

# Aurora Absolute Return Fund Performance Report - June 2011

ASX Code: ABW

## Summary

- The Trust announced 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 9.00% p.a since inception versus the RBA Cash rate which has returned 5.40% p.a over the same period

## Performance<sup>1</sup>

	1 month	3 months	6 months	12 months	3 Years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	-0.11%	-0.28%	2.89%	14.52%	5.82%	2.79%
RBA Cash Rate	0.40%	1.19%	2.40%	4.79%	4.45%	5.36%
S&P/ASX200 Accumulation Index	-1.80%	-4.02%	-0.92%	11.73%	0.32%	2.12%

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. <sup>2</sup>
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 <sup>3</sup>	\$94.3 Million
Net Asset Value per Unit	\$1.1324

## Fund Distributions (Per Unit)<sup>4</sup>

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)	9.00%
Volatility % p.a.	3.13%
Sharpe Ratio	1.36
% positive months	86%
Best month	3.63%
Worst month	-1.60%
Average positive monthly return	0.95%
Average negative monthly return	-0.61%

## Performance Commentary - Master Fund

Poor US economic data combined with the continued risks regarding the possibility of Greece or other European states defaulting on sovereign debt obligations saw most leading equity indices posting negative June returns (S&P 500 -2.5%, Hang Seng Index -5.4%, and FTSE 100 -1.6%).

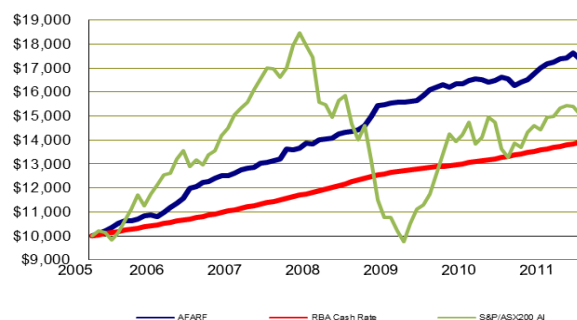
Australian investors faced the extra burden of the political and economic uncertainty regarding the possible outcomes from upcoming Federal Government carbon reduction/pricing initiative. The S&P/ASX 200 Accumulation index posted a negative 1.8% return after staging a remarkable 3.3% "financial year end" rally over the last 3 trading days.

The Master Fund's portfolio struggled to generate significant returns from any of its sub strategies, and it should be noted that the Eureka Hedge Report has highlighted that all strategies that it monitors reported negative returns for the month. Past experience of such circumstances suggests that this coincides with low trading volumes and can be pre-emptive to significant market falls. In line with this the Master Fund has added to its option downside protection, despite the fact that implied volatilities continue to trade at a premium to realised levels. The Master Fund has also reduced its exposure to long short trading particularly at the smaller capitalisation end.

Low turnover was a factor in the Master Fund's convergence trading during the month with a significant drop in liquidity in some of the midcap mining names making it difficult to exit positions. In line with the above comments the Master Fund has scaled back position sizes and is looking for greater margins on smaller exposures.

The event and merger arbitrage space was particularly active during the month. The Master Fund benefited from the completion of the Barrick Gold takeover of Equinox Minerals (EQN) and a competitive bid in Territory Resources (TTY). The talk of the month was the Foster's Group (FGL) rejection of a \$4.90 indicative proposal from the international brewing group SAB Miller. The FGL share price rallied to a high of \$5.23 on speculation of a higher or competing bid; the Master Fund has remained cautious in this name, building exposure but with option protection.

AFARF 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 3,500 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 Sandringham Global Income Trust (APIR Code: ETL0170AU)
- 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)

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1. This number represents an estimated cumulative return and assumes reinvestment of distributions. 2. The Fund 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 Fund 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 Fund 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](http://asx.com.au) for more information on the S&P/ASX200 Accumulation Index.