

## Aurora Dividend Income Trust Performance Report - October 2015



### Summary

- The Trust gained +0.4% and trailed the benchmark. Australian equities had a solid month, though the Australian market lagged most global indices such as Japan (+10%) , Europe (+7%) and US (+8%).
- Global equities had their strongest month in four years after China cut interest rates and the US Fed declined to raise rates.
- At a sector level, energy, utilities and healthcare outperformed, with telecoms and consumers staples lagging the strongly performing market.

### 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.

### Performance after Fees

| Returns including franking credits | 1 month      | 3 months     | 12 months     | 3 yrs (p.a)  | Since (p.a.)<br>31-Dec-10 | Since Inception<br>16-Nov-05 (p.a) |
|------------------------------------|--------------|--------------|---------------|--------------|---------------------------|------------------------------------|
| Dividend Income Trust <sup>1</sup> | 0.4%         | -7.8%        | -12.4%        | 3.1%         | 4.2%                      | 5.4%                               |
| Benchmark*                         | 2.3%         | -2.7%        | 1.9%          | 7.1%         | 6.0%                      | 6.2%                               |
| <b>Value add</b>                   | <b>-1.9%</b> | <b>-5.1%</b> | <b>-14.3%</b> | <b>-4.0%</b> | <b>-1.8%</b>              | <b>-0.8%</b>                       |

\* 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.

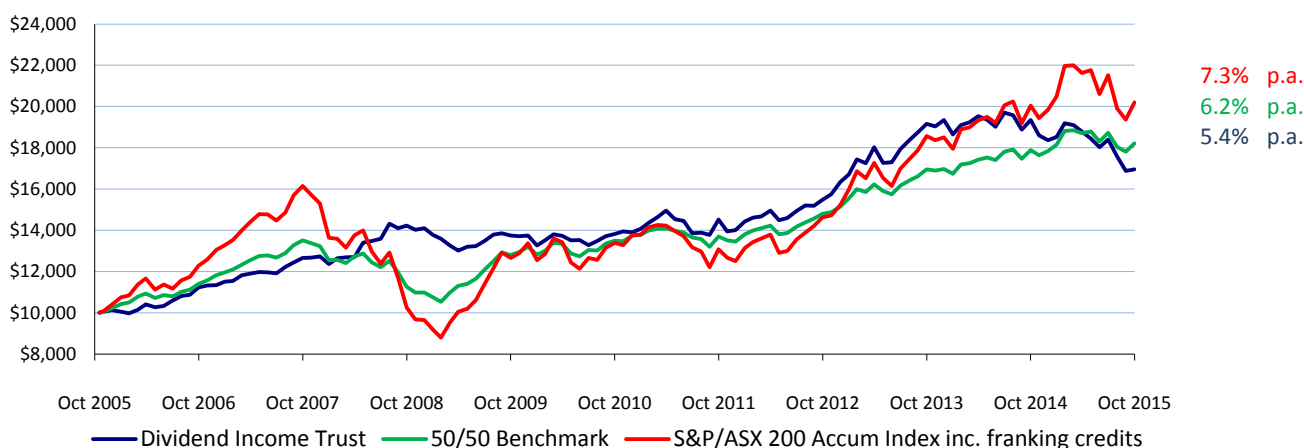
| Yield including franking credits | 1 month | 3 months | 12 months | 3 yrs (p.a) | Since (p.a.)<br>31-Dec-10 | Since Inception<br>16-Nov-05 (p.a) |
|----------------------------------|---------|----------|-----------|-------------|---------------------------|------------------------------------|
| Dividend Income Trust            | 0.8%    | 2.3%     | 8.3%      | 9.4%        | 11.3%                     | 10.8%                              |
| S&P/ASX 200 Accumulation Index   |         | 2.0%     | 6.0%      | 6.3%        | 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.)<br>31-Dec-10 | Since Inception<br>16-Nov-05 (p.a) |
|--------------------------------|-------------|---------------------------|------------------------------------|
| Dividend Income Trust          | 9.2%        | 8.8%                      | 7.5%                               |
| S&P/ASX 200 Accumulation Index | 12.5%       | 12.2%                     | 14.1%                              |

### Historic Performance Chart



## Commentary

### Performance Update

Bad economic news turned out to be good news for investors, as weak economic data resulted in a rate cut in China and speculation of further stimulus plans in Japan and Europe. This delivered the best month in four years for global investors. Over the month the top performing stocks were Santos (+47%), BlueScope (+24%) and Magellan (+19%). The weakest performers were JB Hi-Fi (-6%), Slater + Gordon (-6%) and CSR (-4%).

### Portfolio Performance

The Trust had a weak relative month only gaining +0.4% after performing well up until the final three trading days of the month. These days saw a strong sell off in resources, banks and consumers staples.

In October, the Trust benefited from long positions in Westpac (+6%), Suncorp (+8%) and IAG (16%), as well as being short Newcrest (-3%). The principle detractors from performance were short positions in the non-fully franked dividend paying stocks, Macquarie (+12%), Sydney Airport (+8%) and Oil Search (+9%). On the long side we were hurt by Telstra (-4%) and Wesfarmers (+0.5%) which was dragged down by Woolworths (-3%). This was disappointing, as Wesfarmers reported strong food and liquor sales results earlier on in the month. The Melbourne-based banks NAB (+1%) and ANZ (+0.5%) underperformed during the market rally.

### Portfolio Trading

Over the month we rebalanced the Trust as a result of the earnings quality overlay. We increased the Trust's long positions in Wesfarmers (+0.5%) and Tatts (+5%), and decreased our short position in Macquarie (+12%) and Resmed (+11%). On the other side the earnings quality tilt decreased our long exposure to Suncorp (+8%) and IAG (+16%) and increased the short weight to both Newcrest (-3%) and Computershare (+2%). The earnings quality overlay was a positive contributor to performance in October.

## Trust Valuations

|                                          |          |
|------------------------------------------|----------|
| Current Distribution yield               | 9.00%    |
| Net Assets Value per Unit-incl. franking | \$0.7723 |

## 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 |

## 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 (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)

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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.