



FORTITUDE CAPITAL

Aurora Fortitude Absolute Return Fund

April-2012

AURORA
 FUNDS LIMITED

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 APRIL 2012

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
1 month	0.44%	0.35%	1.43%
3 months	1.38%	1.07%	4.63%
6 months	2.75%	2.17%	4.69%
12 months	2.91%	4.62%	-4.44%
2 years (p.a)	4.96%	4.67%	-0.03%
3 years (p.a)	5.05%	4.27%	9.77%
5 years (p.a)	6.81%	5.04%	-2.32%
Annualised Return Since Inception (p.a)	8.66%	5.30%	5.54%
Standard Deviation	2.97%	0.35%	14.85%

Yield is the New Black

The ASX200 Accumulation Index finished up 1.43% in April despite the release of disappointing economic data. Treasury reported a trade deficit of \$480m for February and a CPI print of 1.1% per annum, the lowest reading since the GFC. The Dow Jones Index finished the month flat (+0.01%), reversing some previous outperformance over the ASX200. This in part, can be attributed to high expectations of accommodative monetary policy by the RBA driven by the low CPI reading. In line with this high yielding sectors outperformed strongly with REITs (+5.5%), Telecommunications (+7.5%) and Financials (+2.9%) outperforming Industrials (-1.1%), Materials (-0.1%) and Energy (-0.2%). The Fund posted its tenth consecutive positive month, up 0.44%.

The **Mergers and Acquisitions** strategy was the strongest performer in the overall portfolio (+0.34%). Charter Hall (CQO.ASX) implemented their scheme of arrangement with the bidding consortium Reco Ambrosia. The total net proceeds from the US asset sales came in marginally higher than estimated and the Fund benefitted. A final distribution is scheduled to be received later this year. Offsetting this strong performance was a drawdown resulting from a last minute legal complication with the Flinders Mines scheme of arrangement and Russian company Magnitogorsk MMK. The Fund held a relatively small position (<1% FUM). The second court approval could not be obtained because a small minority shareholder of MMK sought a legal injunction. The events and conspiracy theories that continue to unfold are numerous and far-reaching. Once again we are reminded to tread carefully where unfamiliar international bidders are involved.

The **Long Short** strategy produced a 0.09% return. Whilst the overall contribution was relatively modest, there were some strong offsetting performances. Thakral Holdings received an indicative takeover offer of \$0.70 from Brookfield after the Wynyard concept plan was approved earlier in the month.

This was one of the Funds larger long holdings. The indicative bid is at a big discount to the net asset value of \$0.96 per share and hence the share price quickly factored in an increase in terms. Downgrades by Seven West Media (SWM.ASX), Qantas (QAN.ASX) and Transfield Services (TSE.ASX) detracted from performance.

The **Yield** strategy (+0.22%) performed well during the month largely due to the short dated issues. Dexs announced that the RENTs will be redeemed in July, instead of being stepped up and left on issue as a perpetual. The Commonwealth Bank Perls IV issue also performed well as they only have 6 months left until mandatory conversion or redemption.

Convergence produced a small positive return (0.03%) with the premium of the Wesfarmers Partially Protected Shares (WESN.ASX) over the ordinary shares (WES.ASX) providing trading opportunities during the month and profitable options overlay strategy. NewsCorp (NWS.ASX) ADR trading between here and New York was a detractor whilst most other dual listed names had immaterial impacts on performance.

Options (-0.20%) performed poorly with volatility falling below 10% during the month. Levels at these lows are historically uncommon so the Fund continues to opportunistically add to the options portfolio. Positions in BHP Billiton (BHP.ASX) and the ASX200 Index fared worst under the low volatility regime whilst a profit downgrade by Boral (BLD.ASX) produced positive returns.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	0.34	0.49	0.45	0.44									1.73%
2011	0.31	0.90	0.16	1.25	-1.46	-0.61	0.51	1.19	0.11	0.43	0.67	0.34	3.83%
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.

