

## 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 2013

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
1 month	0.46%	0.23%	-2.32%
3 months	2.95%	0.71%	-2.48%
6 months	4.00%	1.47%	5.46%
12 months	5.70%	3.17%	22.75%
2 years (p.a)	5.80%	3.79%	7.00%
3 years (p.a)	5.35%	4.12%	8.55%
5 years (p.a)	6.13%	4.18%	2.94%
Annualised Return Since Inception (Mar 05) - p.a.	8.23%	5.01%	6.55%
Standard Deviation	2.83%	0.38%	14.55%

### Tapering Talk Causes Doom in June

The fear of a slowdown in US Federal Reserve Bank's quantitative easing program caused significant concern across world financial markets in June.

Bond yields traded higher (Australian 10 years +0.40% and US 10 years +0.36%) and currency markets were volatile (Australian dollar -4.5% against the US dollar and -4.6% against Euro respectively) which flowed through to widespread equity market weakness (Dow Jones Index -1.4%, FTSE -5.6%, DAX -4.7%, Hang Seng -7.1%).

The S&P/ASX 200 Accumulation Index returned -2.32% but the dispersion between sectors was stark, largely reflected in the All Resources Index -10.1% versus the All Industrials Index -0.5%. High yielding names (major banks and Telstra) were generally up whilst the continued concerns around Chinese economic growth put pressure on heavyweight mining companies (BHP -10.6%, Rio Tinto -5.9% and Newcrest -32%) .

The Aurora Fortitude Absolute Return Fund produced a return of +0.4626% for June. As expected in this type of environment our Option portfolio was a significant contributor (+0.20%). ASX Limited's (ASX.ASX) renounceable rights issue provided some profitable trading opportunities. Amongst the banks we generated positive returns from Westpac (WBC.ASX) and ANZ Group (ANZ.ASX) but we had drawdowns from positions in National Australia Bank (NAB.ASX) and Suncorp Group (SUN.ASX).

The Fund actively traded the demerger of News Corporation (NWS.ASX) into New NewsCorp (NNC.ASX) and Twenty-First Century Fox (FOX.ASX), and we expect to continue to generate positive returns as US and Australian investors reposition portfolios to reflect preferred exposure levels to the different names.

Our Convergence strategy (+0.30%) also benefited from an improvement in the relative value of Wesfarmers Partly Protected Shares (WESN.ASX) over Wesfarmers Ordinary Shares (WES.ASX). This position remains the Fund's largest exposure and provides optionality on both the upside and downside. We believe this security is largely ignored by the market and inherently undervalued.

Despite deteriorating credit markets our Yield strategy provided a positive return (+0.103%). The redemption of the Macquarie Bank Convertible Preference (MQCPA.ASX) was the largest contributor. The portfolio's weighted average expected maturity is just less than six months; given this and the high quality of corporate names we believe that the strategy will remain robust through any continued deterioration of credit markets.

Long/Short was a drawdown on performance (-0.172%). The Fund took a position in the iSelect IPO (ISU.ASX) which traded poorly on debut after the directors decided to sell a portion of their holdings at the offer price. A pre-event position in RHG Limited (RHG.ASX) marked negatively at month end however the Fund is confident of a positive outcome following the indicative proposal by Resimac. The Fund profited from a short term position in Aristocrat Leisure (ALL.ASX) as the Australian Dollar weakened and exited the position at month end.

### FINANCIAL YEAR PERFORMANCE after fees (%)

Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin/Year
12-13	0.61	0.36	0.33	-0.23	0.54	0.02	-0.19	0.80	0.42	1.68	0.78	0.46	5.70%
11-12	0.51	1.19	0.11	0.43	0.67	0.34	0.34	0.49	0.45	0.44	0.26	0.57	5.93%
10-11	-1.60	0.86	0.58	1.61	1.37	1.05	0.31	0.90	0.16	1.25	-1.46	-0.60	4.44%
09-10	0.55	0.67	-0.58	0.82	-0.02	0.82	0.44	-0.13	-0.73	0.43	0.91	-0.49	2.79%
08-09	0.45	1.14	2.61	3.12	0.21	0.37	0.21	0.01	0.28	0.26	1.20	1.55	12.05%
07-08	0.63	3.06	-0.30	0.71	1.32	-0.23	1.34	0.17	0.27	1.21	0.63	0.18	9.40%
06-07	1.55	0.27	1.30	0.61	0.14	0.80	1.14	0.52	0.32	1.40	0.21	0.36	9.00%
05-06	0.92	0.18	0.52	1.34	0.28	-0.50	1.71	1.82	1.38	1.82	3.63	0.57	14.50%
04-05	-	-	-	-	-	-	-	-	1.02	0.96	1.50	1.58	5.16%

## 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.

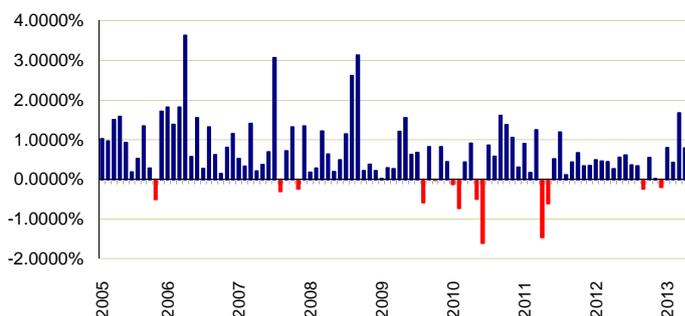
Low transaction costs and liquidity are other important factors in the success and implementation of the strategies.

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

## 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	\$0.0193	8.00%
30/06/2012	\$0.0205	8.55%
30/09/2012	\$0.0190	8.00%
31/12/2012	\$0.0142	6.00%
31/03/2013	\$0.0140	6.00%
30/06/2013	\$0.0298	6.00%
<b>Total since inception</b>	<b>\$0.7499</b>	

### 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 \$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 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)

	KEY FACTS	AFARF	RBA Cash
<b>Strategy</b>	Market Neutral	<b>Sharpe Ratio</b>	1.14
<b>Feeder Fund</b>	Aurora Absolute Return (ABW)	<b>Best month</b>	3.63%
<b>APIR Code</b>	AFM0005AU	<b>Worst month</b>	-1.60%
<b>Benchmark</b>	RBA Cash Rate	<b>Positive months</b>	87.00%
<b>Administrator</b>	Unity Administration	<b>Prime Broker/Custodian</b>	UBS

Level 4, 1 Alfred Street, Sydney NSW 2000  
 PO Box R1695, Royal Exchange NSW 1225  
 Telephone: +61 2 9080 2377, Fax: +61 2 9080 2378  
 Visit: [www.AuroraFunds.com.au](http://www.AuroraFunds.com.au)  
 Email: [enquiries@aurorafunds.com.au](mailto:enquiries@aurorafunds.com.au)

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