

# Aurora Absolute Return Fund Performance Report - 30 November 2015

ASX Code: ABW



## Summary

- The Fund returned -0.20% for November whilst the RBA Cash Rate returned 0.17%.
- The Yield strategy was the most significant contributor for the month.
- The main detractor to performance was the Convergence strategy.

## Performance<sup>1</sup>

	1 month	3 months	6 months	12 months	3 years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	-0.20%	0.22%	2.24%	3.63%	4.26%	3.64%
RBA Cash Rate	0.17%	0.50%	1.00%	2.17%	2.50%	4.25%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	-0.68%	0.59%	-8.30%	1.90%	9.42%	4.86%

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 <sup>2</sup> 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 daily off-market redemptions

## Fund Valuations

Net Asset Value per Unit	\$0.9731
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## Fund Distributions (Per Unit)<sup>4</sup>

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%
30 Jun 15	\$0.0098	\$0.0130	\$0.0228	9.29%
30 Sep 15	\$0.0145	\$0.0000	\$0.0145	6.00%
<b>Total</b>	<b>\$0.8851</b>	<b>\$0.1904</b>	<b>\$1.0754</b>	

## Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	7.14%
Volatility % p.a.	2.65%
Sharpe Ratio	1.03
% positive months	84%
Best Month	3.63%
Worst Month	-1.60%
Average positive monthly return	0.77%
Average negative monthly return	-0.45%

## Performance Commentary - Master Fund

Weaker commodity and energy prices weighed heavily on the S&P/ASX200 Accumulation Index (-0.68%). This was best highlighted by the Materials Index (-12.62%), with leader BHP Billiton (BHP.ASX) down 21% on falling commodity prices and a fatal dam burst in Brazil.

Global markets were mixed; despite terrorism concerns, US and Europe were generally stronger (S&P500 +0.2%, NASDAQ +1.2%, FTSE -0.1%, DAX +4.9%), Asia generally weaker (Hang Seng -2.8%, Singapore -4.7%, Nikkei +3.5%).

The Aurora Absolute Return Fund returned -0.20% for the month. The drawdown was in Convergence Trading (-0.70%) largely caused in one name. The Master Fund bid into a bookbuild for the NASDAQ American Depository Receipt (ADR) listing for Mesoblast Limited (MSB.ASX/MESO.US) with the view that a discounted raising to US investors for a heavily shorted Australian biotech company could result in a short covering rally; this was not the case and MSB finished -48.58% for the month. The Master Fund significantly reduced the exposure by month end, but continues to maintain a small trading position.

The completion of rights trading and the associated retail sell down saw Westpac banking (WBC.ASX) as the most profitable convergence trade, whereas Santos (STO.ASX) rights trading was not profitable.

The Yield Strategy (+0.35%) was the largest contribution. Virtually all names were positive. Bank names were the highlight. ANZ Bank Convertible Preference Shares 2 (ANZPA.ASX) and Macquarie Group Capital Notes (MQGPA.ASX) traded well ex-dividend, whilst National Australia Bank Perpetual Income Securities (NABHA.ASX) attracted increased buying on renewed speculation of a buyback of this issue at a future date given their improved capital position.

Dividend payments in bank ordinary shares also aided the Option Strategy (+0.18%). ANZ and National Australia Bank (NAB.ASX) were the stand outs in this area. The Master Fund also benefited from downside exposure to Sims Metal (SGM.ASX) and Woolworths Limited (WOW.ASX). A lack of volatility in Telstra (TLS.ASX), Fortescue Mining (FMG.ASX) and Suncorp Group (SUN.ASX) saw drawdowns.

Long/Short trading (+0.03%) was just better than flat. Credit information company Veda Group (VED.ASX) reached a binding agreement for a full acquisition from US firm Equifax Inc (EFX.US) following an approach in October. Participation in block trades in the food sector saw mixed results; The A2 Milk Company (A2M.ASX) was positive but Retail Food Group (RFG.ASX) was a drawdown. The Master Fund exited A2M but still held a position in RFG at month end.

Mergers and Acquisition (-0.06%) was also relatively flat. The Master Fund re-entered a holding in Asciano (AIO.ASX) in anticipating of a potential bidding war between suitors Qube Holdings (QUB.ASX) and Brookfield Infrastructure Partners (BIP.US), however position size remains relatively small given ongoing regulatory concerns. The Board of Phoenix Gold (PGX.ASX) recommended the improved bid by Evolution Mining (EVN.ASX) which requires acceptance levels to reach 90% in order to receive the additional cash top up of 0.75 cents per share.

The Master Fund's largest holding is Iproperty Group (IPP.ASX) after REA Group (REA.ASX) announced a merger between the companies with a structure that provides optionality for holders to elect cash and/or scrip in an unlisted company.

## 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. They aim to deliver income whilst also managing the risks associated in investing in Australian and global equities. The investment strategies are offered through both ASX listed investment vehicles and managed funds.

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)
- HHY Fund  
(ASX code:HHY)

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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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