Zenith Investment Partners

Highly Recommended
Recommended
Approved
Not Approved
Redeem

Product Assessment

Aurora Dividend Income Trust - ASX Quoted Units

Report data as at 31 May 2013
Rating issued on 08 Jul 2013

APIR Code
AOD

Asset Class
Australian Shares

Sub-Asset Class
Equity Income

Investment Style
Derivative Overlay

Investment Objective
The Aurora Dividend Income Trust aims to provide investors withreturns in excess of the S&P / ASX 200 AccumulationIndex(adjusted to include franking credits) over rolling 5 yearperiods with approximately half the volatility.

Zenith Assigned Benchmark
S&P / ASX 300 (Accum) Index

Key People
Steuart Roe
Chairman & Managing Director

John Corr
Chief Investment Officer

Binh Le
Senior Portfolio Manager

Investment Team Size
7

Net Returns (% p.a.)

	2 yrs	1 yr	6 mth
Fund	8.79	18.83	9.34
Benchmark	6.70	25.57	11.16

Income (% p.a.)

	Income	Total
FY to 30 Jun 2012	9.14	0.98
FY to 30 Jun 2011	9.64	6.82
FY to 30 Jun 2010	8.99	2.29

Fees (% p.a.)
Management Fee: 1.33%
Performance Fee: Nil.

Analyst
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VIEWPOINT & RATING

The Aurora Dividend Income Trust -ASX Quoted Units (the Fund) offers investors exposure to a portfolio with a strong bias towards higher yielding stocks that pay fully franked dividends. The Fund will structurally overweight these stocks, while shorting non-fully franked dividend paying stocks. The investment process seeks to capitalise on certain market anomalies that arise through the imputation landscape in Australia. The Aurora Dividend Income Trust is available in two unit classes, Unlisted and ASX Quoted. ASX Quoted units are accessible via the ASX AQUA trading platform under the ASX code AOD. Apart from the method by which the fund is accessed, the two unit classes are identical. **Zenith rates the Fund RECOMMENDED.**

The Fund is managed by the ASX listed, Aurora Funds Limited (ASX:AFV), which has $491 million in asset under management (as at 30 April 2013) and consists of two financial services businesses - Aurora Funds Management (RE and sales / marketing business) and Fortitude Capital (wholesale domestic hedge fund manager). The Melbourne investment team, which manages this Fund, is led by Chairman & Managing Director, Steuart Roe, who is an experienced investor in his own right.

Until recently, the underlying strategy was operated by Aurora for two funds (ADIT and the Aurora Sandringham Dividend Income Trust - ASDIT which was listed on the ASX until June 2013). The strategy underwent significant changes to the investment process at the end of 2010. This resulted in a shift from a variable 0% to 70% market exposure to a target market exposure of 50%. The Fund also removed the gearing capacity and dropped its dividend run up strategy, which had become increasingly arbitraged out of the market. It is important to note that ADIT has always operated under the enhanced strategy. Zenith sees the Manager's continued refinement and evolution of the strategy to ensure that it can continue to deliver "alpha" to unit holders as a positive. However, Zenith believes it should be appreciated that continual market evolution may continue to impact the anomalies the Fund targets.

The Fund primarily comprises a structural 100% "long position" in companies paying fully franked dividends and a 50% "short position" in companies not paying fully franked dividends, selected from the S&P / ASX 100 Index. This 'Core' strategy is supplemented by a number of 'enhancement' strategies including a Fundamental Strategy - seeks to predict changes to franking credit payout levels and an Earnings Announcements Strategy - seeks to add value by closing short positions around earnings announcements.

The Fund will generally hold between 40 and 60 'long' positions, while maintaining between 35 to 45 'short' positions, and have a net market exposure of 50%. Portfolio turnover is expected to be approximately 160% p.a., which is high on an absolute and peer relative basis. The resulting portfolio is expected to display a bias towards quality and value stocks, and be best suited to investors subject to lower marginal tax rates.

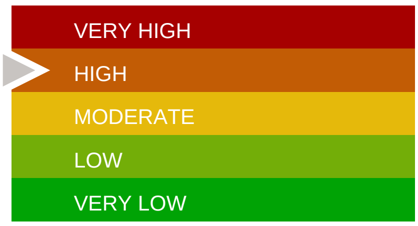
The management fee for the Fund is 1.33% p.a., which Zenith considers to be relatively high when compared with the Fund's peers.

(The fees mentioned above are reflective of the ASX Quoted Units only, fees may differ when the product is accessed through an alternate investment vehicle such as a platform.)

FUND FACTS

- Can take both short and long positions
- Maintains a 50% net market exposure
- Primarily systematic investment approach

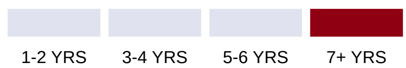
ABSOLUTE RISK (SECTOR)



RELATIVE RISK (FUND WITHIN SECTOR)

INCOME DISTRIBUTIONS PER

INVESTMENT TIMEFRAME



APPLICATIONS OF INVESTMENT

SECTOR CHARACTERISTICS

The Zenith "Australian Shares - Large Companies" sector consists of long only funds investing in the Australian equity market. The sector incorporates both benchmark aware and benchmark unaware strategies but the funds focus predominantly on large capitalisation stocks. The sector is one of the most competitive in the investment landscape, based on the number of managers and strategies available to investors. Despite the competitiveness of the sector, the Australian share market has historically provided many opportunities for active management, with the median active manager outperforming a passive index over the longer term.

