

## Aurora Absolute Return Fund Performance Report - 30 November 2013

ASX Code: ABW

### Summary

- The Fund returned 0.54% for November whilst the the RBA Cash Rate returned 0.21%.
- The Fund has returned 6.81% 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)	0.54%	1.37%	3.20%	6.81%	6.86%	3.81%
RBA Cash Rate	0.21%	0.63%	1.30%	2.81%	3.83%	4.77%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	-1.31%	4.86%	10.45%	23.26%	9.96%	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 produce positive returns irrespective of the direction of the share market, by investing in predominantly Australian listed securities and derivatives.

The Master Fund purchases both put and call options which allows it to profit from movements in the market both up and down. It then looks for short term trading opportunities to generate low risk returns from other strategies including:

- Mergers and Acquisitions
- Long/Short
- Share Class Arbitrage
- Yield securities.

Each investment considers the risk, the timeline of that risk occurring and then the potential return. Low transaction costs and liquidity are other important factors in the success and implementation of the strategies.

### 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	\$16.5 million
Strategy Size <sup>3</sup>	\$134 million
Net Asset Value per Unit	\$1.0678

### 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%
<b>Total</b>	<b>\$0.7724</b>	<b>\$0.1484</b>	<b>\$0.9208</b>	

### Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	8.14%
Volatility % p.a.	2.80%
Sharpe Ratio	1.17
% positive months	88%
Best Month	3.63
Worst Month	-1.60%
Average positive monthly return	0.83%
Average negative monthly return	-0.54%

## Performance Commentary - Master Fund

The S&P ASX200 Accumulation Index finished the month down -1.31%, its first monthly decline since June. All sectors declined during the month with Energy declining -6.3% and Materials reversing recent underperformance to finish only down -0.7%. The S&P ASX200 Accumulation Index significantly underperformed international indices with the Dow Jones Industrial Average +3.55% and the Hang Seng +2.9. The Aurora Absolute Return Fund finished the month up +0.54%.

Two very important market fundamentals were reinforced during the month: a) The market does not always go up and the timing of declines is difficult to predict; and b) Each Merger and Acquisition deal is unique and should be priced on the risks inherent in each deal. The Federal Treasurer's decision to reject the Archer Daniels Midland (ADM.US) takeover bid for GrainCorp Limited (GNC.ASX) on "national interest grounds" dominated news flow and discussion amongst portfolio managers. The Master Fund uses strong risk management procedures to ensure that position size is dependent on the risks inherent in each deal. As such, we held a small position (<1% on NAV) invested in GNC and this resulted in a loss of approximately -0.31%.

Despite the GNC loss, Mergers and Acquisitions contributed +0.24% to the Master Fund's performance for the month. Positive contributions came from the Trust Company scheme of arrangement with Perpetual after the scheme was approved by shareholders and similarly Clough Resources.

The Yield strategy also made an immaterial contribution +0.03%, as short dated credit pulled back slightly. National Australia Bank (NAB.ASX) launched a new \$1.5 billion offer for longer dated (2020) convertible preference shares. These raisings tend to provide the Master Fund with opportunities in other shorter dated instruments.

The Options portfolio contributed +0.15% of performance on the back of a small increase in volatility. Positions in over sold industrial companies provide opportunities through significant short term share price rallies; James Hardie (JHX.ASX) increased guidance on the back of the U.S. housing recovery up 14.94% in one day and Incitec Pivot (IPL.ASX) surprised many with its result and rallied 7.3% on the day of its result. Positions in large miners (BHP.ASX, RIO.ASX, FMG.ASX) were a drag on performance for the month as trading ranges remained relatively tight.

The other significant disappointment for the Master Fund was the rally in the Wesfarmers (WES.ASX) share price through the \$43.11 level, which resulted in the early reclassification of the Wesfarmers Partly Protected Shares (WESN.ASX). Whilst this caused minimal short term pain (-0.07%) the loss of the opportunity to trade mispriced longer term volatility is unfortunate.

The balance of the Convergence portfolio was positive and the strategy netted a +0.06% return. The largest positive contributor was the IMF convertible notes (IMFG.ASX) position coming up for maturity in December.

Event situations provided positive returns in the Long/Short portfolio +0.04%. Stonewall Recourses (SWJ.ASX) rallied 46.4% after announcing an agreement had been reached on the sale of its main asset following completion of due diligence. Similarly Miclyn Express (MIO.ASX) rallied on private equity confirming terms for a buyout of minority holders. Positioning in Perseus (PRU.ASX) for improved production resulted in a drawdown following continued deterioration in the gold price.

## About Aurora

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

The combined group has in excess of \$680 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 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.