

**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 DECEMBER 2014**

	AFARF*	RBA CASH RATE	S&P/ASX200AI*
1 month	-0.74%	0.21%	2.07%
3 months	-0.65%	0.63%	3.39%
6 months	-0.36%	1.26%	3.28%
12 months	0.72%	2.53%	7.16%
2 years (p.a)	4.09%	2.65%	14.31%
3 years (p.a)	4.13%	3.01%	16.56%
5 years (p.a)	4.11%	3.65%	7.55%
Annualised Return Since Inception (Mar 05) - p.a.	7.37%	4.63%	7.94%
Standard Deviation	2.72%	0.43%	13.99%

**Farewell 2014**

Commodity prices and the currency again struggled through December, but the Australian equity market finished the year with a gain for the month (S&P/ASX200 Accumulation Index +2.06%). This was largely a case of heavy weight Industrials (All Industrials +2.8%) outperforming the resources sector (All Resources -2.6%). Global markets were generally flat to weaker (S&P 500 -0.4%, FTSE -2.3%, Dax -1.8%, Nikkei -0.10%, Hang Seng -1.6%).

Our Fund returned -0.74% for the month. This was again through **Long/Short** trading (-1.26%) This was largely caused by the collapse of a planned asset sale by Stonewall Resources (SWJ.ASX). In November 2013 the company had agreed to terms to sell its major asset to a Chinese listed group Shandong Qixing (002359.CH) subject to usual regulatory approvals; over the following 12 months all approvals bar Chinese Securities Regularity Commission (CSRC) had been received, however in November 2014 Shandong withdrew its application to CSRC and withdrew from the agreed purchase. We await further developments, including potential litigation.

The Initial Public Offer (IPO) of Australian Careers Network (ACO.ASX) was also a drawdown within the Long/Short strategy as the market became more cautious of vocational education and training businesses after a competitor had a major downgrade. As part of our ongoing risk management process we continue to unwind some of the smaller, less liquid positions where price and time stop losses have been triggered.

**Mergers and Acquisitions** was the most profitable strategy for the month (+0.25%). The acquisition of Crowe Horwath Australasia (CRH.ASX) by Findex was approved by both shareholders and the Court. CRH officially declared the fully franked special dividend component of the consideration which exceeded our conservative estimate. Indophil Resources (IRN.ASX) also received approval at the scheme meeting paving the way for Alsons to conclude the takeover in January 2015.

The **Option** overlay was profitable (+0.19%) due to increasing levels of volatility. The strong moves in industrial names provided positive returns from Wesfarmers (WES.ASX), Westpac (WBC.ASX), Stockland (SGP.ASX) and Macquarie Group (MQG.ASX). Rio Tinto (RIO.ASX) and Newcrest (NCM.ASX) were the best of the resources positions against some underperformance from Woodside Petroleum Ltd (WPL.ASX) and BHP Biliton (BHP.ASX).

**Convergence** trading contributed +0.07% for the month. The Harvey Norman (HVN.ASX) rights issue provided some significant opportunities as did the pricing period and subsequent redemption of the Kiwi Property Group (KIPGC.ASX) Convertible Notes.

**MONTHLY PERFORMANCE\* (after fees %)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2014	0.32	0.62	0.24	0.01	0.19	-0.31	0.07	0.30	-0.07	-0.29	0.38	-0.74	0.72%
2013	-0.19	0.80	0.42	1.68	0.78	0.46	1.13	0.18	0.53	0.28	0.52	0.74	7.57%
2012	0.34	0.49	0.45	0.44	0.26	0.57	0.61	0.36	0.33	-0.23	0.54	0.02	3.89%
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 achieve absolute returns (i.e. positive returns in both rising and falling equity markets) by using a number of different investments that allow the Fund to have very little correlation to the performance of the stock market index. The focus on 'absolute returns' differs from traditional funds in that the Fund aims to produce positive returns regardless of equity market conditions.

We have a wide discretion over the investments that may be held by the Fund. The pursuit of a diverse range of investments means that the Fund's returns are not necessarily dependent on the stock market's direction. In selecting investments for the Fund we follow a rigorous investment selection process which includes detailed qualitative and fundamental research.

We research various criteria and reasons to invest in particular situations. These criteria may pertain to fundamental and quantitative analysis, company event situations such as takeovers and mergers, demergers and restructuring, liquidity events, recapitalisations, multiple share classes, option availability and pricing. Once an investment decision is made, the implementation of the trade is conducted in parallel with an active focus on risk management. The Fund uses derivatives for risk management as well as to create new positions.

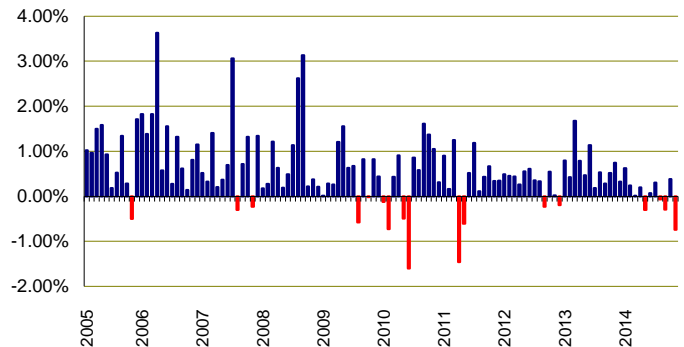
### AFARF\* vs RBA Cash vs S&P/ASX200AI\*



## FUND DISTRIBUTIONS (per Unit)

Period (per Unit)	Amount (\$)	Yield at NAV (p.a)
June 2005 to June 2011	\$0.5944	
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	12.87%
30/09/2013	\$0.0139	6.00%
31/12/2013	\$0.0139	6.00%
31/03/2014	\$0.0139	6.00%
30/06/2014	\$0.0253	10.91%
30/09/2014	\$0.0135	6.00%
31/12/2014	\$0.0298	13.39%
<b>Total since inception</b>	<b>\$0.8408</b>	

### Monthly Returns Since Inception (%)



## INVESTMENT MANAGER

Fortitude Capital Pty Ltd (AFSL 221131) is a wholly-owned subsidiary of Aurora Funds Limited (Aurora). With over \$225 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 Dividend Income Trust (Managed Fund) (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)

KEY FACTS		AFARF*	RBA Cash
<b>Feeder Fund</b>	Aurora Absolute Return (ABW)	<b>Sharpe Ratio</b>	1.01
<b>APIR Code</b>	AFM0005AU	<b>Sortino Ratio</b>	0.67
<b>Benchmark</b>	RBA Cash Rate	<b>Best month</b>	3.63%
<b>Prime Broker/Custodian</b>	UBS	<b>Worst month</b>	-1.60%
<b>Administrator</b>	Unity Fund Services	<b>Positive months</b>	86%
<b>Auditors</b>	Deloitte Touche Tohmatsu	<b>Net Asset Value per Unit</b>	\$ 0.8539
<b>Fund Size</b>	\$130 million	<b>Exit Price per Unit</b>	\$ 0.8537

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\*AFARF vs RBA vs S&P/ASX200AI graph generated with compounded monthly returns, net of fees. Franking included in both AFARF and S&P/ASX 200 AI after May 2012.