

Aurora Absolute Return Fund Performance Report - July 2011

ASX Code: ABW

Summary

- The Trust returned 0.58% for July compared to the RBA Cash rate which returned 0.40%
- The Trust paid a cash distribution of \$0.02265 for the three months ending 30 June 2011, which represented an annualised yield of 8.00%
- The Master Fund has returned 9.32% p.a since inception versus the RBA Cash rate which has returned 5.40% p.a over the same period

Performance¹

	1 month	3 months	6 months	12 months	3 Years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	0.58%	-1.07%	3.19%	10.53%	6.51%	2.83%
RBA Cash Rate	0.40%	1.19%	2.40%	4.80%	4.37%	5.35%
S&P/ASX200 Accumulation Index	-3.97%	-7.56%	-5.03%	2.70%	0.52%	1.26%

On 1 March 2011, the Trust changed its investment strategy and commenced investing via the unlisted Aurora Fortitude Absolute Return Fund (ARSN 145 894 800, the 'Master Fund'). The Master Fund has been in existence since March 2005, and its historical performance is referred to in the charts and tables below.

Investment Objective*

The Trust aims to achieve a high rate of return, comprising both income and capital growth (and preservation of the capital of the Fund) over both rising and falling equity markets. Please note that while we aim to achieve this objective, the returns are not guaranteed.

Investment Strategy - Master Fund

The Master Fund aims to produce positive returns irrespective of the direction of the share market, by investing in predominantly Australian listed securities and derivatives.

The Master Fund purchases both put and call options which allows it to profit from movements in the market both up and down. It then looks for short term trading opportunities to generate low risk returns from other strategies including:

- Mergers and Acquisitions
- Long/Short
- Share Class Arbitrage
- Yield securities.

Each investment considers the risk, the timeline of that risk occurring and then the potential return. Low transaction costs and liquidity are other important factors in the success and implementation of the strategies.

Fund Features

ASX Listed	Code: ABW
Distribution Policy	At least 2% of Net Asset Value per Unit per quarter. ²
Distribution Reinvestment Plan	Available
Applications	Investors may acquire Units on the ASX or via the current Product Disclosure Statement
Redemptions	On market by selling on the ASX or off-market at the end of each month.

Fund Valuation

Fund Size ³	\$94.4 Million
Net Asset Value per Unit	\$1.1145

Fund Distributions (Per Unit)⁴

Period (per Unit)	Cash	Franking	Total	Yield at NAV (p.a)
30/06/2007	\$0.1962	\$0.0371	\$0.2333	25.30%
31/12/2007	\$0.0333	\$0.0332	\$0.0665	7.60%
30/06/2008	\$0.0586	\$0.0400	\$0.0986	11.90%
31/12/2008	\$0.0450	\$0.0000	\$0.0450	7.60%
30/06/2009	\$0.0267	\$0.0000	\$0.0267	5.10%
31/12/2009	\$0.0450	\$0.0000	\$0.0450	8.80%
31/03/2010	\$0.0250	\$0.0000	\$0.0250	8.10%
31/06/2010	\$0.0250	\$0.0000	\$0.0250	8.20%
30/09/2010	\$0.0250	\$0.0000	\$0.0250	9.50%
31/12/2010	\$0.0230	\$0.0000	\$0.0230	8.30%
31/03/2011	\$0.0230	\$0.0000	\$0.0230	7.95%
30/06/2011	\$0.0227	\$0.0000	\$0.0227	8.00%
Total	\$0.5485	\$0.1103	\$0.6588	

Performance Statistics - Master Fund

Performance since Inception - March 2005 (p.a)	9.32%
Volatility % p.a.	3.11%
Sharpe Ratio	1.37
% positive months	86%
Best month	3.63%
Worst month	-1.60%
Average positive monthly return	0.94%
Average negative monthly return	-0.61%

Performance Commentary - Master Fund

For the month of July, the Master Fund returned 0.58% versus -3.97% for the S&P/ASX 200 Accumulation Index. The month saw mixed outcomes from world equity markets. Ongoing concerns around sovereign debt levels resulted in US and European markets trading lower (Dow Jones Index -2.2%, DAX Index -2.9% and CAC 40 Index -7.8%), whilst Asian markets were generally flat to positive (Hang Seng Index +0.2%, Singapore Straits Times Index +2.2%, KOSPI Index +1.5% but Shanghai Composite -2.2%).

Australian investors faced the added headwinds of a rising currency (+2.65% vs. USD), continued political debate on the impact of the carbon tax and a higher than expected CPI figure which all contributed to the S&P/ASX 200 accumulation index finishing the month 3.97% lower.

