



FORTITUDE CAPITAL

# Aurora Fortitude Absolute Return Fund

## February 2014

**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 28 FEBRUARY 2014

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
1 month	0.62%	0.21%	4.97%
3 months	1.69%	0.63%	2.60%
6 months	3.05%	1.26%	7.59%
12 months	7.94%	2.68%	10.64%
2 years (p.a)	5.95%	3.11%	17.22%
3 years (p.a)	5.10%	3.63%	8.67%
5 years (p.a)	5.33%	3.76%	15.07%
Annualised Return Since Inception (Mar 05) - p.a.	8.11%	4.83%	7.82%
Standard Deviation	2.74%	0.41%	14.28%

### Reporting Season Rally

A swag of positive profit reports from leading companies saw a strong 4.14% increase in the S&P/ASX 200 Index over the month. This was largely in line with European and US markets (Dow Jones +4.0%, FTSE +4.6%, DAX +4.1%) but ahead of Asian market performance (Nikkei -0.5%, Hang Sang +3.6%, Singapore +2.8%). The Fund produced a return of +0.62% for the month against the cash benchmark of +0.21% with all sub-strategies producing positive returns.

Instruments approaching maturity were significant contributors to our **Yield Strategy (+0.26%)**. After a volatile trading history, Yancoal Contingent Rights (YALN.ASX) ceased trading at month end and maturity proceeds are expected to be paid in early March. ANZ Convertible Preference Shares (ANZPB.ASX) continue to be well supported into the June redemption date despite the issuer raising \$1.3bn from a longer-dated replacement issue.

The protective **Option Strategy (+0.21%)** benefited from single stock exposures over reporting season. Woodside Petroleum (WPL.ASX), Wesfarmers Limited (WES.ASX) and Commonwealth Bank (CBA.ASX) were positions that benefited from positive price movements through the profit reporting and dividend exposure. Our active management style saw positive returns from the selloff in Fortescue Metals (FMG.ASX). Realised volatility on the S&P/ASX 200 Index remained low, and as a result, our positioning in the index was a drawdown during the month.

Activity ahead of the Australian delisting of Twenty-First Century Fox (FOX.ASX) was the major contributor to **Convergence Trading (+.15%)**. PMI Gold (PVM.ASX) delisted from the ASX which provided profitable trading opportunities.

**Mergers and Acquisition (+0.01%)** activity remains light but the Fund benefited from trading in Aurora Oil and Gas (AUT.ASX) which received a \$4.10 cash bid from a Canadian company Baytex Energy (BTE.CN). The share price remains above the bid level, reflecting bullish views on the North American oil space which in turn creates the possibility of a counter bid.

**Long/Short Trading (+0.01%)** saw a mixed result from a number of small positions. Lower capitalisation companies tended to perform better. Chalice Gold Mines (CHN.ASX), Doray Minerals (DRM.ASX) and E & A Limited (EAL.ASX) were the most significant positive contributions. Sundance Energy (SEA.ASX), Stonewall Resources (SWJ.ASX) and ERM Power (EPW.ASX) the larger drawdowns.

### FINANCIAL YEAR PERFORMANCE after fees (%)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin/Year
13-14	1.13	0.18	0.53	0.28	0.52	0.74	0.32	0.62					4.41%
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 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.

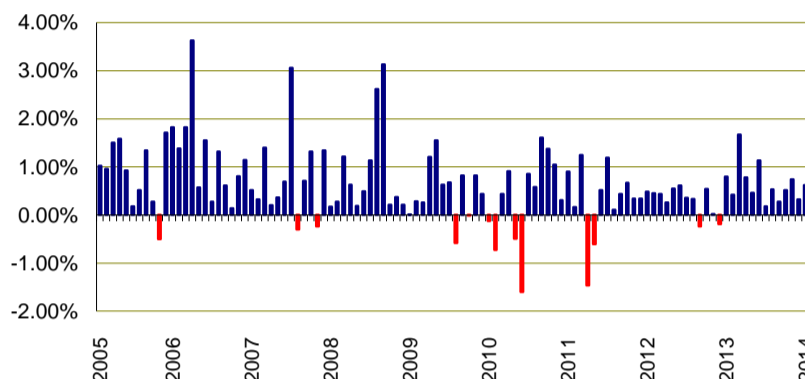
We have a wide discretion over the investments that may be held by the Fund. The pursuit of a diverse range of investments means that the Fund's returns are not necessarily dependent on the stock market's direction. In selecting investments for the Fund we follow a rigorous investment selection process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

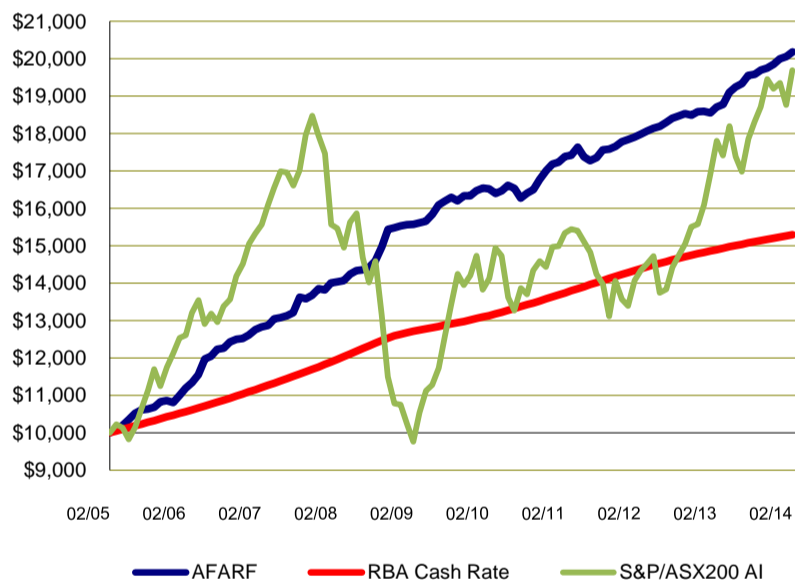
## FUND DISTRIBUTIONS (per Unit)

Period (per Unit)	Amount (\$)	Yield at NAV (p.a)
June 2005 to June 2011	\$0.5944	
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	12.87%
30/09/2013	\$0.0139	6.00%
31/12/2013	\$0.0139	6.00%
<b>Total since inception</b>	<b>\$0.1833</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 \$403 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)
- van Eyk Blueprint Alternatives Plus (ASX code: VBP)

KEY FACTS		AFARF	RBA Cash
<b>Feeder Fund</b>	Aurora Absolute Return (ABW)	<b>Sharpe Ratio</b>	1.20
<b>APIR Code</b>	AFM0005AU	<b>Sortino Ratio</b>	0.74
<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>	0.88
<b>Auditors</b>	Deloitte Touche Tohmatsu	<b>Net Asset Value per Unit</b>	\$ 0.9382
<b>Fund Size</b>	\$166.5 million	<b>Exit Price per Unit</b>	\$ 0.9380

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