

## Aurora Dividend Income Trust Performance Report - December 2013

### Summary

- The Trust returned 1.6% in December compared to the market which returned 0.8%
- The Trust announced a quarterly distribution of 1.50% in cash and 0.67% in franking credits
- The risk management overlay (+0.4%) and short position in QBE (+0.7%) contributed to the outperformance

### Performance after Fees<sup>1</sup>

		1 month	3 months	12 months	3 yrs (p.a)	Since (p.a.) 31-Dec-10	Since Inception 16-Nov-05 (p.a)
Return	Dividend Income Trust	1.6%	3.2%	18.4%	11.6%	11.6%	8.5%
inc. franking credits	S&P/ASX 200 Accum Index	0.8%	3.6%	21.6%	10.4%	10.4%	7.9%
Income	Dividend Income Trust		2.2%	11.0%	13.2%	13.2%	12.0%
inc. franking credits	S&P/ASX 200 Accum Index		1.1%	6.5%	6.3%	6.3%	7.7%
Volatility	Dividend Income Trust			8.7%	8.3%	8.3%	6.9%
	S&P/ASX 200 Accum Index			11.8%	11.5%	11.5%	14.3%

### 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.

The Australian equity market is measured by the S&P/ASX 200 Accumulation Index adjusted to include franking credits.

### Investment Strategy

The Trust seeks to achieve the objective by investing in an actively managed portfolio of fully franked dividend paying companies listed on the Australian Securities Exchange while hedging part of the market exposure.

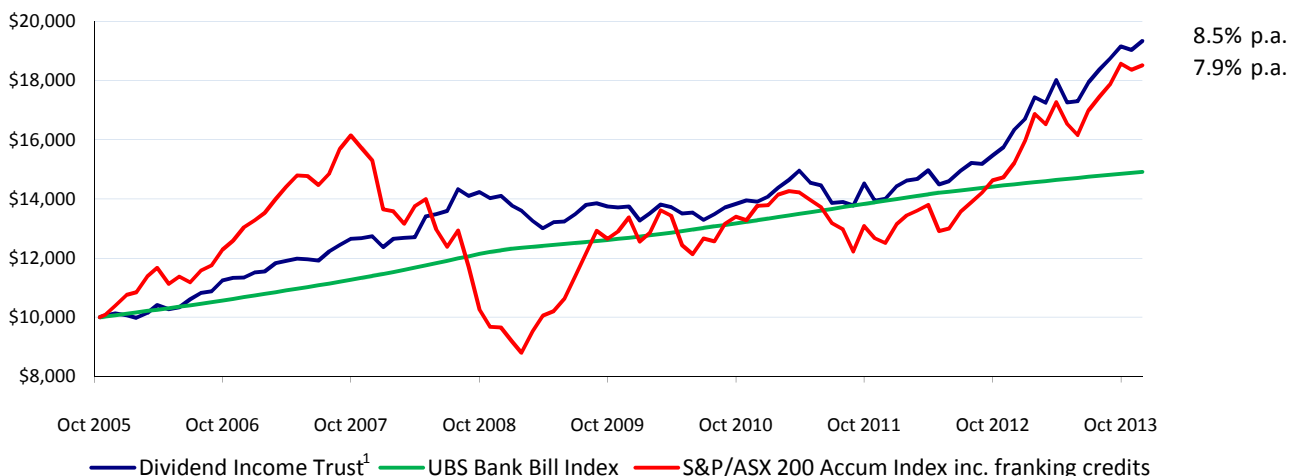
Consequently, the Trust is expected to outperform when the market is weak and underperform when the market is strong.

### Commentary

The S&P ASX 200 Accumulation Index traded in a wide range in December but finished the month strongly to record a 0.8% gain. Local markets were under significant pressure in the early stages of the month, with somber developments in our manufacturing industry and risk aversion in the lead up to the US Federal Reserve's December meeting weighing heavily on stocks. However, investors found reasons to re-enter markets following the Fed's decision to taper bond purchases due to a reduction in event risk and improving global economy.

The Trust rose by 1.6% in December compared to the broader market which added 0.8%. Our risk management overlays - which cap individual stock exposures to within 10% of the benchmark - proved lucrative and added 0.40% to the return of the Trust. The overlays typically reallocate funds from the four major banks to other sectors, including materials. Furthermore, our decision to short QBE Insurance after categorising it as non fully-franked stock was also profitable (+0.70%), as the company issued news of a large impairment charge and lowered profit estimates. Since inception, the Trust has outperformed the broader market by 0.6% with materially less volatility.

### Historic Performance Chart



## Trust Valuations

Trust Size	\$25 million
Net Assets Value per Unit-incl. franking	\$1.0317

## Significant Portfolio Holdings

Company
BHP Billiton
Telstra
Commonwealth Bank
Wesfarmers
Woolworths

## 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	Quarterly
Minimum quarterly distribution <sup>2</sup>	1.5% cash + franking

## About Aurora

Aurora Funds Limited ('Aurora', ASX Code: AFV) was listed on the ASX in July 2010. Aurora comprises the combined businesses of Aurora Funds Management Limited and Fortitude Capital Pty Ltd.

The combined group had approximately \$621 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 (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)
- van Eyk Blueprint Alternatives Plus (ASX Code: VBP)

## Aurora Funds Limited

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### Notes:

1. This represents a cumulative return and assumes the reinvestment of distributions and franking credits. These 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). 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 was modified on 31 December 2010.
2. The Trust intends to always distribute at least 1.5% of NAV in cash plus any available franking credits, per quarter regardless of performance. This means that if there is insufficient net income in a given quarter, investors may receive a partial (or full) return of capital.