



## Aurora Dividend Income Trust Performance Report - February 2016

### Summary

- The Trust fell 5% and trailed the benchmark; as Australian equities continued a very poor start to 2016 and global macro concerns dominated a generally quite positive February reporting season.
- At a sector level there was a wide dispersion of returns over the month with Materials, Industrials and Listed Property having a positive month, whereas banks, telecoms and consumer staples had a sharply negative month.
- In February we were able to frank the Trust's monthly distribution at the rate of 174%.

### Objective

The objective of the Trust, relative to the Australian equity market, is to provide investors with:

- greater total returns over rolling 5 year periods;
- more income and franking credits each year; and
- less volatility.

### Performance after Fees

Returns including franking credits	1 month	3 months	12 months	3 yrs (p.a)	Since (p.a.) 31-Dec-10	Since Inception 16-Nov-05 (p.a)
Dividend Income Trust <sup>1</sup>	-5.0%	-6.9%	-19.2%	-3.8%	2.1%	4.4%
Benchmark*	-0.8%	-1.9%	-5.2%	3.8%	5.3%	5.8%
<b>Value add</b>	<b>-4.2%</b>	<b>-5.0%</b>	<b>-14.0%</b>	<b>-7.6%</b>	<b>-3.2%</b>	<b>-1.4%</b>

\* The Benchmark is calculated as 50% of the return on the S&P/ASX 200 Accumulation Index adjusted to include franking credits plus 50% of the return on the UBS Australia Bank Bill Index. The weights in the benchmark are the same as the target weights of the Trust.

### Distributions

The Trust distributes at least 0.5% of net assets in cash per month. In addition, the Trust distributes franking credits monthly.

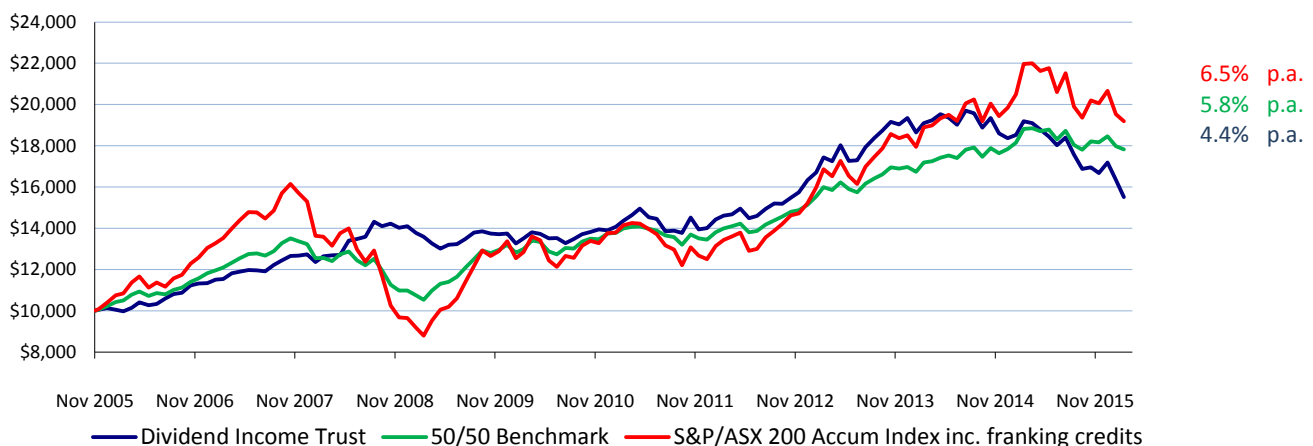
Yield including franking credits	1 month	3 months	12 months	3 yrs (p.a)	Since (p.a.) 31-Dec-10	Since Inception 16-Nov-05 (p.a)
Dividend Income Trust	0.9%	2.2%	8.8%	10.0%	11.2%	10.8%
S&P/ASX 200 Accumulation Index		1.2%	5.1%	5.9%	6.1%	6.0%

### Volatility

Volatility is a measure of risk. The volatility of the Trust is expected to be less than the volatility of the market.

Volatility	3 yrs (p.a)	Since (p.a.) 31-Dec-10	Since Inception 16-Nov-05 (p.a)
Dividend Income Trust	9.6%	9.2%	7.8%
S&P/ASX 200 Accumulation Index	12.6%	12.2%	14.1%

### Historic Performance Chart



## Commentary

### Performance Update

The poor start to 2016 continued as all global equity markets fell in February. The ASX 200 fell -1.8%, dragged down by the big trading banks, though commodities fared better with iron ore up +18% and oil up +4% over the month.

The top performing stocks in February were Newcrest Mining (+36%), CIMIC (+31%), Alumina and Primary Health (both +30%). The weakest performers were Bendigo Bank (-20%), Bank of Queensland (-20%) and Henderson (-16%).

### Portfolio Performance

The Trust declined -5% and underperformed the benchmark primarily due to the extreme weakness in the bank stocks, sparked by a questionable report from a US hedge fund manager, and the short position in Newcrest (+36%). The US hedge fund manager's report concluded that Australian house prices were poised for a 50% decline sparked a sell off in the Australian banks by mainly offshore investors towards the end of February. At the time of writing this note in early March most of the banks had gained over 10% for the month!

In February, the Trust benefited from long positions in BHP (+1%), Rio Tinto (+7%) and Ramsay Healthcare (+9%), as well as being short Computershare (-11%). The gains were however offset by falls in CBA (-8%), Westpac (-7%), Woodside (-7%) and NAB (-9%). Short positions in Newcrest (+36%) and Origin Energy (+11%) also hurt performance. The majority of our holdings had a very positive reporting season, for example CBA reported record profits and earnings growth of 4%; yet was sold down to finish the month on a fully franked yield of 6%.

### Portfolio Trading

Over the month we sold our position in NAB spin-off; CYB which finished 9% lower than our exit price. Additionally as part of our earnings strategy, we closed out short positions in Sydney Airport, CSL, Sonic, GPT and Vicinity Centres.

## Trust Valuations

Current Distribution yield	8.8%
Net Assets Value per Unit-incl. franking	\$0.6847

## Trust Details

ARSN	151 947 732
ASX Code (Quoted Unit)	AOD
APIR Code (Managed Fund)	AFM0010AU
Minimum suggested timeframe	5 Years
Entry Fee	Nil
Exit Fee	Nil
Buy/Sell Spread	0.1%/0.1%
Total Management Cost	1.3% p.a.
Distribution frequency	Monthly
Minimum monthly distribution <sup>2</sup>	0.5% cash + franking

## About Aurora

Aurora Funds Management Limited is a fully owned subsidiary of ASX listed, Keybridge Capital (ASX Code: KBC). Aurora 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 (ARSN 145 894 800)
- Aurora Absolute Return Fund (ASX Code: ABW)
- 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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### Notes:

1. The returns describe the consolidated returns after fees of the Trust and the Aurora Sandringham Dividend Income Trust (ARSN 108 249 154, 'ASDIT' established 16 November 2005). They assume the reinvestment of distributions and franking credits. The performance references against the S&P/ASX 200 Accumulation Index plus the value of franking credits as determined by Aurora. The investment strategy of these trusts were modified on 31 December 2010.
2. The Trust intends to always distribute at least 0.5% of NAV in cash plus any available franking credits, per month regardless of performance. This means that if there is insufficient net income in a given month, investors may receive a partial (or full) return of capital.