

Aurora Absolute Return Fund Performance Report - 30 June 2013

ASX Code: ABW



Summary

- The Fund returned 0.53% for June whilst the the RBA Cash Rate returned 0.23%.
- The Fund distributed 8.14% in cash and franking credits for the 2013 financial year.

Performance¹

	1 month	3 months	6 months	12 months	3 years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	0.53%	3.02%	4.01%	5.75%	8.64%	3.65%
RBA Cash Rate	0.23%	0.71%	1.47%	3.17%	4.12%	4.91%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	-2.32%	-2.48%	5.46%	22.75%	8.55%	3.75%

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	ASX Code: ABW
Distribution Policy	At least 1.5% 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	\$9.8 million
Strategy Size ³	\$102.2 million
Net Assets Value per Unit	\$1.0558

Fund Distributions (Per Unit)⁴

Period (per Unit)	Cash	Franking	Total	Yield at NAV (p.a.)
FY 06-07	\$0.2448	\$0.0579	\$0.3027	19.26%
FY 07-08	\$0.0919	\$0.0732	\$0.1651	9.46%
FY 08-09	\$0.0717	\$0.0000	\$0.0717	6.08%
FY 09-10	\$0.0950	\$0.0000	\$0.0950	9.33%
30 Sep 10	\$0.0250	\$0.0000	\$0.0250	9.50%
31 Dec 10	\$0.0230	\$0.0000	\$0.0230	8.32%
31 Mar 11	\$0.0230	\$0.0000	\$0.0230	8.19%
30 Jun 11	\$0.0227	\$0.0000	\$0.0227	7.98%
30 Sep 11	\$0.0222	\$0.0000	\$0.0222	8.01%
31 Dec 11	\$0.0222	\$0.0000	\$0.0222	8.02%
31 Mar 12	\$0.0221	\$0.0000	\$0.0221	8.03%
30 June 12	\$0.0220	\$0.0000	\$0.0220	8.06%
30 Sept 12	\$0.0220	\$0.0000	\$0.0220	8.12%
31 Dec 12	\$0.0170	\$0.0000	\$0.0170	6.25%
31 Mar 13	\$0.0160	\$0.0000	\$0.0160	6.02%
30 June 13	\$0.0159	0.0173	\$0.0332	12.56%
Total	\$0.7565	\$0.1484	\$0.9049	

Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	8.23%
Volatility % p.a.	2.83%
Sharpe Ratio	1.11
% positive months	87%
Best Month	3.63
Worst Month	-1.60%
Average positive monthly return	0.85%
Average negative monthly return	-0.54%

Performance Commentary - Master Fund

The fear of a slowdown in US Federal Reserve Bank's quantitative easing program caused significant concern across world financial markets in June.

Bond yields traded higher (Australian 10 years +0.40% and US 10 years +0.36%) and currency markets were volatile (Australian dollar -4.5% against the US dollar and -4.6% against Euro respectively) which flowed through to widespread equity market weakness (Dow Jones Index -1.4%, FTSE -5.6%, DAX -4.7%, Hang Seng -7.1%).

The S&P/ASX 200 Accumulation Index returned -2.32% but the dispersion between sectors was stark, largely reflected in the All Resources Index -10.1% versus the All Industrials Index -0.5%. High yielding names (major banks and Telstra) were generally up whilst the continued concerns around Chinese economic growth put pressure on heavyweight mining companies (BHP -10.6%, Rio Tinto -5.9% and Newcrest -32%).

The Aurora Absolute Return Fund produced a return of +0.53% for June. As expected in this type of environment the Master Fund's Option portfolio was a significant contributor. Aurora Limited's (ASX.ASX) renounceable rights issue provided some profitable trading opportunities. Amongst the banks the Master Fund generated positive returns from Westpac (WBC.ASX) and ANZ Group (ANZ.ASX) but we had drawdowns from positions in National Australia Bank (NAB.ASX) and Suncorp Group (SUN.ASX).

The Master Fund actively traded the demerger of News Corporation (NWS.ASX) into New NewsCorp (NNC.ASX) and Twenty-First Century Fox (FOX.ASX), and we expect to continue to generate positive returns as US and Australian investors reposition portfolios to reflect preferred exposure levels to the different names.

The Convergence strategy within the Master Fund also benefited from an improvement in the relative value of Wesfarmers Partly Protected Shares (WESN.ASX) over Wesfarmers Ordinary Shares (WES.ASX). This position remains the Master Fund's largest exposure and provides optionality on both the upside and downside. We believe this security is largely ignored by the market and inherently undervalued.

Despite deteriorating credit markets the Master Fund's Yield strategy provided a positive return. The redemption of the Macquarie Bank Convertible Preference (MQCPA.ASX) was the largest contributor. The portfolio's weighted average expected maturity is just less than six months; given this and the high quality of corporate names we believe that the strategy will remain robust through any continued deterioration of credit markets.

Long/Short was a drawdown on performance. The Master Fund took a position in the iSelect IPO (ISU.ASX) which traded poorly on debut after the directors decided to sell a portion of their holdings at the offer price. A pre-event position in RHG Limited (RHG.ASX) marked negatively at month end however the Master Fund is confident of a positive outcome following the indicative proposal by Resimac. The Master Fund profited from a short term position in Aristocrat Leisure (ALL.ASX) as the Australian Dollar weakened and exited the position at month end.

About Aurora

Aurora Funds Limited ('Aurora', ASX Code: AFV) was listed on the ASX in July 2010.

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 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 (Managed Fund)
(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. From 1 October 2012 the Fund intends to always distribute at least 1.5% 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.