

# Aurora Absolute Return Fund Performance Report - 31 August 2013

ASX Code: ABW



## Summary

- The Fund returned 0.15% for August whilst the the RBA Cash Rate returned 0.21%.
- The Fund has returned 6.13% over the last twelve months.

## 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)	0.15%	1.80%	4.76%	6.13%	8.15%	3.75%
RBA Cash Rate	0.21%	0.67%	1.40%	3.02%	4.01%	4.85%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	2.50%	5.33%	2.83%	24.28%	10.13%	4.84%

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 <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	\$11.8 million
Strategy Size <sup>3</sup>	\$109.6 million
Net Asset Value per Unit	\$1.0692

## Fund Distributions (Per Unit)<sup>4</sup>

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%
<b>Total</b>	<b>\$0.7565</b>	<b>\$0.1484</b>	<b>\$0.9049</b>	

## Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	8.22%
Volatility % p.a.	2.81%
Sharpe Ratio	1.16
% positive months	87%
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 outperformed all developed markets in August posting a monthly return of 2.5% (Dow Jones -4.4%, FTSE -3.1%, Nikkei -2%). This was juxtaposed with a continued deterioration in the fortunes of Australian sporting teams. We await the summer Ashes series to observe if this relationship is statistically significant or a pure coincidence. The Aurora Absolute Return Fund posted a 0.15% gain for the month of August.

The Index outperformance was led by positive share price reactions during reporting season. The market continues to look through the cycle and believe management commentary in several poorly performing companies notably Boral Ltd (BLD.ASX) and Origin Energy (ORG.ASX). Sentiment towards China appears to have turned with the materials index posting a solid 3.7% gain for the month. US Macro data continued to impress, however September does bring a large number of Macro risks to the table including the Tapering debate; Fed Chairman continuity; US Debt Ceiling; German Elections and ongoing tensions in Syria. Investors appear agnostic about the outcome of the Australian federal elections. The Convergence book (+0.16%) posted the strongest returns of the strategies for the month. The News Corporation (NWS.ASX) demerger continues to present attractive trading opportunities, particularly the spin off Twenty-First Century FOX (FOX.ASX) where the company buy-back remains active. The Master Fund also benefited from a small convertible note position in IMF Ltd (IMF.ASX). The Wesfarmers Partially Protected shares structure (WESN.ASX) continues to present excellent opportunities and is our largest exposure.

The Yield portfolio continues to deliver consistent returns (+0.12%) in high quality short-dated names. The Westpac Stapled Preferred Securities (WBCPA.ASX) provided a large portion of the returns for the month. The security matures at the end of September and the Master Fund continues to opportunistically add to the position. The Master Fund will also look to add to similar structures maturing in 2014.

The Options portfolio (-0.30%) posted a disappointing loss with many result catalysts not playing out as expected. As outlined previously, share prices reacted in a "buy the rumour, sell the fact" manner with notable detractors to performance being Boral Ltd (BLD.ASX) and Origin Energy (ORG.ASX). BHP (BHP.ASX) reported a full year profit largely in line with expectations which provided limited trading opportunities; on the flip side, Newcrest Mining was a strong performer for the month with favourable volatility resulting from an announced US gold ETF change to be made in September to now include gold companies outside of the US and smaller market capitalisation stocks. The S&P/ASX200 index position was also a positive contributor with an at-the-money call strike providing good hedging opportunities.

The Long/Short (+0.08%) portfolio benefitted from a spectacular debut by Steadfast Group Ltd (SDF.ASX). The IPO saw significant demand on its debut day with the stock up 25% at one point. The Master Fund duly exited its position. Conversely placements in LNG Ltd (LNG.ASX) and NextDC (NDC.ASX) performed poorly.

The Mergers & Acquisitions strategy (+0.11%) benefitted from increasing confidence in Dingyi Investment Group's bid for Elemental Minerals Ltd (ELM.ASX). There are many significant hurdles to completion of this deal and the Fund exited its position on this strength. We will look to increase exposure on share price weakness and/or necessary approvals being obtained. Clough Ltd (CLO.ASX) also performed well during August. A Scheme Implementation Agreement was signed with their largest shareholder Murray & Roberts and this deals offers an attractive risk return proposition particularly for domestic holders due to the inclusion of a full franked special dividend as part of the consideration. Detracting from performance in a minor way was the Trust Company (TRU.ASX) and Perpetual (PPT.ASX) merger after the ACCC postponed their initial timetable and invited further submission.

## About Aurora

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

The combined group has in excess of \$640 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](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.