

Aurora Absolute Return Fund Performance Report - 31 October 2013

ASX Code: ABW



Summary

- The Fund returned 0.31% for October whilst the the RBA Cash Rate returned 0.21%.
- The Fund has returned 6.88% over the last twelve months.

Performance¹

	1 month	3 months	6 months	12 months	3 years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	0.31%	0.98%	3.46%	6.88%	6.42%	3.78%
RBA Cash Rate	0.21%	0.63%	1.32%	2.87%	3.89%	4.80%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	3.97%	8.92%	6.88%	25.48%	10.05%	5.65%

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 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	\$14.2 million
Strategy Size ³	\$125.7 million
Net Asset Value per Unit	\$1.0621

Fund Distributions (Per Unit)⁴

Period (per Unit)	Cash	Franking	Total	Yield at NAV (p.a.)
FY 06-07	\$0.2448	\$0.0579	\$0.3027	19.26%
FY 07-08	\$0.0919	\$0.0732	\$0.1651	9.46%
FY 08-09	\$0.0717	\$0.0000	\$0.0717	6.08%
FY 09-10	\$0.0950	\$0.0000	\$0.0950	9.33%
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%
Total	\$0.7724	\$0.1484	\$0.9208	

Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	8.16%
Volatility % p.a.	2.80%
Sharpe Ratio	1.16
% 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 charged ahead during October finishing up +3.97%. The banks, and financial stocks were generally the best performers (+5.5%) in advance of their results announcements and final dividends early November. The rise in the Index also reflected strong sentiment in domestic house prices which recorded +3.6% for the September quarter. Interest rates were on hold as expected in light of a strong Aussie dollar and subdued economic activity. US and European equity markets also surged ahead particularly once the concerns over the US debt ceiling and Government shutdown were addressed. The S&P500 finished up +4.5%, Euro Stoxx +6%. Asia was lacklustre by comparison, with the Hang Seng +1.5% and Shanghai Composite -1.5%.

The Aurora Absolute Return Fund finished +0.31% against a cash benchmark of +0.21%.

Yield was the best performing strategy for the month. The Transpacific Step-Up Preference shares were the strongest performer after the issuer announced that they are seeking to sell their New Zealand waste management business and potentially use the proceeds to redeem the notes. The Antares Energy Convertible Notes (AZZG.ASX) also paid their quarterly distribution and carried their value well.

The Long/Short strategy had a strong month in light of a flood of capital raising that were undertaken mostly by small and mid-tier companies, the best performer of which was E & A Limited (EAL.ASX). Also doing well during October was the initial public offering of OzForex (OFX.ASX) and the recapitalisation of Trafalgar Property Group (TGP.ASX).

Convergence (benefitted once again from the Fund's Wesfarmers exposure (long WESN.ASX and short a ratio hedge in WES.ASX). Volatility around the results announcement from Resmed (RMD.ASX) provided profitable trading opportunities between Australia and the US. Offsetting these gains was a marked down in Purseus (PRU.ASX) trading between Australia and Canada resulting from a softer gold price.

Mergers and Acquisitions was marginally profitable with RHG Limited (RHG.ASX) providing most of the gain. The bidding tension for RHG peaked resulting in an improvement to the Resimac offer and resulting in Peppers and Cadence Capital formally withdrawing their competing joint offer. A mark down in share price of Clough Resources (CLO.ASX) reflected the inability of new purchases to be held 'at risk' long enough to qualify for franking credits as part of expected deal completion early December.

As with many of the stronger monthly market moves, the Options strategy was again a drawdown. The S&P/ASX200 index puts and calls were a cost to the Fund as realisable volatility was lower than the implied volatility paid to own the market protection. BHP Billiton (BHP.ASX), CSL Limited (CSL.ASX) and OZ Minerals (OZL.ASX) were all costly options positions. Offsetting some of the cost were profitable positions the Banks (ANZ.ASX and WBC.ASX), QBE Insurance (QBE.ASX) and Transurban Group (TCL.ASX).

About Aurora

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

The combined group has in excess of \$660 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 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.