary Resolution 2 – Appointment of New Responsible Entity

That Millinium Capital Managers Limited ACN 111 283 357 be appointed as the new responsible entity of the Fund.

Extraordinary Resolution 3 – Winding up of the Fund

That the responsible entity of the Fund is directed to wind up the Fund.

Name
 Address line 1
 Address line 2
 Address line 3
 Address line 4
 Address line 5
 Postcode / Country

LODGE YOUR VOTE

www.registrydirect.com.au/investor/login

<input checked="" type="checkbox"/> By mail Aurora Funds Management C/- Registry Direct PO Box 18366 Collins Street East VIC 8003	<input checked="" type="checkbox"/> By hand Registry Direct L6 2 Russell Street Melbourne VIC 3000
<input checked="" type="checkbox"/> By facsimile +61 3 9111 5652	<input checked="" type="checkbox"/> All enquiries 1300 55 66 35 (within Australia) +61390207934 (outside Australia)

By email: aurora@registrydirect.com.au

SRN/HIN: I/X*****

PROXY FORM

I/We being unitholder(s) of Aurora Absolute Return Fund (the "Fund") and entitled to attend and vote hereby:

STEP 1 APPOINT A PROXY

appoint the Chairman of Meeting (mark box) **OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write below the name of the person or the body corporate (excluding the registered securityholder) you are appointing as your proxy

or failing the person/body corporate named attending the meeting, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf in accordance with the directions below or if no directions have been given, as the proxy sees fit, at the Extraordinary General Meeting of the fund to be held at 11:00 AM (Melbourne time) on Monday, 31 October 2016, at the offices of Registry Direct, Level 6, 2 Russell Street, Melbourne VIC 3000 (**Meeting**) and at any adjournment or postponement of the Meeting or at any other meeting of the Company to consider the same or substantially similar resolutions to those proposed to be put at the Meeting.

IMPORTANT NOTE – STEP 1 If two proxies are being appointed, the number or proportion of voting units this proxy is appointed to represent is:

The Chairman of the Meeting intends to vote all available proxies **AGAINST** all items of business. If you do not want the Chairman of the Meeting to vote your proxies against any item(s), complete Step 2 below. Proxy appointments will be valid and accepted only if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an

STEP 2 VOTING DIRECTIONS

Agenda Item:	For	Against	Abstain*	Agenda Item	For	Against	Abstain*
Extraordinary Resolution 1: REMOVAL OF CURRENT RESPONSIBLE ENTITY	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Extraordinary Resolution 3: WINDING UP OF THE FUND	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Extraordinary Resolution 2: APPOINTMENT OF NEW RESPONSIBLE ENTITY	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

i *If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3 SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Unitholder 1 (Individual) <input type="text"/>	Joint Unitholder 2 (Individual) <input type="text"/>	Joint Unitholder 3 (Individual) <input type="text"/>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

Signing Instructions: This form should be signed by the unitholder. If a joint holding, either unitholder should sign. If signed by the unitholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth) (or for New Zealand companies, the Companies Act 1993).

HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the unit register. If this information is incorrect, please make the correction on the form. Unitholders sponsored by a broker should advise their broker of any changes. Please note: you cannot change ownership of your units using this form.

Step 1 - Appoint a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting, please write the name of that person in the box provided. If you leave this section blank, or your named proxy does not attend the Meeting or does not vote in accordance with your instructions, the Chairman of the Meeting will be your proxy. A proxy need not be a unitholder. A proxy may be an individual or a body corporate.

Step 2 - Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your units will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of units you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses subject to any applicable voting exclusions. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of units applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

Lodgement of a Proxy Form

This Form (and if required any Power of Attorney under which it is signed) must be received at an address given below by 11.00 AM **Melbourne time on Saturday, 29 October 2016**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged by:

Online

www.registrydirect.com.au

Login to the Registry Direct website using the holding details as shown on the Form. Select 'Votes' and follow the prompts to lodge your vote or proxy. To use the online lodgement facility, unitholders will need their "Holder Number" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

by email:


aurora@registrydirect.com.au

by Mail

**Aurora Funds
Management**

C/- Registry Direct
PO Box 18366

Collins Street East VIC 8003

 **by facsimile**
+61 3 9111 5652

 **by hand**
Registry Direct
L 6, 2 Russell St
Melbourne VIC 3000

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either unitholder may sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001 (Cth)) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's unit registry.

If you would like to attend and vote at the Extraordinary General Meeting, please bring this form with you. This will assist in registering your attendance.