

Aurora Absolute Return Fund Performance Report - 31 March 2013

ASX Code: ABW



Summary

- The Fund returned 0.42% for March 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	5 years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	0.42%	0.96%	1.40%	3.97%	2.38%	3.33%
RBA Cash Rate	0.25%	0.75%	1.55%	3.43%	4.41%	4.98%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	-2.21%	8.15%	15.66%	19.98%	3.09%	4.33%

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	\$10.4 million
Strategy Size ³	\$94.1 million
Net Assets Value per Unit	\$1.0571

Fund Distributions (Per Unit)⁴

Period (per Unit)	Cash	Franking	Total	Yield at NAV (p.a.)
FY 06-07	\$0.2448	\$0.0579	\$0.3027	19.26%
FY 07-08	\$0.0919	\$0.0732	\$0.1651	9.46%
FY 08-09	\$0.0717	\$0.0000	\$0.0717	6.08%
FY 09-10	\$0.0950	\$0.0000	\$0.0950	9.33%
30 Sep 10	\$0.0250	\$0.0000	\$0.0250	9.50%
31 Dec 10	\$0.0230	\$0.0000	\$0.0230	8.32%
31 Mar 11	\$0.0230	\$0.0000	\$0.0230	8.19%
30 Jun 11	\$0.0227	\$0.0000	\$0.0227	7.98%
30 Sep 11	\$0.0222	\$0.0000	\$0.0222	8.01%
31 Dec 11	\$0.0222	\$0.0000	\$0.0222	8.02%
31 Mar 12	\$0.0221	\$0.0000	\$0.0221	8.03%
30 June 12	\$0.0220	\$0.0000	\$0.0220	8.06%
30 Sept 12	\$0.0220	\$0.0000	\$0.0220	8.12%
31 Dec 12	\$0.0170	\$0.0000	\$0.0170	6.25%
31 Mar 13	\$0.0160	\$0.0000	\$0.0160	6.02%
Total	\$0.7406	\$0.1311	\$0.8717	

Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	8.10%
Volatility % p.a.	2.85%
Sharpe Ratio	1.06
% positive months	86%
Best Month	3.63
Worst Month	-1.60%
Average positive monthly return	0.84%
Average negative monthly return	-0.54%

Performance Commentary - Master Fund

The S&P/ASX200 Accumulation Index finished down -2.21% in March putting an end to a nine month positive streak. Within the Aussie Index, Australian banks continued to perform relatively well and again it was resources that lead the market lower. Of note, both BHP and RIO fell by more than 10%. Concerns out of Cyprus, namely the treatment of bank deposits, and the possible ramifications for other debt ridden European economies forced risk back into the spotlight. Commodity price declines also weighed heavily on our market as lower demand lead to lower spot pricing; iron ore was particularly topical. The Aurora Absolute Return Fund generated a return of +0.42%, versus the unchanged cash benchmark of 0.25%.

Convergence was the best performing strategy for the month (+0.26%). The Wesfarmers position (WESN.ASX and WES.ASX) was the biggest contributor again due to an increase in the value of the protection as the share price fell in line with the market. The Yancoal Contingent Value Rights (CVRs) had a better month adding to profits and we see the security offering good value with maturity approaching early next year. Also performing well was the News Corporation (NWS.ASX/NWSLV.ASX) CDI trade into the USA. This was largely due to increased North American interest in plans for the company to spin off the groups publishing assets into a separate listing.

Long/Short generated a loss for the month (-0.10%). Gains from holding a long position in Treasury Wines (TWE.ASX) were offset by losses from being long Newcrest Mining (NCM.ASX) and Downer EDI (DOW.ASX). Short positions in Bradken (BKN.ASX) and Sims Metal (SGM.ASX) worked but the book held a slight long bias and higher beta names suffered.

Mergers and Acquisitions added +0.12% for the month. The best performers were Real Estate Capital Partners USA Property Trust (RCU.ASX) and Challenger Infrastructure Fund (CIF.ASX). RCU drew to a conclusion as the trust paid redemption requests out of the cash held from implementing their asset sale process in the previous months. The disruptive actions of the major shareholder were put to rest and they too opted for redemption of their holding. CIF also concluded and provided the best possible outcome by delivering the residual payment ahead of schedule and at the upper end of the guided range. In contrast, although offering many parallels to CIF, Australian Infrastructure Fund (AIX.ASX) marked down due to the risk of litigation being launched. The asset sales have now completed and we are awaiting an announcement by the company as to the timing and amount of the first major payment. We assess the risk being priced into the deal as excessive and have been committed to running a concentrated exposure in this special situation.

The protective **Options** strategy was also a small detractor for the month (-0.04%). Volatility around the Cyprus situation produced good returns, but as the market grew more comfortable with the situation and the Aussie market approached a four day holiday weekend option prices were marked down aggressively, this had a significant impact on our index portion. The Master Fund's most profitable names were BHP.ASX, ANZ.ASX, CBA.ASX, MQG.ASX, and RIO.ASX.

The **Yield** book provided a positive return of +0.17%. All hybrid instruments were positive for the month but the Macquarie Convertible Preference Security (MQCPA.ASX) was the biggest contributor with only three months left to run until redemption or conversion, subject to some mandatory conversion conditions.

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.