

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 OCTOBER 2015

	AFARF*	RBA CASH RATE	OUTPERFORMANCE
1 month	-0.17%	0.17%	-0.34%
3 months	1.85%	0.50%	1.35%
6 months	2.86%	1.00%	1.86%
12 months	4.14%	2.21%	1.93%
2 years (p.a)	3.25%	2.37%	0.88%
3 years (p.a)	4.43%	2.54%	1.89%
5 years (p.a)	4.65%	3.28%	1.37%
Annualised Return Since Inception (Mar 05) - p.a.	7.22%	4.44%	2.78%
Standard Deviation	2.65%	0.45%	

No October Surprise

October, a month historically associated with big market falls, this year brought calmer times. After three months of reasonable volatility global markets stabilised to a degree through the month.

The S&P/ASX 200 Accumulation Index was up 4.37% which was generally below most major indices (Dow +8.5%, FTSE +4.9%, Nikkei +9.7% , Hang Seng +8.6%). This under performance reflects the weight of continued equity issuance (actual and expected) by leading Australian corporates.

Our Fund returned -0.17% for the month. The decreased volatility (realised and implied) saw a drawdown from our **Option** Strategy (-0.94%). Our protective position over the ASX200 Index futures was a significant portion of this, as was downside protection over leading banks. We held significant downside exposure to Santos Ltd (STO.ASX) awaiting a possible equity issue but also to provide extra protection during the Origin Energy (ORG.ASX) rights trading, which provided profitable Convergence trading opportunities (see below).

Convergence Trading (+0.26%) benefitted from renounceable rights issues in Origin Energy (ORG.ASX) and Treasury Wine Estates (TWE.ASX). This type of capital raising appears to be coming back into favour which should be favourable for the Fund. Cross border trading was profitable in Henderson Group (HGG.ASX/LN) and Rio Tinto (RIO.ASX/LN) but a drawdown in S32 Limited (S32.ASX/LN).

Regulatory concerns saw lots of activity within our **Mergers & Acquisitions** strategy but despite this we were able to generate a positive return (+0.28%). We largely unwound positions in Recall Holdings (REC.ASX) and Iron Mountain Inc. (IRM.US) as the spread contracted despite increase regulatory concerns in Australia and the United States, whilst we exited Asciano Limited (AIO.ASX) after a strongly worded "Statement of Issues" by the Australian Competition and Consumer Corporation (ACCC) regarding the Scheme of Arrangement with Brookfield Infrastructure Partners (BIP.US); unfortunately this was before Qube Holdings (QUB.ASX) bought a 20% holding in an aftermarket raid causing a significant price rally. Oceana Gold (OGC.ASX) completed a plan of arrangement with Romarco Gold (R.CN) at the beginning of the month. Gold price volatility led to a large discount which the Fund was able to take advantage of towards the end of the deal.

The **Yield** Strategy was a small positive contribution (+0.12%) with most issues benefitting from a small improvement in credit spreads over the month.

Long/Short trading was also a small benefit (+0.09%) largely due to a stocks trading at discounts to Net Tangible Assets, mostly cash, reducing the discounts over the month.

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	1.44	0.59	-0.17			4.52%
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 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	-0.34%
31/12/2014	\$0.0298	13.39%
31/03/2015	\$0.0085	4.00%
30/06/2015	\$0.0183	8.55%
30/09/2015	\$0.0085	4.05%
Total since inception	\$0.8762	

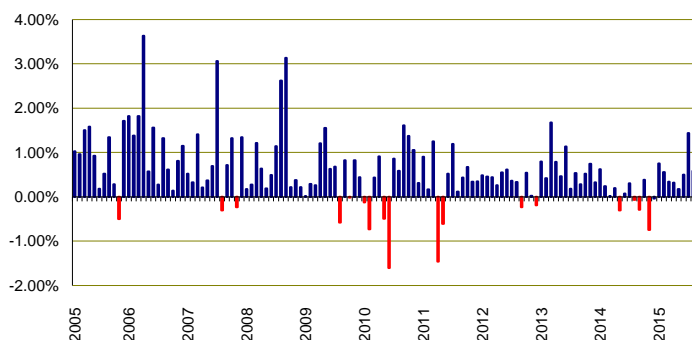
FUND OVERVIEW

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.

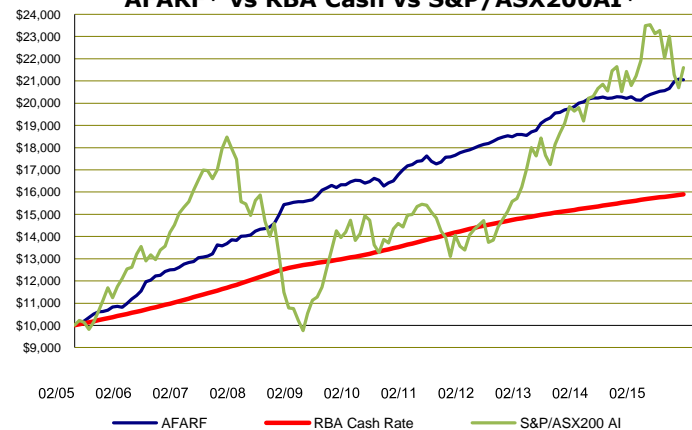
We have a wide discretion over the investments that may be held by the Fund. The pursuit of a diverse range of investments means that the Fund's returns are not necessarily dependent on the stock market's direction. In selecting investments for the Fund we follow a rigorous investment selection process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

Monthly Returns Since Inception (%)



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



KEY FACTS		AFARF*	RBA Cash
Feeder Fund	Aurora Absolute Return (ABW)	Sharpe Ratio	1.05
APIR Code	AFM0005AU	Sortino Ratio	0.71
Benchmark	RBA Cash Rate	Best month	3.63%
Prime Broker/Custodian	UBS	Worst month	-1.60%
Administrator	Unity Fund Services	Positive months	85%
Auditors	Deloitte Touche Tohmatsu	Net Asset Value per Unit	\$ 0.8564
		Exit Price per Unit	\$ 0.8562

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. They aim to deliver income whilst also managing the risks associated in investing in Australian and global equities. The investment strategies are offered through both ASX listed investment vehicles and managed funds.

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)

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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.