

Key Facts		AFARF	RBA Cash	
Strategy	Market Neutral	1 Month Return	0.901%	0.40%
Domicile	Australia	12 Month Return	5.27%	4.63%
Min. Investment	\$A100,000	Annualised Return p.a.	9.65%	5.44%
Management Fee	1.5375% p.a. (includes GST)	Return Since Inception	73.87%	37.40%
Performance Fee	20.5% p.a. with high water mark	Best month	3.63%	0.60%
Benchmark	RBA Cash Rate	Worst month	-1.60%	0.25%
Prime Broker & Custodian	UBS	% Positive months	88%	100%
Administrator	Mackenzie Coultas Funds Administration	Annualised Std Deviation	3.02%	0.37%
APIR Code	AFM0005AU	Sharpe Ratio	1.41	-

## Volatility returns

The Australian market posted a +1.6% gain for the month of February. Ongoing tensions in the Middle East & Africa, rising inflation concerns and a mixed reporting season were evenly balanced against the resilience of US manufacturing. Oil prices rose above \$100 a barrel for the first time since October 2008 and will be eagerly watched in light of the US demand recovery. The corporate reporting season continued to highlight Australia's two-speed economy. Resources and banks powered ahead whilst industrials and consumer-related sectors struggled. Against this backdrop the fund produced a return of +0.90% for the month. The fund continues to balance low cost capital protection with aggressive positioning in other strategies where short term mispricings occur.

The ongoing concerns resulted in an increase in implied volatility which resulted in the portfolio returning a positive result for the options strategy. The cost of capital protection remains at historically low levels and the fund is committed to maintaining this position allowing more aggressive positioning in other strategies. The fund maintained a large option position in BHP over February which resulted in excellent profitability due to the initial negative reaction post the result (seemingly due to a lack of announced capital management initiatives). Within 7 days of the result an off-market buyback worth \$10bn was announced which resulted in aggressive upside moves.

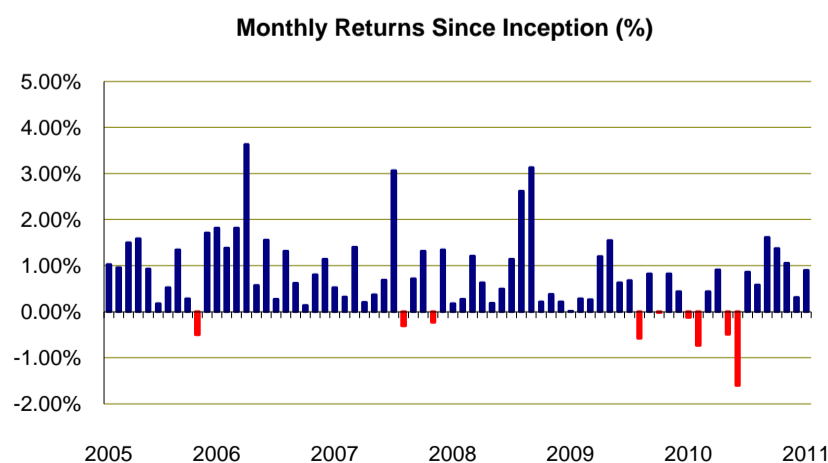
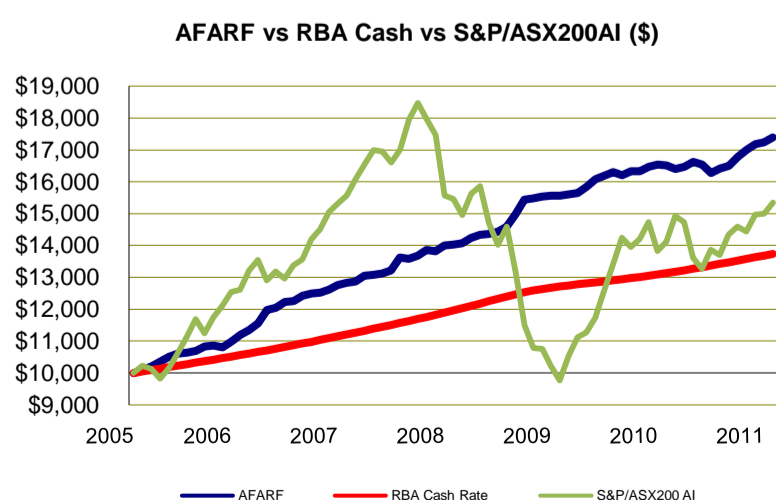
The yield strategy was the most profitable for the month due to the Fairfax announcement to repurchase the Stapled Preference Shares by means of a buyback on 29 April 2011. Our exposure in this sector is heavily weighted towards this instrument and we will continue to take advantage of short term mispricings where there is a defined event of this nature.