As expected in this environment the Master Fund options portfolio contributed significantly to returns. The banking sector was particularly interesting and the Master Fund was able to generate positive returns from positions in Macquarie Bank (MQG) and all four commercial banks as investors reduced exposure in response to deteriorating credit markets.

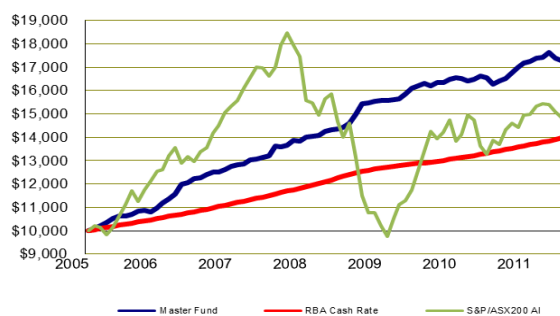
The media sector was a major point of focus during the month. News Corporation (NWS) fell as much 18% during the "Phone Tapping Scandal" that resulted in the closure of one its leading newspapers. This focused attention on the potential break-up valuation and the possibility of the company having a future without the Murdoch Family in an active management capacity, which resulted in the stock finishing 10.2% down for the month.

The Australian Competition and Consumer Commission (ACCC) raised concerns regarding the proposal by FOXTEL Management Pty Ltd (25% owned by NWS) to acquire 100% of pay TV operator Austar United (AUN). The ACCC took an approach that free TV did not compete with pay TV; by international comparisons this appears to be a unique approach and surprised most market participants. AUN closed down 29.5% for the month.

The Master Fund's portfolio had small exposures to both NWS (convergence strategy) and AUN (Mergers and Acquisitions) but disciplined risk management limited losses. The best performing strategies during July were: Yield, Options, and Mergers and Acquisitions. The only small detractor was a fairly flat performance from the convergence strategy.

Orica Limited (ORI) shareholders approved the buyback of the company's Step Up Preference shares (ORIPB). This security is one of The Master Fund's largest exposures and the resulting price improvement was the portfolio's largest contributor for the month.

Master Fund vs RBA Cash vs S&P/ASX200AI (\$)



About Aurora

Aurora Funds Limited ('Aurora', ASX Code: AFV) was listed on the ASX in July 2010. Aurora comprises the merged businesses of Aurora Funds Management Limited, Fortitude Capital Pty Ltd and Sandringham Capital Pty Ltd.

The combined group has in excess of \$500 million in funds under management and administration, and provides asset management and responsible entity/trustee services for over 3,000 Australian and New Zealand investors.

Aurora is also the Issuer and/or distributor of the:

- Aurora Fortitude Absolute Return Fund (APIR Code: AFM0005AU)
- Aurora Sandringham Dividend Income Trust (ASX code: AOD)
- Aurora Global Income Trust (ASX Code: AIB)
- Aurora Property Buy-Write Income Trust (ASX Code: AUP)
- CORALS Commodities Fund (APIR Code: AFM0004AU)
- van Eyk Blueprint Alternatives Plus (ASX Code: VBP)

Aurora Funds Limited

Level 2, 350 George Street, Sydney NSW 2000 PO Box R1695, Royal Exchange NSW 1225

Telephone: 1300 553 431, Visit: www.aurorafunds.com.au or Email: enquiries@aurorafunds.com.au

1. This number represents a cumulative return and assumes reinvestment of distributions. 2. The Trust intends to always distribute at least 2.0% of NAV per Unit, excluding any franking credits, per quarter regardless of Fund performance. This means that if the Fund has insufficient net income in a given quarter, investors may receive a partial (or full) return of capital. 3. Incorporates all unit classes within the Fund, and also individual mandates that are external to the Trust but utilise the investment strategy or direct variants thereof. 4. Each historical distribution has been divided by six to reflect the Unit split carried out in November 2009.

Disclaimer: This information has been prepared by Aurora Funds Management Ltd (ABN 69 092 626 885, AFSL 222110) in its capacity as Responsible Entity for the Aurora Absolute Return Fund. It has been prepared without taking into account the objectives, financial situation or needs of any investor, which should be considered before investing. Investors should consider a copy of the Product Disclosure Statement and seek their own financial advice prior to investing in the Trust. The information in this Performance Report is of a summary nature only and does not constitute advice of any kind, nor is it an offer of any financial product. Past performance is not a reliable indication of future performance. In particular as the investment strategy of the Trust was materially altered in July 2009, and March 2011 and performance prior to these dates (being from three years to 'since inception') has little bearing on future performance. The payment of franking credits to Unit holders is subject to the Trust achieving a taxable profit in that year. Please see asx.com.au for more information on the S&P/ASX200 Accumulation Index. *The investment objective is expressed after the deduction of fees and before taxation. The objective is not intended to be a forecast and is only an indication of what the investment strategy aims to achieve over the medium to long term.