

Aurora Absolute Return Fund (ABW.ASX)

Performance ¹	1 month	3 months	FYTD
Aurora Absolute Return Fund	-1.01%	-1.19%	-0.68%
Benchmark	0.12%	0.38%	0.75%
Outperformance	-1.13%	-1.57%	-1.43%

On 1 March 2011, Aurora Absolute Return Fund 'the Fund' changed its investment strategy and commenced investing via the unlisted Aurora Fortitude Absolute Return Fund (ARSN 145 894 800, the 'Master Fund').

Investment Objective

The Fund seeks to achieve absolute returns and income through the use of several different investment strategies with the aim of having very little correlation to equity market indexes. The focus on absolute returns differs from traditional funds in that the Fund aims to produce positive returns regardless of equity market conditions.

Investment Strategy

The Master Fund seeks to take advantage of market mispricing's and arbitrage opportunities using a diverse range of investment strategies. We research various criteria for each investment; these criteria may pertain to fundamental and quantitative analysis, company event situations such as takeovers and mergers, earnings announcements, demergers and restructuring, liquidity events, recapitalisations, multiple share classes, option availability and pricing.

The Master Fund invests in opportunities that it considers to offer attractive risk return characteristics with a focus on potential catalysts that seeks to generate a profitable return regardless of the market direction. The Fund may use derivatives for risk management as well as to create new positions and may opportunistically short sell securities that it believes to be overpriced or to reduce risk on the overall portfolio.

Master Fund Position Analysis

Strategy	Long	Short
Convergence	2	1
Yield	3	0
Long/Short	18	0
Options	8	1
Mergers & Acquisitions	0	0
Total	31	2

Fund Overview

ASX Code	ABW
NAV per Unit	\$0.8263
Structure	Fund
Investment Style	Market Neutral
Inception Date	10 July 2006
Management / Performance fee (excl.GST)	Nil
Buy / sell spread	+/- 0.02%
Entry / Exit fees	Nil
Benchmark	RBA Cash Rate
Distributions	1.0% per quarter

Fund performance summary

- The Aurora Absolute Return Fund returned -1.01% for the month against its benchmark return of +0.12%, whilst the broader S&P/ASX200 Index fell -0.79%.
- The **Convergence** strategy detracted from performance in the Master Fund this month, with a mark-to-market loss on a key position in MPO.ASX. The underlying fundamentals of this investment have not changed and we believe we are well positioned to close the value gap.
- The **Yield** portfolio performed well, with key positions in NABHA and MBLHB providing capital growth and income whilst KBCPA had a mark-to-market loss on very small trade volume.
- The **Options** strategy provided a modest return, with long index puts providing an increased value in a falling market. The Master Fund continued to purchase favourably priced volatility.
- The **Long/Short** strategy performed well across a small number of positions, with PTB.ASX providing a notable return.
- The Master Fund did not execute any **M&A** trades during the month.

About Aurora

Aurora Funds Management Limited ("Aurora") is an Australian based alternative asset manager that specialises in managing absolute-return strategies for high net worth, retail and institutional investors. Aurora utilises a value-orientated approach to select suitable investments that aim to provide investors with positive risk-adjusted returns that are independent of benchmarks or investment cycles.

Aurora is also the issuer of the:

- Aurora Fortitude Absolute Return Fund (APIR Code: AFM0005AU)
- Aurora Dividend Income Trust (Managed Fund) (ASX Code: AOD, APIR Code: AFM0010AU)
- Aurora Global Income Trust (ASX Code: AIB)
- Aurora Property Buy-Write Income Trust (ASX Code: AUP)
- HHY Fund (ASX Code: HHY)

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1. This number represents a cumulative return and assumes reinvestment of distributions and is generated with compounded monthly returns/net of fees.

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 (PDS) 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 has little bearing on future performance. The investment objective is expressed after the deduction of fees and before taxation. See the PDS for details on 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. While we aim to achieve the objective, the objective and returns are not guaranteed. The payment of franking credits to Unit holders is subject to the Fund achieving a taxable profit in that year.