

Aurora Dividend Income Trust Performance Report - May 2016



Summary

- The Trust had a solid month returning +5.5%. May marked the first quarter under the new strategy of implementing a more concentrated portfolio focusing on distribution sustainability and earnings quality.
- Over the month we were pleased to see both the short and long side of the portfolio adding value.
- In May we were able to frank the Trust's monthly distribution at the rate of 100%.

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

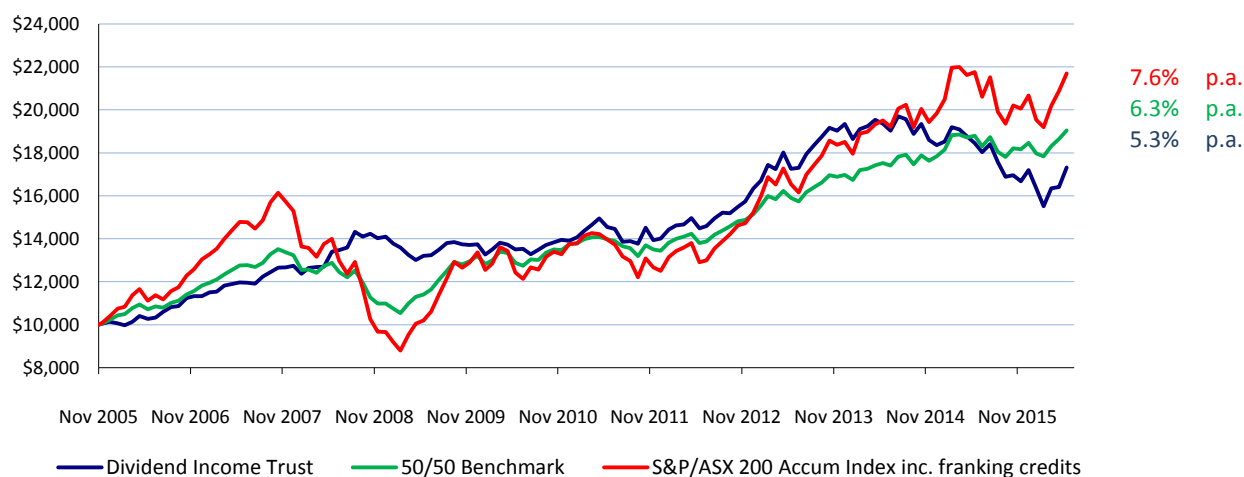
Returns including franking credits	1 month	3 months	12 months	3 yrs (p.a)	Since Inception 16-Nov-05 (p.a)
Dividend Income Trust ¹	5.5%	11.6%	-6.1%	0.1%	5.3%
Benchmark*	2.2%	6.8%	1.4%	6.2%	6.3%
Value add	3.3%	4.8%	-7.5%	-6.1%	-1.0%

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 Inception 16-Nov-05 (p.a)
Dividend Income Trust	10.0%	8.0%
S&P/ASX 200 Accumulation Index	12.5%	14.1%

Historic Performance Chart



Commentary

Performance Update

The Australian stock market had a reasonable one, albeit with a great degree of dispersion. Oil gained slightly over the month, but iron ore fell heavily (-23%) and the AUD/USD fell almost 4c to finish at 0.72, aided by a rate cut from the RBA.

The top performing stocks in May were CYBG (+34%), Aristocrat (+29%) and Macquarie (+22%). The weakest performers were the downgrading Flight Centre (-20%) and ALS (-14%) as well as Rio Tinto and Fortescue (both -13%) feeling the impact of a falling iron ore price.

Portfolio Performance

The Trust had a solid month and gained +5.5% outperforming the benchmark. Our process of focusing on earnings and distribution sustainability worked well and has reduced volatility.

In May the Trust benefited from long positions in CSL (+10%), Macquarie (+22%) and QBE (+12%) as well as short positions in Spotless (-10%), ALS and Rio (both -13%). On the negative side of the ledger, performance was hurt by long positions in Wesfarmers (-5%) and AMP (-4%) and a short position in troubled retailer Metcash (+16%).

Portfolio Trading

At the start of the month we established new long positions in Duet (+4%), Hendersons (+12%), Investa Office (+2%) and Spark (+11%). We also closed out a long in SCA Property (-3%).

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

Trust Valuations

Current Distribution yield	8.5%
Net Assets Value per Unit-incl. franking	\$0.7453

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.