

Aurora Absolute Return Fund Performance Report - 31 March 2015

ASX Code: ABW



Summary

- The Fund returned 0.56% for March whilst the RBA Cash Rate returned 0.19%.
- The Fund announced a cash distribution of \$0.0099 per Unit for the three months ending 31 March 2015, which represents an annualised yield of 4.05%.
- The main contributor to performance was the Options strategy.

Performance¹

	1 month	3 months	6 months	12 months	3 years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	0.54%	1.28%	0.66%	0.96%	4.21%	3.56%
RBA Cash Rate	0.19%	0.58%	1.21%	2.49%	2.85%	4.42%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	-0.06%	10.33%	13.76%	14.13	15.82%	6.55%

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	\$26.8 million
Strategy Size ³	\$104.8 million
Net Asset Value per Unit	\$0.9804

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)	7.32%
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

Domestic investors generally had one eye focussed on the Cricket World Cup during the month as Australia rode a roller coaster to the final before having a decisive victory. The Australian equity market also had some bumps along the way before posting a small loss (S&P/ASX 200 Accumulation -0.06%). There was a continuation of the thematic of high yielding industrial names performing well but resources and energy names being held back by falling commodity prices.

International markets were mixed; Europe (DAX +5.0%, CAC +1.7%) and Asia (Nikkei +2.2%, Hang Seng +0.3%) stronger as there appears to be a continued response to looser monetary policy, whilst US markets traded weaker (Dow -2.0%, S&P500 -1.7%) as commentary by Federal Reserve Chair, Janet Yellen, seemed to indicate that the end of quantitative easing was approaching.

The Aurora Absolute Return Fund returned +0.56% for the month.

Option Overlay (+0.42% net) was the largest contributor. Interestingly, the divergence in sectors was a major factor. The impact of lower iron ore prices saw a significant fall in Fortescue Metals (FMG.ASX) and this was a major contributor. Conversely, the rallies in Macquarie Group (MQG.ASX) and all the major commercial banks (ANZ.ASX, CBA.ASX, NAB.ASX & WBC.ASX) also saw positive contributions. However, our position in the Index Futures was a drawdown reflecting the net outcome of a flat market.

All other strategies provided small positive contributions.

Yield (+0.07%) saw longer dated instruments marked down slightly whilst shorted dated exposures performed well. NAB concluded their Capital Notes offer raising \$1.34bn following ANZ's \$1bn Capital Notes 3. The Master Fund continues to prefer alternative structures and shorter dated instruments.

Within the Mergers and Acquisitions strategy (+0.02%) the Master Fund was able to build a position in Toll Holdings (TOL.ASX). The Wilmar and First Pacific acquisition of Goodman Fielder (GFF.ASX) was implemented in line with our anticipated timetable. Announced during the month was TPG Telecom's (TPM.ASX) cash offer for iiNet (IIN.ASX) via a scheme of arrangement. This is another ASX200 takeover situation that we will monitor for opportunities to build a position.

Long/Short trading (+0.04%) benefited from a rally in Qantas airways (QAN.ASX). We were encouraged by a net positive outcome from new corporate action and catalyst trades across a range of sectors, however unwinding of failed positions continued to detract from performance.

Opportunities in Convergence Trading (+0.01%) remain thin with the completion of the rights issue in Tabcorp Holdings (TAH.ASX) being the most significant contribution.

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

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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