Zenith benchmarks all funds in this space against the S&P/ASX 300 Accumulation Index, believing it is a fair representation of the investment universe for the underlying managers. However, many managers in this category benchmark their funds against the S&P/ASX 200 Accumulation Index. Both indices are market-capitalisation weighted, resulting in those companies with the largest market capitalisations receiving the heaviest weightings within the index. Over the longer term, Zenith believes there will be minimal difference between the return profiles of these indices.

The Australian share market, as represented by the S&P/ASX 300 Accumulation Index, is highly concentrated and narrow. Technically, a company is assigned the large cap moniker if it falls within the S&P/ASX 50, with those companies falling between the S&P/ASX 50 and S&P/ASX 100 assigned to the mid cap category. All stocks below the top 100 are considered small capitalisation stocks.

As at 31 March 2013, the Financials and Resources sectors combined represented a significant portion of the S&P/ASX 300 Accumulation Index, with the Financials sector accounting for close to 45% of the index, and Resources approximately 25%. The split between Industrials and Resources stocks was approximately 75%/25%. The top 10 stocks represented just over 50% of the weighting of the index, and the top 20 stocks represented just over 65% of the index.

PORTFOLIO APPLICATIONS

The Aurora Dividend Income Trust targets high yielding stocks that pay fully franked dividends. The Trust targets a quarterly cash distribution of at least 1.5% plus franking credits.

While the strategy is quite simple in structure, it is managed and executed at costs materially below those available to retail investors on an individual stock basis. The Trust aims to earn returns in excess of the equity market by taking advantage of the out performance of fully franked dividend paying companies and the market's inability to accurately price franking credits and the earnings announcement risk premium. This is a focused strategy (albeit not in terms of portfolio holdings), which provides diversification opportunities within a broader portfolio.

In terms of the Trust's correlation with competing Australian equity income funds, Zenith expects this to be low given that competitor products are largely "buy / write strategies" or derivatives thereof, for example:

- Merlon Wholesale Australian Share Income Fund - 30-60 securities, portfolio beta typically of 0.7, variety of option based strategies used, put option protection, can use hybrids, portfolio turnover of 40% - 60% p.a., quarterly distributing, income objective 2% above dividend yield of S&P / ASX 200 Accum. Index
- Zurich Investments Equity Income Fund - typically the top 50 stocks if pass liquidity filter, portfolio beta typically 0.5, variety of option based strategies used, put option protection monthly distribution, income objective 10% p.a

Overall, we believe the Trust is suitable for investors seeking high levels of income, who can tolerate the risks of moderate exposure to Australian Shares. This exposure will be targeted at 50% of the portfolio on a continuous basis (range 40%-60%). As mentioned, the underlying strategy has been operated by Aurora for two different funds although ADIT has always operated under the enhanced strategy which differs in that portfolio exposure would have formally ranged from 0%-70% up until 45 days out from reporting season.

Given the higher level of continuous exposure to equities the portfolio returns are likely to be smoother than previously experienced; however, it is expected that some level of variation or 'lumpiness' will persist (in comparison to the broader market) and at times will deviate to that of the underlying market index. Zenith sees the Manager's continued refinement and evolution of the strategy to ensure that it can continue to deliver "alpha" to unit holders as a positive. However, Zenith believes it should be appreciated that continual market evolution may continue to impact the anomalies the Fund targets.

ASX Quoted Units

The Aurora Dividend Income Trust is available in two unit classes, Unlisted and ASX Quoted. ASX Quoted units are accessible via the ASX AQUA trading platform under the ASX code AOD. Apart from the method by which the fund is accessed, the two unit classes are identical.

Following approval at an Extraordinary General Meeting on 17 June 2013 for the Aurora Sandringham Dividend Income Trust (ASDIT), this vehicle was delisted from the ASX. The Responsible Entity of ASDIT, Aurora Funds Management Limited, made an in-specie distribution to unitholders of the assets of the Fund which effectively resulted in all investors exchanging their ASX listed units in ASDIT for ASX-quoted units in the Aurora Dividend Income Trust - ASX Quoted Units on a one for one basis. The ADIT units are quoted on the ASX AQUA platform and can be bought and sold like any listed entity. The ASX code for the ASX-quoted units in ADIT is AOD.

The transfer of unit holders interests in the Fund to ASX-quoted units has zero impact of the Fund's investment strategy.

RISKS OF THE INVESTMENT

SECTOR RISKS

Funds within the "Australian Large Cap" sector are exposed to the following broad risks:

MARKET & ECONOMIC RISK: As is the case with all long only Australian Share funds, the biggest risk to performance is a sustained downturn across the Australian share market. In addition, changes in economic, social, technological or political conditions, as well as market sentiment could also lead to negative fund performance. This risk can be significantly reduced by investors adhering to the Fund's prescribed investment timeframe.

SPECIFIC SECURITY RISK: This is the risk associated with an individual security. The price of shares in a company may be affected by unexpected changes in that company's operations such as changes in management or the loss of a significant customer.

LIQUIDITY RISK: This is the risk that a security or asset cannot be traded quickly enough, due to insufficient trading volumes in the market. When trading volumes are low, sellers can significantly impact the price of a security when attempting to quickly exit a material position.

STYLE BIAS RISK: Australian equity managers will either employ a Growth, Value or Neutral (combination of Value & Growth) styled approach to investing. Each style is conducive to certain market conditions i.e. Growth should outperform Value in an upward trending market and vice versa in a downward trending market. As with Market Risk, investors should adhere to the fund's investment timeframe to avoid short-term market movements and style impact.

CAPACITY RISK: High levels of funds under management (FUM) can present additional challengers to an Australian equity manager, as high FUM has the potential to hamper the manager's ability to trade efficiently and/or be forced to disclose substantial shareholdings to the market (most common in smaller companies).

