



FORTITUDE CAPITAL

Aurora Fortitude Absolute Return Fund

September-2011

AURORA
 FUNDS LIMITED

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 30 SEPTEMBER 2011

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
1 month	0.11%	0.40%	-6.13%
3 months	1.82%	1.19%	-11.58%
6 months	0.96%	2.40%	-15.13%
12 months	6.53%	4.84%	-8.56%
2 years (p.a)	4.18%	4.48%	-4.09%
3 years (p.a)	5.50%	4.24%	-0.11%
5 years (p.a)	7.19%	5.27%	-0.68%
Annualised Return Since Inception (p.a)	8.94%	5.38%	4.19%
Standard Deviation	3.09%	0.36%	15.05%

GLOBAL SLOWDOWN?

The ASX200 fell -6.7%, testing new lows to end the quarter down -13%. European and U.S. macro headlines continue to dominate the tape with talk of a hard landing in China adding further fuel to fears of a global slowdown. Eight out of ten sectors were down over 3% for the month, with defensive Telecommunications and Consumer Staples outperforming. Global miners tumbled with the ASX200 Materials sector down -13% for the month. All asset classes except "safe haven" bonds produced negative returns for September. The Aurora Fortitude Absolute Return Fund was up 0.11% for the month after fees.

Yield was the best performing strategy for the month (+169% gross performance contribution). Orica Step-Up Prefs (ORIPB.ASX) was the biggest contributor as the position approaches the reset date in November this year. The Woolworths notes (WOWHB.ASX) were redeemed as per the expected timetable. Our cash alternative positions in local bank hybrids and bonds also performed well. The worst performing yield instrument was the Peet Limited Convertible Notes (PPCG.ASX) but it is a structure that the fund generally prefers.

The **Convergence** portfolio delivered a strong positive return (+140%). News Corporation (NWS.ASX) was the standout performer for the strategy with continued rumours surrounding the phone-hacking scandal and a buy-back of the non-voting shares yielding attractive margins. The Wesfarmer Partially Protected Shares (WESN.ASX) against the ordinary shares was also a strong performer in the volatile market. Some of the dual listed mid-tier miners underperformed as overnight prices and currencies moved aggressively on any macro news flow.

The **Options** portfolio performed strongly (+104%) in September, with the standouts being Westpac Bank (WBC.ASX), Westfield Group (WDC.ASX) & Origin Energy (ORG.ASX). Elevated volatility & increasing margins led to distortions in pricing across the options curve which the fund took advantage of. Underperformers for the month were: Boral (BLD.ASX), Stockland (SGP.ASX) and Woodside Petroleum (WPL.ASX) which were run with a long bias.

Mergers and Acquisitions were a solid performer (+74%) despite the market volatility causing spreads to widen. Foster's Group (FGL.ASX) agreed to improved terms with SABMiller and this was our best performing deal. Hunno Coal Limited (HUN.ASX) detracted from performance after Banpu announced a recommended cash takeover offer for the company but with a market fall condition that caused some concern.

The **Long Short** strategy was a poor performer (-388%) largely due to the smaller cap positions and the net long bias. Allmine Group (AZG.ASX) was sold off heavily and was the worst performer despite some positive company announcements during the month. Acrux (ACR.ASX) and Infigen Energy (IFN.ASX) also detracted performance. The highlight within the strategy was Charter Hall Office REIT (CQO.ASX) which provided some good buying opportunities during the month and finished stronger in anticipation of an increased offer.

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	0.11				2.35%
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 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.

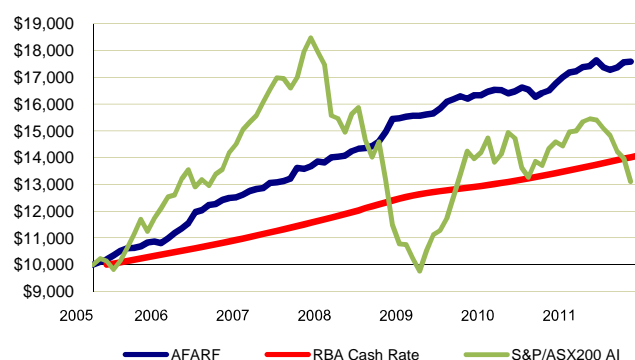
Aurora is also the issuer of the:

- 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)

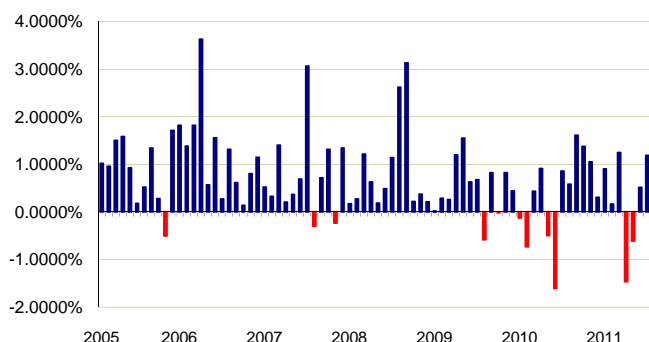
FUND DISTRIBUTIONS (per Unit)

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%
30/06/2011	\$0.0338	3.47%
30/09/2011	\$0.0193	8% (annualised)
Total since inception	\$0.6137	

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	86.08%
Administrator	Mackenzie Coultas Funds Admin	Prime Broker/Custodian	UBS

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