



Summary

- The Trust gained 2.1% slightly trailing the benchmark, as Australian equities bounced back from their heavy falls in June.
- In July the key drivers of performance were falling bond yields and commodity prices and a 5% decline in the AUD.
- At a sector level there was a significant dispersion of returns with the "defensive" healthcare and consumer staples the top performing sectors, with resources and energy sectors faring the worst.

Objective

The objective of the Trust, relative to the Australian equity market, is to provide investors with:

- greater total returns over rolling 5 year periods;
- more income and franking credits each year; and
- less volatility.

The Australian equity market is measured by the S&P/ASX 200 Accumulation Index adjusted to include franking credits.

Performance after Fees

Returns including franking credits	1 month	3 months	12 months	3 yrs (p.a)	Since (p.a.) 31-Dec-10	Since Inception 16-Nov-05 (p.a)
Dividend Income Trust ¹	2.1%	-2.0%	-6.6%	7.2%	6.3%	6.5%
Benchmark*	2.3%	0.1%	5.1%	9.7%	7.0%	6.7%
Value add	-0.2%	-2.1%	-11.7%	-2.5%	-0.7%	-0.2%

* The Benchmark is calculated as 50% of the return on the S&P/ASX 200 Accumulation Index adjusted to include franking credits plus 50% of the return on the UBS Australia Bank Bill Index. The weights in the benchmark are the same as the target weights of the Trust.

Distributions

The Trust distributes at least 0.5% of net assets in cash per month. In addition, the Trust distributes franking credits monthly.

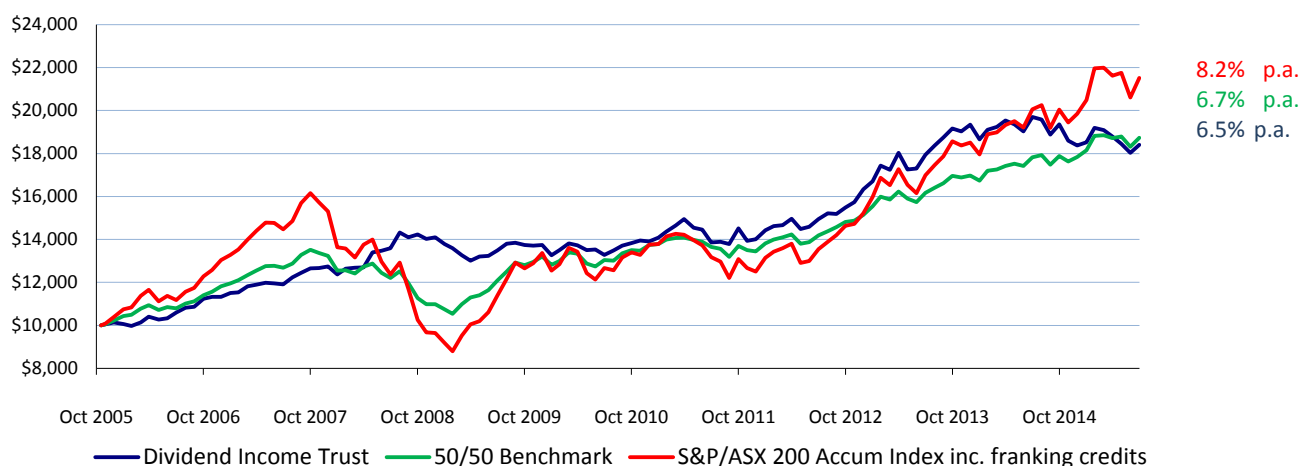
Yield including franking credits	1 month	3 months	12 months	3 yrs (p.a)	Since (p.a.) 31-Dec-10	Since Inception 16-Nov-05 (p.a)
Dividend Income Trust	0.5%	1.8%	8.0%	9.0%	11.3%	10.9%
S&P/ASX 200 Accumulation Index		1.1%	6.1%	6.5%	6.2%	6.0%

Volatility

Volatility is a measure of risk. The volatility of the Trust is expected to be less than the volatility of the market.

Volatility	3 yrs (p.a)	Since (p.a.) 31-Dec-10	Since Inception 16-Nov-05 (p.a)
Dividend Income Trust	8.5%	8.5%	7.2%
S&P/ASX 200 Accumulation Index	11.2%	11.7%	14.1%

Historic Performance Chart



Commentary

Performance Update

July saw a sharp recovery from June's falls, buoyed by Greece's acceptance of austerity and falls in both the AUD and long term bond yields. Over the month the top performing stocks were takeover target Asciano (+22%), BlueScope (+21%) and Qantas (+19%). The weakest performers were companies that are most exposed to declining commodity prices, namely Newcrest (-13%), Worley (-12%) and Orica (-10%).

Portfolio Performance

The Trust performed roughly in-line with the benchmark as the successful short positions were offset by shorts that increased over the month.

In July the Trust's long positions in Telstra (+6%), Wesfarmers (+9%), Westpac (+8%) and Asciano (+22%) added value, as well as short positions in Newcrest (-13%) Orica (-10%) and Origin (-5%). The main performance detractors were short positions in CSL (+14%), AMP (+10%) and Sydney Airport (+13%), as well as a long position in BHP (-2%).

We see significant overvaluation of the USD-earning stocks as investors have paid up for the translation benefit of offshore earnings; but have overlooked softer underlying demand facing many of these global businesses.

Portfolio Trading

In June we implemented a range of enhancements designed to overweight company earnings quality in the Trust and increase the Trust's short exposure to low quality companies. This enhancement added value due to increased portfolio weights in Westpac (+8%), Woodside (+4%) and Asciano (+22%). Further on the short side these changes added value as we reduced the short exposure to CSL (+14%), Transurban (+7%) and Amcor (+5%), but increased the short position in companies such as Newcrest (-13%) and Orica (-10%).

Trust Valuations

Current Distribution yield	7.96%
Net Assets Value per Unit-incl. franking	\$0.8582

Trust Details

ARSN	151 947 732
ASX Code (Quoted Unit)	AOD
APIR Code (Managed Fund)	AFM0010AU
Minimum suggested timeframe	5 Years
Entry Fee	Nil
Exit Fee	Nil
Buy/Sell Spread	0.1%/0.1%
Total Management Cost	1.3% p.a.
Distribution frequency	Monthly
Minimum monthly distribution ²	0.5% cash + franking

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 (ARSN 145 894 800)
- Aurora Absolute Return Fund (ASX Code: ABW)
- 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 or Email: enquiries@aurorafunds.com.au

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Notes:

1. The returns describe the consolidated returns after fees of the Trust and the Aurora Sandringham Dividend Income Trust (ARSN 108 249 154, 'ASDIT' established 16 November 2005). They assume the reinvestment of distributions and franking credits. The performance references against the S&P/ASX 200 Accumulation Index plus the value of franking credits as determined by Aurora. The investment strategy of these trusts were modified on 31 December 2010.
2. The Trust intends to always distribute at least 0.5% of NAV in cash plus any available franking credits, per month regardless of performance. This means that if there is insufficient net income in a given month, investors may receive a partial (or full) return of capital.