

Aurora Absolute Return Fund Performance Report - August 2011

ASX Code: ABW

Summary

- The Trust returned 1.17% for August compared to the RBA Cash rate which returned 0.40%.
- The Master Fund has returned 9.04% p.a since inception versus the RBA Cash rate which has returned 5.39% 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)	1.17%	1.49%	1.46%	13.34%	6.21%	3.02%
RBA Cash Rate	0.40%	1.19%	2.40%	4.81%	4.30%	5.34%
S&P/ASX200 Accumulation Index	-1.91%	-7.51%	-8.98%	1.92%	-1.44%	0.95%

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	\$95.6 Million
Net Asset Value per Unit	\$1.1275

Fund Distributions (Per Unit)⁴

Period (per Unit)	Cash	Franking	Total	Yield at NAV (p.a)
31/12/2006	\$0.0486	\$0.0208	\$0.0694	9.00%
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	\$0.5971	\$0.1311	\$0.7282	

Performance Statistics - Master Fund

Performance since Inception - March 2005 (p.a)	9.04%
Volatility % p.a.	3.10%
Sharpe Ratio	1.38
% 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

The S&P/ASX200 finished the month down 2.9% in a month characterised by wild fluctuations due to macroeconomic concerns. Equity markets started the first week of the month off poorly (-10%) following a downgrade of US debt by Standard & Poors. August 9 saw a dramatic recovery with the market rallying from down 5% in the first hour of trading to finish the day at +1%. The market continued to rally & volatility fell on pledges by the US Federal Reserve to keep interest rates flat for 2 years as well as active participation by the European Central Bank in currency and bond markets. A flight to defensives was evident as well as an unprecedented level of buyback activity with companies looking to take advantage of depressed prices.

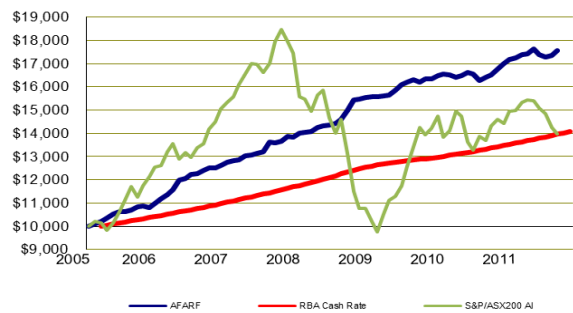
The Master Fund performed well in the volatile market conditions, returning 1.17% (net of fees). Nearly all strategies were profitable. The best performing strategy for the month was Merger and Acquisition Arbitrage (53% performance contribution). Large sell-offs in the stock market often gave the Master Fund a chance to add to event situations at very attractive prices. The Master Fund's largest positions were Valad Property Group VPG.ASX and Cellestis Limited CST.ASX. These two respective schemes of arrangement were concluded in late August after receiving shareholder approval early in the month. Also of note, ConnectEast Group CEU.ASX and Macarthur Coal MCC.ASX performed well. Fosters Group was a slight underperformer after SABMiller announced their intention to make a hostile offer without improving the proposed consideration of \$4.90 per share.

The Options strategy was a strong performer (31% contribution) due to the large market fall early in the month and the increase in both realisable and implied volatilities. The strong rally in the second half presented opportunities more suited to the Master Fund's other strategies. The best performing options positions were: Telstra TLS.ASX, Woodside WPL.ASX, Woolworths WOW.ASX, and a spread of volatility positions in the S&P/ASX 50 names.

The Yield strategy targets short dated instruments issued by high quality companies. This enabled the Master Fund to generate good performance (10% contribution) despite widening credit spreads generally. As anticipated, the Woolworths Floating Rate Notes WOWHB.ASX delisted ahead of their September maturity. The Master Fund benefited from both the protection of puts on Woolworths in the Options book and holding the high-yielding notes.

The Long Wesfarmers Partially Protected Shares, WESN.ASX and short Wesfarmers Ordinary Shares WES.ASX were the biggest contributors to the Convergence strategy (7%). As options became more valuable during the month, so too did the implied optionality/protection offered by the WESNs structure. The worst positions were spread across dual listed mid-tier resources stocks, Aquarius Platinum AQP.ASX, Intrepid Mines IAU.ASX and OceanaGold OGC.ASX. Long Short trading (net long) was a mild detractor from performance (-1%). Small cap stocks, defined as <\$500m market capitalisation, were the worst affected by market conditions while solid returns were seen from Stockland SGP.ASX, Beadall Resources BDR.ASX and Amcor AMC.ASX.

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 \$400 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 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)

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1. This number represents a 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 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.