



FORTITUDE CAPITAL

Aurora Fortitude Absolute Return Fund
January-11

AURORA
FUNDS LIMITED

| Key Facts | | | AFARF | RBA Cash |
|--------------------------|--|--------------------------|--------|----------|
| Strategy | Market Neutral | 1 Month Return | 0.306% | 0.40% |
| Domicile | Australia | 12 Month Return | 4.20% | 4.51% |
| Min. Investment | \$A100,000 | Annualised Return p.a. | 9.62% | 5.44% |
| Management Fee | 1.5375% p.a. (includes GST) | Return Since Inception | 72.32% | 36.86% |
| 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 | 87% | 100% |
| Administrator | Mackenzie Coultas Funds Administration | Annualised Std Deviation | 3.04% | 0.37% |
| Auditor | PricewaterhouseCoopers | Sharpe Ratio | 1.40 | - |

Floods and Egypt

The Australian equity market delivered a lacklustre January performance, posting a small gain of +0.18% (S&P/ASX200). Weighing on the market were concerns about the major floods impacting Queensland with continuous domestic media coverage and also international attention. Politician unrest in Egypt reported late in the month resulted in a tempered positive result for the US markets, +2.3% for the S&P500. US data points and company updates continued to show signs of economic improvement.

Within the Fund the Options portfolio, realisable volatility was again well below implied levels. The January ETO expiry fell the Thursday after the Australia Day holiday without any strong directional move, resulting in a small loss of premium. Subsequently, there was a sell off in the market over the last two trading days which provided a small mark up in volatility in the remaining portfolio.

The best performing strategy for the month was Convergence. The premium of the Wesfarmers Partially Protected shares (WESN) increased relative to the ordinary shares (WES). We continue to see these securities as offering cheap optionality with limited downside risk. Resmed (RMD) also provided good spread trading opportunities between here and New York in the lead up to their half year results.

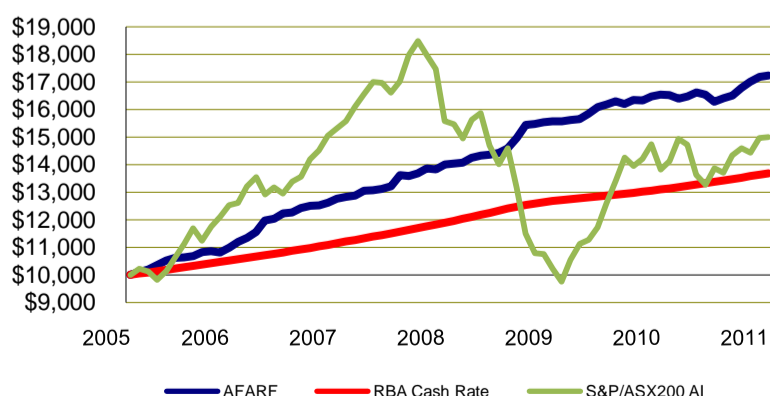
The Mergers and Acquisition strategy continued to add to performance, largely as a result of the unconditional takeover offer for Citadel (CGG) by Equinox (EQN) concluding. We took advantage of the alpha opportunity and liquidity at the tail end of the deal, where there is very little remaining risk. Low execution costs provided this opportunity. AXA Asia Pacific and AMP also positively contributed, with the positions structured to include exposure and protection from an options overlay.

Long/Short positions, although mostly longs, were kept fairly small by both number and exposure. The effect was a slight deduction from the fund returns, predominantly as a result of Jupiter Mines (JMS) trading at a discount to their \$150m capital raising.

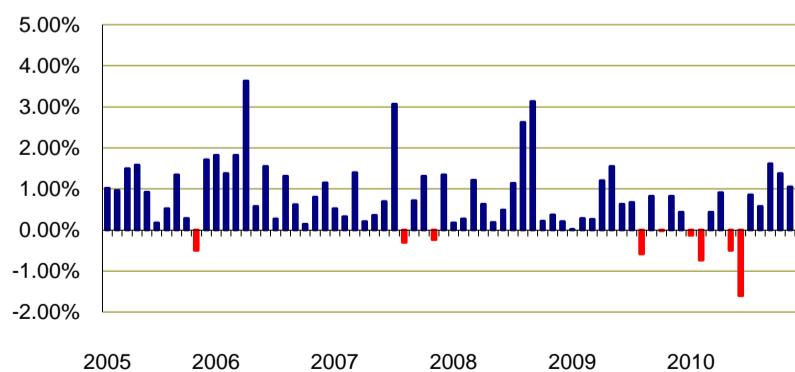
The largest upcoming event for the Yield strategy is an announcement due by Fairfax in February stating their intentions for the preferences securities (FXJPB), with the likely outcome a redemption for cash in April.

| Performance after fees (%) | | | | | | | | | | | | | |
|----------------------------|------|-------|-------|------|------|-------|-------|------|-------|------|-------|-------|--------|
| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
| 2011 | 0.31 | | | | | | | | | | | | 0.31% |
| 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% |

AFARF vs RBA Cash vs S&P/ASX200AI (\$)



Monthly Returns Since Inception (%)



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.

