



FORTITUDE CAPITAL

Aurora Fortitude Absolute Return Fund

February 2013

AURORA
 FUNDS LIMITED

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 28 FEBRUARY 2013

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
1 month	0.80%	0.25%	5.37%
3 months	0.62%	0.75%	14.30%
6 months	1.26%	1.59%	20.85%
12 months	3.99%	3.54%	24.19%
2 years (p.a)	3.71%	4.11%	7.70%
3 years (p.a)	4.23%	4.28%	8.02%
5 years (p.a)	5.91%	4.48%	2.85%
Annualised Return Since Inception (Mar 05) - p.a.	8.13%	5.10%	7.47%
Standard Deviation	2.86%	0.37%	14.60%

Turn Up the Vol

The S&P/ASX200 Accumulation Index finished February up 5.37%. The continuing bull market was driven by leading industrial corporates announcing better than expected half year profits over reporting season, and positive leads from world markets. Consumer Staples (+9.7%) was the best performing sector for the month but again it was the Aussie banks that contributed the most to the index rally. The Materials sector (-0.2%) continued to be the laggard, BHP and Newcrest in particular weighed on the market. The Aurora Fortitude Absolute Return Fund generated a return of +0.80%, versus the cash benchmark of 0.25%.

We are pleased to report that the **Options** portfolio was the best performing strategy for the month (+0.58%). As anticipated, the historically low levels of volatility provided an opportunity to profit from an increase in volatility over reporting season. This was most pronounced in the Fund's March Index Futures position (APH3.SFE). Also of benefit was the small net long, and long volatility overlay in the major banks (CBA.ASX, WBC.ASX, NAB.ASX and ANZ.ASX). Boral (BLD.ASX) was an underperformer because the stock rallied sharply while the Fund held a short bias.

Convergence was a small positive contributor +0.12%. The Wesfarmers position (WESN.ASX and WES.ASX) was the best performer as the share price rallied dramatically, and there is embedded optionality in the partially protected securities (WESN.ASX). The Yancoal Contingent Value Rights (CVRs) detracted from performance as the spread on the instrument widen due to risks around conversion for equity or cash redemption early next year.

Mergers and Acquisitions was a minor positive contributor (+0.07%). Within the strategy, the Texon (TXN.ASX) and Sundance (SEA.ASX) merger, and also the Skywest (SXR.ASX) and Virgin (VAH.ASX) merger did well, but Australian Infrastructure Fund (AIX.ASX) marked down. TXN.ASX delisted from trading as the merger with SEA.ASX drew to a close. SXR and VAH released their scheme documentation and scheduled the scheme meeting for mid-March. On the flip side, the AIX margin increased to account for a greater risk that there may be a delay in the timetable of payments and/or that there may be litigation costs due to AustralianSuper alleging a breach of shareholders' agreements over the main asset sale, being Perth Airport.

Underperforming for the month was the **Long/Short** strategy (-0.16%) despite holding mostly long positions. Atlas Iron (AGO.ASX) came under pressure as a result of the declining iron ore price, a poor result and general materials weakness. A stop loss was implemented over this position. Boart Longyear (BLY.ASX) also proved particularly volatile as mining service companies generally disappointed. Fairfax Media (FXJ.ASX) and Qantas Airways (QAN.ASX) were positive offsets.

The **Yield** book was consistent (+0.18%), with ANZ Convertible Preference Shares (ANZPB.ASX) performing particularly well after going ex-distribution. The Fund continued to add to short dated instruments with mid-year maturities.

FINANCIAL YEAR PERFORMANCE after fees (%)

Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin/Year
12-13	0.61	0.36	0.33	-0.23	0.54	0.02	-0.19	0.80					2.24%
11-12	0.51	1.19	0.11	0.43	0.67	0.34	0.34	0.49	0.45	0.44	0.26	0.57	5.93%
10-11	-1.60	0.86	0.58	1.61	1.37	1.05	0.31	0.90	0.16	1.25	-1.46	-0.60	4.44%
09-10	0.55	0.67	-0.58	0.82	-0.02	0.82	0.44	-0.13	-0.73	0.43	0.91	-0.49	2.79%
08-09	0.45	1.14	2.61	3.12	0.21	0.37	0.21	0.01	0.28	0.26	1.20	1.55	12.05%
07-08	0.63	3.06	-0.30	0.71	1.32	-0.23	1.34	0.17	0.27	1.21	0.63	0.18	9.40%
06-07	1.55	0.27	1.30	0.61	0.14	0.80	1.14	0.52	0.32	1.40	0.21	0.36	9.00%
05-06	0.92	0.18	0.52	1.34	0.28	-0.50	1.71	1.82	1.38	1.82	3.63	0.57	14.50%
04-05	-	-	-	-	-	-	-	-	1.02	0.96	1.50	1.58	5.16%