FUND RISKS

Zenith has identified the following key risks associated with the Fund; this is not intended to highlight all possible risks:

KEY PERSON RISK: As with many boutique fund managers, Zenith considers there to be a significant level of key person risk associated with the Fund. Zenith has identified Aurora's founder, Steuart Roe as being critical to the Fund, although his hands on role, on the investment side has diminished since the merger. The risk of his departure is partially mitigated by his significant equity stake in the business. Cross training amongst the investment team also aids to the reduction of key man risks.

BUSINESS RISK - While the Aurora business has continued to strengthen off the back of some strong fund performance, based on the latest audited accounts (HY13), Aurora as a business continues to be in a negative operating cash flow position. Zenith believes it is essential that an increased focus is placed on market penetration and awareness in the short-term for the business to be successful.

SHORT SELLING RISK: The Fund engages in short selling to reduce the Fund's market exposure. Short selling involves borrowing and selling securities the Fund does not own. The action of stock borrow creates an obligation to redeliver the securities borrowed (or their equivalent) on an agreed date, or if circumstances change, on demand from the stock lender. Short sale positions create an unlimited risk for the portfolio if the stock price of the security rises and Aurora is unable to buy the securities back in the market place. The act of buying securities in a rising market can add to the positive price momentum and add to the losses in the Fund.

STRATEGY RISK: The Fund employs a focused strategy, which is reliant on a limited set of imputation derived market anomalies. Should the drivers behind its strategies be arbitraged away, Zenith believes this would significantly reduce the scope to add value from this strategy.

FUNDS UNDER MANAGEMENT: The strategy has experienced a level of portfolio turnover of approximately 200% p.a. (new strategy is expected to generate approximately 160% p.a.) and can have meaningful positions in stocks around earnings announcements. Accordingly, FUM levels need to be conservatively managed, Aurora is highly cognisant of this issue and has set a maximum capacity of $500 million. Based on the current level of FUM (circa $20 million) this issue is not yet a significant concern.

CLIENT CONCENTRATION RISK: The Fund is still relatively small in total FUM and any significant single client (i.e. a single dealer group) may pose a high level of client concentration risk.

QUALITATIVE DUE DILIGENCE

ORGANISATION

Aurora Funds Management (Aurora FM) was established in early 2003 with the objective of delivering retail investors access to specialist investment strategies from both domestic and offshore investment managers. Aurora FM is the issuer and responsible entity (RE), and is ultimately responsible for the administration of the Trust. Zenith is comfortable that Aurora has all the necessary skills, background and expertise to perform this role.

Aurora Funds Management is one of two businesses merged into Aurora Funds Limited (Aurora Funds). Aurora Funds (ASX code - AFV) commenced trading on the ASX on the 13th July 2010 and merged Aurora FM (RE and sales / marketing background), Sandringham Capital (wholesale global and domestic equity asset manager) and Fortitude Capital (wholesale domestic hedge fund manager).

The Board comprises entirely of executive directors – Steuart Roe (Chairman, ex Sandringham Capital founder), Alastair Davidson (ex Aurora FM), John Corr (ex Fortitude Capital founder), Richard Matthews (ex Aurora FM) and Simon Lindsay (ex Aurora FM). To ensure compliance best practice, Zenith would prefer to see an independent chair, independent director majority and the role of chair and managing director not performed by the same person.

Aurora Fund's compliance committee comprises an independent member majority which includes Mark Hancock (ex NRMA Insurance & Deakin Financial Services) and David Lewis (ex Prudential & NSP Buck, current principal of Northbridge Financial Solutions). The combined Aurora Fund's business has within its ranks depth of experience and expertise in back office, sales / marketing, funds management, investment banking and stockbroking, which gives it the adequate skill to manage a diversified financial service business.

The merger of these entities not only created a more solid capital base, it also provided synergies as a result of increased scale. This manifests itself mostly in non-core investment activities such as; compliance, negotiating with service providers and operational support. While these structural enhancements are beneficial, the sharing of front office experience and skills also supplies additional benefits.

Aurora's total Group FUM as at 30 April 2013 is $491.1m. Zenith notes that Group FUM has remained relatively static at around $500m since mid-2010. Examination of the Group's annual reports show that the business has struggled to operate profitably since listing. While the business currently has reasonable levels of cash on hand ($2.4m as at 31 December 2013), it is imperative that the Group achieves FUM growth to drive profitability. Zenith has undertaken detailed discussions with Aurora on their marketing strategies going forward and we intend to closely monitor FUM flows to the Group on an ongoing basis.

While Zenith believes that the business is capable of harnessing growth given the calibre of the core funds being operated, we would see any failure to successfully execute their marketing plans and a material decrease of FUM as a negative which could potentially imperil the financial stability of the businesses. Accordingly, any material decline in FUM or erosion of the Group's cashflow would potentially lead to a re-rating of the Fund.

INVESTMENT PERSONNEL

Name	Title	Tenure
Evan Tepper	Assistant Portfolio Manager	8 Mth(s)
Steuart Roe	Chairman & Managing Director	7 Yr(s)
John Corr	Chief Investment Officer	9 Yr(s)
Binh Le	Senior Portfolio Manager	5 Yr(s)
Sheriden Hure	Senior Portfolio Manager	7 Yr(s)
Andrew Ward	Portfolio Manager	7 Yr(s)

From an investment team perspective Steuart Roe sits in the role of Chairman and Managing Director of Aurora Funds Limited while retaining his active role as Portfolio Manager for the Trust. The two investment teams of Sandringham and Fortitude are now formally merged into a single team under the direction of John Corr. However given the separate locations of the teams in Sydney (Fortitude) and Melbourne (Sandringham), operationally they operate much as before although they have formal contact daily to discuss direction.

