

Aurora Absolute Return Fund Performance Report - October 2011

ASX Code: ABW

Summary

- The Fund returned 0.43% for October compared to the RBA Cash rate which returned 0.40%.
- The Master Fund has returned 8.89% p.a since inception versus the RBA Cash rate which has returned 5.37% 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)	0.43%	1.73%	0.64%	7.70%	9.46%	3.03%
RBA Cash Rate	0.40%	1.19%	2.40%	4.85%	4.20%	5.33%
S&P/ASX200 Accumulation Index	7.25%	-1.25%	-8.72%	-3.65%	6.94%	1.06%

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	\$109.7 Million
Net Asset Value per Unit	\$1.1115

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%
30/09/2011	\$0.0222	\$0.0000	\$0.0220	8.01%
Total	\$0.6193	\$0.1311	\$0.7504	

Performance Statistics - Master Fund

Performance since Inception - March 2005 (p.a)	8.89%
Volatility % p.a.	3.07%
Sharpe Ratio	1.42
% positive months	86%
Best month	3.63%
Worst month	-1.60%
Average positive monthly return	0.93%
Average negative monthly return	-0.61%

Performance Commentary - Master Fund

The ASX200 gained 7.2% during the month on the back of perceived clarity on European debt negotiations. Focus continues on European woes with the agreed plan lacking significant detail. The prospect of a hard landing in China also appeared with weak GDP (9.1%) and CPI (6.1%) prints. The ASX200 is down 9.4% year to date. The fund finished the month up 0.43%. October saw a clear bias towards risk assets (Energy +12.3%; Materials +7.9%) and Financials (+9.2%) with Telecommunications the only sector down for the month (-0.2%). The Australian Dollar correlation with risk assets continued with the AUD finishing the month +9.6% at 1.059:1US\$. Optimism was reflected in global bourses with the S&P500 up 10.8%. Chi-X debuted on October 31, unfortunately four days too late to capitalise on an ASX glitch on October 27 which saw trading halted for four hours. The fund has, and continues to make use of all trading venues through its brokers' smart order routers.

The Options portfolio (-1.14% actual performance) had a strong start to the month but fell foul after a large decrease in the market value of protection due to the strong rally in risk. Core insurance positions over the ASX200 Index, BHP Billiton (BHP.ASX) & Commonwealth Bank (CBA.ASX) bore the brunt of large decreases in implied and realized volatilities. QRN (QRN.ASX) posted a strong return on the back of opportunistic volatility buying.

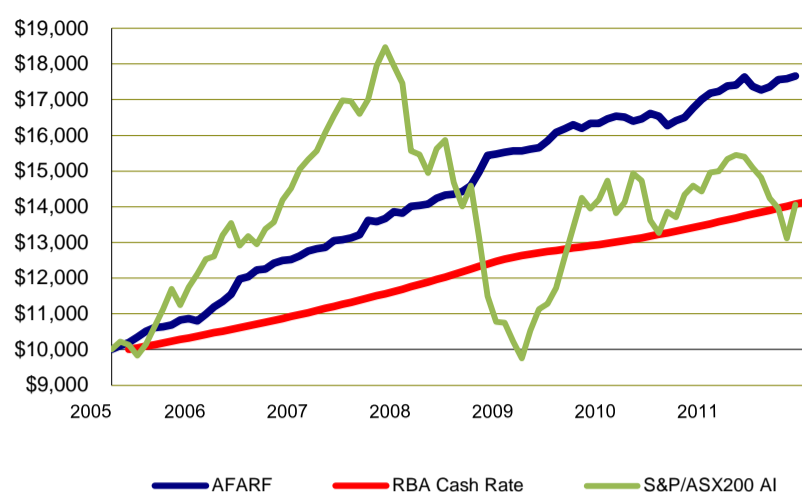
Yield (+0.64%) was another strong contributor. Orica Step-Up Preference Shares formally announced that redemption via a buyback will be implemented in November, as per our expectation. The Southern Cross Airports SKIES (SAKHA.ASX) also firmed as it is the next instrument approaching maturity.

Mergers and Acquisitions (+0.65%) was the strongest contributor for the month. Hunnu Coal (HUN.ASX) was the fund's best performing position as a result of Banpu Minerals declaring its takeover offer unconditional. Also completed during the month was the Horizon Road scheme of arrangements with ConnectEast (CEU.ASX). Anvil Mining (AVM.ASX and AVM.CN) was a negative detractor after they provided an update to the market that the takeover could be jeopardized by a Congolese company positioning to renegotiate terms of a lease should a change of control arise. This is a reminder of the increased geopolitical risks involved in offshore assets.

The Convergence portfolio posted a small positive return (+0.14%) with the Goodman Fielder (GFF.ASX) rights issue presenting good trading opportunities. The Wesfarmers Partially Protected Shares (WESN.ASX) against the ordinaries came under a bit of pressure after posting solid returns last month.

The Long Short strategy posted a small positive return (+0.14%) with systematic trading on corporate & index restructuring performing well. Of note, Flinders Mine in the small cap space and a small short in Monodelphus performed well. Manas Res (MSR.ASX) underperformed after their capital raising caused some indigestion and the price drifted off slightly.

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 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.