Corporate activity in the small and midcap miners continued in February allowing the fund to profit from several capital raisings and equity sell downs in this area.

The mergers and acquisitions strategy was a small positive contributor to performance, with some of the portfolios larger positions being AXA Asia Pacific and ING Industrial Fund. These two friendly mergers are due to be voted on in March. Redflex Holdings also agreed to a merger with Macquarie and the Carlyle Group, after more than 6 months in discussions.

The convergence book was the only unprofitable strategy for the month primarily due to poor markings at month end in share class arbitrage positions.

Performance after fees (%)													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	0.31	0.90											1.21%
2010	0.44	-0.13	-0.73	0.43	0.91	-0.49	-1.60	0.86	0.58	1.61	1.37	1.05	4.33%
2009	0.21	0.01	0.28	0.26	1.20	1.55	0.55	0.67	-0.58	0.82	-0.02	0.82	6.01%
2008	1.34	0.17	0.27	1.21	0.63	0.18	0.45	1.14	2.61	3.13	0.21	0.37	12.38%
2007	1.14	0.52	0.32	1.40	0.21	0.36	0.63	3.06	-0.30	0.71	1.32	-0.23	9.55%
2006	1.71	1.82	1.38	1.82	3.63	0.57	1.55	0.27	1.32	0.61	0.14	0.80	16.75%
2005			1.02	0.96	1.50	1.58	0.92	0.18	0.52	1.34	0.28	-0.50	8.06%



## FUND OVERVIEW

The Aurora Fortitude Absolute Return Fund (AFARF) aims to produce positive returns irrespective of the direction of the share market, by investing in predominantly Australian listed securities and derivatives.

The Fund purchases both put and call options which allows it to profit from movements in the market both up and down. It then looks for short term trading opportunities to generate low risk returns from other strategies including;

- Mergers and Acquisitions
- Long/Short
- Share Class Arbitrage, and
- Yield securities

Each investment considers the risk, the timeline of that risk occurring and then the potential return.

Low transaction costs and liquidity are other important factors in the success and implementation of the strategies.

### Trust Distributions (per unit)

Period (per unit)	Amount (\$)	Yield (p.a)
31/06/2005	\$0.0516	15.48%
31/06/2006	\$0.1449	14.49%
31/06/2007	\$0.1040	10.40%
31/06/2008	\$0.0961	9.75%
31/06/2009	\$0.1384	14.09%
31/06/2010	\$0.0256	2.66%
31/12/2010	\$0.0275	5.71%
Total since inception	\$0.5881	

## INVESTMENT MANAGER

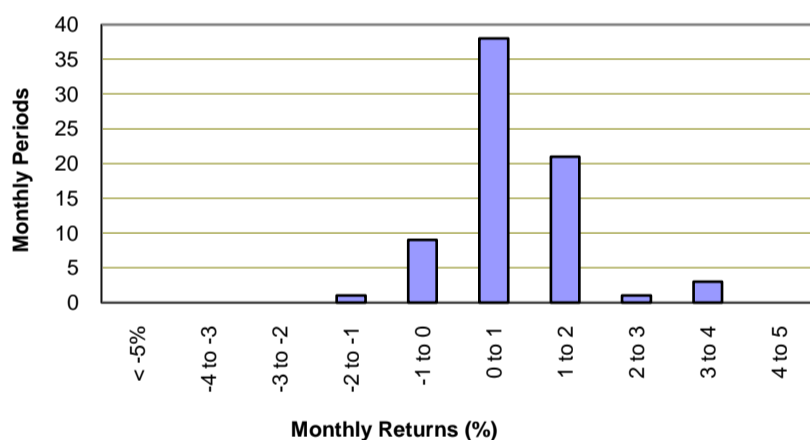
Fortitude Capital Pty Ltd is a wholly-owned subsidiary of Aurora Funds Limited (Aurora). With in excess of \$500 million in funds under management/administration, Aurora was listed on the ASX in July 2010 under the ASX Code: AFV.