The investment team in Melbourne consists of 3 individuals, all actively involved in the day-to-day managing of the Trust. In our previous report we noted that while adequately resourced given the Manager has only two investment strategies (one domestic / one global), Zenith would prefer to see an additional senior member added to the investment team. The merger and the insertion of John Corr as the Chief Investment Officer substantially increases the intellectual talent available which is increasingly important given Roe now spends approximately 40% of his time on operational, sales / marketing and client responsibilities given his Managing Director duties.

Steuart Roe is the founder of the Sandringham business and is actively involved in the management of the Trust. Prior to establishing Sandringham, Roe held a variety of roles, principally in the structured finance and derivative markets. From 2001 to 2004 he was Executive Director and Head of Equity Risk Management Product for UBS which involved the origination, structuring and distribution of equity derivative and cash products to corporate, financial intermediaries and retail clients. Prior to this he spent 9 years at Citigroup (formerly Salomon Smith Barney and County NatWest) in a variety of roles including as Director and Head of Corporate and Retail Equity Derivative Products, Head of Equity Risk Management, and Associate Director / Portfolio Manager of Structured Investments. In Zenith's view, Roe's background is perfectly suited to the management of the Trust given his understanding of risk management and derivatives. Importantly, Roe has delivered a solid track record as portfolio manager of the Trust since its inception, which adds further to his credentials.

Binh Le joined Sandringham in June 2008 from Peloton Partners (2006 -2008) following his move from London to Melbourne. Prior to this he spent 8 years with Dresdner Kleinwort in FX derivative trading, credit and risk management roles. Le comes from a strong quantitative and analytical background and with a Master's of Science in Computational Finance is ideally suited to role the Senior Portfolio Manager role at Sandringham given its underlying investment style.

Prior to establishing Fortitude Capital, John Corr was a director at Citigroup Global Markets Australia where he was responsible for the management and development of a team of equity proprietary traders who traded local and overseas equities and equity derivatives. As a result of significant success in this role, John is highly regarded in Australia as a trader. His experience and risk adverse nature make a natural fit with the group's fund offerings. From our experience in dealing with John we know him to be an experienced and high calibre investment professional. Since the merger and listing of Aurora Funds Limited, Zenith notes that this has allowed some level of load sharing as well as sharing knowledge and expertise amongst the three underlying businesses, particularly amongst some of the more specialised capabilities found in the Sandringham and Fortitude businesses.

The team has been fairly stable with a single departure in the last three years. In 2012, former Portfolio Manager for the Fund Peter Wilson left after three years with Aurora. Wilson did not take on the full responsibilities traditionally associated with a PM role and was largely responsible for recommending trading strategies, execution and monitoring positions. Wilson has been replaced with Evan Tepper who has joined the team as an Assistant PM. Tepper has 6 years industry experience and previously worked for NAB Asset Servicing with his role encompassing pricing and analysis of securities including complex derivatives, bonds and MBS as well as performance analysis of client portfolios.

Given the high level of involvement that more senior individuals have in executing the Fund strategy, Zenith does not see the loss of Wilson as a critical event.

Since out last review, Aurora has appointed a part time Head of Research, Tom Gillespie. Gillespe has extensive experience in financial services with his most recent role as Director, Investment Services at Russell Investments. Gillespe's role is to provide an external viewpoint across a wide range of issues and to act as a sounding board. Given the flexible nature of the Fund's investment strategy which has been responsive to external pressures to capture maximum returns, Zenith believes that the appointment should be positive over the longer term.

INVESTMENT PROCESS

The Fund aims to outperform the S&P/ASX 200 Accumulation Index (inclusive of franking), with approximately less volatility over a rolling five year period.

Aurora primarily seeks to achieve this objective by systematically being long fully franked dividend paying stocks and being 50% short non-dividend paying stocks.

The process seeks to capitlise on a market anomaly derived from the valuation of franking credits. Historically, franking credits have not been fully reflected in the price of a security (as displayed in the difference ex-dividend and cumulative stock prices). This pricing difference is in part due to the fact that foreign investors can not realise the benefits of these tax credits. In addition, Aurora believes that the "at risk rule" that was introduced by the Australian Tax Office (ATO) in 1997, limits the franking credit value from being arbitraged away by market participants.

The investment philosophy is also based on a number of empirical studies, that have suggested that the level of tax paid by a company is a reasonable indication of the company's quality of earnings, which will ultimately drive the performance of its share price. On this basis, it is expected that fully franked dividend paying stocks will outperform non-fully franked dividend paying stocks over time.

SECURITY SELECTION

The Fund's investment universe consists of all companies listed on the S&P/ASX 100 Index however there is the capacity to allocate up to 2% of the portfolio outside the ASX100.

The investment strategy of the Fund is to own a passive portfolio of fully franked dividend paying companies, selected from the constituents of the S&P/ASX 100 Index, while reducing the 'market exposure' by short selling a portfolio of non-fully franked dividend paying companies. This is combined with further "enhancement" strategies concerning the price action of stocks around ex-dividend dates and earnings announcements.

Core Strategy

In assessing fully franked dividend paying companies sitting within the S&P/ASX 100 Index, Aurora maintains a proprietary database of franking account balances of all companies in the index and uses broker consensus data on future earnings to estimate how much tax each company is likely to pay in Australia such that they can pay a fully franked dividend.

The investment position in each stock that passes the filtering process is based upon their market capitalisation, with active exposure versus the S&P/ASX 100 constrained within risk management limits. The filter process sets a minimum hurdle of a 1% dividend yield and screens out stocks on M&A, capital management and litigation / regulatory issues that are deemed to have a material impact on performance.

