

Aurora Absolute Return Fund Performance Report - November 2011

ASX Code: ABW

Summary

- The Fund returned 0.67% for November compared to the RBA Cash rate which returned 0.37%.
- The Master Fund has returned 8.89% p.a since inception versus the S&P/ASX200 Accumulation index Cash rate which has returned 4.62% p.a over the same period.

Performance¹

	1 month	3 months	6 months	12 months	3 Years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	0.67%	1.24%	2.74%	9.17%	10.33%	3.11%
RBA Cash Rate	0.37%	1.17%	2.38%	4.84%	4.18%	5.32%
S&P/ASX200 Accumulation Index	-3.48%	-2.83%	-10.13%	-5.99%	7.97%	0.32%

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 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	Code: ABW
Distribution Policy	At least 2% of Net Asset Value per Unit per quarter. ²
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 ³	\$110.9 Million
Net Asset Value per Unit	\$1.1190

Fund Distributions (Per Unit)⁴

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	\$0.0220	8.01%
Total	\$0.6193	\$0.1311	\$0.7504	

Performance Statistics - Master Fund

Performance since Inception - March 2005 (p.a)	8.89%
Volatility % p.a.	3.05%
Sharpe Ratio	1.16
% positive months	86%
Best month	3.63%
Worst month	-1.60%
Average positive monthly return	0.92%
Average negative monthly return	-0.61%

Performance Commentary - Master Fund

Equity markets struggled in another month dominated by European woes. European problems escalated from the periphery with Italian 10-year debt breaching the much vaunted 7% rate. Focus also shifted towards France and Germany, where a 10-year bund auction was bid at 65% of total volume. Headlines of failure out of the US congressional Super Committee added to investor malaise which saw the ASX200 down 4.15%; the second worst month of the year. The ASX200 remains highly sensitive to global macro movements, as reflected in the outperformance of defensive domestic sectors (Utilities +1.4%) against the underperformance of Financials (-5.3%) and Materials (-6.6%). The fund returned +0.67% for the month.

The Long Short strategy was the best performer in November (+0.23% net performance). The biggest contributor was a long holding in small cap stock Flinders Mines (FMS.ASX), after the company executed a Scheme Implementation Agreement with a Russian acquirer Magnitogorsk (MMK) at a 90% premium to the pre bid price. We entered the trade after the company announced a strategic review in September. Another positive catalyst trade was the demerger of Chorus (CNU.ASX) and Telecom Corp. (TEL.ASX); our long holding benefited from the separation of the infrastructure and service businesses respectively. Charter Hall Office REIT (CQO.ASX) also performed well. The worst performing positions were CGS Limited (CSV.ASX) as potential takeover discussions progressed slowly and the market sold off, Manas Resources (MSR.ASX) and Energy Resources Australia (ERA.ASX).

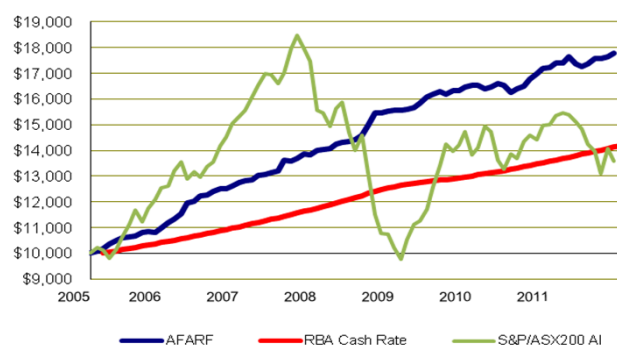
The Options portfolio (+0.19%) produced strong returns from large stock specific moves. The fund profited on large moves on macro news in BHP Billiton (BHP.ASX) and Commonwealth Bank (CBA.ASX). The Options book continues to focus on Financials and Resources due to their high correlation to European problems. Woodside Petroleum (WPL.ASX) performed well after a flagged production downgrade.

Yield (+0.15%) benefited most from the two shortest dated instruments. The Orica Step Up Preference Securities (ORIPB.ASX) were redeemed at month end in line with all previous announcements. The Southern Cross Airports SKIES (SAKHA.ASX) issue is set to mature in January 2012 and posted good returns as the margin contracted. Peet Convertible Notes (PPCG.ASX) was the worst performer in the hybrid strategy after the company outlined poor market conditions in residential property during their trading update.

M&A (+0.12%) benefited from FIRB approval of the proposed acquisition of Foster's (FGL.ASX) by SABMiller. The vote on this scheme is on 1 December and is expected to be approved by shareholders. The fund increased its exposure post FIRB approval. Sundance Resources (SDL.ASX) underperformed as a result of having to waive a condition relating to the certainty of the funding available to Hanlong and the risk spread widened.

Convergence (-0.05%) was the only small detractor from performance during the month. This was largely as a result of a contraction in the Wesfarmers Partially Protected Shares (WESN.ASX) premium over the ordinary shares (WES.ASX). In the middle of November MSCI announced a November rebalance including the unforeseen removal of WESNs from the index. This quickly caused the spread to reduce as people anticipated large selling in WESNs schedule for the close on the last day of the month. Overall, this event provided good trading opportunities however we did finish the month with a markdown in the spread.

AFARF 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)
- 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 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.