INVESTMENT MANAGER

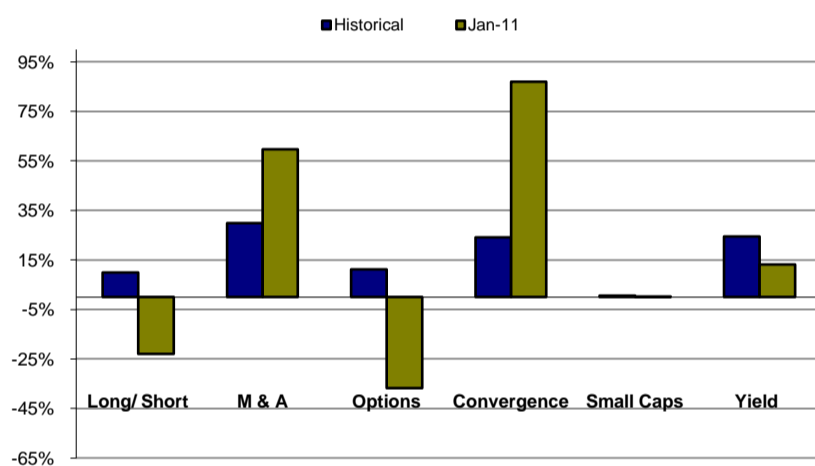
Fortitude Capital Pty Ltd is a wholly-owned subsidiary of Aurora Funds Limited (Aurora). With in excess of \$500 million in funds under management/administration, Aurora was listed on the ASX in July 2010 under the ASX Code: AFV.

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

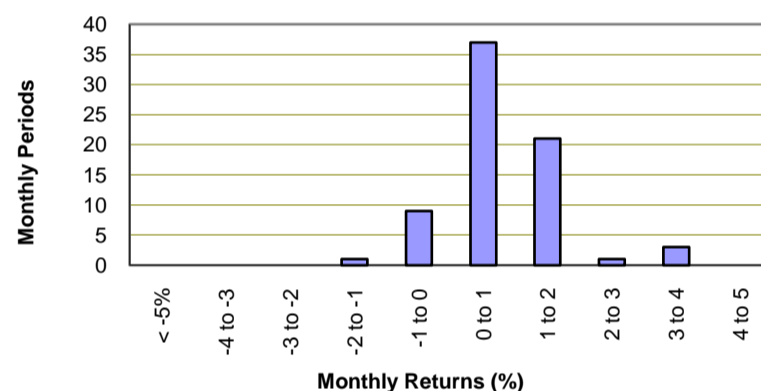
Aurora is also the issuer and/or distributor of the:

- 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 Infrastructure 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)

Profit & Loss Contribution by Strategy

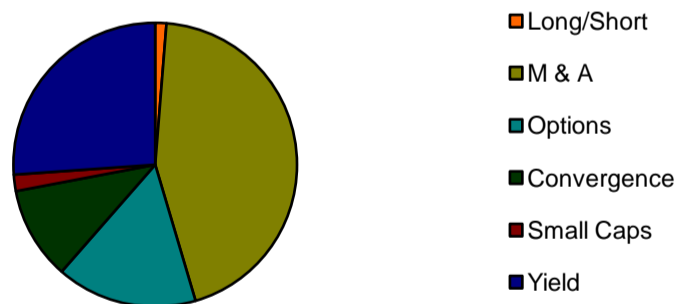


Distributions of Returns

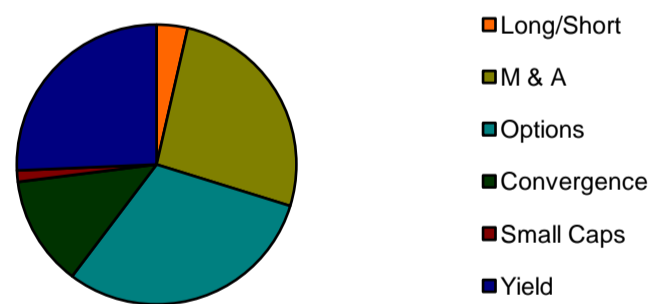


Strategy Weightings

January 2011



Historical



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