

# Aurora Absolute Return Fund Performance Report - 30 September 2015

ASX Code: ABW



## Summary

- The Fund returned 0.57% for September whilst the RBA Cash Rate returned 0.17%.
- The Yield strategy was the most significant contributor for the month.
- The S&P/ASX200 Accumulation produced the worst quarterly performance since 2011.

## 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)	0.57%	2.49%	3.46%	4.15%	4.53%	3.75%
RBA Cash Rate	0.17%	0.50%	1.03%	2.25%	2.57%	4.29%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	-2.96%	-6.58%	-12.69%	-0.68%	9.35%	4.53%

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	\$0.9765
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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)	7.30%
Volatility % p.a.	2.65%
Sharpe Ratio	1.08
% positive months	86%
Best Month	3.63%
Worst Month	-1.60%
Average positive monthly return	0.77%
Average negative monthly return	-0.47%

## Performance Commentary - Master Fund

September was a turbulent month for both equity markets and Australian politics. The S&P/ASX200 Accumulation index finished the month -2.96% concluding the worst quarterly performance (-6.58%) since the European debt crisis in September 2011. The Aurora Absolute Return Fund returned +0.57% for September against the RBA Cash benchmark of 0.17%. Global markets were relatively aligned in their declines (US S&P500 -2.6%, UK FTSE -3% Nikkei -8% and Shanghai Composite -4.8%) in response to persistent concerns over China's economic slowdown and the timing and implications of the looming US interest rate hike. September also saw an Australian Federal leadership change, as Malcom Turnbull took over as Prime Minister from the poll-weathered Tony Abbott. Both banks and materials were sold-off aggressively during the month as CBA became the third domestic bank to raise capital in order to meet the higher capital adequacy requirements of APRA.

Yield was the biggest contributor for the month (+0.69%) with the short dated instruments all performing well. The Master Fund's largest position, the Primary Healthcare Bonds (PRYHA.ASX), were redeemed as expected at maturity. Antares Energy Convertible Bonds (AZZG.ASX) also rallied as the company announced large asset sales, at a significant premium to the value implied by the share price.

The Long/Short (-0.11%) and Convergence (-0.13%) positions were detractors for the month, mostly due to the tendency for positions to have a long bias. Despite the market fall, the Vitaco (VIT.ASX) IPO was the best performing long position, with the stock listing mid-month, at a >13% stag profit.

Options was a small positive contributor for the month (+0.11%), however, realised volatility only matched that of implied volatility at the end of last month. The Master Fund has profited from opportunities in this strategy following the sustained period of both higher realised and implied volatility. The purchase of additional protection needs to be weighed off against the number and type of opportunities available in the other strategies employed. Of note within the Options portfolio, the Banks provided a net positive performance for the Master Fund, with CBA's \$5.1bn capital raising being the catalyst for large share price falls. A relatively small position in Oil Search (OSH.ASX) was also a positive contributor after the company received an indicative takeover proposal from Woodside Petroleum (WPL.ASX). This news caused a one-day rally of +17.4%.

Mergers and Acquisitions was slightly positive (+0.03%). Within the strategy Affinity (AFJ.ASX) negotiated an improved deal with Private Equity firm Anchorage, leaving G8's (GEM.ASX) hostile bid to fail. Sirius Resources (SIR.ASX) and Independence Group (IGO.ASX) completed their merger, with the demerged asset S2 Resources due to list on the ASX during November. During the month the risk to the Recall (REC.ASX) Iron Mountain (IRM US) deal increased, over heightened concerns the US Competition Regulator may block the merger, slightly offsetting the gains within this strategy.

## 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)

## 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](http://www.aurorafunds.com.au), or Email: [enquiries@aurorafunds.com.au](mailto: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.

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 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](http://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.