



FORTITUDE CAPITAL

Aurora Fortitude Absolute Return Fund

October-2011

AURORA
 FUNDS LIMITED

INVESTMENT OBJECTIVE

The Aurora Fortitude Absolute Return Fund (AFARF), the Fund 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 OCTOBER 2011

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
1 month	0.43%	0.40%	7.25%
3 months	1.74%	1.19%	-1.25%
6 months	0.15%	2.40%	-8.72%
12 months	5.30%	4.85%	-3.65%
2 years (p.a)	3.98%	4.55%	0.38%
3 years (p.a)	4.58%	4.20%	6.94%
5 years (p.a)	7.15%	5.25%	-0.18%
Annualised Return Since Inception (p.a)	8.89%	5.37%	5.24%
Standard Deviation	3.07%	0.35%	15.18%

RISK RALLY

The ASX200 gained 7.2% during the month on the back of perceived clarity on European debt negotiations. Focus continues on European woes with the agreed plan lacking significant detail. The prospect of a hard landing in China also appeared with weak GDP (9.1%) and CPI (6.1%) prints. The ASX200 is down 9.4% year to date. The fund finished the month up 0.43%. October saw a clear bias towards risk assets (Energy +12.3%; Materials +7.9%) and Financials (+9.2%) with Telecommunications the only sector down for the month (-0.2%). The Australian Dollar correlation with risk assets continued with the AUD finishing the month +9.6% at 1.059:1US\$. Optimism was reflected in global bourses with the S&P500 up 10.8%. Chi-X debuted on October 31, unfortunately four days too late to capitalise on an ASX glitch on October 27 which saw trading halted for four hours. The fund has, and continues to make use of all trading venues through its brokers' smart order routers.

The **Options** portfolio (-1.14% actual performance) had a strong start to the month but fell foul after a large decrease in the market value of protection due to the strong rally in risk. Core insurance positions over the ASX200 Index, BHP Billiton (BHP.ASX) & Commonwealth Bank (CBA.ASX) bore the brunt of large decreases in implied and realized volatilities. QRN (QRN.ASX) posted a strong return on the back of opportunistic volatility buying.

Yield (+0.64%) was another strong contributor. Orica Step-Up Preference Shares formally announced that redemption via a buyback will be implemented in November, as per our expectation. The Southern Cross Airports SKIES (SAKHA.ASX) also firmed as it is the next instrument approaching maturity.

Mergers and Acquisitions (+0.65%) was the strongest contributor for the month. Hunnu Coal (HUN.ASX) was the fund's best performing position as a result of Banpu Minerals declaring its takeover offer unconditional. Also completed during the month was the Horizon Road scheme of arrangements with ConnectEast (CEU.ASX). Anvil Mining (AVM.ASX and AVM.CN) was a negative detractor after they provided an update to the market that the takeover could be jeopardized by a Congolese company positioning to renegotiate terms of a lease should a change of control arise. This is a reminder of the increased geopolitical risks involved in offshore assets.

The **Convergence** portfolio posted a small positive return (+0.14%) with the Goodman Fielder (GFF.ASX) rights issue presenting good trading opportunities. The Wesfarmers Partially Protected Shares (WESN.ASX) against the ordinaries came under a bit of pressure after posting solid returns last month.

The **Long Short** strategy posted a small positive return (+0.14%) with systematic trading on corporate & index restructuring performing well. Of note, Flinders Mine in the small cap space and a small short in Monodelphus performed well. Manas Res (MSR.ASX) underperformed after their capital raising caused some indigestion and the price drifted off slightly.

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	1.19	0.11	0.43			2.79%
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	0.63	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 Fund 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.

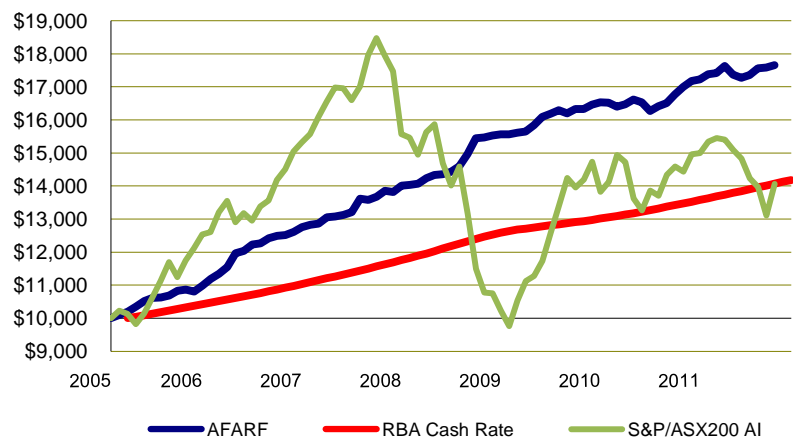
Aurora is also the issuer of the:

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

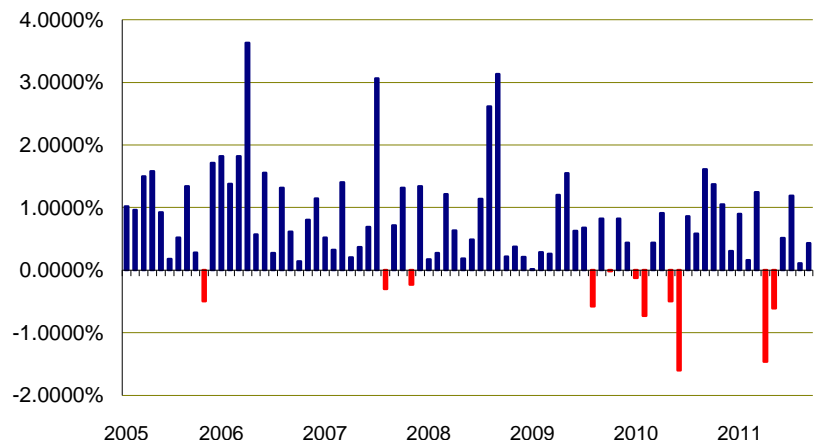
FUND DISTRIBUTIONS (per Unit)

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%
30/06/2011	\$0.0338	3.47%
30/09/2011	\$0.0193	8% (annualised)
Total since inception	\$0.6137	

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%	0.60%
APIR Code	AFM0005AU	Worst month	-1.60%	0.25%
Benchmark	RBA Cash Rate	Positive months	86.25%	100.00%
Administrator	Mackenzie Coultas Funds Admin	Prime Broker/Custodian	UBS	

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