

Aurora Absolute Return Fund Performance Report - 30 April 2015

ASX Code: ABW



Summary

- The Fund returned 0.41% for April whilst the RBA Cash Rate returned 0.19%.
- Long/Short was the best performing strategy in April.
- Broad market volatility only really occurred in the last three trading days of the month.

Performance¹

	1 month	3 months	6 months	12 months	3 years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	0.41%	1.72%	1.33%	1.32%	4.17%	3.57%
RBA Cash Rate	0.19%	0.56%	1.19%	2.46%	2.79%	4.40%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	-1.70%	5.00%	7.08%	10.23	14.62%	6.26%

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 1.0% of Net Asset Value ² per Unit per quarter plus franking credits
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	\$26 million
Strategy Size ³	\$100 million
Net Asset Value per Unit	\$0.9844

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	
FY 10-11	\$0.0937	\$0.0000	\$0.0937	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%
30 Jun 14	\$0.0160	\$0.0120	\$0.0280	10.60%
30 Sep 14	\$0.0154	\$0.0000	\$0.0154	5.99%
31 Dec 14	\$0.0153	\$0.0170	\$0.0323	12.71%
31 Mar 15	\$0.0099	\$0.0000	\$0.0099	4.05%
Total	\$0.8608	\$0.1774	\$1.0382	

Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	7.29%
Volatility % p.a.	2.70%
Sharpe Ratio	1.02
% positive months	85%
Best Month	3.63%
Worst Month	-1.60%
Average positive monthly return	0.78%
Average negative monthly return	-0.47%

Performance Commentary - Master Fund

Over the course of the month, the market repeatedly tried to break the 6000 barrier and, on each attempt, failed to do so. The S&P ASX200 Accumulation Index finished -1.7% in April. This occurred despite strong rallies in iron ore and oil and most international markets. The AUD/USD rose undeterred by the expected rate cut in May. The Australian banks significantly underperformed, with the Financials sector falling 4.2% versus gains in Materials and Energy. This is in contrast to the long-running theme of banks outperforming resources. The month of May will see Westpac (WBC.ASX), Australia and New Zealand Banking Group (ANZ.ASX) and National Australia Bank (NAB.ASX) report their half-yearly results and pay interim dividends. The Murray Review has recommended banks hold more capital to ensure financial stability in times of credit market stress and this may provide opportunities around alternative capital raising options.

The Aurora Absolute Return Fund returned +0.41% as the market experienced higher volatility over the final three days of the month.

Long Short (+0.28%) was the best performing strategy in April for the Master Fund. A smaller capitalisation company Triton Minerals (TON.ASX) undertook a discounted capital raising and performed well. Slater & Gordon (SGH.ASX) launched an entitlement offer after acquiring a unit of U.K. based Quindell PLC. This provided good trading opportunities, particularly between the institutional and retail offer.

Mergers and Acquisitions was a positive contributor (+0.13%). The best performer was Toll Holdings (TOL.ASX) with the Japan Post scheme of arrangement being called and more conditions being satisfied. Iinet (IIN.ASX), whilst a small position, was profitable after M2 Group (MTU.ASX) launched a counter-bid superior to TPG's (TPM.ASX). There was a final small contribution from Recruit Holdings implementing the scheme with Chandler Macleod (CMG.ASX), as the cash consideration was received.

Options (-0.06%) was a slight detractor from performance, as broad market volatility only really occurred in the last three trading days of the month. Westpac Bank (WBC.ASX) delivered strong returns. Fortescue Metals (FMG.ASX) and Rio Tinto (RIO.ASX) both benefitted from the large rallies in the iron ore price. FMG in particular rallied in excess of 15% after announcing debt refinancing. The worst performers were Woodside (WPL.ASX), Newcrest (NCM.ASX) and Santos (STO.ASX).

Convergence (flat) opportunities were sparse, however, Resmed (RMD.ASX) performed well due to increased volatility around quarterly reporting.

In the Yield strategy (flat), Bendigo and Adelaide Bank (BENPB.ASX) was the best performer after they announced that the Reset Preference Shares will be redeemed in June or the holder can elect to roll into the new Convertible Preference Share (CPS3) issue. This is the Master Fund's largest hybrid exposure and was in line with expectations. Antares Energy (AZZG.ASX) underperformed after going ex-interest.

About Aurora

Aurora Funds Management Limited is a fully owned subsidiary of ASX listed, Keybridge Capital (ASX Code: KBC). Aurora is a boutique investment manager that was established in 2003, and has a long track record of producing risk adjusted returns for retail, institutional and high net worth investors. The investment strategies are offered through both ASX listed investment vehicles and managed funds. They aim to deliver income whilst also managing the risks associated in investing in Australian and global equities.

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)

Aurora Funds Management Limited

Level 4, 1 Alfred 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. From 24 March 2015 the Fund intends to always distribute at least 1.0% 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.

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