

Aurora Absolute Return Fund Performance Report - 31 July 2013

ASX Code: ABW



Summary

- The Fund returned 1.12% for July whilst the the RBA Cash Rate returned 0.23%.
- The Master Fund has returned 5.46% over the last six months.

Performance¹

	1 month	3 months	6 months	12 months	3 years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	1.12%	2.45%	5.46%	6.44%	7.61%	3.77%
RBA Cash Rate	0.23%	0.69%	1.45%	3.11%	4.07%	4.88%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	5.20%	-1.87%	5.71%	23.83%	8.81%	4.51%

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	ASX 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	\$10.2 million
Strategy Size ³	\$105.7 million
Net Asset Value per Unit	\$1.0676

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%
30 June 13	\$0.0159	0.0173	\$0.0332	12.56%
Total	\$0.7565	\$0.1484	\$0.9049	

Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	8.29%
Volatility % p.a.	2.82%
Sharpe Ratio	1.17
% positive months	87%
Best Month	3.63
Worst Month	-1.60%
Average positive monthly return	0.85%
Average negative monthly return	-0.54%

Performance Commentary - Master Fund

The S&P/ASX200 Accumulation Index bounced back from the malaise of June with a stellar 5.2% gain for the month of July. Internationally, a change in sentiment towards the US Quantitative Easing tapering debate as well as the release of China's second quarter GDP numbers provided catalysts for the turnaround in the market. Domestically, the RBA governor continued to deliver clear signals that interest rates are on a downward trajectory. The Aussie Dollar responded and continued downwards to finish -1.7% for the month. The Aurora Absolute Return Fund delivered a net return of +1.12% for the month.

The Long/Short strategy was the best performer for the month primarily due to a long position in mortgage provider RHG Limited, formerly known as RAMS Home Loans (RHG.ASX). A takeover approach was made for the entity on 8 July by Resimac. A bidding war shortly ensued with Resimac competing with Pepper Australia for the company. The Master Fund continues to hold a position as part of the M&A strategy at month end. Chalice Gold Mines (CHN.ASX) announced a strong cash position as part of their Quarterly Report and the share price gained support. A placement in Buccaneer Energy (BCC.ASX), a small cap oil and gas exploration company, alongside a strategic investor was also profitable.

The Convergence strategy benefitted from an indicative proposal by Yanzhou Coal Mining Company Limited to acquire the remaining shares in Yancoal Australia Limited it does not already own. This resulted in an increase in the Yancoal Contingent Value Rights (YALN.ASX) as the probability of a cash return of \$3 increased. The demerger of NewsCorp into 21st Century Fox (FOX.ASX) and New NewsCorp (NNC.ASX) continues to create good inter-market trading opportunities between Australian and US exchanges.

The Mergers and Acquisitions strategy also delivered a strong return in July. A large portion of these returns came from the RHG Limited position (outlined above), as the position was transferred to Mergers and Acquisitions post the initial bid on 8 July. Elemental Minerals (ELM.ASX) was a drag on performance as the price of Potash fell 25% after a leading Russian producer abandoned a supply cartel. This put in doubt one of the conditions of the takeover (board approval by the acquirer).

The Options strategy also delivered a positive return for the month despite the fall in volatility as the market rallied. The Master Fund benefitted from an Orica (ORI.ASX) earnings downgrade on weaker global markets and higher costs. Suncorp (SUN.ASX) reacted strongly to an increased ordinary dividend as well as capital returns in the form of special dividends. The Master Fund has a spread of volatility positions and we look forward to reporting season which inevitably brings increased volatility in single stock names.

The Yield portfolio delivered a small return for the Master Fund. The ANZ Convertible Preference Shares (ANZPB.ASX) produced the majority of returns. Opportunities abound in this strategy and the Master Fund continues to focus on short dated, high quality instruments.

About Aurora

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

The combined group has in excess of \$490 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 Dividend Income Trust (Managed Fund)
(ASX Code: AOD and 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.