

Aurora Sandringham Australian Equity Income Trust ASX Code: ABW

Performance Report - 31 December 2010

Summary

- The Trust increased its exposure to the Aurora Fortitude Absolute Return Fund and reduced its exposure to the Aurora Sandringham Global Income Trust
- The Trust announced a distribution of \$0.023 per Unit for the 3 months to 31 December 2010, which represents an annualised yield of 8.3%



Performance¹

	1 mth	3 mths	6 mths	12 mths	3 yrs (p.a)	Since inception (p.a.)
Aurora Sandringham Australian Equity Income Trust	3.16%	3.59%	11.30%	-0.49%	-3.86%	2.45%
S&P/ASX200 Accumulation Index	3.66%	4.38%	12.77%	1.57%	-5.02%	2.56%

Investment Objective

The Trust aims to outperform the Australian equity market as measured by the S&P/ASX200 Accumulation Index. Please note that while we aim to achieve this objective, the returns are not guaranteed.

Investment Strategy

The Trust seeks to meet the Investment Objective through using multiple investment strategies that the Investment Manager expects will outperform the S&P/ASX200 Accumulation Index. These strategies will be implemented by buying and selling listed and unlisted securities, managed investment schemes and risk management instruments. This may include investments in offshore markets. Accordingly, the Trust will seek to obtain:

- the S&P/ASX200 return by continuously having approximately 100% exposure to the Australian equity market through holding either futures over the S&P/ASX200 Index, or Australian listed securities; and

- an outperformance component by investing in investment strategies the Investment Manager expects (combined with the point above) will outperform the S&P/ASX200 Accumulation Index.

Where an investment is made that does not have an exposure to the Australian equity market, that exposure will typically be hedged into the Australian equity market. This hedging / risk management process seeks to broadly result in the Trust achieving the same performance as an investment in the Australian equity market as measured by the S&P/ASX200 Accumulation Index plus or minus any value created or lost by the investment and the hedge.

The Trust may utilise debt funding through a prime broking arrangement from time to time. However, the Trust's overall market exposure to the S&P/ASX200 Accumulation Index is generally expected to remain at, or around, 100% of net assets.

Trust features

Unit pricing	Monthly.
Distribution policy	At least 2.0% 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.

Trust valuations

Fund Size	\$6.4 million
Net Assets Value per Unit	\$1.1229
NAV plus distributions paid (since inception) ¹	\$1.8054

Trust distributions (per Unit)³

Period	Cash	Franking	Total	Yield at NAV (p.a.)
31 Dec 06	\$0.0486	\$0.0208	\$0.0694	9.0%
30 Jun 07	\$0.1962	\$0.0371	\$0.2333	25.3%
31 Dec 07	\$0.0333	\$0.0332	\$0.0665	7.6%
30 Jun 08	\$0.0586	\$0.0400	\$0.0986	11.9%
31 Dec 08	\$0.0450	\$0.0000	\$0.0450	7.6%
30 Jun 09	\$0.0267	\$0.0000	\$0.0267	5.1%
31 Dec 09	\$0.0450	\$0.0000	\$0.0450	8.8%
31 Mar 10	\$0.0250	\$0.0000	\$0.0250	8.1%
30 Jun 10	\$0.0250	\$0.0000	\$0.0250	8.2%
30 Sep 10	\$0.0250	\$0.0000	\$0.0250	9.5%
31 Dec 10	\$0.0230	\$0.0000	\$0.0230	8.3%
Total	\$0.5514	\$0.1311	\$0.6825	

Trust Update

Local markets rallied strongly during December before falling away late in the month due to heavy flooding in Queensland which prompted several miners to flag possible earnings downgrades with the mining sector particularly exposed. The S&P/ASX200 Accumulation Index finished up 3.66% for the month with risk assets such as commodities and the AUD rising strongly as global markets digested some good economic news and the extension of Bush-era tax cuts in the US.

Corporate activity remains a major feature of the market and this has helped generate positive returns in the Aurora Fortitude Absolute Return Fund. During December the takeovers of Citadel Resources (CGG) and Andean Resources (AND) were completed. The Long/Short portfolio benefited from selected exposure to mid and small cap capital raisings and sell downs. This sector of the market has seen increased turnover particularly in the resources names.

The Trusts investment in the Aurora Sandringham Dividend Income Trust underperformed as market exposure was added late in the month ahead of earnings and dividend announcements in early 2011. As of 1st January 2011, AOD will be adopting an amended investment objective and strategy with a constant target exposure to the S&P/ASX200 Index of 50%.

In accordance with the investment strategy, the Trust maintained approximately S&P/ASX200 Index market exposure and finished up 3.16%.

Significant Portfolio Holdings

Market Exposure	Weighting
S&P/ASX 200 Index Futures Contract	100%
Strategy Exposure	
Aurora Sandringham Dividend Income Trust	22.5%
Aurora Fortitude Absolute Return Fund	52.2%
Total invested as a % of NAV	74.7%

Investment Manager

Aurora Funds Limited ('Aurora', ASX Code: AFV) issues and distributes investment funds to retail, wholesale and institutional investors throughout Australia and New Zealand. Aurora was listed on the ASX in July 2010, following the merger of Aurora Funds Management Limited (established in 2003), Fortitude Capital Pty Ltd (established in 2004) and Sandringham Capital Pty Ltd (established in 2005).

Aurora has offices in Sydney and Melbourne, and manages in excess of \$500 million in domestic equity, international equity, property, infrastructure and alternative asset classes for over 3,500 investors.

Aurora is also the issuer and/or the distributor of the:

- Aurora Fortitude Absolute Return Fund (ARSN 145 894 800)
- Aurora Sandringham Dividend Income Trust (ASX code: AOD)
- Aurora Sandringham Global Income Trust (ARSN 131 291 499)
- Aurora Global Income Trust (ASX code: AIB)
- Aurora Property Buy-Write Income Trust (ASX code: AUP)
- CORALS Commodities Fund (ARSN 131 196 882)
- van Eyk Blueprint Alternatives Plus (ASX code: VBP)

Aurora Funds Management

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1. This number represents a cumulative return and assumes reinvestment of distributions. 2. The Trust intends to always distribute at least 2.0% of NAV per Unit, excluding any franking credits, per quarter regardless of Trust performance. This means that if the Trust has insufficient net income in a given quarter, investors may receive a partial (or full) return of capital. 3. 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 Sandringham Australian Equity Income Trust (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 Trust. 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 Trust was materially altered in July 2009, and performance prior to this date (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 Trust achieving a taxable profit in that year. Please see asx.com.au for more information on the S&P/ASX200 Accumulation Index.