

Aurora Absolute Return Fund Performance Report - 28 February 2013

ASX Code: ABW



Summary

- The Fund returned 0.81% for February whilst the the RBA Cash Rate returned 0.25%.
- The Master Fund has produced positive returns every financial and calendar year since inception.

Performance¹

	1 month	3 months	6 months	12 months	3 years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	0.81%	0.57%	1.31%	4.01%	5.11%	3.31%
RBA Cash Rate	0.25%	0.75%	1.59%	3.54%	4.28%	5.01%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	5.37%	14.30%	20.85%	24.19%	8.02%	4.77%

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 ² 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	\$10.5 million
Strategy Size ³	\$92.6 million
Net Assets Value per Unit	\$1.0686

Fund Distributions (Per Unit)⁴

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%
31 Dec 12	\$0.0170	\$0.0000	\$0.0170	6.40%
Total	\$0.7246	\$0.1311	\$0.8557	

Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	8.13%
Volatility % p.a.	2.86%
Sharpe Ratio	1.06
% positive months	85%
Best Month	3.63
Worst Month	-1.60%
Average positive monthly return	0.88%
Average negative monthly return	-0.54%

Performance Commentary - Master Fund

The S&P/ASX200 Accumulation Index finished February up 5.37%. The continuing bull market was driven by leading industrial corporates announcing better than expected half year profits over reporting season, and positive leads from world markets. Consumer Staples (+9.7%) was the best performing sector for the month but again it was the Aussie banks that contributed the most to the index rally. The Materials sector (-0.2%) continued to be the laggard, BHP and Newcrest in particular weighed on the market. The Aurora Absolute Return Fund generated a return of +0.81%, versus the cash benchmark of 0.25%.

We are pleased to report that the **Options** portfolio was the best performing strategy for the month (+0.58%). As anticipated, the historically low levels of volatility provided an opportunity to profit from an increase in volatility over reporting season. This was most pronounced in the Master Fund's March Index Futures position (APH3.SFE). Also of benefit was the small net long, and long volatility overlay in the major banks (CBA.ASX, WBC.ASX, NAB.ASX and ANZ.ASX). Boral (BLD.ASX) was an underperformer because the stock rallied sharply while the Master Fund held a short bias.

Convergence was a small positive contributor +0.12%. The Wesfarmers position (WESN.ASX and WES.ASX) was the best performer as the share price rallied dramatically, and there is embedded optionality in the partially protected securities (WESN.ASX). The Yancoal Contingent Value Rights (CVRs) detracted from performance as the spread on the instrument widen due to risks around conversion for equity or cash redemption early next year.

Mergers and Acquisitions was a minor positive contributor (+0.07%). Within the strategy, the Texon (TXN.ASX) and Sundance (SEA.ASX) merger, and also the Skywest (SXR.ASX) and Virgin (VAH.ASX) merger did well, but Australian Infrastructure Fund (AIX.ASX) marked down. TXN.ASX delisted from trading as the merger with SEA.ASX drew to a close. SXR and VAH released their scheme documentation and scheduled the scheme meeting for mid-March. On the flip side, the AIX margin increased to account for a greater risk that there may be a delay in the timetable of payments and/or that there may be litigation costs due to AustralianSuper alleging a breach of shareholders' agreements over the main asset sale, being Perth Airport.

The **Yield** book was consistent (+0.18%), with ANZ Convertible Preference Shares (ANZPB.ASX) performing particularly well after going ex-distribution. The Master Fund continued to add to short dated instruments with mid-year maturities.

Underperforming for the month was the **Long/Short** strategy (-0.16%) despite holding mostly long positions. Atlas Iron (AGO.ASX) came under pressure as a result of the declining iron ore price, a poor result and general materials weakness. A stop loss was implemented over this position. Boart Longyear (BLY.ASX) also proved particularly volatile as mining service companies generally disappointed. Fairfax Media (FXJ.ASX) and Qantas Airways (QAN.ASX) were positive offsets.

About Aurora

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

The combined group has in excess of \$540 million in funds under management and administration, and provides asset management and responsible entity/trustee services for 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 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.