

**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 SEPTEMBER 2014**

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
<b>1 month</b>	-0.07%	0.21%	-5.38%
<b>3 months</b>	0.30%	0.63%	-0.60%
<b>6 months</b>	0.20%	1.26%	0.33%
<b>12 months</b>	2.95%	2.53%	5.93%
<b>2 years (p.a)</b>	4.60%	2.73%	14.74%
<b>3 years (p.a)</b>	4.86%	3.18%	14.76%
<b>5 years (p.a)</b>	4.59%	3.70%	7.56%
<b>Annualised Return Since Inception (Mar 05) - p.a.</b>	7.65%	4.69%	7.39%
<b>Standard Deviation</b>	2.70%	0.42%	14.05%

The Not So Lucky Country?

Former Federal Treasurer, Peter Costello, has warned that Australia “could be running out of luck” and that the economy faces significant challenges, particularly if property prices were to fall. His speech coincided with a significant selloff in both the Australian equity market and currency during the month.

The S&P/ASX 200 accumulation index finished down 5.38% for the month largely as a result of a decline in the price of leading bank shares (ANZ.ASX -7.51%, CBA.ASX -7.42%, NAB -7.56% and WBC.ASX -8.28%) and weak commodity prices weighing on heavy weight miners (BHP.ASX -7.64% and RIO.ASX -4.87%). This was a significant under performance of most leading global indices (Dow -0.3%, FTSE -2.9% and Nikkei +4.9%). The Australian Dollar also had a significant fall, losing 6.30% against the US dollar and 2.57% against the Euro.

Our Fund produced a small drawdown (-0.07%). Increased uncertainty and the increase in option prices benefited our Option Strategy (+0.25%). The most significant contributions came from downside exposure to high yielding names such as the major banks and Telstra (TLS.ASX). Our analysis shows that it is extremely rare for the market to have a fall of this extent without significantly higher realisable volatility (please contact us for a copy of this study) and as a result the steady nature of the selloff made it difficult to realise any significant gains on the broader market.

“Pre-event” trading was again a problem within our Long/Short portfolio (-0.54%). Treasury Wine Estate (TWE.ASX) fell 17% after the company withdrew from negotiations with private equity groups; similarly

SAI Global (SAI.ASX) fell 13.7% after a private equity consortium withdrew its non-binding proposal, but the company continued negotiations with “a number of parties” regarding the proposed sale of separate divisions of the company. On a positive note Crowe Horwath (CRH.ASX) moved closer to a potential transaction by settling an outstanding legal claim.

Completion of two takeovers saw a positive return from Mergers and Acquisitions (+0.05%). Papillion Resources (PIR.ASX) and B2Gold (BTO.CN) shareholders voted in favour of the Scheme of Arrangement that will see PIR shareholders receive BTO shares; Australand Assets (AAZPB.ASX) were redeemed as part of the takeover by Frasers Centrepoint (FCL.SP).

As is expected in a market sell down, there were other takeover positions that were a drawdown. The Fund was happy to maintain exposures to a number of these deals with relatively short term completion dates, including Wotif.com (WTF.ASX) and ROC Oil (ROC.ASX). We also maintained a position in Goodman Fielder (GFF.ASX) although the company announced an extension of the expected completion date to March 31<sup>st</sup> 2015 as a result of delays in gaining Chinese regulatory approvals.

Convergence Trading was also a positive contributor for the month (+0.05%). This was largely through completion of the AGL Energy Renounceable Rights Issue (AGK/AGKRA.ASX). Small gains were also made in Alacer Gold (AQG.ASX/ASR.CN) which announced it had rebuffed a merger proposal from Oceana Gold (OGC.ASX).

The redemption of Transpacific Preference Shares (TPAPA.ASX) was the standout in our Yield Portfolio which was also a positive contributor (+0.11%) for the month.

MONTHLY PERFORMANCE after fees (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
<b>2014</b>	0.32	0.62	0.24	0.01	0.19	-0.31	0.07	0.30	-0.07				<b>1.39%</b>
<b>2013</b>	-0.19	0.80	0.42	1.68	0.78	0.46	1.13	0.18	0.53	0.28	0.52	0.74	<b>7.57%</b>
<b>2012</b>	0.34	0.49	0.45	0.44	0.26	0.57	0.61	0.36	0.33	-0.23	0.54	0.02	<b>3.89%</b>
<b>2011</b>	0.31	0.90	0.16	1.25	-1.46	-0.61	0.51	1.19	0.11	0.43	0.67	0.34	<b>3.83%</b>
<b>2010</b>	0.44	-0.13	-0.73	0.43	0.91	-0.49	-1.60	0.86	0.58	1.61	1.37	1.05	<b>4.33%</b>
<b>2009</b>	0.21	0.01	0.28	0.26	1.20	1.55	0.63	0.67	-0.58	0.82	-0.02	0.82	<b>6.01%</b>
<b>2008</b>	1.34	0.17	0.27	1.21	0.63	0.18	0.45	1.14	2.61	3.13	0.21	0.37	<b>12.38%</b>
<b>2007</b>	1.14	0.52	0.32	1.40	0.21	0.36	0.63	3.06	-0.30	0.71	1.32	-0.23	<b>9.55%</b>
<b>2006</b>	1.71	1.82	1.38	1.82	3.63	0.57	1.55	0.27	1.32	0.61	0.14	0.80	<b>16.75%</b>
<b>2005</b>			1.02	0.96	1.50	1.58	0.92	0.18	0.52	1.34	0.28	-0.50	<b>8.06%</b>

## 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.

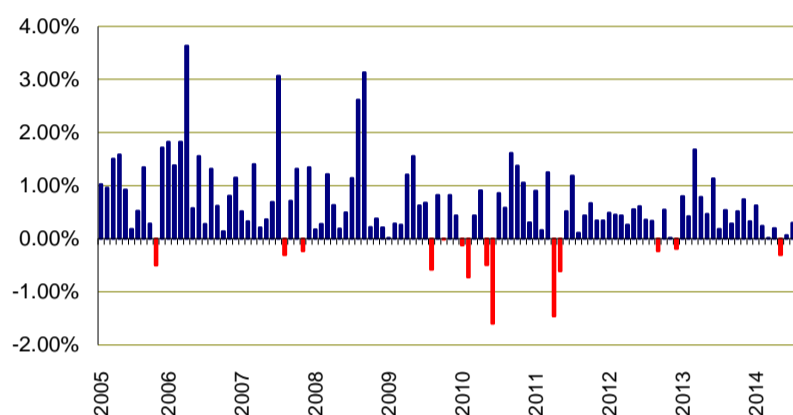
AFARF vs RBA Cash vs S&P/ASX200AI (\$)\*



## 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%
<b>Total since inception</b>	<b>\$0.2167</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 \$218 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>	1.10
<b>APIR Code</b>	AFM0005AU	<b>Sortino Ratio</b>	0.71
<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>	0.87
<b>Auditors</b>	Deloitte Touche Tohmatsu	<b>Net Asset Value per Unit</b>	\$ 0.8895
<b>Fund Size</b>	\$140 million	<b>Exit Price per Unit</b>	\$ 0.8893

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