The Aurora Group provides asset management and responsible entity/trustee services for over 3,500 Australian and New Zealand investors.

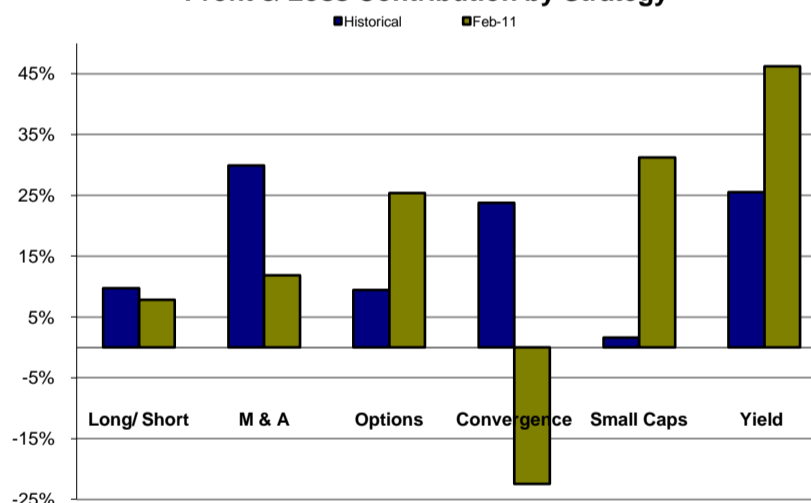
Aurora is also the issuer and/or distributor of the:

- Aurora Sandringham Dividend Income Trust (ASX code: AOD)
- Aurora Sandringham Australian Equity Income Trust (ASX Code: ABW)
- Aurora Sandringham Global Income Trust (ARSN 131 291 499)
- Aurora Global Income Trust (ASX code: AIB)
- Aurora Property Buy-Write Income Trust (ASX code:AUP)
- van Eyk Blueprint Alternatives Plus (ASX code: VBP)
- CORALS Commodities Fund (ARSN 131 196 882)

### Distributions of Returns

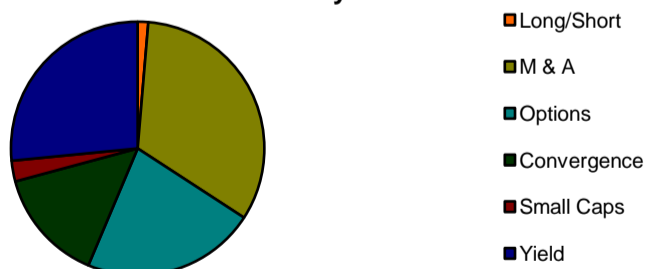


### Profit & Loss Contribution by Strategy

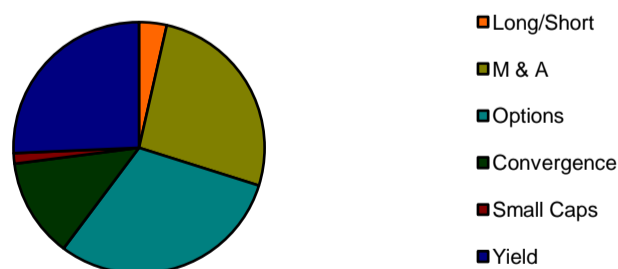


### Strategy Weightings

February 2011



### Historical



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