

Key Facts			FCAARF	RBA Cash
Strategy	Market Neutral	1 Month Return	-1.60%	0.38%
Domicile	Australia	YTD	-1.18%	2.46%
Min. Investment	\$A100,000	Annualised Return p.a.	9.35%	5.51%
Management Fee	1.5% p.a.	Best month	3.63%	0.60%
Performance Fee	20% p.a. with high water mark	Worst month	-1.60%	0.00%
Min. Term	1 Month	% Positive months	86.15%	100%
Redemption	Monthly	Last 24 months	12.67%	8.52%
Prime Broker	UBS	Std Deviation	3.14%	0.38%
Administrator	Kingsway Taitz	Sharpe	1.22	-
Auditor	Ernst & Young	Sortino	4.45	-

IDIOSYNCRATIC RISKS

Positive earning surprises out of the US and the release of "stress test" results on European banks saw a broad based rally on world equity markets during July.

The S&P/ASX200 index posted a 4.46% gain, this trailed the performance of the US market (Dow Jones Index +7.1%) and European markets (FTSE +6.9% and CAC 40 +5.8%) but generally in line with Asian markets (Hang Seng +4.5% and Nikkei 225 +1.6%).

Large Australian resource companies (BHP +6.6%, RIO +5.9% & OZL +28.1%) benefited from the Federal Government's back down on the Resources Super Profits Tax (RSPT) to a milder and less wide ranging Mineral Resources Rent Tax (MRRT).

It was no surprise following these high profile negotiations and recent leadership change the Government called an August 21st election.

The industrial sector was led by a stronger banking sector, with Westpac Banking Corporation (WBC) a standout rising 13.0%, and the return of corporate and private equity players looking for under priced assets in a range of industries.

We see increased corporate and takeover activity as an exciting time with increased opportunities, but we had a stark reminder in July of the idiosyncratic nature of the risk associated with these positions and the potential high cost of failure.

Indophill Resources (IRN) fell as much as 54.3% upon relisting following the withdrawal of the takeover bid by Zijin Mining Group. The withdrawal of the bid followed the imposition of a ban on open cut mining by the outgoing Governor of the South Cotabato province in the Philippines, where IRN holds a 37.5% interest in the Tampakan Copper-Gold Project.

The incoming Provincial Governor and the newly elected Philippine president both issued statements pointing out that the ban contravened national law and Xstrata PLC, majority owner of project operator, stated that they expected to proceed with the project on the current timetable as the ban was essentially illegal, however the market dislikes uncertainty and reacted accordingly. We exited the majority of position over the month as the price improved but it was obviously a significant impairment on our fund.

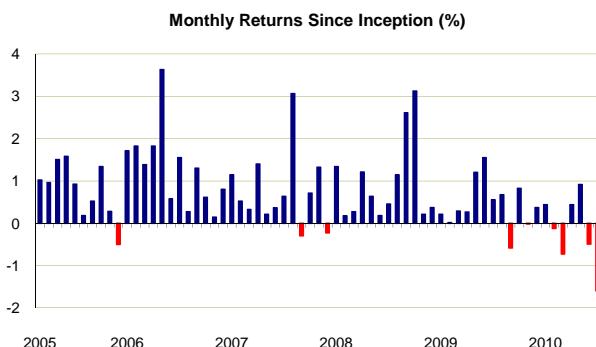
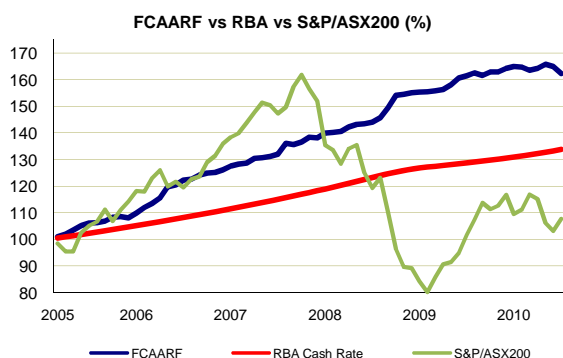
We constantly review our processes and have reflected on this outcome. Whilst it was the result of a particularly bizarre combination of events we will be making adjustments to mandate limits to refine our timing and exposure to certain types of risks. However, we are conscious that this trade and other failed high profile event/takeover trades have impacted on domestic and international funds. Subsequently we expect (and are currently observing) less competition in these trades and subsequently more attractive returns.

As expected with a strong market rally realisable and implied volatilities were lower which was also a draw on our portfolio. Fortunately all other parts of the portfolio performed quite well.

The stronger Australian dollar (+7.7%) saw profitable opportunities in our convergence book particularly in News Corporation (NWS) and Paladin Energy (PDN) which also benefited from speculation of corporate interest.

