

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 30 JUNE 2011

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
1 month	-0.61%	0.40%	-1.80%
3 months	-0.84%	1.19%	-4.02%
6 months	0.52%	2.40%	-0.92%
12 months	4.44%	4.79%	11.73%
2 years (p.a)	3.61%	4.25%	12.44%
3 years (p.a)	6.35%	4.45%	0.32%
5 years (p.a)	7.48%	5.33%	2.38%
Annualised Return Since Inception (p.a)	9.44%	5.40%	6.41%
Standard Deviation	3.13%	0.36%	14.98%

MACRO FACTORS CREATE JUNE GLOOM

Poor US economic data combined with the continued risks regarding the possibility of Greece or other European states defaulting on sovereign debt obligations saw most leading equity indices posting negative June returns (S&P 500 -2.5%, Hang Seng Index -5.4%, and FTSE 100 -1.6%).

Australian investors faced the extra burden of the political and economic uncertainty regarding the possible outcomes from upcoming Federal Government carbon reduction/pricing initiative.

The S&P/ASX 200 Accumulation index posted a negative 1.8% return after staging a remarkable 3.3% "financial year end" rally over the last 3 trading days.

Our portfolio struggled to generate significant returns from any of our sub strategies, and we note with interest that the Eureka Hedge Report has highlighted that all strategies that it monitors reported negative returns for the month. Past experience of such circumstances suggests that this coincides with low trading volumes and can be pre-emptive to significant market falls. In line with this we have added to our option downside protection, despite the fact that implied volatilities continue to trade at a premium to realised levels. We have also reduced our exposure to long short trading particularly at the smaller capitalisation end.

Low turnover was a factor in our convergence trading during the month with a significant drop in liquidity in some of the midcap mining names making it difficult to exit positions. In line with the above comments we have scaled back position sizes and are looking for great margins on smaller exposures.

The event and merger arbitrage space was particularly active during the month. We benefited from the completion of the Barrick Gold takeover of Equinox Minerals (EQN) and a competitive bid in Territory Resources (TTY). The talk of the month was the Foster's Group (FGL) rejection of a \$4.90 indicative proposal from the international brewing group SAB Miller. The FGL share price rallied to a high of \$5.23 on speculation of a higher or competing bid; we have remained cautious in this name, building exposure but with put option protection. We have also added to our position in Austar United Communication (AUN) as it awaits formalisation of the proposed scheme of arrangement with Foxtel.

We are seeing opportunities to add to our favoured positions in yield instruments. Orica Limited (ORI) announced that it will look for shareholder approval to buy back the step up preference shares (ORIPB) in November; we had expected this announcement and see this as a stand out low risk opportunity. Woolworths Limited (WOW) are due to make an announcement on their Unsecured Floating Rate Notes (WOWHB) by mid-July, and again we expect this to provide a potential opportunity in a volatile market.

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							0.52%
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 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.

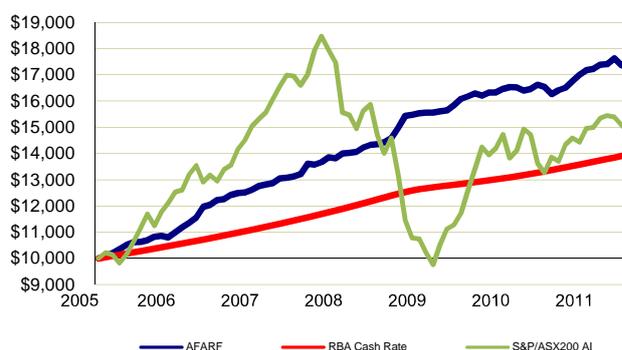
Aurora is also the issuer and/or distributor of the:

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

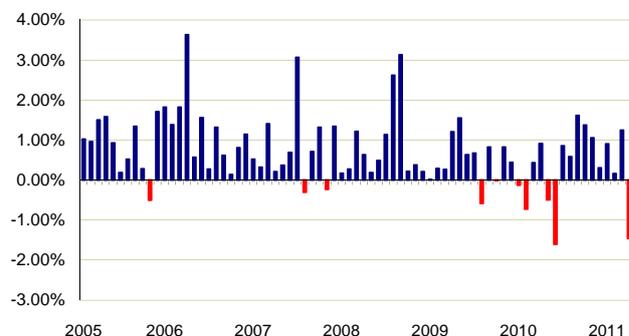
TRUST DISTRIBUTIONS (per unit)

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%
Total since inception	\$0.5944	

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



Monthly Returns Since Inception (%)



KEY FACTS		AFARF	RBA Cash
Strategy	Market Neutral	Sharpe Ratio	1.42
ASX Code	ABW	Best month	3.63%
APIR Code	AFM0005AU	Worst month	-1.60%
Benchmark	RBA Cash Rate	Positive months	85.53%
Administrator	Mackenzie Coultas Funds Admin	Prime Broker/Custodian	UBS

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