AURORA
FUNDS LIMITED

Aurora Absolute Return Fund
Performance Report - 31 January 2015

ASX Code: ABW

Summary

- The Fund returned -0.03% for January whilst the RBA Cash Rate returned 0.21%.
- The main detractor to performance was the Long/Short strategy.
- The Options portfolio contributed positively due to the heightened levels of volatility.

Performance[1]

	1 month	3 months	6 months	12 months	3 years (p.a)	Since Inception (p.a)
Aurora Absolute Return Fund (ABW)	-0.03%	-0.39%	-0.41%	0.52%	4.09%	3.47%
RBA Cash Rate	0.21%	0.63%	1.26%	2.53%	2.96%	4.46%
S&P/ASX200 Accumulation Index (S&P/ASX200AI)	3.28%	1.98%	1.39%	12.48%	14.47%	5.81%

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 1.5% of Net Asset Value[2] per Unit per quarter
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 off-market at the end of each month

Fund Valuations

Fund Size	$28.7 million
Strategy Size [3]	$122.5 million
Net Asset Value per Unit	$0.9775

Fund Distributions (Per Unit)[4]

Period (per Unit)	Cash	Franking	Total	Yield at NAV (p.a.)
FY 06-10	$0.5034	$0.1311	$0.6345	
30 Sep 10	$0.0250	$0.0000	$0.0250	9.50%
31 Dec 10	$0.0230	$0.0000	$0.0230	8.32%
31 Mar 11	$0.0230	$0.0000	$0.0230	8.19%
30 Jun 11	$0.0227	$0.0000	$0.0227	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%
Total	**$0.8509**	**$0.1774**	**$1.0283**	

Performance Statistics - Master Fund

Performance Since Inception - March 05 (p.a)	7.30%
Volatility % p.a.	2.70%
Sharpe Ratio	0.99
% positive months	85%
Best Month	3.63%
Worst Month	-1.60%
Average positive monthly return	0.78%
Average negative monthly return	-0.47%

Performance Commentary - Master Fund

The S&P/ASX 200 Accumulation Index gained +3.28% for January shrugging off a mid-month slump for the month to rally with a vengeance. The market gain was achieved despite the Energy sector falling -6.5%. Commodity prices mostly suffered declines in January with Oil continuing its slide (-9.4%) and Copper (-12.8%). Gold and Silver (+8.3 and 9.9%) were the notable exceptions. The Swiss National Bank's move to uncouple the Swiss Franc (CHF) per Euro cap, after intervening for the last three years, sent shockwaves through currency markets and related equities. The European Central Bank announced €1.1 trillion of asset purchases through to September 2016. Globally, markets were mixed with the US falling the most in a year (S&P500 -3.1%) but Europe rallying strongly (UK +2.8%, Germany +9.1%, CAC +7.8%). The Aussie Dollar fell more than 5% against the US Dollar as expectations of an imminent rate cut firmed here in Australia versus improving US jobs data.

The Aurora Absolute Return Fund was marginally down in January (-0.03%) despite the volatility assisting the majority of positions held. The RBA Cash Rate was steady at 0.21% for the month. The market eagerly awaits half yearly reporting commencing in February, as this should provide a guide to the underlying strength of companies and sectors, dividend payout policies and market valuations.

Mergers and Acquisitions +0.05% began 2015 with the settlement of the $0.30 cash offer for Indophil Resources (IRN.ASX). Chandler Macleod Group (CMG.ASX) announced it has entered into a scheme implementation deed with Recruit Holdings, a large Japanese human resources company. A number of small deals have been announced to kick off the year and we expect there to be more opportunity for deals in 2015 as a result of the Aussie dollar fall and the divergence between small and large company valuation multiples.

The Options Overlay was the best performing strategy +0.62% due to the heightened volatility. Woodside Petroleum (WPL.ASX) and Telstra (TLS.ASX) were the best performing companies within the options strategy. Woodside was particularly volatile during the month in line with underlying commodity performance. The stock was the biggest detractor within the S&P/ASX 200 index. Telstra, the best index contributor in January, rallied almost 8.9% during the month as investors focussed on yield due to the likelihood of a falling interest rate environment this year. In fact, most positions were profitable for the month. Scentre Group (SCG.ASX) was a small detractor as AREITS remain the sector of choice in a global declining interest rate environment.

Long Short was the worst performing strategy -0.71%. The biggest loss resulted from Stonewall Resources (SWJ.ASX) which resumed trading following the announcement of the failed asset sale and subsequent recapitalisation of the company. Australian Careers Network (ACO.ASX) was a positive performer, recovering from the poor December 2014 listing and the Master Fund exited the position. The Master Fund has reduced the exposure and number of Long/Short holdings over recent months, with a renewed focus on liquidity and hard catalysts.

Convergence was flat +0.0%. Henderson (HGG.ASX) provided trading opportunities as a large domestic shareholder reduced its position. Boart Longyear (BLY.ASX) completed a renounceable rights issue as their preferred method of raising capital. This structure can offer low-risk returns and/or cheap optionality.

Yield was also flat 0.0% with the best position being CBA Perls III (PCAPA.ASX). Softening interest rates globally should see high quality debt continue to outperform. The only small detractor was Antares Energy Convertible Notes (AZZG.ASX) as a result of energy sector concerns more broadly.

About Aurora

Aurora Funds Limited ('Aurora', ASX Code: AFV) was listed on the ASX in July 2010.

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
  (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)

Aurora Funds 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

1. This number represents a cumulative return and assumes reinvestment of distributions. 2. From 1 October 2012 the Fund intends to always distribute at least 1.5% 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.