

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 30 NOVEMBER 2011

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
1 month	0.67%	0.37%	-3.48%
3 months	1.21%	1.17%	-2.83%
6 months	2.31%	2.38%	-10.13%
12 months	4.56%	4.84%	-5.99%
2 years (p.a)	4.33%	4.59%	-2.25%
3 years (p.a)	4.73%	4.18%	7.97%
5 years (p.a)	7.27%	5.22%	-1.33%
Annualised Return Since Inception (p.a)	8.89%	5.36%	4.62%
Standard Deviation	3.05%	0.35%	15.17%

SLIPPING PAST GREECE

Equity markets struggled in another month dominated by European woes. European problems escalated from the periphery with Italian 10-year debt breaching the much vaunted 7% rate. Focus also shifted towards France and Germany, where a 10-year bund auction was bid at 65% of total volume. Headlines of failure out of the US congressional Super Committee added to investor malaise which saw the ASX200 down 4.15%; the second worst month of the year. The ASX200 remains highly sensitive to global macro movements, as reflected in the outperformance of defensive domestic sectors (Utilities +1.4%) against the underperformance of Financials (-5.3%) and Materials (-6.6%). The fund returned +0.67% for the month.

The **Long Short** strategy was the best performer in November (+0.23% net performance). The biggest contributor was a long holding in small cap stock Flinders Mines (FMS.ASX), after the company executed a Scheme Implementation Agreement with a Russian acquirer Magnitogorsk (MMK) at a 90% premium to the pre bid price. We entered the trade after the company announced a strategic review in September. Another positive catalyst trade was the demerger of Chorus (CNU.ASX) and Telecom Corp. (TEL.ASX); our long holding benefited from the separation of the infrastructure and service businesses respectively. Charter Hall Office REIT (CQO.ASX) also performed well. The worst performing positions were CGS Limited (CSV.ASX) as potential takeover discussions progressed slowly and the market sold off, Manas Resources (MSR.ASX) and Energy Resources Australia (ERA.ASX).

The **Options** portfolio (+0.19%) produced strong returns from large stock specific moves. The fund profited on large moves on macro news in BHP Billiton (BHP.ASX) and Commonwealth Bank (CBA.ASX).

The Options book continues to focus on Financials and Resources due to their high correlation to European problems. Woodside Petroleum (WPL.ASX) performed well after a flagged production downgrade.

Yield (+0.15%) benefited most from the two shortest dated instruments. The Orica Step Up Preference Securities (ORIPB.ASX) were redeemed at month end in line with all previous announcements. The Southern Cross Airports SKIES (SAKHA.ASX) issue is set to mature in January 2012 and posted good returns as the margin contracted. Peet Convertible Notes (PPCG.ASX) was the worst performer in the hybrid strategy after the company outlined poor market conditions in residential property during their trading update.

M&A (+0.12%) benefited from FIRB approval of the proposed acquisition of Foster's (FGL.ASX) by SABMiller. The vote on this scheme is on 1 December and is expected to be approved by shareholders. The fund increased its exposure post FIRB approval. Sundance Resources (SDL.ASX) underperformed as a result of having to waive a condition relating to the certainty of the funding available to Hanlong and the risk spread widened.

Convergence (-0.05%) was the only small detractor from performance during the month. This was largely as a result of a contraction in the Wesfarmers Partially Protected Shares (WESN.ASX) premium over the ordinary shares (WES.ASX). In the middle of November MSCI announced a November rebalance including the unforeseen removal of WESNs from the index. This quickly caused the spread to reduce as people anticipated large selling in WESNs schedule for the close on the last day of the month. Overall, this event provided good trading opportunities however we did finish the month with a markdown in the spread.

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	0.43	0.67		3.48%
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.

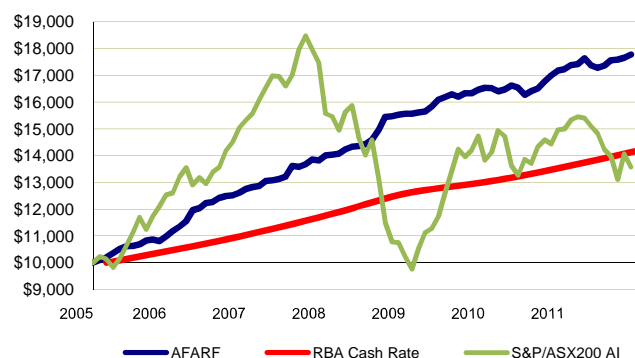
Aurora is also the issuer of the:

- 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)

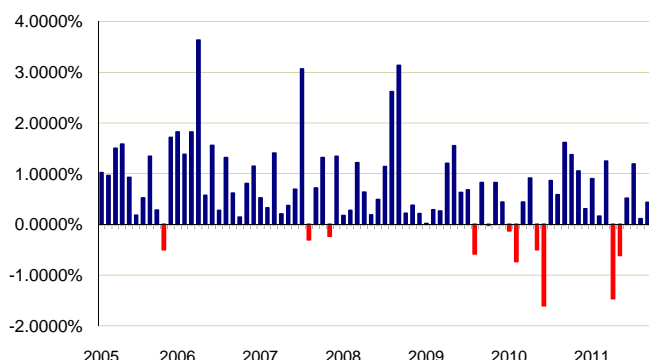
FUND DISTRIBUTIONS (per Unit)

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	1.16
Feeder Fund	Aurora Absolute Return (ABW)	Best month	3.63%
APIR Code	AFM0005AU	Worst month	-1.60%
Benchmark	RBA Cash Rate	Positive months	86.42%
Administrator	Mackenzie Coultas Funds Admin	Prime Broker/Custodian	UBS

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