

## 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 2015

	AFARF*	RBA CASH RATE	OUTPERFORMANCE
1 month	0.50%	0.17%	0.33%
3 months	0.99%	0.50%	0.49%
6 months	2.65%	1.07%	1.58%
12 months	2.18%	2.34%	-0.16%
2 years (p.a)	2.81%	2.43%	0.38%
3 years (p.a)	3.95%	2.66%	1.29%
5 years (p.a)	4.90%	3.41%	1.49%
Annualised Return Since Inception (Mar 05) - p.a.	7.21%	4.49%	2.72%
Standard Deviation	2.65%	0.45%	

### Undermining the Banks

The Australian market performed well in July as macro concerns continued to dominate world markets. Popular attention was fixed on Greece, however Chinese equity markets were belted with a drawdown of -14.3% for the month. The Chinese authorities face a difficult balance between continued growth and constraint. After much political theatrics the European periphery situation appears to have been "kicked down the road". The EuroStoxx Index finished the month +5.2% whilst the U.S. market (S&P500) finished the month +2.1% with the half year reporting season in full swing. Domestically the miners (-1.1%) were the largest laggards reflecting the uncertainty in Chinese markets. The Financials index performed well (+4.8%) as APRA released their review of capital requirements. The market viewed the findings as benign which led to a strong rally and significant reduction in volatility. The Fund returned 0.50% for the month.

The **Options** strategy (-0.07%) initially benefitted from continued volatility across miners and banks. Volatility fell dramatically in the second half of the month with the Australian VIX falling -27% to 14.5 by the end of the month. This is an attractive level and the Fund added to volatility positions towards the end of the month, particularly in companies reporting during August. Positions in miners (BHP.ASX and RIO.ASX) were particularly profitable whilst the strategy recorded drawdowns in bank positions (notably ANZ.ASX and CBA.ASX) as well as CSL Ltd (CSL.ASX) and Woolworths Limited (WOW.ASX). We have increased exposure to this strategy at month end with a view to increased single stock volatility over the August reporting period.

The **Yield** strategy performed well (+0.27%) as the perceived benign APRA outcomes relieved pressure on banking sector hybrids across the board. National Australia Bank's Income Securities (NABHA.ASX) were the best performer after a poor June performance lead to an attractive running yield and price recovery.

We continue to see an increase in opportunities in the **Convergence** strategy (+0.17%). Increased volatility often leads to wider spreads with South32 (S32.ASX) particularly profitable over the month. The AMP Capital China Fund (AGF.ASX), a listed investment trust investing in China's leading 300 companies, also provided excellent spread trading opportunities.

**Long/Short** trading (+0.11%) was limited to upcoming catalyst based situations with Genworth Mortgage Insurance Australia (GMA.ASX) the most profitable position. The Fund expects increased dividends and capital management at the company's result in early August.

Several **Mergers & Acquisition** deals were announced during the month (+0.02%). Many of these are highly conditional and trading at prices the Fund perceives as unattractive. We continue to add to exposures at attractive levels, particularly in IINET (IIN.ASX) and Recall Holdings Ltd (REC.ASX). Notably, key Recall directors purchased shares on market over the month as the spread widened relative to Iron Mountain (IRM.US). The principal risk to this deal remains with US Federal Trade Commission approval, which the Fund continues to actively assess.

MONTHLY PERFORMANCE* (after fees %)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2015	-0.04	0.75	0.55	0.34	0.31	0.17	0.50					2.62%	
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	4.23%
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.

## INVESTMENT MANAGER

Aurora Funds Management Limited is a fully owned subsidiary of ASX listed, Keybridge Capital (ASX Code: KBC). Aurora is a boutique investment manager that was established in 2003, and has established a long track record of producing risk adjusted returns for retail, institutional and high net worth investors. The investment strategies are offered through both ASX listed investment vehicles and managed funds. They aim to deliver income whilst also managing the risks associated in investing in Australian and global equities.

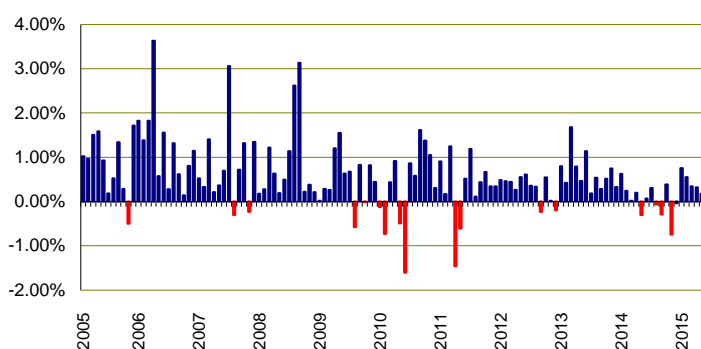
### Aurora is also the issuer of the:

- 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)
- HHY Fund (ASX code: HHY)

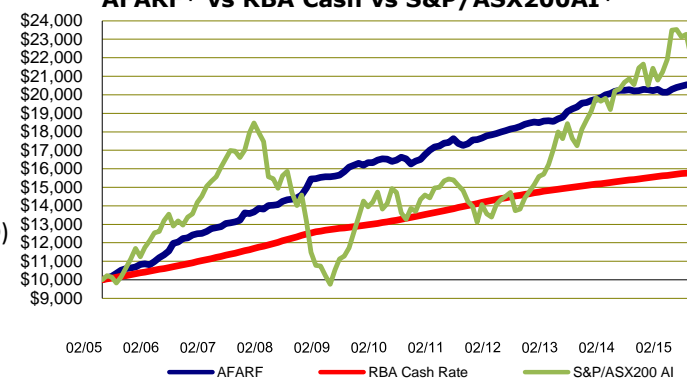
## FUND DISTRIBUTIONS (per Unit)

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	5.99%
31/12/2014	\$0.0298	13.39%
31/03/2015	\$0.0085	4.00%
30/06/2015	\$0.0183	8.55%
<b>Total since inception</b>	<b>\$0.8677</b>	

### Monthly Returns Since Inception (%)



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



	KEY FACTS	AFARF*	RBA Cash
<b>Feeder Fund</b>	Aurora Absolute Return (ABW)	<b>Sharpe Ratio</b>	1.03
<b>APIR Code</b>	AFM0005AU	<b>Sortino Ratio</b>	0.69
<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>	\$ 0.8492
<b>Fund Size</b>	\$87 million	<b>Exit Price per Unit</b>	\$ 0.8490

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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.