

## Aurora Absolute Return Fund Performance Report - 31 August 2016

ASX Code: ABW



### Summary

- Applications and redemptions are now open.
- The Fund has continued to pay cash and franking distributions .
- Aurora Funds Management Limited was purchased by Seventh Orion on 1st July 2016.

### 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)	-0.72%	-9.90%	-9.03%	-8.70%	-0.67%	2.42%
RBA Cash Rate	0.12%	0.42%	0.90%	1.91%	2.24%	4.07%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	-1.55%	2.07%	13.91%	9.30%	6.58%	5.37%

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 1.0% of Net Asset Value <sup>2</sup> per Unit per quarter plus franking credits
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 daily off-market redemptions

### Fund Valuations

Net Asset Value per Unit	\$0.8429
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### 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	
FY 10-11	\$0.0937	\$0.0000	\$0.0937	7.98%
FY 11-12	\$0.0885	\$0.0000	\$0.0885	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%
31 Mar 15	\$0.0099	\$0.0000	\$0.0099	4.05%
30 Jun 15	\$0.0098	\$0.0130	\$0.0228	9.29%
30 Sep 15	\$0.0145	\$0.0000	\$0.0145	6.00%
31 Dec 15	\$0.0098	\$0.0169	\$0.0267	10.94%
31 Mar 16	\$0.0095	\$0.0000	\$0.0095	4.00%
30 Jun 16	\$0.0095	\$0.0014	\$0.0109	4.63%
<b>Total</b>	<b>\$0.9139</b>	<b>\$0.2087</b>	<b>\$1.1225</b>	

### Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	5.79%
Volatility % p.a.	3.83%
Sharpe Ratio	-1.09
% positive months	83%
Best Month	3.63%
Worst Month	-8.91%
Average positive monthly return	0.48%
Average negative monthly return	-0.81%

## Performance Commentary - Master Fund

### Update on Fund Status

The Master Fund suspended applications and redemptions on 25 February 2016. The Master Fund holds Antares Energy Limited Convertible Notes (ASX Code: AZZG) ("Antares Notes") which were considered illiquid. Antares Notes were suspended from trading on the ASX on 15 September 2015 and are expected to remain suspended. The administration process is subject to non-disclosure at the date of this letter. New information will be communicated to unitholders as publicly available information is released.

As per the Fund Update issued on 31 August 2016 the Antares Notes have been valued at nil on 30 June 2016 after careful consideration of valuations provided, confidential information provided by Antares administrators and year-end audit procedures. Aurora has devoted considerable resources to managing the best possible outcome for unitholders and will continue to do so.

Aurora Funds Management Limited was purchased by Seventh Orion Limited ATF Aurora Fund Unit Trust on 1 July 2016. John Patton was appointed as Managing Director. John Patton has over 25 years of professional services and industry experience as a partner at Ernst & Young in the Transactions Advisory Services division and as acting CEO of the Epic Energy Group (the core asset within the ASX listed Hastings Diversified Utilities Fund).

### Liquidity Solution

As recently announced, applications and redemptions in the Fund will now be processed pursuant to the Constitution, Product Disclosure Statement and any Fund updates.

### Performance

The Master Fund elected to move quickly towards a large cash position post the suspension of Antares anticipating redemptions. Positions in less liquid instruments (such as hybrids) have been gradually unwound. The majority of market activity has been confined to trading in liquid instruments. At 31 August 2016 the Master Fund holds approximately 80% of its Net Asset Value in cash. Costs associated with administering the Antares Notes as well as legal costs associated with the meeting called by Providence Wealth Advisory Group Pty Ltd (a former unitholder) pursuant to section 252B of the Corporations Act have been included in the August 2016 performance figures.

The Fund has continued to pay cash and franking distributions during the suspension period in line with its distribution policy.

## About Aurora

Aurora Funds Management Limited is a boutique investment manager that was established in 2003, and has a long track record of producing risk adjusted returns for retail, institutional and high net worth investors. They aim to deliver income whilst also managing the risks associated in investing in Australian and global equities. The investment strategies are offered through both ASX listed investment vehicles and managed funds.

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)
- HHY Fund  
(ASX code:HHY)

## Aurora Funds Management Limited

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1. This number represents a cumulative return and assumes reinvestment of distributions. 2. From 24 March 2015 the Fund intends to always distribute at least 1.0% 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 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.