

Aurora Absolute Return Fund Performance Report - 30 September 2016

ASX Code: ABW



Summary

- The Fund returned 0.12% for September equal to the RBA Cash rate.
- The Fund announced a cash distribution of \$0.0085 per Unit for the three months ending 30 September 2016, which represents an annualised yield of 3.99%.

Performance¹

	1 month	3 months	6 months	12 months	3 years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	0.12%	-1.01%	-9.02%	-9.10%	-0.80%	2.41%
RBA Cash Rate	0.12%	0.40%	0.86%	1.87%	2.21%	4.05%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	0.48%	5.14%	9.29%	13.17%	5.98%	5.38%

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 ² 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	\$0.8354
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Fund Distributions (Per Unit)⁴

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%
30 Sep 16	\$0.0085	\$0.0000	\$0.0085	3.99%
Total	\$0.9224	\$0.2087	\$1.1310	

Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	5.79%
Volatility % p.a.	3.82%
Sharpe Ratio	-1.09
% positive months	83%
Best Month	3.63%
Worst Month	-8.91%
Average positive monthly return	0.47%
Average negative monthly return	-0.81%

Performance Commentary - Master Fund

Global equity market movements were mixed during September (in local currency) with the US S&P500 finishing -0.1%, UK FTSE +1.7%, German DAX -0.8% and the Japanese Nikkei -2.6%, whilst the Australian market (S&P/ASX200) was flat +0.1%.

The Aurora Absolute Return Fund was up 0.12% in September as the Master Fund maintained a large cash weighting.

Performance was driven by the Convergence, Long/Short and M&A strategies, with the Yield strategy largely flat whilst the Options strategy detracted from performance.

The Convergence profitability was driven by cross border trade in RIO and in a holding company trade in CSE.

Long/Short was largely driven by holdings in domestic companies trading at discounts to cash and marketable securities, with MPO (+8.3%) a key performer.

Key positions within the Yield strategy, such as Macquarie Group Capital Notes (MQGPA.ASX) and National Australia Bank Perpetual Income Securities (NABHA.ASX) produced modest returns, however form part of a longer term strategy.

The Master Fund continues to seek opportunities in all strategies, with a current emphasis on Long/Short, Convergence and Yield strategies.

About Aurora

Aurora Funds Management Limited is an Australian based alternative asset manager that specialises in managing absolute-return focussed strategies for high net worth, retail and institutional investors. At Aurora, we aim to achieve superior long-term results through a high conviction investment style that utilises a bottom up, value-orientated approach to select suitable investments. Our overarching goal is to provide investors with positive risk-adjusted returns that are independent of benchmarks or investment cycles.

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)

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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 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.