

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 NOVEMBER 2014

	AFARF*	RBA CASH RATE	S&P/ASX200AI*
1 month	0.38%	0.21%	-3.01%
3 months	0.02%	0.63%	-3.98%
6 months	0.08%	1.26%	-0.33%
12 months	2.23%	2.53%	5.82%
2 years (p.a)	4.49%	2.67%	15.03%
3 years (p.a)	4.51%	3.06%	15.25%
5 years (p.a)	4.44%	3.67%	7.90%
Annualised Return Since Inception (Mar 05) - p.a.	7.52%	4.65%	7.78%
Standard Deviation	2.70%	0.43%	14.04%

Plenty of Oil Gives OZ Market a Flat Tyre

A surprise announcement by OPEC not to reduce production saw crude oil prices fall to levels not seen since 2008. This was seen as a boost for economic growth in most developed economies and equity markets reacted accordingly (DOW +2.5%, FTSE +2.7%, DAX +7.0%, Nikkei +6.4%), but coming on top of the continued fall in other commodity prices the S&P/ASX 200 Accumulation Index including franking credits fell 3.01%.

Our Fund produced a +0.38% return for the month. A significant increase in realisable volatility (the level of actual share price movements) saw a significant contribution for our **Option** Strategy (+1.22%). Interestingly, whilst commodity names grabbed the headlines, positive contributions were also made concomitantly across the industrial sector, with the adjustment in the retail sector being the major factor. Following a disappointing sales update Woolworths Limited (WOW.ASX) fell 13.56%. Their major competitor Wesfarmers Limited (WES.ASX) fell a more modest 6.12%. The Fund was able to generate positive returns in both names. Other significant contributors were Woodside Petroleum (WPL.ASX), BHP Billiton (BHP.ASX) and Westpac Banking Corporation (WBC.ASX).

Long/Short trading was the most significant drawdown during the month (-0.77%). The most consistent theme was too much exposure to small capitalisation resources companies, which were generally entered into with the view to exiting post an “event or catalyst” in a relatively short time period. However, the extent of market sell off and the lack of liquidity in these names has caused us to implement exit strategies for the bulk of these position and reassessing our approach in this space.

Mergers and Acquisitions (-0.04%) was a relatively flat performance in November but disappointing because of offsetting positions. Whilst the Fund produced positive returns from the settlement of the Expedia scheme takeover of Wotif (WTF.ASX) and progress towards deal competition for the Alsons scheme takeover of Indophil Resources (IRN.ASX), this was offset by both the deal failure of Reef Casino Trust (RCT.ASX) and also a heavy devaluation of the outstanding scrip consideration owing from the Dart Energy scheme. The two major detractors were very small position sizes for the Fund (<0.5% of NAV) and have subsequently been closed.

Convergence trading was also a small drawdown (-0.05%). Antares Energy Convertible Note (AZZG.ASX) was a drawdown despite the company announcing a 100% buyback of the notes following the sale of significant assets. Trading in the dual listed Alacer Gold Corporation (AQG.ASX/ASR.CN) was the most significant contribution.

Our exposure to **Yield** products remains small, but it made a small positive contribution (0.01%), with nearly all issues flat or up slightly.

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	1.48%	
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%

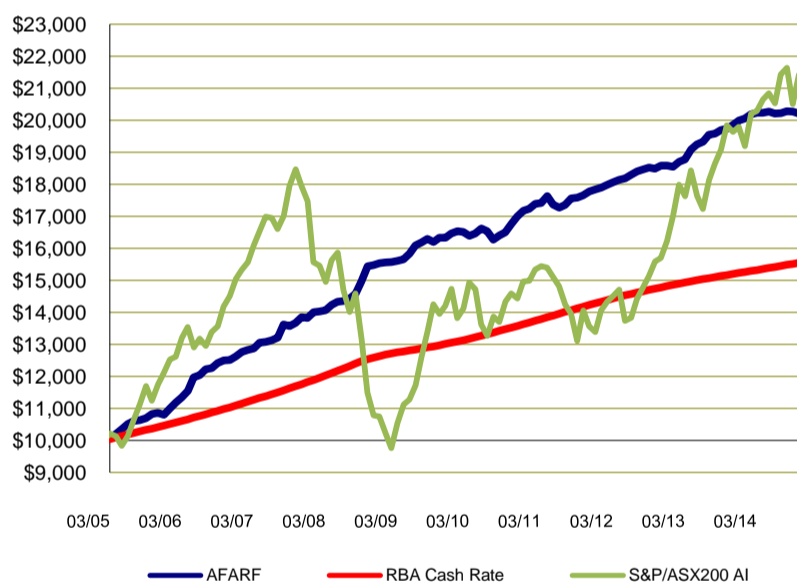
FUND OVERVIEW

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.

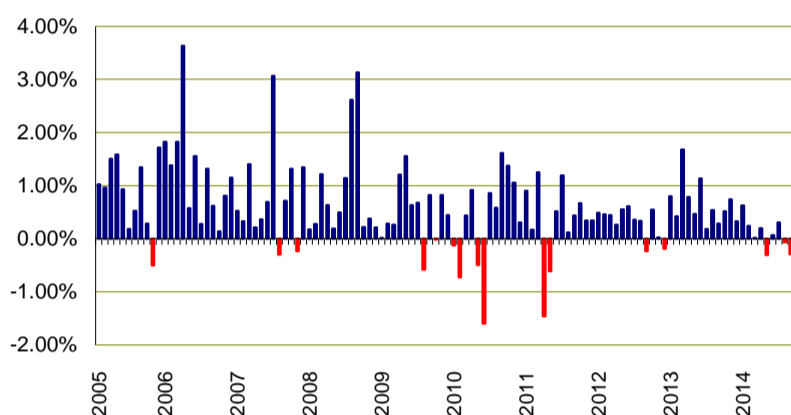
AFARF* vs RBA Cash vs S&P/ASX200AI*



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%
Total since inception	\$0.8111	

Monthly Returns Since Inception (%)



INVESTMENT MANAGER

Fortitude Capital Pty Ltd (AFSL 221131) is a wholly-owned subsidiary of Aurora Funds Limited (Aurora). With over \$230 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
Feeder Fund	Aurora Absolute Return (ABW)	Sharpe Ratio	1.07
APIR Code	AFM0005AU	Sortino Ratio	0.70
Benchmark	RBA Cash Rate	Best month	3.63%
Prime Broker/Custodian	UBS	Worst month	-1.60%
Administrator	Unity Fund Services	Positive months	86%
Auditors	Deloitte Touche Tohmatsu	Net Asset Value per Unit	\$ 0.8903
Fund Size	\$135 million	Exit Price per Unit	\$ 0.8901

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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.