

Aurora Absolute Return Fund Performance Report - 30 September 2013

ASX Code: ABW

Summary

- The Fund returned 0.51% for September whilst the the RBA Cash Rate returned 0.21%.
- The Fund announced a cash distribution of \$0.0159 per Unit for the three months ending 30 September 2013, which represents an annualised yield of 6.22% .



Performance¹

	1 month	3 months	6 months	12 months	3 years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	0.51%	1.79%	4.86%	6.33%	6.70%	3.78%
RBA Cash Rate	0.21%	0.65%	1.36%	2.93%	3.95%	4.83%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	2.19%	10.20%	7.46%	24.29%	9.27%	5.11%

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	\$13.6 million
Strategy Size ³	\$113.9 million
Net Asset Value per Unit	\$1.0588

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 Jun 12	\$0.0220	\$0.0000	\$0.0220	8.06%
30 Sep 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 Jun 13	\$0.0159	0.0173	\$0.0332	12.56%
30 Sep 13	\$0.0159	\$0.0000	\$0.0159	6.22%
Total	\$0.7724	\$0.1484	\$0.9208	

Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	8.21%
Volatility % p.a.	2.80%
Sharpe Ratio	1.17
% 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

Tony Abbott's September Federal Election victory was widely anticipated and the market found solid footing despite the global and macro risks. Also bolstering market confidence was the US Treasury announcing that they are still biding their time as to when Quantitative Easing will begin to be tapered. The German election reinstated the incumbent and the political disarray in Italy seems to be the norm rather than the exception, so the markets continue unfazed. In the US the S&P500 was up +3%, Germany and France each gained more than 5%, the Nikkei +8%, Shanghai Comp +3.6%. The S&P/ASX 200 Accumulation Index posted a +2.2% September month finishing the quarter with a staggering return of 10.2%. The Aurora Absolute Return Fund posted a 0.51% return against the cash benchmark of 0.21%. Whilst equities have staged an impressive rally, the backdrop includes some major political and macro risks, the most topical seems to be the US government shutdown and the potential breaching of the debt-ceiling.

Within the Master Fund, the Convergence strategy was the largest positive contributor for the month. The main driver was the Wesfarmers Partially Protected shares (WESN.ASX) against the underlying Wesfarmers shares (WES.ASX). Wesfarmers completed their dividend neutralization on-market buyback, with some market participants predicting this would see the share price trade through the cap and prompt and early conversion. This, however, was not the case and the life of our favourite securities continues to provide cheap optionality and trading opportunities. The Yancoal Contingent Value Rights (YALN.ASX) also increased in price as the time to maturity early next year looms and investors look forward to redemption or conversion.

The Long/Short strategy whilst not generally a large part of the Master Fund's exposure was profitable relative to the weighting. Long positions in Stonewall Resources (SWJ.ASX), Qantas (QAN.ASX) and also Shopping Centres Australasian (SCP.ASX) were the best performers. A short position in Australand Property Group (ALZ.ASX) was closed as the chances of a sell down of the Capital Land stake diminish.

The Mergers and Acquisitions strategy also performed well. The Trust Company (TRU.ASX) received another takeover proposal, this time from IOOF (IFL.ASX), making it the third listed potential acquirer to provide a competitive offer. Perpetual (PPT.ASX) came back with an improved offer in order to maintain the recommendation from the target board as the preferred bidder. We like this situation and continue to add to our investment. RHG Limited (RHG.ASX) was a small detractor after the Pepper-Cadence bid was improved and creates a greater likelihood that their deal will succeed detracting from the certainty of the all-cash offer from Resimac.

The Yield portfolio saw the redemption of the Westpac Preferred Security (WBCPA.ASX) in line with the Master Fund's timetable. The ANZ Convertible Preference Share CPS1 (ANZPB.ASX) also performed well and is now our largest exposure in the yield space. As such, we maintain ANZ options protection as part of the options strategy and for the benefit of the Master Fund's broader bank positioning.

The Options portfolio was a large drawdown on the monthly return as realisable volatility remained low despite the potential political and global macro catalysts. Poor positioning in Origin (ORG.ASX) and Newcrest (NCM.ASX), combined with expensive protection in the major banks generally cost the portfolio. Amcor (AMC.ASX) and the futures over the S&P/ASX 200 provided some offset.

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 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.