

Aurora Absolute Return Fund

Liquidity Management

Aurora Funds Management Limited ("Aurora") provides an important update detailing the manner of redemption requests in the Aurora Fortitude Absolute Return Fund ("AFARF"), which directly impacts the Aurora Absolute Return Fund ("the Fund").

Further information

If you have any queries or concerns, please contact us.

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Aurora Funds Management Limited | ABN 69 092 626 885 | AFSL No. 222110
20 February 2017

Aurora Fortitude Absolute Return Fund

Liquidity Management

Aurora Funds Management Limited (“**Aurora**” or the “**Responsible Entity**”) provides an important update detailing the manner in which redemption requests in the Aurora Fortitude Absolute Return Fund (the “**Fund**”) will be handled, effective immediately.

As you may be aware, from 31 August 2016 Aurora reinstated liquidity to the Fund, providing an extraordinary liquidity solution, superior to the requirements of the Fund’s Constitution. On 7 November 2016, Aurora further advised that the Withdrawal Fee that was introduced as part of this extraordinary liquidity solution, would be reduced to nil, effective from 1 January 2017.

Since 1 January 2017, the level of redemption requests exceeds the provisions contained in the Fund Constitution. The Responsible Entity has given careful consideration to these requests, its power to permit redemptions and its obligation to act in the best interests of all unit holders. The Responsible Entity has resolved that it intends to exercise its discretion to accept these requests, and any future redemption requests, subject to the redemption guidelines and process set out below.

Redemption Guidelines

Aurora continues to actively manage the liquidity requirements of the Fund to ensure that the Fund is able to achieve its investment objectives whilst also providing unitholders with the ability to access their investment as and when they may wish to do so. It is important to achieve an equitable balance between the competing interests of those unitholders seeking to redeem their investment and those unitholders who wish to remain invested in the Fund.

Aurora has decided to adopt the following redemption guidelines to ensure that the manner in which it considers redemption requests is equitable to all unit holders and ensures that the investment objectives of the Fund can be achieved:

- Redemption requests will be considered and processed on a quarterly basis with the next redemption date scheduled for 31 March 2017¹.
- As a general principle, the Fund will provide unitholder access to liquidity, in the form of redemptions, of up to 5% of the total funds under management (“**FUM**”) in any given quarter². The Responsible Entity has reviewed Fund inflows / outflows and market peers and believes that a 5% benchmark is adequate for a Fund of this size.
- If aggregate redemptions exceed 5% of the total Fund FUM in the relevant quarter, then redemption requests will be deemed to be for a proportionately scaled back amount according to the redemption price as at the date the redemption request is received by the Responsible Entity.
- Any unsatisfied portion of a redemption request will be carried over to the next redemption quarter. Unitholders will not be required to lodge a new redemption request form as the Responsible Entity will maintain a record of all redemption requests received in the prior quarter.

¹ Any redemption requests submitted between 1 January 2017 and 31 March 2017 will be processed on 31 March 2017.

² For the purpose of calculating 5% of FUM, the average level of FUM for the quarter will be calculated.

Aurora believes that these general redemption guidelines will ensure that the Fund does not return to a state where redemptions are 'suspended', subject to the occurrence of any extraordinary circumstances. The Responsible Entity will continue to exercise its discretion in respect of any redemption requests on a case-by-case basis, but will do so with the above guidelines in mind.

How are the redemption proceeds calculated?

Under clause 7 of Fund's Constitution, the redemption price per unit is calculated as the net asset value per unit less transaction costs which have been estimated at 0.02%. The net asset value is calculated as the total assets less the total liabilities.

When the Responsible Entity exercises its discretion to accept a redemption request, the redemption proceeds owing to the unitholder will, in the normal course, be calculated on the last business day of each quarter. If, during any quarter, the aggregate redemptions exceed 5% of the total Fund FUM, any residual balance (of units) will automatically be carried forward to the next quarter and will rank equally with any other redemption requests received in that quarter. Any redemption request(s) that is carried into the next quarter will receive the prevailing net asset value at the end of that quarter. This process will continue until all redemption requests are satisfied.

Payment of redemption proceeds

Unitholders will be paid their redemption proceeds within 10 days of each quarterly redemption date. All proceeds will be paid via your nominated payment method.

Confirmation of redemption

Once redemption requests have been processed, unitholders who have redeemed will be issued with a transaction statement advising of the number of units withdrawn and value of redemption proceeds.

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