

# Aurora Absolute Return Fund Performance Report - September 2011

ASX Code: ABW

## Summary

- The Fund returned 0.12% for September compared to the RBA Cash rate which returned 0.40%.
- The Fund announced a cash distribution of \$0.0222 for the three months ending 30 September 2011, which represented an annualised yield of 8.01%

## Performance<sup>1</sup>

	1 month	3 months	6 months	12 months	3 Years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	0.12%	1.88%	1.44%	8.42%	7.79%	2.99%
RBA Cash Rate	0.40%	1.19%	2.40%	4.84%	4.24%	5.34%
S&P/ASX200 Accumulation Index	-6.13%	-11.58%	-15.13%	-8.56%	-0.11%	-0.40%

On 1 March 2011, the Trust changed its investment strategy and commenced investing via the unlisted Aurora Fortitude Absolute Return Fund (ARSN 145 894 800, the 'Master Fund'). The Master Fund has been in existence since March 2005, and its historical performance is referred to in the charts and tables below.

## Investment Objective\*

The Trust 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	Code: ABW
Distribution Policy	At least 2% of Net Asset Value per Unit per quarter. <sup>2</sup>
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 Valuation

Fund Size <sup>3</sup>	\$95.8 Million
Net Asset Value per Unit	\$1.1067

## Fund Distributions (Per Unit)<sup>4</sup>

Period (per Unit)	Cash	Franking	Total	Yield at NAV (p.a)
31/12/2006	\$0.0486	\$0.0208	\$0.0694	9.00%
30/06/2007	\$0.1962	\$0.0371	\$0.2333	25.30%
31/12/2007	\$0.0333	\$0.0332	\$0.0665	7.60%
30/06/2008	\$0.0586	\$0.0400	\$0.0986	11.90%
31/12/2008	\$0.0450	\$0.0000	\$0.0450	7.60%
30/06/2009	\$0.0267	\$0.0000	\$0.0267	5.10%
31/12/2009	\$0.0450	\$0.0000	\$0.0450	8.80%
31/03/2010	\$0.0250	\$0.0000	\$0.0250	8.10%
31/06/2010	\$0.0250	\$0.0000	\$0.0250	8.20%
30/09/2010	\$0.0250	\$0.0000	\$0.0250	9.50%
31/12/2010	\$0.0230	\$0.0000	\$0.0230	8.30%
31/03/2011	\$0.0230	\$0.0000	\$0.0230	7.95%
30/06/2011	\$0.0227	\$0.0000	\$0.0227	8.00%
30/09/2011	\$0.0222	\$0.0000	\$0.0222	8.01%
Total	\$0.6193	\$0.1311	\$0.7504	

## Performance Statistics - Master Fund

Performance since Inception - March 2005 (p.a)	8.94%
Volatility % p.a.	3.09%
Sharpe Ratio	1.42
% positive months	86%
Best month	3.63%
Worst month	-1.60%
Average positive monthly return	0.94%
Average negative monthly return	-0.61%

## Performance Commentary - Master Fund

The ASX200 fell -6.7%, testing new lows to end the quarter down -13%. European and U.S. macro headlines continue to dominate the newsfeed with talk of a hard landing in China adding further fuel to fears of a global slowdown. Eight out of ten sectors were down over 3% for the month, with defensive Telecommunications and Consumer Staples outperforming. Global miners tumbled with the ASX200 Materials sector down -13% for the month. All asset classes except "safe haven" bonds produced negative returns for September. The Aurora Fortitude Absolute Return Fund was up 0.11% for the month after fees.

Yield was the best performing strategy for the month (+169% gross performance contribution). Orica Step-Up Prefs (ORIPB.ASX) was the biggest contributor as the position approaches the reset date in November this year. The Woolworths notes (WOWHB.ASX) were redeemed as per the expected timetable. Our cash alternative positions in local bank hybrids and bonds also performed well. The worst performing yield instrument was the Peet Limited Convertible Notes (PPCG.ASX) but it is a structure that the Master Fund generally prefers.

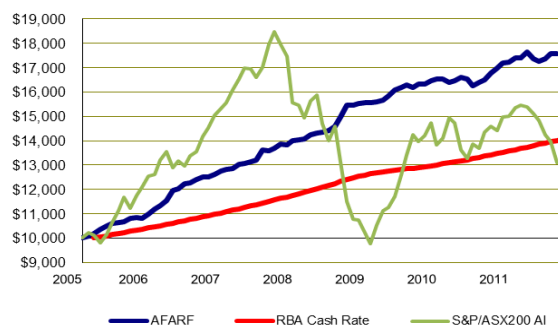
The Convergence portfolio delivered a strong positive return (+140%). News Corporation (NWS.ASX) was the standout performer for the strategy with continued rumours surrounding the phone-hacking scandal and a buy-back of the non-voting shares yielding attractive margins. The Wesfarmers Partially Protected Shares (WESN.ASX) against the ordinary shares was also a strong performer in the volatile market. Some of the dual listed mid-tier miners underperformed as overnight prices and currencies moved aggressively on any macro news flow.

The Options portfolio performed strongly (+104%) in September, with the standouts being Westpac Bank (WBC.ASX), Westfield Group (WDC.ASX) & Origin Energy (ORG.ASX). Elevated volatility & increasing margins led to distortions in pricing across the options curve which the fund took advantage of. Underperformers for the month were: Boral (BLD.ASX), Stockland (SGP.ASX) and Woodside Petroleum (WPL.ASX) which were run with a long bias.

Mergers and Acquisitions were a solid performer (+74%) despite the market volatility causing spreads to widen. Foster's Group (FGL.ASX) agreed to improved terms with SABMiller and this was the Master Funds best performing deal. Hunno Coal Limited (HUN.ASX) detracted from performance after Banpu announced a recommended cash takeover offer for the company but with a market fall condition that caused some concern.

The Long Short strategy was a poor performer (-388%) largely due to the smaller cap positions and the net long bias. Allmine Group (AZG.ASX) was sold off heavily and was the worst performer despite some positive company announcements during the month. Acrux (ACR.ASX) and Infigen Energy (IFN.ASX) also detracted performance. The highlight within the strategy was Charter Hall Office REIT (CQO.ASX) which provided some good buying opportunities during the month and finished stronger in anticipation of an increased offer.

Master Fund vs RBA Cash vs S&P/ASX200AI (\$)



## About Aurora

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

The combined group has in excess of \$400 million in funds under management and administration, and provides asset management and responsible entity/trustee services for over 3,000 Australian and New Zealand investors.

Aurora is also the Issuer of the:

- Aurora Fortitude Absolute Return Fund (APIR Code: AFM0005AU)
- Aurora Sandringham Dividend Income Trust (ASX code: AOD)
- Aurora Global Income Trust (ASX Code: AIB)
- Aurora Property Buy-Write Income Trust (ASX Code: AUP)
- CORALS Commodities Fund (APIR Code: AFM0004AU)
- 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. The Fund intends to always distribute at least 2.0% 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. 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 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 Trust achieving a taxable profit in that year. Please see [asx.com.au](http://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.