Enhancement Strategy

As an enhancement to the core strategy, the Fund will systematically increase the overweight to fully franked dividend paying companies in the lead up to the ex-dividend date and underweight them following the ex-date. Short sold positions may be repurchased prior to their earnings announcements. All purchases pre-announcement are sold following a qualifying 45 day rule period, to ensure its entitlement to franking.

Apart from this qualitative screening overlay the process continues to be essentially "rules based" and does not require a deep level of fundamental or valuation analysis of individual securities. While the process is simple, it has proven effective to date.

PORTFOLIO CONSTRUCTION

The portfolio construction process is systematic in nature, with the Fund targeting a 50% net exposure to equities at all times. With the portfolio consisting primarily of a 100% long exposure of fully franked dividend paying companies and a 50% short position in non-fully franked stocks. Individual position weights are based on market capitalisation, with larger companies receiving a larger weighting in both long and short positions.

During reporting season the Fund will also include enhancement strategies, with Aurora now more flexible in the manner in which it invests its dividend announcement strategy (i.e targeting stocks up to 100 days before ex-dividend).

Under this "core" and "enhancement" strategy approach the portfolio is expected to hold approximately 100 positions. Portfolio turnover is expected to be approximately 160% p.a. which is high relative to its peers. However, trading is generally executed via Direct Market Access (DMA), where the brokerage rate is normally 0.025%, which is highly competitive.

Zenith believes the systematic portfolio construction process is well suited to capitalise on current market anomalies. However, these anomalies can and do change, due to regulation changes or as market participants create new ways to take advantage of the arbitrage opportunities. While Zenith views Aurora's progress in developing enhancement strategies to be positive, we believe that Aurora will need to increase its focus on research and development of new strategies to complement or possibly replace the existing core strategy.

OPERATIONAL DUE DILIGENCE

RISK MANAGEMENT

In Zenith's opinion the Trust has appropriate formal risk management procedures / constraints in place, in particular surrounding portfolio construction. These include:

- Security must be a constituent of the S&P/ASX 200 Index to be eligible for investment;
- Only invest in companies that pass its qualitative screening process;
- Only invest / divest as companies change their franking levels or are added / subtracted from the index, subject to tax on realisation and the specific situation;
- Dividend yield must be greater than 1% for a long position to be added;
- Maintain active exposure on each stock at maximum 10% versus the Index (excluding BHP);
- Maintain active exposure by sector to a maximum 10% versus index;
- Maximise efficiency by monitoring 45 day holding period rule and CGT implications; and
- Net cash allocation of between 40 - 60% with a target of 50%.

Aurora has also invested heavily in its internal systems. As an example, Imagine Trading Systems, used by investment bank proprietary traders, is used for deal capture and risk management.

The investment process uses individual stock templates which are updated on a live basis and highlight key information including: pricing; volatility; valuation; broker recommendations and the qualitative screening as a further risk management measure

Overall, Zenith is comfortable with the constraints placed on the portfolio.

INVESTMENT FEES

Investment costs of 0.97375% pa are charged to the Trust under the Investment Management Agreement. This fee is charged based on the Trust's Net Asset Value, calculated and accrued monthly and paid quarterly. The Fund also charges expense recoveries of up to 0.3075% pa.

Up until November 2012, the Fund levied a performance fee of 20.5% of the amount that the total unit holder return exceeds the benchmark (equally weighted combination of the UBS Australia Bank Bill Index and the S&P / ASX 200 Accumulation Index). The decision to remove this fee was based on two key factors. Firstly it was considered that the fee structure was probably too high given the current strategy. Secondly, the introduction of ASIC Regulatory Guide 240 meant that the use of a performance fee (amongst other characteristics) would have caused the Fund to be classified as a hedge fund by the regulator.

In FY12, the Trust's Indirect Cost Ratio, which takes into account ongoing management fees and expenses but not transaction costs, equalled approximately 1.457%. While the cost of investment in the Trust is quite expensive, the overall fee structure is generally similar to most specialist absolute return funds we have reviewed.

Fees Type	Fund	Sector Average (Wholesale Funds)
Management Fee	1.33% p.a.	1.08% p.a.
	Description	
Performance Fee	Nil.	

PERFORMANCE ANALYSIS

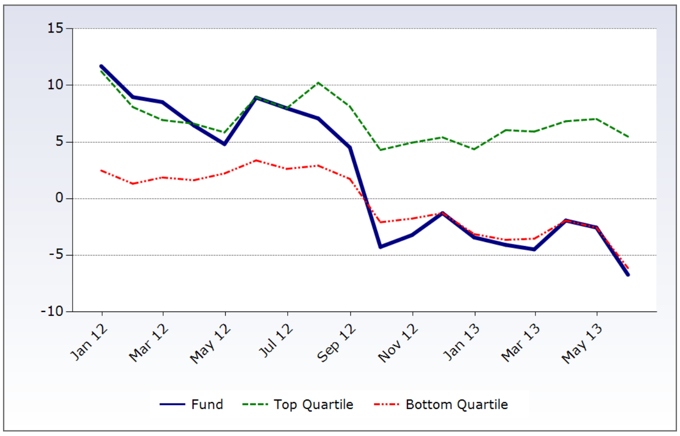
Report data: 31 May 2013, product inception: Jan 2011

Monthly Performance History (%)

