

Aurora Fortitude Absolute Return Fund

August 2016



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 August 2016

	AFARF*	RBA CASH RATE
1 month	-0.72%	0.12%
3 months	-9.95%	0.42%
6 months	-9.09%	0.90%
12 months	-8.77%	1.91%
2 years (p.a)	-2.90%	2.10%
3 years (p.a)	-0.79%	2.24%
5 years (p.a)	1.72%	2.79%
Annualised Return Since Inception (Mar 05) - p.a.	5.79%	4.25%
Standard Deviation	3.83%	0.48%

Update on Fund Status

The Fund suspended applications and redemptions on 25 February 2016. The Fund holds Antares Energy Limited Convertible Notes (ASX Code: AZZG) ("Antares Notes") which were considered illiquid. Antares Notes were suspended from trading on the ASX on 15 September 2015 and are expected to remain suspended. The administration process is subject to non-disclosure at the date of this letter. New information will be communicated to unitholders as publicly available information is released.

As per the Fund Update issued on 31 August 2016 the Antares Notes have been valued at nil on 30 June 2016 after careful consideration of valuations provided, confidential information provided by Antares administrators and year-end audit procedures. Aurora has devoted considerable resources to managing the best possible outcome for unitholders and will continue to do so.

Aurora Funds Management Limited was purchased by Seventh Orion Limited ATF Aurora Fund Unit Trust on 1 July 2016. John Patton was appointed as Managing Director. John Patton has over 25 years of professional services and industry experience as a partner at Ernst & Young in the Transactions Advisory Services division and as acting CEO of the Epic Energy Group (the core asset within the ASX listed Hastings Diversified Utilities Fund).

Liquidity Solution

As recently announced, applications and redemptions in the fund will now be processed pursuant to the Constitution, Product Disclosure Statement and any Fund updates.

Performance

The Fund elected to move quickly towards a large cash position post the suspension of Antares anticipating redemptions. Positions in less liquid instruments (such as hybrids) have been gradually unwound. The majority of market activity has been confined to trading in liquid instruments. At 31 August 2016 the Fund holds approximately 80% of its Net Asset Value in cash. Costs associated with administering the Antares Notes as well as legal costs associated with the meeting called by Providence Wealth Advisory Group Pty Ltd (a former unitholder) pursuant to section 252B of the Corporations Act have been included in the August 2016 performance figures.

The Fund has continued to pay cash and franking distributions during the suspension period in line with its distribution policy.

MONTHLY PERFORMANCE* (after fees %)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2016	0.36	-0.47	0.11	0.19	0.65	-8.91	-0.41	-0.72					-9.18%
2015	-0.04	0.75	0.55	0.34	0.31	0.17	0.50	1.44	0.59	-0.17	-0.21	0.25	4.56%
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	
31-12-11	\$0.0194	8.00%
31-03-12	\$0.0193	8.00%
30-06-12	\$0.0205	8.55%
30-09-12	\$0.0190	8.00%
31-12-12	\$0.0142	6.00%
31-03-13	\$0.0140	6.00%
30-06-13	\$0.0298	12.87%
30-09-13	\$0.0139	6.00%
31-12-13	\$0.0139	6.00%
31-03-14	\$0.0139	6.00%
30-06-14	\$0.0253	10.91%
30-09-14	\$0.0135	-0.34%
31-12-14	\$0.0298	13.39%
31-03-15	\$0.0085	4.00%
30-06-15	\$0.0183	8.55%
30-09-15	\$0.0085	4.05%
31-12-15	\$0.0239	11.12%
31-03-16	\$0.0085	4.08%
30-06-16	\$0.0091	4.41%
Total since inception	\$0.9177	

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.

