

## INVESTMENT OBJECTIVE

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.

## FUND PERFORMANCE TO 31 JULY 2011

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
1 month	0.51%	0.40%	-3.97%
3 months	-1.56%	1.19%	-7.56%
6 months	0.73%	2.40%	-5.03%
12 months	6.68%	4.80%	2.70%
2 years (p.a)	3.55%	4.33%	6.36%
3 years (p.a)	6.36%	4.37%	0.52%
5 years (p.a)	7.26%	5.32%	1.91%
Annualised Return Since Inception (p.a)	9.32%	5.40%	5.65%
Standard Deviation	3.11%	0.36%	14.99%

## MARKET RISK RISES ALONG WITH THE US DEBT CEILING

July saw mixed outcomes from world equity markets. Ongoing concerns around sovereign debt levels resulted in US and European markets trading lower (Dow Jones Index -2.2%, DAX Index -2.9% and CAC 40 Index -7.8%), whilst Asian markets were generally flat to positive (Hang Seng Index +0.2%, Singapore Straits Times Index +2.2%, KOSPI Index +1.5% but Shanghai Composite -2.2%).

Australian investors faced the added headwinds of a rising currency (+2.65% vs. USD), continued political debate on the impact of the carbon tax and a higher than expected CPI figure which all contributed to the S&P/ASX 200 accumulation index finishing the month 3.97% lower.

As expected in this environment our option portfolio contributed significantly to returns. The banking sector was particularly interesting and we were able to generate positive returns from positions in Macquarie Bank (MQG) and all four commercial banks as investors reduced exposure in response to deteriorating credit markets.

The media sector was a major point of focus during the month. News Corporation (NWS) fell as much 18% during the "Phone Tapping Scandal" that resulted in the closure of one its leading newspapers. This focused attention on the potential break-up valuation and the possibility of the company having a future without the Murdoch Family in an active management capacity, which resulted in the stock finishing only 10.2% down for the month.

The Australian Competition and Consumer Commission (ACCC) raised concerns regarding the proposal by FOXTEL Management Pty Ltd (25% owned by NWS) to acquire 100% of pay TV operator Austar United (AUN). The ACCC took an approach that free TV did not compete with pay TV; by international comparisons this appears to be a unique approach and surprised most market participants. AUN closed down 29.5% for the month.

Our portfolio had small exposures to both NWS (convergence strategy) and AUN (Mergers and Acquisitions) but disciplined risk management limited losses. The best performing strategies during July were: Yield, Options, and Mergers and Acquisitions. The only small detraction was a fairly flat performance from the convergence strategy.

Orica Limited (ORI) shareholders approved the buyback of the company's Step Up Preference shares (ORIPB). This security is one of our largest exposures and the resulting price improvement was the portfolio's largest contributor for the month.

Performance after fees (%)													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	0.31	0.90	0.16	1.25	-1.46	-0.61	0.51						1.04%
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.

## INVESTMENT MANAGER

Fortitude Capital Pty Ltd (AFSL 221131) 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 3,000 Australian and New Zealand investors.

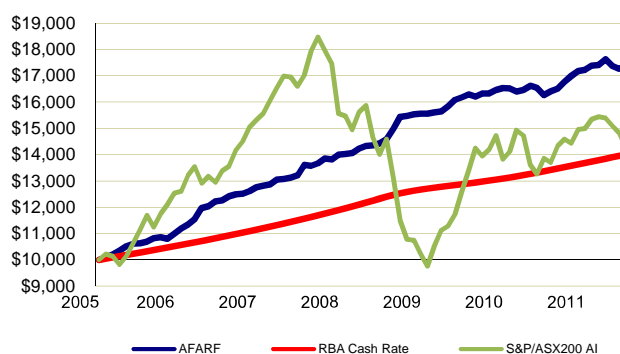
### Aurora is also the issuer and/or distributor of the:

- Aurora Sandringham Dividend Income Trust (ASX code: AOD)
- Aurora Absolute Return Fund (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)

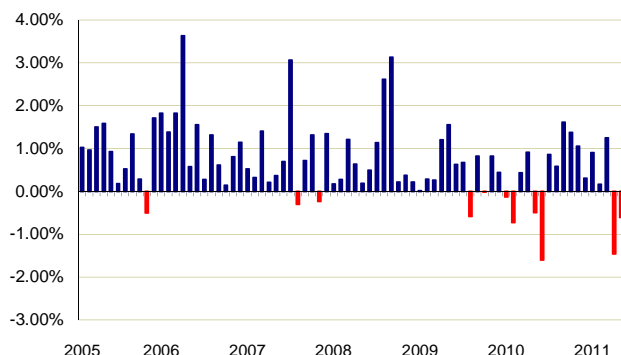
## TRUST DISTRIBUTIONS (per unit)

Period (per unit)	Amount (\$)	Yield (p.a)
30/06/2005	\$0.0516	15.48%
30/06/2006	\$0.1449	14.49%
30/06/2007	\$0.1040	10.40%
30/06/2008	\$0.0961	9.75%
30/06/2009	\$0.1384	14.09%
30/06/2010	\$0.0256	2.66%
31/12/2010	\$0.0275	5.71%
30/06/2011	\$0.0063	3.51%
<b>Total since inception</b>	<b>\$0.5944</b>	

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



Monthly Returns Since Inception (%)



KEY FACTS		AFARF	RBA Cash
Strategy	Market Neutral	Sharpe Ratio	1.42
Feeder Fund	Aurora Absolute Return (ABW)	Best month	3.63%
APIR Code	AFM0005AU	Worst month	-1.60%
Benchmark	RBA Cash Rate	Positive months	85.71%
Administrator	Mackenzie Coultas Funds Admin	Prime Broker/Custodian	UBS

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