

## Aurora Absolute Return Fund (ASX:ABW)

Performance <sub>1</sub>	1 month	3 months	FYTD
<b>Aurora Absolute Return Fund</b>	-3.63%	-14.28%	-13.65%
<b>Benchmark</b>	0.12%	0.38%	1.40%
<b>Outperformance</b>	-3.75%	-14.66%	-15.05%

On 1 March 2011, Aurora Absolute Return Fund (**Fund**) changed its investment strategy and commenced investing via the unlisted Aurora Fortitude Absolute Return Fund (ARSN 145 894 800) (**Master Fund**).

### Investment Objective

The Fund seeks to achieve absolute returns and income through investing in the Master Fund which uses several different investment strategies. The focus on absolute returns differs from traditional funds in that the Master Fund aims to produce positive returns regardless of equity market conditions or global market indices.

### Investment Strategy

The Master Fund seeks to take advantage of market mispricing and arbitrage opportunities using a diverse range of investment strategies. The Responsible Entity of the Fund researches various criteria for each investment, including fundamental and quantitative analysis, company event situations such as takeovers and mergers, earnings announcements, demergers and restructuring, liquidity events, recapitalisations, multiple share classes, option availability and pricing.

The Master Fund will invest in opportunities that are considered to offer attractive risk return characteristics with a focus on potential catalysts that seek to generate a profitable return regardless of the market direction. The Master Fund may use derivatives for risk management as well as to create new positions and may opportunistically short sell securities that may be overpriced or to reduce risk on the overall portfolio.

### Master Fund Position Analysis

Strategy	Long	Short
<b>Convergence</b>	5	1
<b>Yield</b>	1	0
<b>Long/Short</b>	7	0
<b>Options/Derivatives</b>	10	1
<b>Mergers &amp; Acquisitions</b>	0	0
<b>Total</b>	<b>23</b>	<b>2</b>

### Fund Overview

<b>ASX Code</b>	<b>ABW</b>
<b>NAV per Unit</b>	\$0.7141
<b>Structure</b>	Fund
<b>Investment Style</b>	Market Neutral
<b>Inception Date</b>	10 July 2006
<b>Management fee (incl.GST)</b>	Nil
<b>Performance fee (incl.GST)</b>	Nil
<b>Buy / sell spread</b>	+/- 0.02%
<b>Entry / Exit fees</b>	Nil
<b>Benchmark</b>	RBA Cash Rate
<b>Distributions</b>	1.0% per quarter

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**Fund performance summary**

- The Fund returned -3.63% for the month against its benchmark return of +0.12%, whilst the broader S&P/ASX200 Index returned -2.75%.
- The key contributor to the Master Fund performance this month was its investment in Molopo Energy Limited (ASX:MPO), which ticked up 3.57% for the month (on light volume) prior to MPO requesting a voluntary suspension in relation to the finalising of terms for a strategic investment. The Responsible Entity of the Fund notes that since this time, MPO has announced that the strategic investment would not be proceeding, and currently MPO remains suspended. The Responsible Entity of the Fund notes further that the investment in MPO by the Master Fund is currently subject to uncertainty resulting from applications by the Australian Securities and Investments Commission and MPO to the Takeovers Panel, which are yet to be finalised. Aurora encourages investors to read its previous ASX announcements in relation to the calculation of the current net asset value of units in the Fund for further information in this regard.
- The key detractors from the Master Fund's performance this month were long dated call options over ASX-listed investment companies, with the implied value of these options falling as the underlying exposures declined during May. These falls were partially offset by derivative positions held to provide portfolio downside protection. Other detractors included 8lp Emerging Companies Limited (ASX:8EC) which fell -3% during the month after reporting poor performance on its underlying investments, and RNY Property Trust (ASX:RNY) which traded down on light volume. The Fund also incurred extraordinary costs during the month in relation the Takeovers Panel proceedings in relation to MPO.

**About Aurora**

Aurora Funds Management Limited (**Aurora**) is the Responsible Entity of the Fund. Aurora is an Australian based alternative asset manager that specialises in managing absolute-return strategies for high net worth, retail and institutional investors. Aurora utilises a value-orientated approach to select suitable investments that aim to provide investors with positive risk-adjusted returns that are independent of benchmarks or investment cycles.

Aurora is also the Responsible Entity of the:

- Aurora Fortitude Absolute Return Fund (APIR Code: AFM0005AU)
- Aurora Dividend Income Trust (ASX:AOD, APIR Code: AFM0010AU)
- Aurora Global Income Trust (ASX:AIB)
- Aurora Property Buy-Write Income Trust (ASX:AUP)
- HHY Fund (ASX:HHY)

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1. This number represents a cumulative return and assumes reinvestment of distributions and is generated with compounded monthly returns/net of fees.  
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 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 carefully review the Product Disclosure Statement (PDS) for the Fund and seek their own financial advice prior to investing in the Fund. The information in this Portfolio Update 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 the investment strategy of the Fund was materially altered in July 2009, and March 2011 and performance prior to these dates has little bearing on future performance. The investment objective for the Fund is expressed after the deduction of fees and before taxation. See the PDS for details on taxation. The investment 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. While the Fund will aim to achieve the objective, the objective and returns are not guaranteed. The payment of franking credits to investors is subject to the Fund achieving a taxable profit in that year.