

## 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 31 MARCH 2013

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
<b>1 month</b>	0.42%	0.25%	-2.21%
<b>3 months</b>	1.02%	0.75%	8.15%
<b>6 months</b>	1.35%	1.55%	15.66%
<b>12 months</b>	3.96%	3.43%	19.98%
<b>2 years (p.a)</b>	3.84%	4.04%	6.16%
<b>3 years (p.a)</b>	4.63%	4.25%	5.24%
<b>5 years (p.a)</b>	5.94%	4.41%	3.09%
<b>Annualised Return Since Inception (Mar 05) - p.a.</b>	8.10%	5.08%	7.09%
<b>Standard Deviation</b>	2.85%	0.37%	14.56%

### Cyprus Contagion Causes Concern

The S&P/ASX200 Accumulation Index finished down -2.21% in March putting an end to a nine month positive streak. Within the Aussie Index, Australian banks continued to perform relatively well and again it was resources that lead the market lower. Of note, both BHP and RIO fell by more than 10%. Concerns out of Cyprus, namely the treatment of bank deposits, and the possible ramifications for other debt ridden European economies forced risk back into the spotlight. Commodity price declines also weighed heavily on our market as lower demand lead to lower spot pricing; iron ore was particularly topical. The Aurora Fortitude Absolute Return Fund generated a return of +0.42%, versus the unchanged cash benchmark of 0.25%.

**Convergence** was the best performing strategy for the month (+0.26%). The Wesfarmers position (WESN.ASX and WES.ASX) was the biggest contributor again due to an increase in the value of the protection as the share price fell in line with the market. The Yancoal Contingent Value Rights (CVRs) had a better month adding to profits and we see the security offering good value with maturity approaching early next year. Also performing well was the News Corporation (NWS.ASX/NWSLV.ASX) CDI trade into the USA. This was largely due to increased North American interest in plans for the company to spin off the groups publishing assets into a separate listing.

**Long/Short** generated a loss for the month (-0.10%). Gains from holding a long position in Treasury Wines (TWE.ASX) were offset by losses from being long Newcrest Mining (NCM.ASX) and Downer EDI (DOW.ASX). Short positions in Bradken (BKN.ASX) and Sims Metal (SGM.ASX) worked but the book held a slight long bias and higher beta names suffered.

**Mergers and Acquisitions** added +0.12% for the month. The best performers were Real Estate Capital Partners USA Property Trust (RCU.ASX) and Challenger Infrastructure Fund (CIF.ASX). RCU drew to a conclusion as the trust paid redemption requests out of the cash held from implementing their asset sale process in the previous months. The disruptive actions of the major shareholder were put to rest and they too opted for redemption of their holding. CIF also concluded and provided the best possible outcome by delivering the residual payment ahead of schedule and at the upper end of the guided range. In contrast, although offering many parallels to CIF, Australian Infrastructure Fund (AIX.ASX) marked down due to the risk of litigation being launched. The asset sales have now completed and we are awaiting an announcement by the company as to the timing and amount of the first major payment. We assess the risk being priced into the deal as excessive and have been committed to running a concentrated exposure in this special situation.

The protective **Options** strategy was also a small detractor for the month (-0.04%). Volatility around the Cyprus situation produced good returns, but as the market grew more comfortable with the situation and the Aussie market approached a four day holiday weekend option prices were marked down aggressively, this had a significant impact on our index portion. The Fund's most profitable names were BHP.ASX, ANZ.ASX, CBA.ASX, MQG.ASX, and RIO.ASX.

The **Yield** book provided a positive return of +0.17%. All hybrid instruments were positive for the month but the Macquarie Convertible Preference Security (MQCPA.ASX) was the biggest contributor with only three months left to run until redemption or conversion, subject to some mandatory conversion conditions.

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	0.42				2.67%
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;

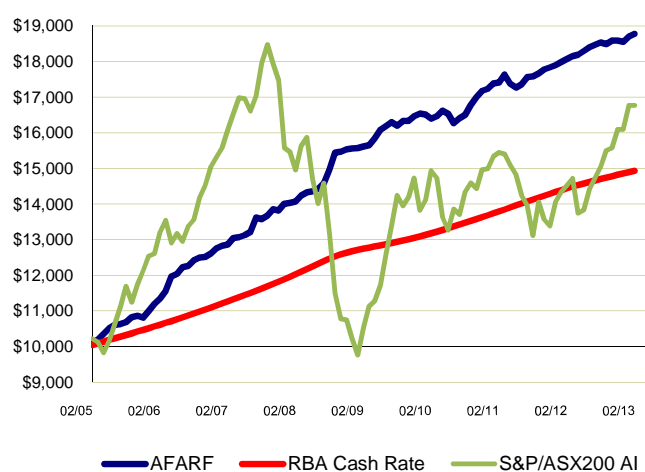
- Mergers and Acquisitions
- Long/Short
- Share Class Arbitrage, and
- Yield securities.

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.

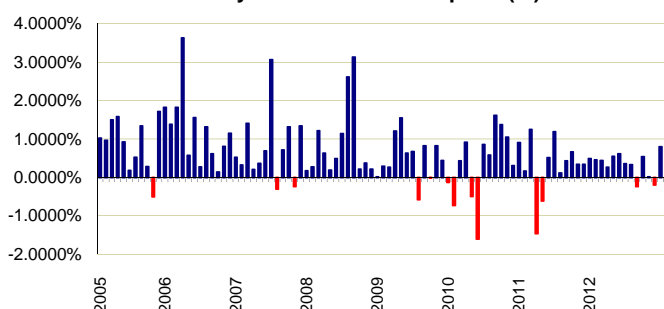
AFARF vs RBA Cash vs S&P/ASX200AI (\$)



## 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%
31/03/2013	\$0.0140	6.00%
<b>Total since inception</b>	<b>\$0.7201</b>	

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
<b>Strategy</b>	Market Neutral	<b>Sharpe Ratio</b>	1.06
<b>Feeder Fund</b>	Aurora Absolute Return (ABW)	<b>Best month</b>	3.63%
<b>APIR Code</b>	AFM0005AU	<b>Worst month</b>	-1.60%
<b>Benchmark</b>	RBA Cash Rate	<b>Positive months</b>	86.60%
<b>Administrator</b>	Unity Administration	<b>Prime Broker/Custodian</b>	UBS

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