



FORTITUDE CAPITAL

Aurora Fortitude Absolute Return Fund

July 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 31 JULY 2012

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
1 month	0.61%	0.29%	4.28%
3 months	1.43%	0.90%	-2.00%
6 months	2.83%	1.97%	2.53%
12 months	6.03%	4.31%	1.31%
2 years (p.a)	6.35%	4.55%	2.00%
3 years (p.a)	4.37%	4.32%	4.64%
5 years (p.a)	6.84%	4.90%	-2.78%
Annualised Return Since Inception (p.a)	8.56%	5.25%	5.06%
Standard Deviation	2.92%	0.35%	14.89%

Yield of Dreams

The S&P/ASX200 Accumulation Index put in a strong performance for July characterised by a chase for dividend yield from domestic and international investors. Thus the Telecommunications, Consumer Staples, REITs & Financials sectors dramatically outperformed the Materials and Energy sectors. The macro backdrop continued to dominate with encouraging commentary from Europe. The direction of the market in future months will continue to be impacted by any action/lack of action from the European Central Bank's president, Mario Draghi. Countering this we saw a continued cooling in U.S. macro indicators and a poor U.S. reporting season, particularly in technology which left Australia reasonably unscathed. The S&P ASX200AI finished the month up 4.28%. The Fund returned +0.61% for the month.

The **M&A** portfolio was the most profitable strategy for the month (+0.27%). Zijin received FIRB and Chinese regulatory approvals for its \$0.27 per share off market takeover bid for Norton Goldfields (NGF.ASX). The bid should go unconditional shortly which will also provide good trading opportunities. The Saint Barbara Mining (SBM.ASX) bid for Allied Gold (ALD.ASX) by scheme of arrangement traded at favourable spreads during the month which the Fund was able to take advantage of.

The **Options** strategy (+0.16%) benefitted from aggressive upside moves in yield names with positions held in Commonwealth Bank (CBA.ASX) & Tabcorp (TAH.ASX) particularly profitable. Woodside Petroleum (WPL.ASX) and Lend Lease (LLC.ASX) also had aggressive upside moves during the month on the back of encouraging corporate news. Reporting season begins in August and the Fund will be targeting similar names with imminent corporate news for profitable opportunities. The Funds position over the S&P/ASX200 Index (XJO.ASX) offset this as volatility declined during the month.

The **Convergence** strategy was the only unprofitable strategy for the month (-0.06%). The Yancoal takeover of Gloucester Coal (GCL.ASX) resulted in the issue of new CVR shares (YALN.ASX) in addition to the ordinary Yancoal shares (YAL.ASX). This situation was unprofitable during the month, however the Fund envisages many profitable trading opportunities in this situation during the 18 month course of the issue. The Yancoal situation is not dissimilar to the Wesfarmers partially protected shares issue (WES.ASX/WESN.ASX) which was profitable again during the month.

The **Long/Short** portfolio benefitted (+0.07%) from a placement taken in Maverick Drilling and Exploration limited (MAD.ASX) and a block trade in Nexus Energy (NXS.ASX). These positions were offset by losses in Whitehaven Coal (WHC.ASX) as the market continued to discount Nathan Tinkler's ability to fund this deal.

The **Yield** portfolio was profitable (+0.17%) with the CBA PERLS IV issue (CBAPB.ASX) going ex-dividend during the month. The issue has a mandatory conversion date of 31 October and the Fund continues to see attractive short dated yield in the position as it approaches maturity.

Performance after fees (%)													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	0.34	0.49	0.45	0.44	0.26	0.57	0.61						3.18%
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.

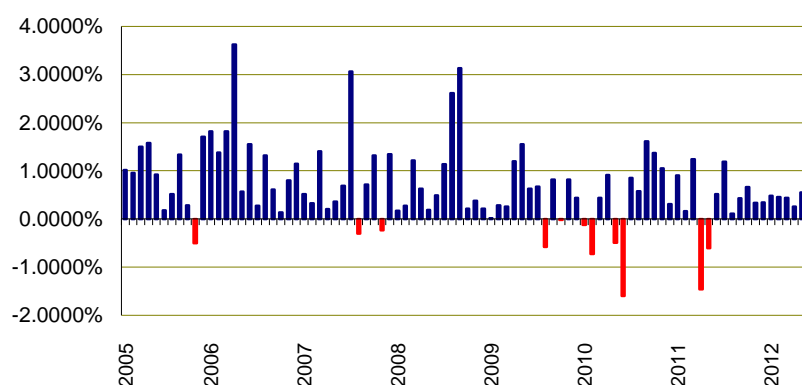
Low transaction costs and liquidity are other important factors in the success and implementation of the strategies.

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 seeks to take advantage of these opportunities as they arise.

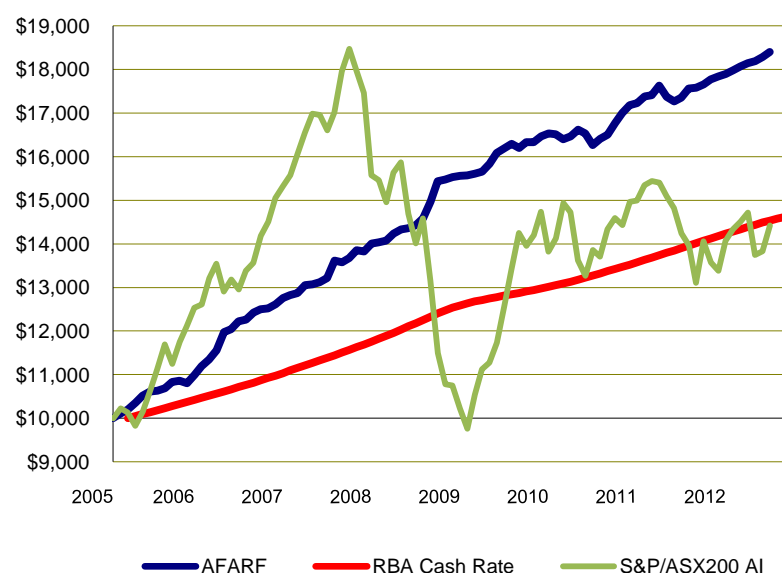
FUND DISTRIBUTIONS (per Unit)

Period (per Unit)	Amount (\$)	Yield at NAV (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	7.93%
31/12/2011	\$0.0194	8.00%
31/03/2012	\$0.0191	8.00%
30/06/2012	\$0.0205	8.55%
Total since inception	\$0.6727	

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 over \$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 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	87.64%
Administrator	Mackenzie Coultas Funds Admin	Prime Broker/Custodian	UBS

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Disclaimer: This information has been prepared by Aurora Funds Management Ltd (ABN 69 092 626 885, AFSL 222110) in its capacity as responsible entity for the Aurora Fortitude Absolute Return Fund (ARSN 145 894 800). It has been prepared without taking into account the objectives, financial situation or needs of any investor, which should be considered before investing. Investors should consider a copy of the PDS dated 7th October 2010 and seek their own financial advice prior to investing in the Fund. The information in this Performance Report is of a summary nature only and does not constitute advice of any kind, nor is it an offer of any financial product. Past performance is not a reliable indication of future performance. The investment objective is expressed after the deduction of fees and before taxation. See the PDS for details on taxation. The objective is not intended to be a forecast, and is only an indication of what the investment strategy aims to achieve over the medium to long term. While we aim to achieve the objective, the objective and returns are not guaranteed. The payment of franking credits to Unit holders is subject to the Fund achieving a taxable profit in that year. For further information please visit www.fortitudecapital.com or www.aurorafunds.com.au.