Our yield portfolio performed well with Halcyon Credit Notes (HLCHA) being a significant performer as it approaches redemption. We are adding selectively to this portion of the portfolio with a particular interest in securities that are near maturity.

Performance after fees (%)													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	0.44	-0.13	-0.73	0.43	0.91	-0.49	-1.60						-1.18
2009	0.21	0.01	0.28	0.26	1.20	1.55	0.55	0.67	-0.58	0.82	-0.02	0.82	5.93
2008	1.34	0.17	0.27	1.21	0.63	0.18	0.45	1.14	2.61	3.12	0.21	0.37	12.29
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	9.48
2006	1.71	1.82	1.38	1.82	3.63	0.57	1.55	0.27	1.30	0.61	0.14	0.80	16.71
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 Fortitude Capital Australian Absolute Return Fund (FCAARF) is an Australian Market Neutral Fund which deals in listed securities and derivatives over those securities. The investment focus is neutrality with a long gamma overlay. Short term opportunities, event situations and share class mispricing are targeted to generate low risk returns.

The long volatility overlay allows for more aggressive positioning within the Fund's other strategies: Long Short, Mergers and Acquisitions, Convergence and Yield.

The market provides opportunities and management provides the strategic overlay.

Risk management is a major focus.

Trading stops are implemented based on price and time along with continual hedging of positions at relatively low execution costs.

INVESTMENT MANAGER

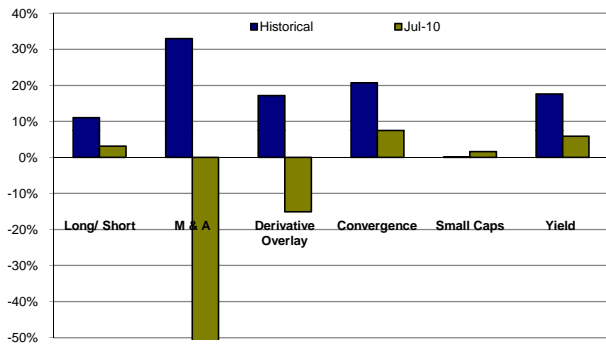
Fortitude Capital Pty Ltd is a wholly-owned subsidiary of Aurora Funds Limited (Aurora). With in excess of \$550 million in funds under management/administration, Aurora was listed on the ASX in July 2010 under the ASX Code: AFV.

The Aurora Group provides asset management and responsible entity/trustee services for over 3,500 Australian and New Zealand investors.

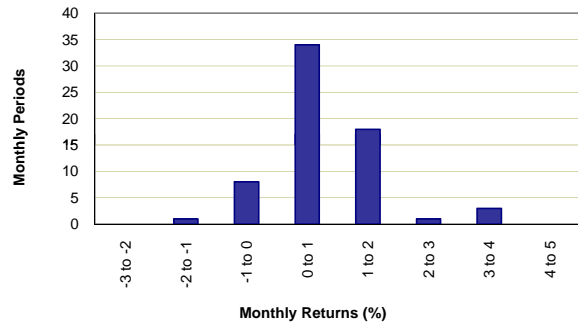
Aurora is also the issuer and/or distributor of the:

- Aurora Sandringham Dividend Income Trust (ASX code: AOD)
- Aurora Sandringham Australian Equity Income Trust (ASX Code: ABW)
- Aurora Sandringham Global Income Trust (ARSN 131 291 499)
- Aurora Global Infrastructure Income Trust (ASX code: AIB)
- Aurora Property Buy-Write Income Trust (ASX code:AUP)
- van Eyk Blueprint Alternatives Plus (ASX code: VBP)

Profit & Loss Contribution by Strategy

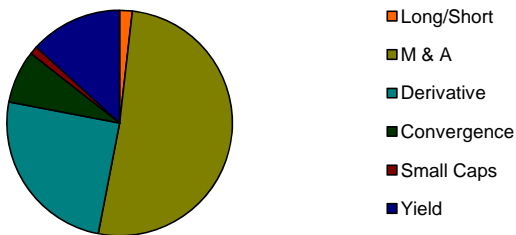


Distributions of Returns

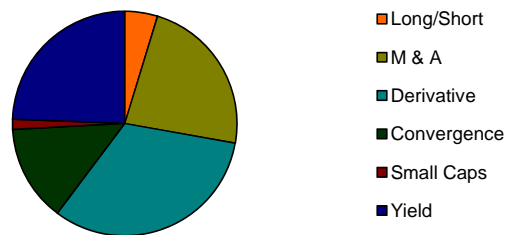


Strategy Weightings

July 2010



Historical



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