

# Aurora Absolute Return Fund Performance Report - 30 November 2012

ASX Code: ABW



## Summary

- The Fund returned +0.61% for November whilst the the RBA Cash Rate returned 0.27%.
- The Investment Strategy has produced positive returns every financial and calendar year since inception.

## 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)	0.61%	0.73%	2.12%	4.66%	4.55%	3.35%
RBA Cash Rate	0.27%	0.84%	1.72%	3.86%	4.34%	5.09%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	0.47%	5.73%	13.36%	14.78%	3.12%	2.63%

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 1.5% 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>	\$90.6 million
Net Assets Value per Unit	\$1.0795

## 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%
30 June 12	\$0.0220	\$0.0000	\$0.0220	8.02%
30 Sept 12	\$0.0220	\$0.0000	\$0.0220	8.00%
<b>Total</b>	<b>\$0.7076</b>	<b>\$0.1311</b>	<b>\$0.7076</b>	

## Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	8.32%
Volatility % p.a.	2.88%
Sharpe Ratio	1.09
% positive months	87%
Best Month	3.63
Worst Month	-1.60%
Average positive monthly return	0.86%
Average negative monthly return	-0.57%

## Performance Commentary - Master Fund

The US presidential election proved to be more straightforward than the press would have the ordinary citizen believe. Barack Obama now faces a lame duck session with the possibility of going over the fiscal cliff. Whilst consensus predicts agreement, there is the fear of significant fiscal drag on GDP and the real possibility of political squabbling resembling the debt ceiling negotiations of 2011. This would have negative impacts on the market and significantly increase volatility. Whilst this isn't our base case we are running a larger than usual options book for this time of year due to this scenario and the current low levels of implied volatility. The S&P/ASX200 Accumulation Index was up 0.46% for the month whilst the Dow Jones Industrial Average was down -0.57%. The Consumer Discretionary sector continued its rebound to be up 3.5%, whilst Energy stocks struggled with cost blowouts at key projects to be down -2.7% for the month. The Fund finished the month up 0.61%.

The **Long/Short** portfolio produced +0.19% of the monthly return. Pre-event situations provided most of the upside; Australian Infrastructure Fund (AIX.ASX) rallied after signing an implementation agreement with the Australian Federal Government's Future Fund for the sale of all its assets; Chalice Gold Mines (CHN.ASX) announced a significant drilling result ahead of its December capital return. A position in Santos (STO.ASX) was particularly unprofitable despite increased output and gas discoveries. The Strategic Review for Northern Iron (NFE.ASX) ended with both interested parties not presenting a formal, binding bid. The stock fell materially on this news and we exited the position.

The **Convergence** book returned +0.11% with the Wesfarmers (WES.ASX)/Wesfarmers partially protected shares (WESN.ASX) spread closing the month at \$1.37. We continue to hold a large core position in this situation, whilst taking advantage of liquidity events in the partially protected shares.

The **Mergers and Acquisitions** portfolio performed well (+0.43%). The Challenger Infrastructure Fund (CIF.ASX) received a contingent payment for its Inexus asset earlier than expected. Industrea (IDL.ASX) shareholders approved the Scheme of Arrangement with General Electric. Sundance Resources released its Scheme Booklet giving investors increased confidence that the drawn out transaction with Hanlong might finally be consummated.

The **Options** portfolio produced a negative month of -0.31%. The book was initially positive after a spike in volatility post the U.S. election. Volatility fell significantly during the final week of the month. We have used this fall to add to the book, particularly where longer dated (3-6 months) options are attractive. Insurance Australia Group Limited (IAG.ASX) was the largest detractor from performance during the month whilst a position in Westpac Banking Corporation was particularly profitable as the stock went ex-dividend during the month.

The **Yield** portfolio continued to produce steady returns (+0.13%) with Yield margins compressing significantly during the month. We used this compression to reduce/exit some of our larger positions (e.g. Westpac, ANZ and Suncorp Mandatory Convertible Preference Shares). We expect spreads to widen in any equity market weakness or where new issuance pipeline was to reopen.

## About Aurora

Aurora Funds Limited ('Aurora', ASX Code: AFV) was listed on the ASX in July 2010.

The combined group has in excess of \$550 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. From 1 October 2012 the Fund intends to always distribute at least 1.5% 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.