

Aurora Absolute Return Fund Performance Report - 30 November 2014

ASX Code: ABW



Summary

- The Fund returned 0.40% for November whilst the RBA Cash Rate returned 0.21%.
- The main detractor to performance was the Long/Short strategy.
- The Options portfolio contributed positively due to the increase in realisable volatility.

Performance¹

	1 month	3 months	6 months	12 months	3 years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	0.40%	0.06%	0.18%	2.41%	4.60%	3.64%
RBA Cash Rate	0.21%	0.63%	1.26%	2.53%	3.06%	4.50%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	-3.25%	-4.40%	-1.08%	4.30%	13.83%	5.24%

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 ² 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	\$30 million
Strategy Size ³	\$137 million
Net Asset Value per Unit	\$1.0178

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	
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	6.07%
Total	\$0.8356	\$0.1604	\$0.9960	

Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	7.52%
Volatility % p.a.	2.70%
Sharpe Ratio	1.07
% positive months	86%
Best Month	3.63%
Worst Month	-1.60%
Average positive monthly return	0.78%
Average negative monthly return	-0.48%

Performance Commentary - Master Fund

A surprise announcement by OPEC not to reduce production saw crude oil prices fall to levels not seen since 2008. This was seen as a boost for economic growth in most developed economies and equity markets reacted accordingly (DOW +2.5%, FTSE +2.7%, DAX +7.0%, Nikkei +6.4%), but coming on top of the continued fall in other commodity prices the S&P/ASX 200 Accumulation Index including franking credits fell 3.01%.

The Aurora Absolute Return Fund produced a +0.40% return for the month. An increase in realisable volatility (the level of actual share price movements) saw a contribution for our Option Strategy (+1.22%). Interestingly, whilst commodity names grabbed the headlines, positive contributions were also made concomitantly across the industrial sector, with the adjustment in the retail sector being the major factor. Following a disappointing sales update Woolworths Limited (WOW.ASX) fell 13.56%. Their major competitor Wesfarmers Limited (WES.ASX) fell a more modest 6.12%. The Master Fund was able to generate positive returns in both names. Other contributors were Woodside Petroleum (WPL.ASX), BHP Billiton (BHP.ASX) and Westpac Banking Corporation (WBC.ASX).

Long/Short trading was the most significant drawdown during the month (-0.77%). The most consistent theme was too much exposure to small capitalisation resources companies, which were generally entered into with the view to exiting post an "event or catalyst" in a relatively short time period. However, the extent of market sell off and the lack of liquidity in these names has caused us to implement exit strategies for the bulk of these position and reassessing our approach in this space.

Mergers and Acquisitions (-0.04%) was a relatively flat performance in November but disappointing because of offsetting positions. Whilst the Master Fund produced positive returns from the settlement of the Expedia scheme takeover of Wotif (WTF.ASX) and progress towards deal competition for the Alsons scheme takeover of Indophil Resources (IRN.ASX), this was offset by both the deal failure of Reef Casino Trust (RCT.ASX) and also a heavy devaluation of the outstanding scrip consideration owing from the Dart Energy scheme. The major detractors were very small position sizes for the Master Fund (<0.5% of NAV) and have subsequently been closed.

Convergence trading was also a small drawdown (-0.05%). Antares Energy Convertible Note (AZZG.ASX) was a drawdown despite the company announcing a 100% buyback of the notes following the sale of significant assets. Trading in the dual listed Alacer Gold Corporation (AQG.ASX/ASR.CN) was the most significant contribution.

Our exposure to Yield products remains small, but it made a small positive contribution (0.01%), with nearly all issues flat or up slightly.

About Aurora

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

The combined group has in excess of \$230 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)

Aurora Funds Limited

Level 4, 1 Alfred Street, Sydney NSW 2000 PO Box R1695, Royal Exchange NSW 1225

Telephone: 1300 553 431, Visit: www.aurorafunds.com.au, or Email: enquiries@aurorafunds.com.au

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 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.