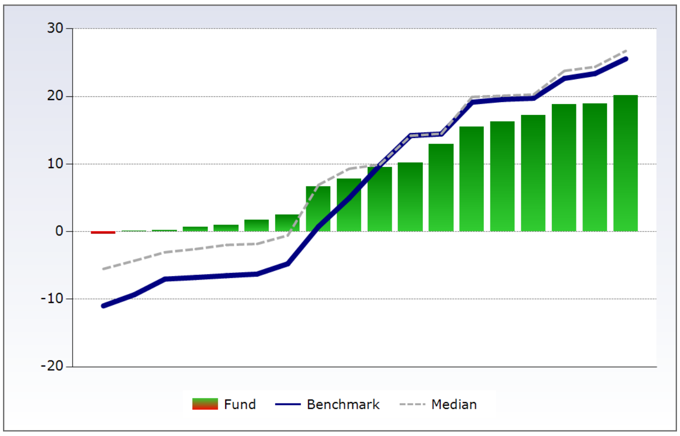
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	FUND YTD	BENCHMARK YTD
2013	2.25	4.37	-1.08	4.50	-4.22								5.67	7.57
2012	2.99	1.37	0.34	1.98	-3.19	0.77	2.41	1.76	-0.19	1.96	1.69	3.48	16.30	19.74
2011	1.24	2.08	1.90	2.10	-2.73	-0.61	-4.11	0.22	-0.81	5.36	-3.98	0.47	0.73	-10.98

Benchmark: S&P / ASX 300 (Accum) Index

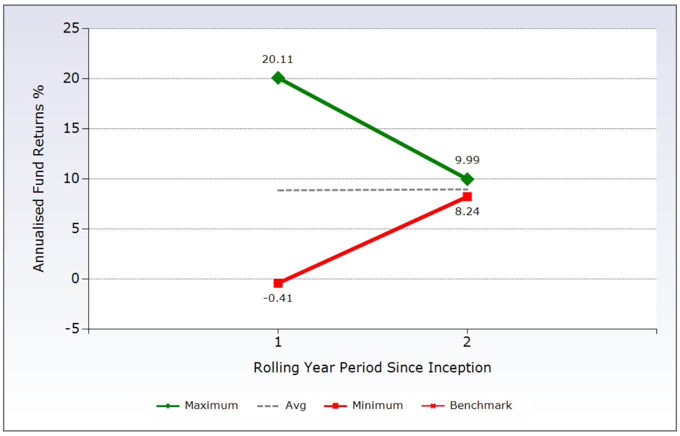
1 Yr % Rolling Excess Return



1 Yr % Rolling Return Range (Date range as above)



Minimum and Maximum Returns (% p.a.)



ABSOLUTE PERFORMANCE ANALYSIS

Return	Incpt.	2 yr	1 yr	6 mth
Fund (% p.a.)	9.23	8.79	18.83	9.34
Benchmark (% p.a.)	5.83	6.70	25.57	11.16
Ranking within Sector	**Incpt.**	**2 yr**	**1 yr**	**6 mth**
Fund Ranking	11 / 21	14 / 22	20 / 22	17 / 25
Quartile	2nd	3rd	4th	3rd
Standard Deviation	**Incpt.**	**2 yr**	**1 yr**	**6 mth**
Fund (% p.a.)	8.72	9.12	8.10	11.05
Downside Deviation	**Incpt.**	**2 yr**	**1 yr**	**6 mth**
Fund (% p.a.)	4.78	4.96	4.06	5.35
Risk/Return	**Incpt.**	**2 yr**	**1 yr**	**6 mth**
Sharpe Ratio - Fund	0.57	0.52	1.91	0.70
Sortino Ratio - Fund	1.04	0.95	3.81	1.46

All commentaries below are as at 30 April 2013.

Zenith uses the S&P/ASX 300 Accumulation Index to benchmark all large cap equity managers to ensure consistency in statistical analysis. It should be noted that the internal benchmark for the Trust's is a 50:50 combination of the UBS Australia Bank Bill Index and the S&P/ASX 200 Accumulation Index.

While this Trust has only been open to investment since January 2011, it has been offered through an ASX-listed trust since November 2005. Following approval at an EGM for ASDIT on 17 June 2013, ASDIT has been closed and all investors have received a replacement investment in ADIT on a one for one basis. The ADIT units are quoted on the ASX AQUA platform and can be bought and sold like any listed entity. Their ASX code is AOD.

The strategy has been enhanced over the years but its core investment philosophy remains unchanged with it seeking to take advantage of the out performance of fully franked dividend paying companies in what Aurora describes as the market's systematic undervaluation of franking credits.

Evident from the absolute performance analysis table, when equity markets are "soft" the strategy benefits from being less than 100% market exposed. Its focus on fully franked dividends also reaps benefits during these periods.

RELATIVE PERFORMANCE ANALYSIS

Alpha Statistics	Incpt.	2 yr	1 yr	6 mth
Excess Return (% p.a.)	3.41	2.09	-6.74	-1.81
% Monthly Excess (All Mkts)	51.72	50.00	50.00	66.67
% Monthly Excess (Up Mkts)	38.89	33.33	40.00	50.00
% Monthly Excess (Down Mkts)	72.73	77.78	100.00	100.00
Beta Statistics	**Incpt.**	**2 yr**	**1 yr**	**6 mth**
Beta	0.63	0.62	0.74	0.80
R-Squared	0.76	0.79	0.82	0.91
Tracking Error (% p.a.)	6.17	6.48	4.33	4.31
Risk/Return	**Incpt.**	**2 yr**	**1 yr**	**6 mth**
Information Ratio	0.55	0.32	-1.56	-0.42

All commentaries below are as at 31 May 2013.

