

INVESTMENT OBJECTIVE

The Aurora Fortitude Absolute Return Fund (AFARF), the Fund 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 2011

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
1 month	1.19%	0.40%	-1.91%
3 months	1.09%	1.19%	-7.51%
6 months	1.02%	2.40%	-8.98%
12 months	7.03%	4.81%	1.92%
2 years (p.a)	3.82%	4.40%	2.04%
3 years (p.a)	6.38%	4.30%	-1.44%
5 years (p.a)	7.45%	5.29%	0.85%
Annualised Return Since Inception (p.a)	9.04%	5.39%	5.27%
Standard Deviation	3.10%	0.36%	14.92%

ASX200 YTD DOWN 9.5%

The ASX200 finished the month down 2.9% in a month characterised by wild fluctuations due to macroeconomic concerns. Equity markets started the first week of the month off poorly (-10%) following a downgrade of US debt by S&P. August 9 saw a dramatic recovery with the market rallying from down 5% in the first hour of trading to finish the day at +1%. The market continued to rally & volatility fell on pledges by the Fed to keep interest rates flat for 2 years as well as active participation by the European Central Bank in currency and bond markets. A flight to defensives was evident as well as an unprecedented level of buyback activity with companies looking to take advantage of depressed prices.

The Fund performed well in the volatile market conditions, returning 1.17% (net of fees). Nearly all strategies were profitable.

The best performing strategy for the month was **Merger and Acquisitions (53%** performance contribution). Large sell-offs in the stock market often give us a chance to add to event situations that we know and like, at very attractive prices. The Funds largest positions were Valad Property Group VPG.ASX and Cellestis Limited CST.ASX. These two respective schemes of arrangement were concluded in late August after receiving shareholder approval early in the month. Also of note, ConnectEast Group CEU.ASX and Macarthur Coal MCC.ASX performed well. Foster's Group was a slight underperformer after SABMiller announced their intention to make a hostile offer without improving the proposed consideration of \$4.90 per share.

The **Options** strategy was a strong performer (**31%** contribution) due to the large market fall early in the month and the increase in both realisable and implied volatilities. The strong rally in the second half presented opportunities more suited to our other strategies. The best performing options positions were: Telstra TLS.ASX, Woodside WPL.ASX, Woolworths WOW.ASX, and a spread of volatility positions in the S&P ASX top 50 names.

The **Yield** strategy targets short dated instruments issued by high quality companies. Because of this we were able to generate good performance (**10%** contribution) despite widening credit spreads generally. As anticipated, the Woolworths Floating Rate Notes WOWHB.ASX delisted ahead of their September maturity. The Fund benefited from both the protection of puts on Woolworths in the Options book and holding the high- yielding notes.

The Long Wesfarmers Partially Protected Shares, WESN.ASX and short Wesfarmers Ordinary Shares WES.ASX were the biggest contributor to the **Convergence** strategy (**7%**). As options became more valuable during the month, so too did the implied optionality/protection offered by the WESNs structure. The worst positions were spread across dual listed mid-tier resources stocks, Aquarius Platinum AQP.ASX, Intrepid Mines IAU.ASX and OceanaGold OGC.ASX.

Long Short trading (net long) was a mild detractor from performance (**-1%**). Small cap stocks, defined as <\$500m market capitalisation, were the worst affected by market conditions while solid returns were seen from Stockland SGP.ASX, Beadall Resources BDR.ASX and Amcor AMC.ASX.

Performance after fees (%)													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	0.31	0.90	0.16	1.25	-1.46	-0.61	0.51	1.19					2.24%
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	0.55	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%

FUND OVERVIEW

The Fund aims to produce positive returns irrespective of the direction of the share market, by investing in predominantly Australian listed securities and derivatives.

The Fund purchases both put and call options which allows it to profit from movements in the market both up and down. It then looks for short term trading opportunities to generate low risk returns from other strategies including;

- Mergers and Acquisitions
- Long/Short
- Share Class Arbitrage, and
- Yield securities.

Each investment considers the risk, the timeline of that risk occurring and then the potential return.

Low transaction costs and liquidity are other important factors in the success and implementation of the strategies.

INVESTMENT MANAGER

Fortitude Capital Pty Ltd (AFSL 221131) is a wholly-owned subsidiary of Aurora Funds Limited (Aurora). With in excess of \$400 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 3,000 Australian and New Zealand investors.

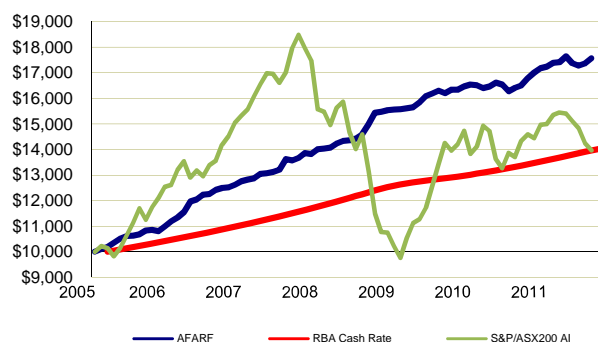
Aurora is also the issuer of the:

- Aurora Sandringham Dividend Income Trust (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)
- van Eyk Blueprint Alternatives Plus (ASX code: VBP)
- CORALS Commodities Fund (ARSN 131 196 882)

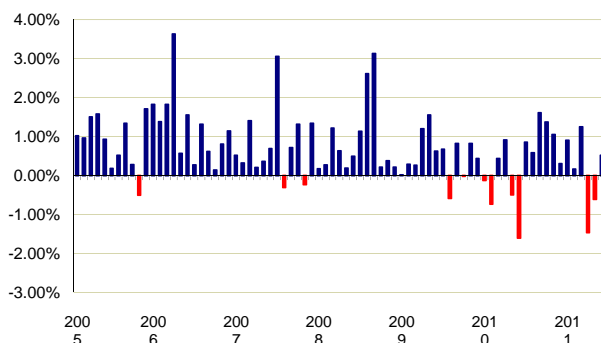
FUND DISTRIBUTIONS (per Unit)

Period (per Unit)	Amount (\$)	Yield (p.a)
30/06/2005	\$0.0516	15.48%
30/06/2006	\$0.1449	14.49%
30/06/2007	\$0.1040	10.40%
30/06/2008	\$0.0961	9.75%
30/06/2009	\$0.1384	14.09%
30/06/2010	\$0.0256	2.66%
31/12/2010	\$0.0275	5.71%
30/06/2011	\$0.0063	3.51%
Total since inception	\$0.5944	

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



Monthly Returns Since Inception (%)



KEY FACTS		AFARF	RBA Cash
Strategy	Market Neutral	Sharpe Ratio	1.42
Feeder Fund	Aurora Absolute Return (ABW)	Best month	3.63%
APIR Code	AFM0005AU	Worst month	-1.60%
Benchmark	RBA Cash Rate	Positive months	85.90%
Administrator	Mackenzie Coultas Funds Admin	Prime Broker/Custodian	UBS

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