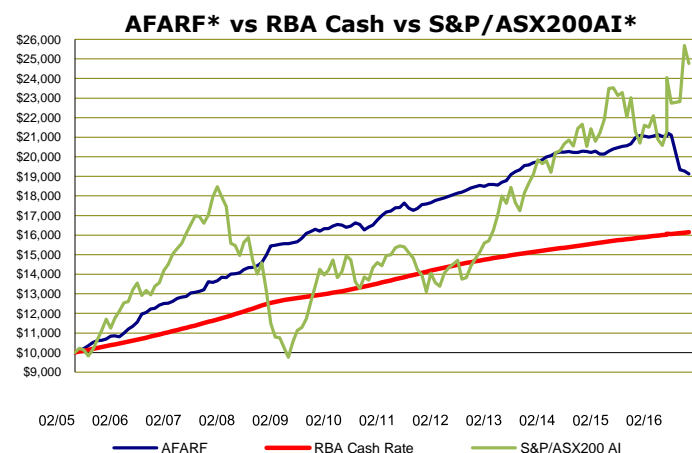
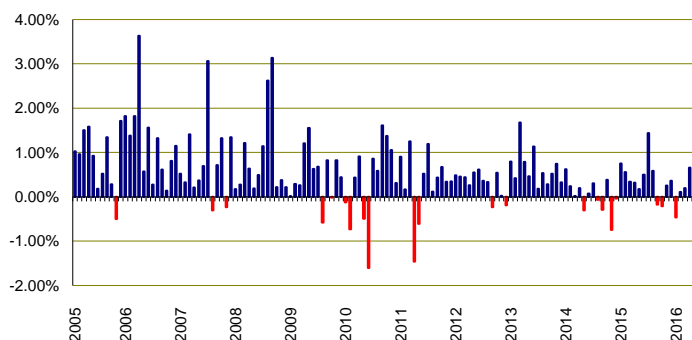
We research various criteria and reasons to invest in particular situations. These criteria may pertain to fundamental and quantitative analysis, company event situations such as takeovers and mergers, demergers and restructuring, liquidity events, recapitalisations, multiple share classes, option availability 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.

KEY FACTS		AFARF*	RBA Cash
Feeder Fund	Aurora Absolute Return (ABW)	Sharpe Ratio	-1.09
APIR Code	AFM0005AU	Sortino Ratio	-0.56
Benchmark	RBA Cash Rate	Best month	3.63%
Prime Broker/Custodian	UBS	Worst month	-8.91%
Administrator	Unity Fund Services	Positive months	83%
Auditors	Deloitte Touche Tohmatsu	Net Asset Value per Unit	\$ 0.7397
		Exit Price per Unit	\$ 0.7395

Level 4, 1 Alfred Street, Sydney NSW 2000
 PO Box R1695, Royal Exchange NSW 1225
 Telephone: +61 2 9080 2377, Fax: +61 2 9080 2378
 Visit: www.aurorafunds.com.au
 Email: enquiries@aurorafunds.com.au

Disclaimer: This information has been prepared by Aurora Funds Management Ltd (ABN 69 092 626 885, AFSL 222110) in its capacity as responsible entity for the Aurora Fortitude Absolute Return Fund (ARSN 145 894 800). It has been prepared without taking into account the objectives, financial situation or needs of any investor, which should be considered before investing. Investors should consider a copy of the PDS dated 29 January 2014 and seek their own financial advice prior to investing in the Fund. The information in this Performance Report is of a summary nature only and does not constitute advice of any kind, nor is it an offer of any financial product. Past performance is not a reliable indication of future performance. The investment objective is expressed after the deduction of fees and before taxation. See the PDS for details on taxation. The objective is not intended to be a forecast, and is only an indication of what the investment strategy aims to achieve over the medium to long term. While we aim to achieve the objective, the objective and returns are not guaranteed. The payment of franking credits to Unit holders is subject to the Fund achieving a taxable profit in that year. For further information please visit www.aurorafunds.com.au. *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. AZZG has been priced at 1.82 for the report.

Monthly Returns Since Inception (%)*



INVESTMENT MANAGER

Aurora Funds Management Limited is a boutique investment manager that was established in 2003, and has 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)