It should be noted that while Zenith's own sector benchmark uses the S&P/ASX 300 Accumulation Index, the internal benchmark for the Trust's is a 50:50 combination of the UBS Australia Bank Bill Index and the S&P/ASX 200 Accumulation Index.

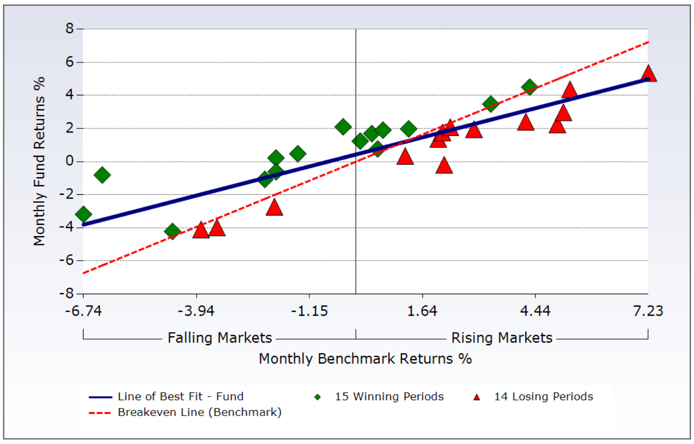
Zenith seeks to identify funds which can outperform their index in greater than 50% of months, as we believe this represents a persistence of manager skill. The Fund has achieved an outperformance consistency in all markets (versus our sector benchmark) of 50% since inception. Outperformance is skewed to downside markets which we would expect given the Fund's strategy.

Since inception the trust has delivered a strong Information ratio. As expected from the investment style, the trust has traditionally delivered its strongest performance in falling market conditions.

Monthly Return Scattergram

The following Monthly Return Scattergram Chart provides an insight into the skill of the manager, the risk profile of the manager (both absolute and relative) and the market conditions which favour the manager. The dot points represent the monthly returns of the fund (y-axis) and benchmark (x-axis) since inception or the past five years for funds with long histories. As a guide:

- A green dot point indicates the fund has outperformed in that month. A red dot indicates the fund has underperformed in that month.
- The blue line is a line of best fit of the fund returns and the red line is the breakeven line or benchmark line of best fit. The blue line crossing the y-axis above zero indicates investment outperformance (and vice versa)
- The slope of these lines provides an indication of the beta (market risk) of the investment and benchmark. The greater the slope the greater the risk.
- Often the blue line will cross with the red line at some point and this indicates that investment outperformance is better in certain market conditions (and vice versa).



INCOME/GROWTH ANALYSIS

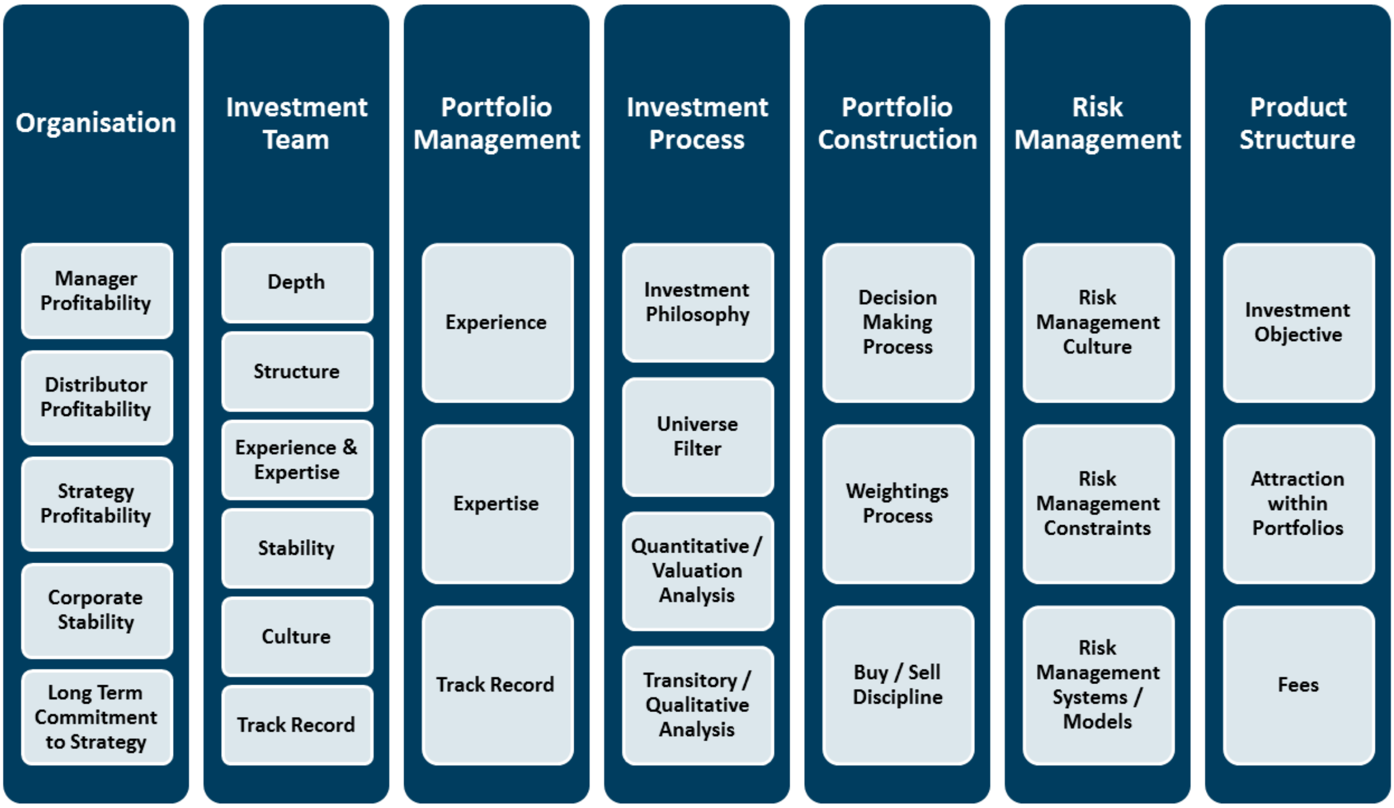
Income / Growth Returns	Income	Growth	Total
FY to 30 Jun 2012	9.14%	-8.16%	0.98%
FY to 30 Jun 2011	9.64%	-2.82%	6.82%
FY to 30 Jun 2010	8.99%	-6.70%	2.29%

Investors should be aware that while the Fund will have a general yield bias, it does not target a specific absolute level of income.

