

# Aurora Absolute Return Fund Performance Report - 31 March 2012

ASX Code: ABW



## Summary

- The Fund returned 0.46% for March whilst the the RBA Cash Rate returned 0.35%.
- The Fund announced a cash distribution of \$0.0221 per Unit for the three months ending 31 March 2012, which represents an annualised yield of 8.10%

## 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)	0.46%	1.31%	2.79%	4.27%	10.61%	3.22%
RBA Cash Rate	0.35%	1.07%	2.21%	4.66%	4.23%	5.26%
S&P/ASX200 Accumulation Index (ASX200AI)	1.22%	8.40%	10.69%	-6.06%	11.24%	1.59%

On 1 March 2011, the Fund 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 2.0% of Net Asset Value <sup>2</sup> per Unit per quarter
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 Valuations

Fund Size <sup>3</sup>	\$80 million
Net Assets Value per Unit	\$1.0918

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

Period (per Unit)	Cash	Franking	Total	Yield at NAV (p.a.)
31 Dec 06	\$0.0486	\$0.0208	\$0.0694	9.00%
30 Jun 07	\$0.1962	\$0.0371	\$0.2333	25.30%
31 Dec 07	\$0.0333	\$0.0332	\$0.0665	7.60%
30 Jun 08	\$0.0586	\$0.0400	\$0.0986	11.90%
31 Dec 08	\$0.0450	\$0.0000	\$0.0450	7.60%
30 Jun 09	\$0.0267	\$0.0000	\$0.0267	5.10%
31 Dec 09	\$0.0450	\$0.0000	\$0.0450	8.80%
31 Mar 10	\$0.0250	\$0.0000	\$0.0250	8.10%
30 Jun 10	\$0.0250	\$0.0000	\$0.0250	8.20%
30 Sep 10	\$0.0250	\$0.0000	\$0.0250	9.50%
31 Dec 10	\$0.0230	\$0.0000	\$0.0230	8.30%
31 Mar 11	\$0.0230	\$0.0000	\$0.0230	7.95%
30 Jun 11	\$0.0227	\$0.0000	\$0.0227	8.00%
30 Sep 11	\$0.0222	\$0.0000	\$0.0222	8.01%
31 Dec 11	\$0.0222	\$0.0000	\$0.0222	8.07%
31 Mar 12	\$0.0221	\$0.0000	\$0.0221	8.10%
<b>Total</b>	<b>\$0.6636</b>	<b>\$0.1311</b>	<b>\$0.7943</b>	

## Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	8.70%
Volatility % p.a.	2.98%
Sharpe Ratio	1.13
% positive months	87%
Best Month	3.63
Worst Month	-1.60%
Average positive monthly return	0.90%
Average negative monthly return	-0.61%

## Performance Commentary - Master Fund

World markets posted another positive month with a notable outperformance of financials over resources (ASX200 Financials +3.7%, ASX200 Materials -4.2%).

The month began with weak Chinese data and a rally in the US\$. This led to predictions of weaker gold and the end of the substantial bull-run in treasuries. This view was tempered by signaling of further accommodative monetary policy by Ben Bernanke and another round of Euro printing by the European Central Bank as part of its Long Term Refinancing Operation (LTRO). Chinese data reverted to positive territory by month end with a Manufacturing PMI print of 53.1 on the last day of the month. The ASX200 Accumulation Index finished the month up 1.22%, outperforming the Dow Jones (+0.4%) with Banks particularly strong. The Master Fund finished the month +0.45%, the 9th positive month in a row.

The **Yield** strategy was the largest contributor to performance (+0.24%). The IAG Reset Convertible Preference Securities (IAGPA.ASX) announced that they will be redeeming in mid-June in line with our most conservative valuation. The issuer did have the option to convert the hybrid into IAG ordinary shares at a discounted price, which the fund would have been able to profit from, however they elected to redeem for cash instead. The CBA Perls IV (CBAPB.ASX) issue and the floating rate bonds (CBAHA.ASX) also performed well after the flood of new hybrid issues were digested by the market.

The **Long Short** strategy posted strong returns (+0.18%). Tishman Speyer (TSO) unit holders voted in favor of selling the assets and distributing the cash which provided the most significant return. Systematic trading strategies provided mixed returns with small positions in Kagara Ltd (KZL.ASX) and White Energy (WEC.ASX) performing very well against poor performance by Challenger Limited (CGF.ASX) and Aristocrat Limited (ALL.ASX). Thakral Holdings (THG.ASX) was the largest underperformer after recent outperformance and an update that there has yet to be a suitable proposal received for their Wynyard asset.

The **Mergers & Acquisitions** strategy was a positive performer for the month (+0.11%) however delays to the US asset sale timetable meant that the Charter Hall Office scheme of arrangement did not complete within the month and will now subsequently settle in April. The Brockman Resources takeover by Wah Nam was declared unconditional during March and the spread narrowed. The Master Fund monitored but avoided a roller-coaster of ACCC issues regarding the Foxtel bid for Astar (AUN.ASX) and APA Group's (APA.ASX) bid for Hasting Diversified Utilities Fund (HDF.ASX).

Wesfarmers (long WESN.ASX and short WES.ASX) was the major contributor for the **Convergence** portfolio (+0.07%). The value of the embedded optionality of the partially protected shares (WESN.ASX) increased in line with the share price falling. To date this relationship has not been particularly strong however we expect the correlation will increase dramatically as the instrument approaches maturity over the next few years (NB- the shares are convertible 1 for 1 in the interim). The convergence book continues to hold about 6-12 liquid dual listed stocks. There were no other material contributors or detractors for the month.

The Master Fund continues to run a reduced **Options** portfolio, however the continued decrease in volatility resulted in a negative performance for the book (-0.16%). Worst hit were key positions over the ASX200 Index, IAG (IAG.ASX) and Orica Limited (ORI.ASX). Volatility in Resource names early in the month led to strong gains for BHP Billiton (BHP.ASX), however this was somewhat tempered by a reduction in volatility towards month end on a more favourable outlook for resources.

## 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 \$430 million in funds under management and administration, and provides asset management and responsible entity/trustee services for over 2,500 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 Dividend Income Trust  
(APIR Code: AFM0010AU)
- 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 (ARSN 110 303 430). 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 Fund. 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 Fund 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. \*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.