

Aurora Absolute Return Fund Performance Report - December 2011

ASX Code: ABW

Summary

- The Fund returned 0.35% for December identical to the RBA Cash Rate which returned 0.35%.
- The Fund announced a cash distribution of \$0.0222 per Unit for the three months ending 31 December 2011, which represents an annualised yield of 8.02%

Performance¹

	1 month	3 months	6 months	12 months	3 Years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	0.35%	1.46%	3.37%	6.20%	10.02%	3.13%
RBA Cash Rate	0.35%	1.13%	2.33%	4.79%	4.18%	5.30%
S&P/ASX200 Accumulation Index (ASX200AI)	-1.35%	2.12%	-9.71%	-10.54%	7.58%	0.04%

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 performance prior to this date is of different investment strategies than those currently implemented. The Master Fund which is the current investment strategy, has been in existence since March 2005, and its historical performance is referred to in the charts and tables [below](#).

Investment Objective*

The Fund 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	\$110.5 Million
Net Asset Value per Unit	\$1.1007

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%
31/12/2011	\$0.0222	\$0.0000	\$0.0220	8.02%
Total	\$0.6415	\$0.1311	\$0.7722	

Performance Statistics - Master Fund

Performance since Inception - March 2005 (p.a)	8.83%
Volatility % p.a.	3.03%
Sharpe Ratio	1.15
% positive months	87%
Best month	3.63%
Worst month	-1.60%
Average positive monthly return	0.92%
Average negative monthly return	-0.61%

Performance Commentary - Master Fund

The Master Fund returned +0.34% (ASX200AI -1.35% and RBA cash rate +0.35%) for the month of December. The month was dominated by downgrades to retailers with Billabong and JB Hi-Fi hosing down expectations significantly. This contributed to a month where the ASX200AI underperformed offshore markets (DOW +1.4%, FTSE +1.2%) led by Consumer Discretionary (-4%), Materials (-4%) and Energy (-5%).

The Master Fund finished the year +3.83%, outperforming the ASX200AI by 14.4% (ASX200AI -10.54%) and the Market Neutral Hedge Fund Index by 7% (MHFRX -3.2%). The Fund does rely on the market presenting opportunities and 2011 has been one of the worst years in terms of this. We do believe there will be more liquidity events over the course of 2012 which we intend to take full advantage of. Significant consolidation within the equities landscape in Australia should result in wider margins on deals and developments in late 2011 in the listed hybrid & M&A space should result in increased volume. We remain committed to our target of 5-10% above cash annually.

The Mergers and Acquisitions portfolio was the strongest performer for December (+0.20% net return) with the completion of the SAB Miller Scheme of Arrangement with Foster's (FGL) and a merger of equals between Adamus (ADU) and Endeavour (EDV.TO) generating the largest gains. During the month several new deals were announced including: Whitehaven Coal and Aston Resources, Oohmedia (OOH), & APA Group (APA) and Hastings (HDF).

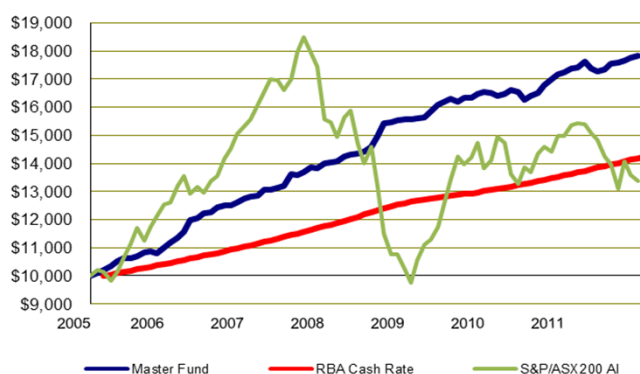
The Convergence portfolio produced a small loss (-0.04%) with the book suffering from a severe reduction in liquidity and a contraction in spreads. There were no material individual stock performances during the month.

The Yield strategy was also a solid contributor (+0.19%) as the Southern Cross Airports SKIES issue ceased trading in lead up to redemption in early January. All holdings were positive with the best performing instrument being the Goodman Preferred Step Ups (GMPPA) and a spread of bank hybrids.

The Options portfolio (-0.03%) had a small loss in a difficult month for net buyers of options due to reduced implied volatility, low realised volatility & low liquidity. The overall portfolio was smaller than usual during December, due to the opportunities present; the size of the options book mirrored this. The ASX200 index strangle and a position in Channel Ten (TEN) had small losses whilst the volatility in the energy space led to small gains for Oil Search (OSH) and Origin (ORG). We anticipate that the Fund will increase options exposure during January as market activity picks up.

The Long-Short strategy was relatively flat at (0.02%); however the performance suffered late in the month when CSG (CSV) abandoned takeover talks with interested parties. Offsetting this, the strongest contributors were: Charter Hall Office (CQO) as they improved the terms and progressed negotiations for a formal takeover with a consortium including investment vehicles for Singapore and Canadian entities; and a long position in Thakral (THG) generated good performance as talk about the potential sale of their Wynyard asset and other news sparked some interest in the stock.

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 \$440 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)
- 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.