

Aurora Absolute Return Fund Performance Report - 30 June 2012

ASX Code: ABW



Summary

- The Fund returned 0.47% for June whilst the the RBA Cash Rate returned 0.29%.
- The Fund announced a cash distribution of \$0.022 per Unit for the three months ending 30 June 2012, which represents an annualised yield of 8.02%

Performance¹

	1 month	3 months	6 months	12 months	3 years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	0.47%	1.28%	2.61%	6.07%	10.72%	3.31%
RBA Cash Rate	0.29%	0.96%	2.04%	4.42%	4.30%	5.20%
S&P/ASX200 Accumulation Index (ASX200AI)	0.66%	-4.68%	3.32%	-6.71%	5.65%	0.63%

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	\$80.2 million
Net Assets Value per Unit	\$1.0838

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%
30 June 12	\$0.0220	\$0.0000	\$0.0220	8.02%
Total	\$0.6856	\$0.1311	\$0.8163	

Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	8.58%
Volatility % p.a.	2.94%
Sharpe Ratio	1.13
% 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/ASX200AI finished up +0.66% contrary to an incredible month of M&A gamesmanship and the continued merry go round of European economics and politics.

The market was left guessing with undisclosed approaches for Whitehaven Coal (WHC.ASX) and David Jones (DJS.ASX). David Jones saw fit to disclose to the market an approach from an obscure Private Equity firm based in the United Kingdom with \$200m under management. Fortescue Metals Group's (FMG.ASX) largest shareholder attempted an unsuccessful "all or none bid" for shares at an above market price. Additionally Fairfax Media (FXJ.ASX) and Billabong (BBG.ASX) saw interesting price action on equally bizarre corporate activity.

On the Macro side the market held its breath on a Greek exit with the possibility of anti Euro party Syriza taking power. These fears were allayed but quickly replaced by soaring Spanish and Italian bond yields. The last day of the month saw a sharp rally as European leaders pledged further integration. The Fund finished the month +0.47%, the twelfth positive month in a row to finish the financial year +6.07%. The S&P/ASX200 Accumulation Index finished the financial year down -6.71%.

The **M&A** portfolio performed well despite the impact of continued concerns regarding the ability of offshore bidders to complete transactions in the current environment. We generated positive returns from positions in Rocklands Richfield (RCL.ASX) and Norton Goldfields (NGF.ASX) despite these concerns, but Sundance Resources (SDL.ASX) was a drawdown. The Master Fund benefited from completed deals in Customers Limited (CUS.ASX), Nexbis Limited (NBS.ASX), and Ludowici Limited (LDW.ASX).

The **Long/Short** portfolio posted a loss. Cape Lambert (CFE.ASX) announced an unexpected amended tax assessment at the beginning of the month and we exited the position immediately. The Master Fund booked profits in Consolidated Media Holdings (CMJ.ASX) after an approach for the company was made by NewsCorp (NWS.ASX). The Master Fund also made a small profit on Echo Entertainment (EGP.ASX). The CMJ and EGP situations appear competitive and we look forward to further trading opportunities in these names.

The **Options** portfolio was the largest detractor. The options market priced in a large market fall on macro concerns at the beginning of the month. With such a fall not eventuating option prices fell. The biggest detractors were a position over the S&P/ASX200 Index and Commonwealth Bank (CBA.ASX).

The **Convergence** portfolio was the largest contributor for the month. NewsCorp (NWS.ASX) announced a demerger which led to increased volume and spreads. AGL Energy (AGL.ASX) raised \$532m through an entitlement offer with the trading of retail rights on market. The Wesfarmers spread between the common stock (WES.ASX) and the partially protected shares (WESN.ASX) continued to widen which generated good profits.

The **Yield** portfolio continues to perform well. The Master Fund continues to add to short dated structures with pricing certainty and potential upside on conversion to equity. The Dexus Rents Trust (DXRPA.ASX) were redeemed at face value during the month.

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 \$470 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)

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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 (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.