



FORTITUDE CAPITAL

Aurora Fortitude Absolute Return Fund
October-10

AURORA
FUNDS LIMITED

Key Facts		AFARF	RBA Cash	
Strategy	Market Neutral	1 Month Return	1.61%	0.37%
Domicile	Australia	12 Month Return	2.64%	4.25%
Min. Investment	\$A100,000	Annualised Return p.a.	9.53%	5.47%
Management Fee	1.5375% p.a. (includes GST)	Return Since Inception	67.65%	5.47%
Performance Fee	20.5% p.a. with high water mark	Best month	3.63%	0.25%
Benchmark	RBA Cash Rate	Worst month	-1.64%	0.25%
Prime Broker & Custodian	UBS	% Positive months	86.76%	100.00%
Administrator	Kingsway Taitz	Annualised Std Deviation	3.09%	0.38%
Auditor	PricewaterhouseCoopers	Sharpe Ratio	1.263	-

The retail Aurora Fortitude Absolute Return Fund PDS is available online or by contacting us on 1300 553 431

Waiting for QE 2

The Australian equity market posted a 1.72% gain for October. Major North American and European markets were stronger (S&P 500 +3.1% Nasdaq +5.9% DAX +6.0% FTSE +2.3%) but Asia was mixed with the Shanghai Composite +12.2% but the Nikkei 225 falling 1.8%.

The major focus point for most market participants was the continued weakness in the US dollar ahead of an early November Federal Reserve statement on another round of quantitative easing in an attempt to stimulate the American economy. The Australian dollar briefly touched parity for the first time since 1983 and finished the month up 1.7% relative to the USD, but mildly lower against most other currencies.

A lower USD helped push commodity and precious metal prices higher. Gold reached another record high of \$1388.10 during the month and silver was up 13.8% over the month.

In this environment it continues to be difficult to generate positive returns from our options positions but increased weightings in other strategies resulted in significant positive returns.

Fairfax Media Convertible Preference Securities (FXJPB) were again our largest contributor for the month; the performance was aided by the companies comments that they will look to potentially conduct a buyback on the securities giving investors greater confidence that there is little chance of the "step up" being implemented.

Our Convergence portfolio benefited from the settlement of our Bank of Queensland Reset Preference (BOQPA) position as well as from good trading volumes in dual listed mid cap mining companies Perseus Mining (PRU) and Paladin Energy (PDN).

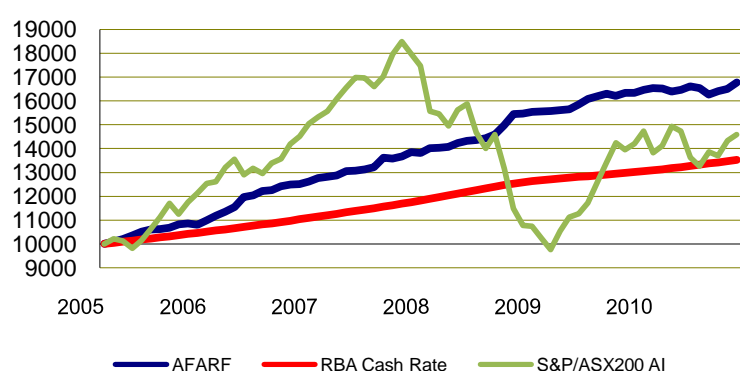
Mid cap resource companies were also a significant contributor to our Long/Short portfolio. We held exposure to Karoon Gas Australia (KAR) ahead of its filing of documents for a Brazilian listing with its South American assets, however we exited the position upon the official launch. Similarly we have a holding in Medusa Mining Limited (MML) ahead of its transfer from the London's Alternative Investments Market to the main exchange; we continue to hold MML awaiting potential corporate activity.

Corporate activity continues to be a significant focus for the market. The political reaction to the Singapore Exchange Limited and ASX Limited (ASX) merger announcement was a timely reminder of the increased focus many deals will come under in a post GFC world. This will be a particular concern in Australia whilst we have a minority government.

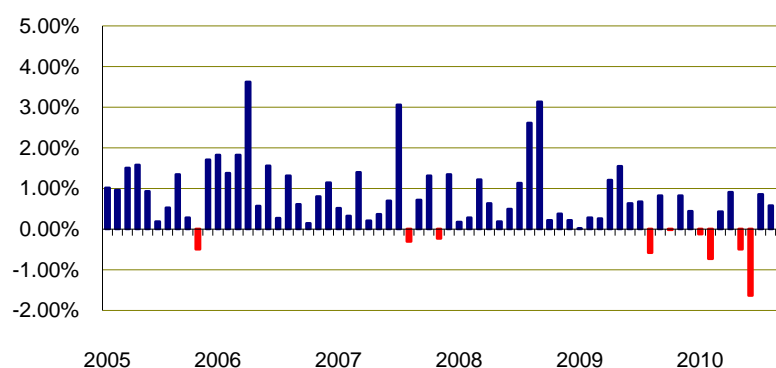
Our Merger and Acquisition portfolio also benefited a significant holding in Intoll Group (ITO); trading volumes remain high in this name and we expect the scheme of arrangement to proceed on schedule through November and December. The completion of the AGL Energy (AGK) scheme of arrangement with Mosaic Oil (MOS) saw the fund realise significant profits.

