

Aurora Absolute Return Fund Performance Report - 30 April 2012

ASX Code: ABW



Summary

- The Fund returned 0.53% for April whilst the the RBA Cash Rate returned 0.35%.
- Over the last 12 months, the Fund returned 3.55% versus the S&P/ASX200 Accumulation Index which returned -4.44%

Performance¹

	1 month	3 months	6 months	12 months	3 years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	0.53%	1.49%	2.89%	3.55%	10.74%	3.27%
RBA Cash Rate	0.35%	1.07%	2.17%	4.62%	4.27%	5.25%
S&P/ASX200 Accumulation Index (ASX200AI)	1.43%	4.63%	4.69%	-4.44%	9.77%	1.83%

On 1 March 2011, the Fund 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 2.0% 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

Fund Valuations

Fund Size ³	\$82 million
Net Assets Value per Unit	\$1.0976

Fund Distributions (Per Unit)⁴

Period (per Unit)	Cash	Franking	Total	Yield at NAV (p.a.)
31 Dec 06	\$0.0486	\$0.0208	\$0.0694	9.00%
30 Jun 07	\$0.1962	\$0.0371	\$0.2333	25.30%
31 Dec 07	\$0.0333	\$0.0332	\$0.0665	7.60%
30 Jun 08	\$0.0586	\$0.0400	\$0.0986	11.90%
31 Dec 08	\$0.0450	\$0.0000	\$0.0450	7.60%
30 Jun 09	\$0.0267	\$0.0000	\$0.0267	5.10%
31 Dec 09	\$0.0450	\$0.0000	\$0.0450	8.80%
31 Mar 10	\$0.0250	\$0.0000	\$0.0250	8.10%
30 Jun 10	\$0.0250	\$0.0000	\$0.0250	8.20%
30 Sep 10	\$0.0250	\$0.0000	\$0.0250	9.50%
31 Dec 10	\$0.0230	\$0.0000	\$0.0230	8.30%
31 Mar 11	\$0.0230	\$0.0000	\$0.0230	7.95%
30 Jun 11	\$0.0227	\$0.0000	\$0.0227	8.00%
30 Sep 11	\$0.0222	\$0.0000	\$0.0222	8.01%
31 Dec 11	\$0.0222	\$0.0000	\$0.0222	8.07%
31 Mar 12	\$0.0221	\$0.0000	\$0.0221	8.10%
Total	\$0.6636	\$0.1311	\$0.7943	

Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	8.66%
Volatility % p.a.	2.97%
Sharpe Ratio	1.14
% positive months	87%
Best Month	3.63
Worst Month	-1.60%
Average positive monthly return	0.90%
Average negative monthly return	-0.61%

Performance Commentary - Master Fund

The S&P ASX200 Accumulation Index finished up 1.43% in April despite the release of disappointing economic data. Treasury reported a trade deficit of \$480m for February and a CPI of 1.1% per annum, the lowest reading since the GFC. The Dow Jones Index finished the month flat (+0.01%), reversing some previous outperformance over the ASX200AI. This in part, can be attributed to high expectations of accommodative monetary policy by the RBA driven by the low CPI reading. In line with this high yielding sectors outperformed strongly with REITs (+5.5%), Telecommunications (+7.5%) and Financials (+2.9%) outperforming Industrials (-1.1%), Materials (-0.1%) and Energy (-0.2%). The Master Fund posted its tenth consecutive positive month, up 0.44%.

The **Mergers and Acquisitions** strategy was the strongest performer in the overall portfolio (+0.34%). Charter Hall (CQO.ASX) implemented their scheme of arrangement with the bidding consortium Reco Ambrosia. The total net proceeds from the US asset sales came in marginally higher than estimated and the Master Fund benefitted. A final distribution is scheduled to be received later this year. Offsetting this strong performance was a drawdown resulting from a last minute legal complication with the Flinders Mines scheme of arrangement and Russian company Magnitogorsk MMK. The Master Fund held a relatively small position (<1% FUM). The second court approval could not be obtained because a small minority shareholder of MMK sought a legal injunction. The events and conspiracy theories that continue to unfold are numerous and far-reaching. Once again we are reminded to tread carefully where unfamiliar international bidders are involved.

The **Long Short** strategy produced a 0.09% return. Whilst the overall contribution was relatively modest, there were some strong offsetting performances. Thakral Holdings received an indicative takeover offer of \$0.70 from Brookfield after the Wynyard concept plan was approved earlier in the month. This was one of the Master Funds larger long holdings. The indicative bid is at a big discount to the net asset value of \$0.96 per share and hence the share price quickly factored in an increase in terms. Downgrades by Seven West Media (SWM.ASX), Qantas (QAN.ASX) and Transfield Services (TSE.ASX) detracted from performance.

The **Yield** strategy (+0.22%) performed well during the month largely due to the short dated issues. Dexs announced that the RENTs will be redeemed in July, instead of being stepped up and left on issue as a perpetual. The Commonwealth Bank Perls IV issue also performed well as they only have 6 months left until mandatory conversion or redemption.

Convergence produced a small positive return (0.03%) with the premium of the Wesfarmers Partially Protected Shares (WESN.ASX) over the ordinary shares (WES.ASX) providing trading opportunities during the month and profitable options overlay strategy. NewsCorp (NWS.ASX) ADR trading between here and New York was a detractor whilst most other dual listed names had immaterial impacts on performance.

Options (-0.20%) performed poorly with volatility falling below 10% during the month. Levels at these lows are historically uncommon so the Master Fund continues to opportunistically add to the options portfolio. Positions in BHP Billiton (BHP.ASX) and the ASX200AI Index fared worst under the low volatility regime whilst a profit downgrade by Boral (BLD.ASX) produced positive returns.

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 \$480 million in funds under management and administration, and provides asset management and responsible entity/trustee services for over 2,500 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 Dividend Income Trust
(APIR Code: AFM0010AU)
- 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

Level 2, 350 George Street, Sydney NSW 2000 PO Box R1695, Royal Exchange NSW 1225
Telephone: 1300 553 431, Visit: www.aurorafunds.com.au, or Email: enquiries@aurorafunds.com.au

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 (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 Fund. 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 Fund 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 Fund 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.