METHODOLOGIES & DISCLAIMER

Ratings Methodology

Zenith's ratings are based on the output of a proprietary scoring model. This model and its broad factors are shown in the following diagram. Please note we do not disclose the weightings of factors and sub-factors change for each sector. This information should be used as a guide only.



Ratings Bands

Based on the scores assigned by Zenith's analysts for the above mentioned proprietary scoring model, a rating of Highly Recommended, Recommended, Approved or Not Approved is applied to all funds that have undergone full due diligence by the Zenith research team. As shown in the following table the ratings are determined based on the overall score out of 100. Funds may also be screened prior to conducting full due diligence based on qualitative or quantitative concerns as Zenith's research model aims to focus on the best investments in each sector.

Rating	Scoring Output (%)	Zenith View of Standing within Peer Group (guide only)	Confidence in Meeting Objectives	Zenith Recommended List
Highly Recommended	> 80	Top Decile	Very High	YES
Recommended	> 70-80	Top Quartile	High	YES
Approved	> 55-70	Above Median	Moderate	NO
Redeem	=< 55	Below Median	Low	NO
Other Ratings				
Not Approved	In most cases these funds have failed a preliminary quantitative or qualitative screen which leads us to believe the fund will not achieve the minimum threshold required to receive a Recommended rating or above. In some cases funds may have passed the filter but managers declined the opportunity to be rated.			
Under Review	The fund rating has temporarily been placed under review due to qualitative and/or quantitative issues that need to be addressed by the Zenith Research Team.			

ABSOLUTE RISK RATING

The Absolute risk rankings should be viewed as a guide to potential capital volatility (in both gains and losses) of the relevant investment strategy (Zenith Asset Class / Sub Asset Class classification) of this product. A number of factors have been considered in setting this risk level. For liquid asset classes, we have typically used the underlying historical return volatility of the product's benchmark if the benchmark is a reasonable proxy for returns for this strategy. Where the risk of an investment cannot be reasonably estimated by historical benchmark return analysis, we have made a qualitative assessment of absolute risk and considered factors such as illiquidity risk, transparency, strategy risk, operational risk etc.

VERY HIGH	Funds classified as Very High risk are exposed to sectors with very high historical absolute volatility (16+% p.a. plus standard deviation over 20 years to June 30, 2011). Where the risk of an investment cannot be reasonably estimated by historical return analysis, we have considered a range of qualitative risks in assigning a Very High absolute risk level.
HIGH	Funds classified as High risk are exposed to sectors with high historical absolute volatility (8-16% p.a. standard deviation over 20 years to June 30, 2011). Where the risk of an investment cannot be reasonably estimated by historical return analysis, we have considered a range of qualitative risks in assigning a High absolute risk level.
MODERATE	Funds classified as Moderate risk are exposed to sectors with moderate historical absolute volatility (4-8% p.a. standard deviation over 20 years to June 30, 2011). Where the risk of an investment cannot be reasonably estimated by historical return analysis, we have considered a range of qualitative risks in assigning a Moderate absolute risk level.
LOW	Funds classified as Low risk are exposed to sectors with low historical absolute volatility (2-4% p.a. standard deviation over 20 years to June 30, 2011). Where the risk of an investment cannot be reasonably estimated by historical return analysis, we have considered a range of qualitative risks in assigning a Low absolute risk level.
VERY LOW	Funds classified as Very Low risk are exposed to sectors with very low historical absolute volatility (<2% p.a. standard deviation over 20 years to June 30, 2011). Where the risk of an investment cannot be reasonably estimated by historical return analysis, we have considered a range of qualitative risks in assigning a Very Low absolute risk level.

RELATIVE RISK RATING

The relative risk rankings should be viewed as a guide to the relative risk of a product within its sector. The relative risk levels are listed from high to low and are intended to provide some insight into the potential divergence of the investment's return profile relative to its assigned benchmark.

RATING & REPORT DISCLAIMER

The Zenith Investment Partners ("Zenith") ABN 60 322 047 314 rating referred to in this document is limited to "General Advice" (as defined by section 766B of Corporations Act 2001) and based solely on the assessment of the investment merits of the financial product on this basis. It is not a specific recommendation to purchase, sell or hold the relevant product(s), and Zenith advises that individual investors should seek their own independent financial advice before investing in this product. The rating is subject to change without notice and Zenith has no obligation to update this document following publication. Zenith usually receives a fee for rating the fund manager and product against accepted criteria considered comprehensive and objective.

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ANALYST CERTIFICATION & DISCLOSURE

Analyst remuneration is not linked to the rating outcome. Analysts do not own investment products unless disclosed. Any interests held must be disclosed and insufficiently material to compromise the rating. The Analyst certifies that the views expressed in the Product Assessment accurately reflect their personal, professional opinion about the financial product to which this Product Assessment refers.