

# Aurora Dividend Income Trust

## Performance Report - September 2014

### Summary

- The Trust declined by 3.6% in September while the market declined by 5.2%.
- The markets decline was led by the big four banks and BHP, each declining more than 7.5%.
- The Trust under performed due to overweight positions in these companies.

### 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 <sup>1</sup>	-3.6%	-0.8%	0.7%	11.0%	8.5%	7.4%
Benchmark*	-2.5%	0.3%	5.1%	9.8%	6.6%	5.4%
<b>Value add</b>	<b>-1.1%</b>	<b>-1.1%</b>	<b>-4.4%</b>	<b>1.3%</b>	<b>1.9%</b>	<b>2.0%</b>
S&P/ASX 200 Accumulation Index	-5.2%	-0.2%	7.3%	16.2%	9.3%	7.6%

\* 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.

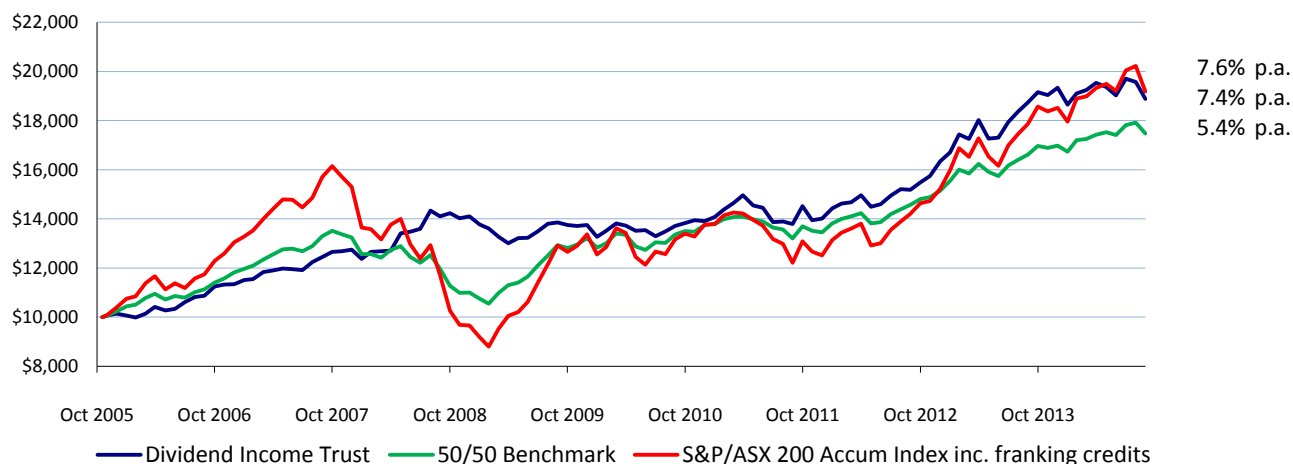
Yield including franking credits	1 month	3 months	12 months	3 yrs (p.a)	Since (p.a.) 31-Dec-10	Since Inception 16-Nov-05 (p.a)
Dividend Income Trust	1.0%	2.3%	8.2%	12.6%	12.1%	11.6%
S&P/ASX 200 Accumulation Index		1.8%	5.9%	6.5%	6.3%	7.5%

### 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	8.6%	8.5%	7.1%
S&P/ASX 200 Accumulation Index	11.4%	11.4%	14.1%

### Historic Performance Chart



## Commentary

The S&P/ASX 200 Accumulation Index including franking credits finished down 5.2% for the month largely as a result of a decline in the price of leading bank shares (ANZ.ASX -7.5%, CBA.ASX -7.4%, NAB -7.6% and WBC.ASX -8.3%) and weak commodity prices weighing on the large miners (BHP.ASX -7.6% and RIO.ASX -4.9%). As the Trust is overweight these companies, this resulted in the underperformance of the Trust relative to benchmark.

The Australian equity market significantly under performed relative to most leading global indices (Dow -0.3%, FTSE -2.9% and Nikkei +4.9%). The Australian Dollar also had a significant fall, losing 6.30% against the US dollar and 2.6% against the Euro.

The Trust fell by 3.6% in September, outperforming the broader market due to the lower net equity market exposure. With the equity market rising strongly over the last three years and the low cash rate, the Trust is expected to underperform given 50% of the equity market exposure is hedged.

Since inception, the Trust has returned 7.4% p.a. which is in line with the underlying market. Relative to benchmark the Trust has significantly outperformed.

## Trust Valuations

Trust Size	\$27 million
Net Assets Value per Unit-incl. franking	\$0.9448

## 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 <sup>2</sup>	0.5% cash + franking

## Investment Strategy

The Trust seeks to achieve the objective by investing in an actively managed portfolio of fully franked dividend paying companies listed on the Australian Securities Exchange while hedging part of the market exposure.

Consequently, the Trust is expected to outperform when the market is weak and underperform when the market is strong.

## Significant Portfolio Holdings

Company
BHP Billiton
Telstra
Wesfarmers
Woolworths
Commonwealth Bank

## About Aurora

Aurora Funds Limited ('Aurora', ASX Code: AFV) was listed on the ASX in July 2010. Aurora comprises the combined businesses of Aurora Funds Management Limited and Fortitude Capital Pty Ltd.

The combined group has in excess of \$218 million in funds under management and administration, and provides asset management and responsible entity/trustee services for Australian and New Zealand investors.

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)

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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.