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	0.86	0.58	1.61			1.82%
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	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%

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



Monthly Returns Since Inception (%)



FUND OVERVIEW

The Aurora Fortitude Absolute Return Fund (AFARF) 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.

Liquidity is a major consideration of all investments.

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)

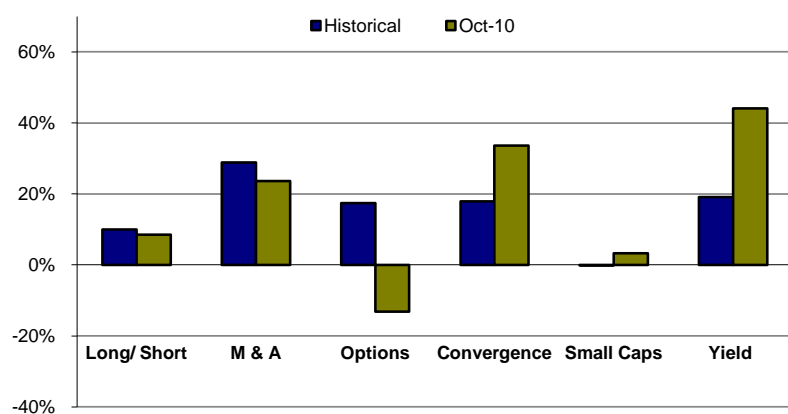
→ Aurora Global Infrastructure Income Trust (ASX code: AIB)

→ Aurora Property Buy-Write Income Trust (ASX code:AUP)

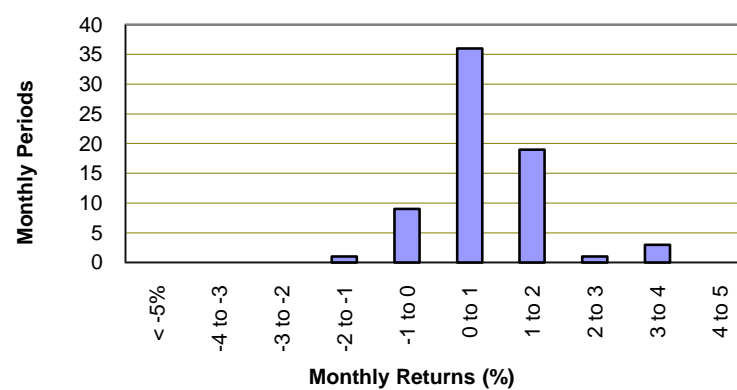
→ van Eyk Blueprint Alternatives Plus (ASX code: VBP)

→ CORALS Commodities Fund (ARSN 131 196 882)

Profit & Loss Contribution by Strategy

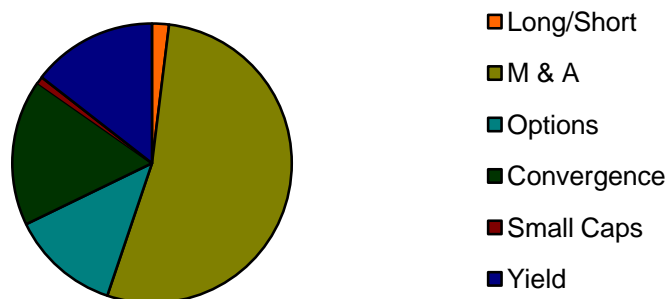


Distributions of Returns

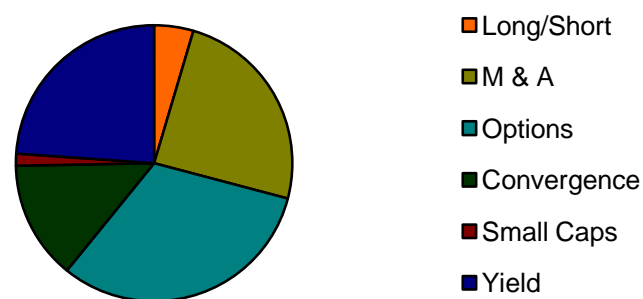


Strategy Weightings

October 2010



Historical



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