

# Aurora Absolute Return Fund Performance Report - 28 February 2014

ASX Code: ABW



## Summary

- The Fund returned 0.62% for February whilst the the RBA Cash Rate returned 0.21%.
- The Fund has returned 8.00% outperforming the RBA Cash Rate by 5.32% 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)	0.62%	1.70%	3.09%	8.00%	5.30%	3.91%
RBA Cash Rate	0.21%	0.63%	1.26%	2.68%	3.63%	4.70%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	4.97%	2.60%	7.59%	10.64%	8.67%	5.57%

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 achieve absolute returns (i.e. positive returns in both rising and falling equity markets) by using a number of different investments that allow the Fund to have very little correlation to the performance of the stock market index. The focus on 'absolute returns' differs from traditional funds in that the Master Fund aims to produce positive returns regardless of equity market conditions.

We research various criteria and reasons to invest in particular situations. These criteria may pertain to fundamental and quantitative analysis, company event situations; takeovers and mergers, demergers and restructuring, liquidity events, recapitalisations, multiple share classes, option availability and pricing. Once an investment decision is made, the implementation of the trade is conducted in parallel with an active focus on risk management. The Master Fund uses derivatives for risk management as well as to create new positions.

## 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	\$19.3 million
Strategy Size <sup>3</sup>	\$166.8 million
Net Asset Value per Unit	\$1.0699

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

Period (per Unit)	Cash	Franking	Total	Yield at NAV (p.a.)
FY 06-10	\$0.5034	\$0.1311	\$0.6345	
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%
31 Dec 13	\$0.0159	\$0.0000	\$0.0159	6.10%
<b>Total</b>	<b>\$0.7883</b>	<b>\$0.1484</b>	<b>\$0.9367</b>	

## Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	8.11%
Volatility % p.a.	2.70%
Sharpe Ratio	1.20
% positive months	88%
Best Month	3.63
Worst Month	-1.60%
Average positive monthly return	0.82%
Average negative monthly return	-0.54%

## Performance Commentary - Master Fund

A swag of positive profit reports from leading companies saw a strong 4.14% increase in the S&P/ASX 200 Index over the month. This was largely in line with European and US markets (Dow Jones +4.0%, FTSE +4.6%, DAX +4.1%) but ahead of Asian market performance (Nikkei -0.5%, Hang Sang +3.6%, Singapore +2.8%). The Aurora Absolute Return Fund produced a return of +0.62% for the month against the cash benchmark of +0.21% with all sub-strategies producing positive returns.

Instruments approaching maturity were significant contributors to the Master Funds Yield Strategy. After a volatile trading history, Yancoal Contingent Rights (YALN.ASX) ceased trading at month end and maturity proceeds are expected to be paid in early March. ANZ Convertible Preference Shares (ANZPB.ASX) continue to be well supported into the June redemption date despite the issuer raising \$1.3bn from a longer-dated replacement issue.

The protective Option Strategy benefited from single stock exposures over reporting season. Woodside Petroleum (WPL.ASX), Wesfarmers Limited (WES.ASX) and Commonwealth Bank (CBA.ASX) were positions that benefited from positive price movements through the profit reporting and dividend exposure. The Master Funds active management style saw positive returns from the selloff in Fortescue Metals (FMG.ASX). Realised volatility on the S&P/ASX 200 Index remained low, and as a result, the positioning in the index was a drawdown during the month.

Activity ahead of the Australian delisting of Twenty-First Century Fox (FOX.ASX) was the major contributor to Convergence Trading. PMI Gold (PVM.ASX) delisted from the ASX which provided profitable trading opportunities.

Mergers and Acquisition activity remains light but the Master Fund benefited from trading in Aurora Oil and Gas (AUT.ASX) which received a \$4.10 cash bid from a Canadian company Baytex Energy (BTE.CN). The share price remains above the bid level, reflecting bullish views on the North American oil space which in turn creates the possibility of a counter bid.

Long/Short Trading saw a mixed result from a number of small positions. Lower capitalisation companies tended to perform better. Chalice Gold Mines (CHN.ASX), Doray Minerals (DRM.ASX) and E & A Limited (EAL.ASX) were the most significant positive contributions. Sundance Energy (SEA.ASX), Stonewall Resources (SWJ.ASX) and ERM Power (EPW.ASX) the larger drawdowns.

## About Aurora

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

The combined group has in excess of \$403 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 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.