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;

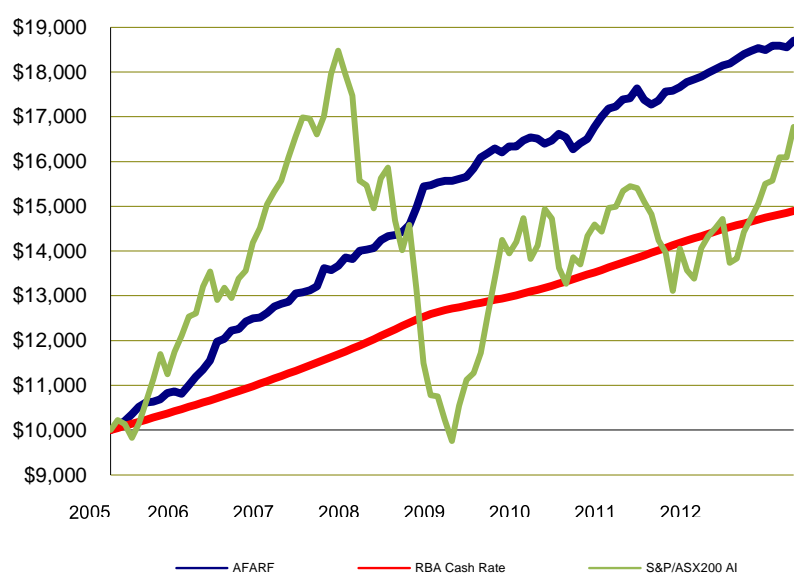
- Mergers and Acquisitions
- Long/Short
- Share Class Arbitrage, and
- Yield securities.

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.

Within the implementation of this strategy, the Investment Manager believes that the Australian equity market presents 'franking credit opportunities that are being ignored and/or mispriced by the market. As such, the Fund seeks to take advantage of these opportunities as they arise.

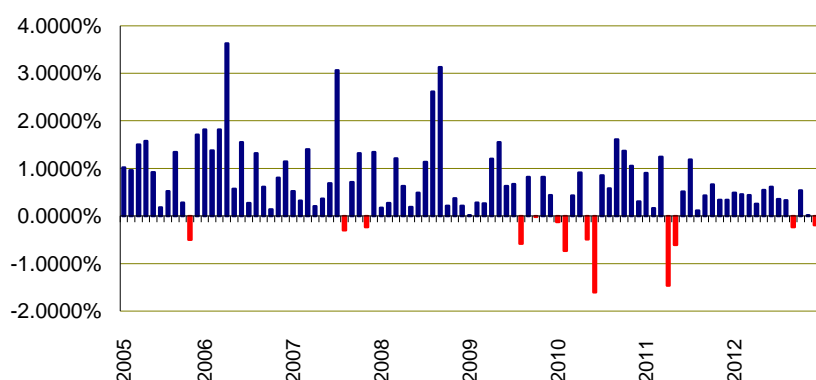
AFARF vs RBA Cash vs S&P/ASX200AI (\$)



FUND DISTRIBUTIONS (per Unit)

Period (per Unit)	Amount (\$)	Yield at NAV (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	7.93%
31/12/2011	\$0.0194	8.00%
31/03/2012	\$0.0193	8.00%
30/06/2012	\$0.0205	8.55%
30/09/2012	\$0.0190	8.00%
31/12/2012	\$0.0142	6.00%
Total since inception	\$0.6545	

Monthly Returns Since Inception (%)



INVESTMENT MANAGER

Fortitude Capital Pty Ltd (AFSL 221131) is a wholly-owned subsidiary of Aurora Funds Limited (Aurora). With over \$540 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 Australian and New Zealand investors.

Aurora is also the issuer of the:

- Aurora Sandringham Dividend Income Trust (ASX code: AOD)
- Aurora Dividend Income Trust (APIR code: AFM0010AU)
- Aurora Absolute Return Fund (ASX code: ABW)
- Aurora Global Income Trust (ASX code: AIB)
- Aurora Property Buy-Write Income Trust (ASX code: AUP)

KEY FACTS		AFARF	RBA Cash
Strategy	Market Neutral	Sharpe Ratio	1.08
Feeder Fund	Aurora Absolute Return (ABW)	Best month	3.63%
APIR Code	AFM0005AU	Worst month	-1.60%
Benchmark	RBA Cash Rate	Positive months	86.46%
Administrator	Unity Administration	Prime Broker/Custodian	UBS

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