

Aurora Absolute Return Fund Performance Report - 30 April 2014

ASX Code: ABW

Summary

- The Fund returned 0.05% for April whilst the the RBA Cash Rate returned 0.21%.
- The Fund has returned 6.10% outperforming the RBA Cash Rate by 3.51% over the last twelve months.



Performance¹

	1 month	3 months	6 months	12 months	3 years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	0.05%	0.92%	2.55%	6.10%	4.92%	3.87%
RBA Cash Rate	0.21%	0.63%	1.26%	2.59%	3.50%	4.66%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	1.77%	7.14%	3.35%	10.46%	9.27%	5.73%

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 achieve absolute returns (i.e. positive returns in both rising and falling equity markets) by using a number of different investments that allow the Fund to have very little correlation to the performance of the stock market index. The focus on 'absolute returns' differs from traditional funds in that the Master Fund aims to produce positive returns regardless of equity market conditions.

We research various criteria and reasons to invest in particular situations. These criteria may pertain to fundamental and quantitative analysis, company event situations; takeovers and mergers, demergers and restructuring, liquidity events, recapitalisations, multiple share classes, option availability and pricing. Once an investment decision is made, the implementation of the trade is conducted in parallel with an active focus on risk management. The Master Fund uses derivatives for risk management as well as to create new positions.

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	\$21.5 million
Strategy Size ³	\$181 million
Net Asset Value per Unit	\$1.0572

Fund Distributions (Per Unit)⁴

Period (per Unit)	Cash	Franking	Total	Yield at NAV (p.a.)
FY 06-10	\$0.5034	\$0.1311	\$0.6345	
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 Jun 12	\$0.0220	\$0.0000	\$0.0220	8.06%
30 Sep 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 Jun 13	\$0.0159	\$0.0173	\$0.0332	12.56%
30 Sep 13	\$0.0159	\$0.0000	\$0.0159	6.22%
31 Dec 13	\$0.0159	\$0.0000	\$0.0159	6.10%
31 Mar 14	\$0.0159	\$0.0000	\$0.0159	6.09%
Total	\$0.8042	\$0.1484	\$0.9526	

Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	7.99%
Volatility % p.a.	2.70%
Sharpe Ratio	1.18
% positive months	88%
Best Month	3.63
Worst Month	-1.60%
Average positive monthly return	0.81%
Average negative monthly return	-0.54%

Performance Commentary - Master Fund

The S&P ASX200 Accumulation Index managed a gain of +1.77% during April despite profit taking in some of the high PE multiple momentum stocks and the loss of Twenty-First Century FOX from the local market. Aussie small caps and high PE stocks followed the lead of the US tech-heavy NASDAQ, which was down -2% as high valuations were rebased. By contrast, the broader US S&P500 market managed a +0.6% gain. Asia was mixed (Nikkei -3.5%, Singapore +2.4%) and Europe performed well (FTSE +2.8%). Our market was supported by strong performance by most of the banks in the lead up to their May profit reporting and dividend periods. The Aurora Absolute Return Fund was flat for the month (+0.05%) with relatively minor offsetting strategy contributions.

The best performing strategy for the month was Yield which currently has the largest strategy weighting for the Fund. The Tabcorp Floating Rate Bonds (TAHHA.ASX) ceased trading and were redeemed as per their terms of issue. The Master Funds holdings which are due to be redeemed next (within two months); are the Amp Group Finance floating rate notes (AQNHA.ASX) and the ANZ Convertible Prefs (ANZPB.ASX). There are an additional seven hybrid issues that the Master Fund holds that are highly likely to be redeemed within the next six months. We estimate an average weighted maturity of less than 5 months for greater than 75% of the yield securities that the Master Fund holds.

One of the biggest events for the market in April was the Australian delisting of Twenty-First Century FOX (FOX.ASX and FOXLV.ASX) leaving the company's issued securities to trade solely in the US. This provided some good liquidity opportunities as many funds repositioned their portfolios for the delisting event and the requirements of their mandate. The Master Fund maintained a disciplined approach to position sizing. The Convergence strategy generated a positive performance largely due to FOX and also Resmed Inc (RMD.ASX).

The Protective Options overlay cost the Master Fund due to the low volatility environment. Collectively the banks (ANZ.ASX, CBA.ASX, NAB.ASX and WBC.ASX) were the biggest drawdown due to the share price rallies and hence expensive put protection. We expect increased opportunities in this sector during the May reporting and dividend month for Australia and New Zealand Banking Group Limited (ANZ.ASX), National Australia Bank Limited (NAB.ASX) and Westpac Banking Corporation (WBC.ASX).

The Mergers and Acquisitions strategy also detracted from the Master Funds returns. Leighton Holdings (LEI.ASX) traded at a large discount to the proportional share offer from parent Hochtief over the course of the month. The Master Fund exited its position and will revisit the situation closer to the close of the offer on 9 May.

A host of Long/Short investments provided a positive performance. Position sizes were small with tight price and time stops being used as part of the risk management process in order to protect capital.

About Aurora

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

The combined group has in excess of \$230 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 Dividend Income Trust (Managed Fund)
(ASX Code: AOD and APIR Code: AFM0010AU)
- Aurora Global Income Trust
(ASX Code: AIB)
- Aurora Property Buy-Write Income Trust
(ASX code:AUP)

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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.