

# Aurora Absolute Return Fund Performance Report - 28 February 2015

ASX Code: ABW



## Summary

- The Fund returned 0.76% for February whilst the RBA Cash Rate returned 0.19%.
- The Options portfolio was the most significant contributor for the month.
- The main detractor to performance was the Long/Short strategy.

## 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)	0.76%	-0.03%	0.03%	0.67%	4.18%	3.53%
RBA Cash Rate	0.19%	0.61%	1.24%	2.51%	2.91%	4.45%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	6.89%	12.67%	7.71%	14.53	16.32%	6.62%

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	\$28.3 million
Strategy Size <sup>3</sup>	\$119.2 million
Net Asset Value per Unit	\$0.9850

## 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%
31 Mar 14	\$0.0159	\$0.0000	\$0.0159	6.09%
30 Jun 14	\$0.0160	\$0.0120	\$0.0280	10.60%
30 Sep 14	\$0.0154	\$0.0000	\$0.0154	5.99%
31 Dec 14	\$0.0153	\$0.0170	\$0.0323	12.71%
<b>Total</b>	<b>\$0.8509</b>	<b>\$0.1774</b>	<b>\$1.0283</b>	

## Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	7.33%
Volatility % p.a.	2.70%
Sharpe Ratio	1.01
% positive months	85%
Best Month	3.63%
Worst Month	-1.60%
Average positive monthly return	0.78%
Average negative monthly return	-0.47%

## Performance Commentary - Master Fund

The combination of lower official interest rates, domestic profit reports, offshore gains and corporate activities saw the S&P/ASX 200 Accumulation Index stage an impressive 6.9% rally during February; this compared well against strong international markets (Dow +5.6%, FTSE +2.9%, Nikkei +6.4%, Hang Seng +1.3%).

The Aurora Absolute Return Fund had a pleasing return of +0.76%, which was an outperformance above cash of 0.57%. Some significant volatility from companies through the half yearly profit reporting period saw the Master Funds Option Strategy (+0.76%) as the most significant contributor for the month. Woolworths Limited (WOW.ASX) was the stand out with concerns regarding profit margins seeing a 9.5% share price fall on the day of profit announcement. Woodside Petroleum (WPL.ASX) registered another solid month as put options continued to misprice. BHP Billiton (BHP.ASX) was a detractor to performance as volatility decreased. The Master Fund added volatility exposure towards the end of the month in anticipation of further large moves within the resources sector.

A significant talking point for the month was the surprise takeover bid for Toll Holdings (TOL.ASX) by Japan Post. This is an all cash bid at a 50% premium to the previous trading price, and highlights the potential opportunities for offshore corporates to buy Australian companies, given the significant fall in Australian dollar over the last six months. We see potential for more of these types of transactions to eventuate over the year and subsequently increased opportunities within our Mergers and Acquisitions Strategy.

Mergers and Acquisitions contributed +0.13 % for the month, which was mainly from Goodman Fielder Limited (GFF.ASX), which received regulatory and shareholder approvals. We are selectively adding to our Toll Holdings (TOL.ASX) position and expect this to become a major exposure over the next few months ahead of an expected June completion.

We continue to see small opportunities in Convergence Trading (+0.02%), with positive returns from the Renounceable Rights trading in Borat Longyear (BLY.ASX) and Tabcorp (TAH.ASX), but little margin in the dual listed names.

Long/Short trading was again a drawdown (-0.14%) with positive returns from the larger capitalisation names Macquarie Atlas (MQA.ASX), ERM Power (EPW.ASX) and Dexu Property (DXS.ASX) offset by the continued exiting of positions with smaller capitalisations.

The Yield Strategy (0.01%) was flat for the month with little reaction to the Reserve Bank rate cut. Major bank issuance of longer dated paper is still weighing on shorter dated issues and we are using this as an opportunity to add to positions that we expect will play out during this calendar year.

## About Aurora

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

The combined group has in excess of \$220 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)

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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.