

Aurora Dividend Income Trust

Performance Report - December 2014

Summary

- The Trust declined by 1.2% in December while the market rose by 2.1%.
- Commodity prices and the Australian currency again struggled through December.
- The underperformance of energy companies and the outperformance of property trusts negatively impacted the Trust.

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 | -1.2% | -2.7% | -5.0% | 9.4% | 7.2% | 6.9% |
| Benchmark* | 1.2% | 2.1% | 5.0% | 9.8% | 6.7% | 6.5% |
| Value add | -2.4% | -4.8% | -10.0% | -0.4% | 0.5% | 0.4% |
| S&P/ASX 200 Accumulation Index | 2.1% | 3.4% | 7.1% | 16.6% | 9.6% | 7.8% |

* 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.

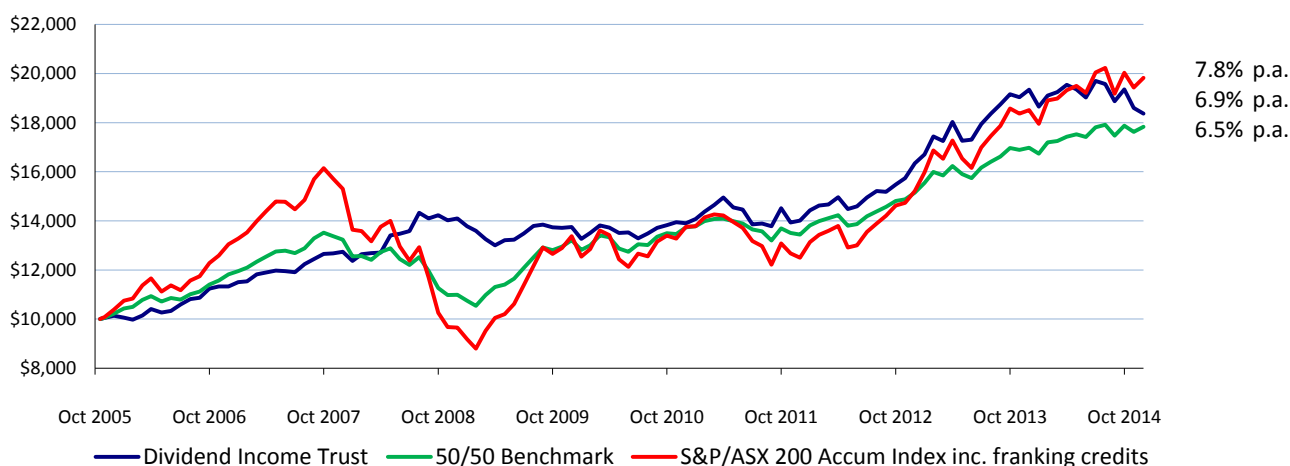
| Yield including franking credits | 1 month | 3 months | 12 months | 3 yrs (p.a) | Since (p.a.) 31-Dec-10 | Since Inception 16-Nov-05 (p.a) |
|----------------------------------|---------|----------|-----------|-------------|---------------------------|------------------------------------|
| Dividend Income Trust | 0.5% | 2.3% | 8.0% | 12.7% | 11.8% | 11.1% |
| S&P/ASX 200 Accumulation Index | | 1.2% | 6.0% | 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 | 8.3% | 8.6% | 7.2% |
| S&P/ASX 200 Accumulation Index | 10.9% | 11.4% | 14.1% |

Historic Performance Chart



Commentary

Commodity prices and the currency again struggled through December, but the Australian equity market finished the year with a gain for the month (S&P/ASX200 Accumulation Index +2.1%). This was largely a case of heavy weight Industrials (All Industrials +2.8%) outperforming the resources sector (All Resources -2.6%). Global markets were generally flat to weaker (S&P 500 -0.4%, FTSE -2.3%, Dax -1.8%, Nikkei -0.10%, Hang Seng -1.6%).

With the Trust's long positions in BHP, RIO and other resource companies that pay fully franked dividends and the short positions in CSL and other companies that generate earnings offshore (and hence not generating franking credits) outperforming due to the declining currency, the Trust underperformed the market and benchmark. This was the theme over 2014.

Similarly, property trusts were up 4.5% for the month and 27% for the year.

Since inception, the Trust has returned 6.9% p.a. which is 0.4% per annum better than Benchmark.

Trust Valuations

| | |
|--|--------------|
| Trust Size | \$26 million |
| Net Assets Value per Unit-incl. franking | \$0.8976 |

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 |

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 |
|-------------------|
| Telstra |
| BHP Billiton |
| Commonwealth Bank |
| Wesfarmers |
| Westpac |

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 \$220 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.