

## 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 29 FEBRUARY 2012

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
<b>1 month</b>	0.49%	0.35%	1.91%
<b>3 months</b>	1.17%	1.07%	5.64%
<b>6 months</b>	2.40%	2.25%	2.65%
<b>12 months</b>	3.44%	4.70%	-6.57%
<b>2 years (p.a)</b>	4.34%	4.66%	0.75%
<b>3 years (p.a)</b>	4.92%	4.20%	13.66%
<b>5 years (p.a)</b>	6.99%	5.11%	-1.64%
<b>Annualised Return Since Inception (p.a)</b>	8.74%	5.33%	5.27%
<b>Standard Deviation</b>	3.00%	0.35%	15.02%

## Revival of Fortunes

February was characterised by a strong reversion in the fortunes of beaten up Consumer Discretionary (+5.3%) and Industrial (+6.3%) sectors. Interest from private equity and the squeezing of concentrated short positions resulted in an overdue recovery for retail institutions such as Billabong (BBG.ASX), Goodman Fielder (GFF.ASX) and David Jones (DJS.ASX). International markets were buoyed by a second auction of Long Term Refinancing Operations (LTRO's) by the European Central Bank, agreement on a bailout plan for Greece, and a decline in the U.S unemployment to 8.3%.

The ASX200 Accumulation Index finished the month up 1.9% and the Dow Jones Index finished up 2.5%, continuing its recent stellar run. The continued underperformance of the ASX200 against the Dow Jones can partly be attributed to the high level of the AUD/USD and continued concern over growth rates in China. We also believe that this relates to the unwinding of a "cult of equities" in Australia, resulting in reallocation of savings from long only equities to cash and cash equivalents (including alternatives). The Fund finished the month up 0.49%, the 8th straight month of positive returns.

The **Long Short** strategy was the best performer for the month, generating +0.28% due to the long positioning of this part of the portfolio. The largest contributor was David Jones (DJS.ASX) as the retail space thrived on news of private equity having interest in Billabong, following on from Pacific Brands (PBG.ASX) the previous month. PBG was also a strong performer. Tishman Speyer (TSO.ASX) provided good returns and trading opportunities after management proposed a sale of the US REIT assets which could result in a cash distribution and winding up of the fund. This transaction has been defined as part of the long short strategy (and not M&A) due to the nature of the asset sale by way of a shareholder meeting and lack of takeover legal protection. Detracting from performance was a placement in Saracen Minerals (SAR.ASX).

The **Convergence** strategy returned +0.14%. Dolomatrix (DMX.ASX) completed an asset sale and returned capital to shareholders. This left a small 'stub'; the shell of the company will be wound up later in the year. The premium of the Wesfarmers Partially Protected Shares (WESN.ASX) above the ordinary shares (WES.ASX) also increased during February. The News Corp (NWS.ASX /NWSLV.ASX) half yearly result disappointed and led to a small drawdown for the dual listed trade.

The **Yield** strategy returned +0.11% despite a sell-off in many of the names in this sector. The listed credit market received a flood of new issuance with ANZ, Colonial and Westpac all coming to market, following recent successful hybrid issues by Origin and Woolworths. As a result, many of the shorter dated instruments were sold off to free up liquidity. The Fund uses these liquidity events to build positions in shorter dated, preferred structures.

The **Mergers and Acquisitions** strategy was marginally positive +0.04%. Brockman Resources (BRM.ASX) was the strongest contributor as directors lodged their acceptances and minimal conditions remain outstanding (80% acceptances required). The Funds largest position is Charter Hall Office (CQO.ASX), whilst this was a small negative contributor for February, the scheme vote is due mid-March and we expect implementation by the end of the month.

The **Options** strategy (-0.08%) was buoyed by news that Crown (CWN.ASX) had increased its stake in Echo Entertainment (EGP.ASX) to 10%. James Packer unveiled ambitious plans for a casino in Sydney's Barangaroo district under Echo's Star City Licence. This situation should present good trading opportunities going forward. Key positions over the ASX200 Index, Westfield (WDC.ASX) and BHP (BHP.ASX) suffered from a very low level of volatility.

On a personal note - we would like to congratulate Andrew Ward (Portfolio Manager) on the birth of his son!

Performance after fees (%)													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	0.34	0.49											0.83%
2011	0.31	0.90	0.16	1.25	-1.46	-0.61	0.51	1.19	0.11	0.43	0.67	0.34	3.83%
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.

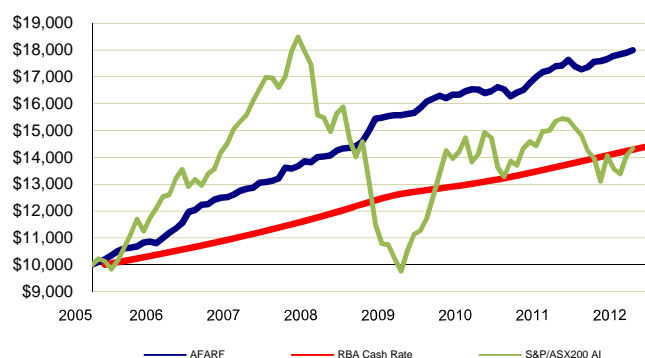
Each investment considers the risk, the timeline of that risk occurring and then the potential return.

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

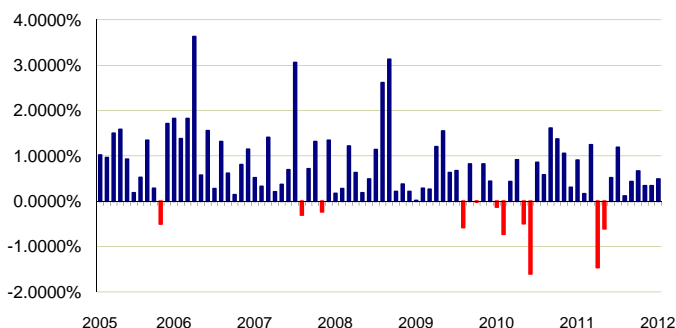
## FUND DISTRIBUTIONS (per Unit)

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)
31/12/2011	\$0.0194	8% (annualised)
<b>Total since inception</b>	<b>\$0.6331</b>	

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



Monthly Returns Since Inception (%)



## INVESTMENT MANAGER

Fortitude Capital Pty Ltd (AFSL 221131) is a wholly-owned subsidiary of Aurora Funds Limited (Aurora). With in excess of \$430 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)

	KEY FACTS		AFARF	RBA Cash
<b>Strategy</b>	Market Neutral	<b>Sharpe Ratio</b>	1.14	-
<b>Feeder Fund</b>	Aurora Absolute Return (ABW)	<b>Best month</b>	3.63%	0.60%
<b>APIR Code</b>	AFM0005AU	<b>Worst month</b>	-1.60%	0.25%
<b>Benchmark</b>	RBA Cash Rate	<b>Positive months</b>	86.90%	100.00%
<b>Administrator</b>	Mackenzie Coultas Funds Admin	<b>Prime Broker/Custodian</b>	UBS	

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