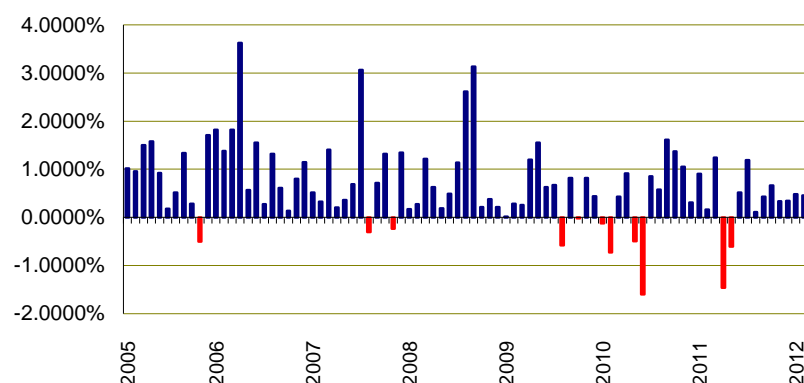
Low transaction costs and liquidity are other important factors in the success and implementation of the strategies.

Within the implementation of this strategy, the Investment Manager believes that the Australian equity market presents franking credit opportunities that are being ignored and/or mispriced by the market. As such, the Fund intends to seek to take advantage of these opportunities as they arise. Accordingly, from 14 May 2012, the value of the franking credits earned by the Fund will be included in the performance returns of the Fund - including within the calculation of Application/Redemption prices and management/performance fees.

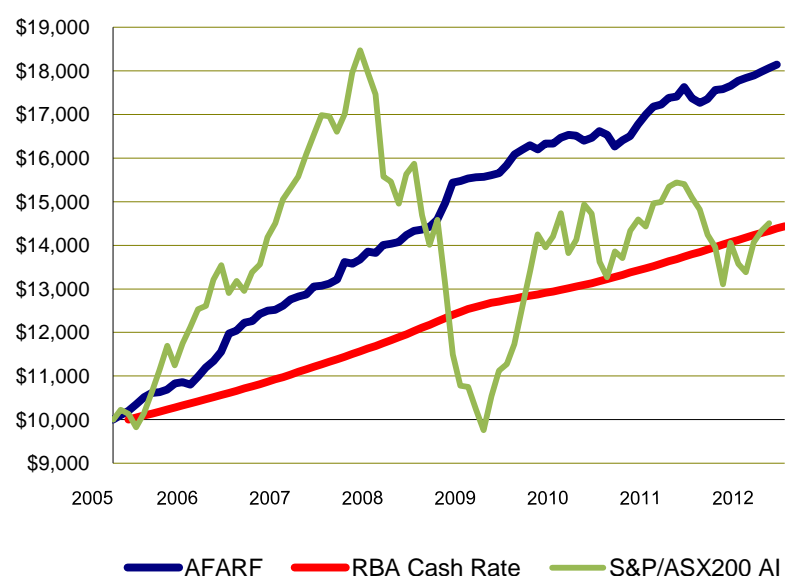
FUND DISTRIBUTIONS (per Unit)

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)
31/12/2011	\$0.0194	8% (annualised)
31/03/2012	\$0.0191	8% (annualised)
Total since inception	\$0.6522	

Monthly Returns Since Inception (%)



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



INVESTMENT MANAGER

Fortitude Capital Pty Ltd (AFSL 221131) is a wholly-owned subsidiary of Aurora Funds Limited (Aurora). With in excess of \$480 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 2,500 Australian and New Zealand investors.

Aurora is also the issuer of the:

- Aurora Sandringham Dividend Income Trust (ASX code: AOD)
- Aurora Dividend Income Trust (APIR code: AFM0010AU)
- 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)

KEY FACTS		AFARF	RBA Cash
Strategy	Market Neutral	Sharpe Ratio	1.14
Feeder Fund	Aurora Absolute Return (ABW)	Best month	3.63%
APIR Code	AFM0005AU	Worst month	-1.60%
Benchmark	RBA Cash Rate	Positive months	87.21%
Administrator	Mackenzie Coultas Funds Admin	Prime Broker/Custodian	UBS

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