



FORTITUDE CAPITAL

# Aurora Fortitude Absolute Return Fund

## April 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 30 APRIL 2013

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
1 month	1.68%	0.25%	4.54%
3 months	2.91%	0.75%	7.72%
6 months	3.29%	1.53%	17.40%
12 months	5.24%	3.32%	23.66%
2 years (p.a)	4.06%	3.96%	8.69%
3 years (p.a)	5.05%	4.22%	7.31%
5 years (p.a)	6.04%	4.34%	3.09%
Annualised Return Since Inception (Mar 05) - p.a.	8.24%	5.06%	7.60%
Standard Deviation	2.86%	0.38%	14.54%

#### A Tale of Two Markets

Global equity markets continued to rally during April. Whilst the S&P/ASX200AI performed strongly, reaching post GFC highs, the chase for yield saw extreme variations in sector performance.

Investors searching for dividend income aggressively bought Finance, Telco and Consumer related companies which resulted in a 6.7% rally in the All Industrials Index. Ongoing concerns regarding slowing Chinese growth and the impact on commodity prices saw the All Resources Index fall 3.7%. The net result was a 4.5% return for the S&P/ASX 200 Accumulation Index.

The Aurora Fortitude Absolute Return Fund produced a 1.68% return with all strategies producing positive returns.

The most significant contribution (0.77%) came from the recovery in the Australian Infrastructure Fund (AIX.ASX). The fund released an update on the completion of asset sales and the timing of capital returns to unit holders. This update and the lack of any further reports of or speculation on possible legal action regarding the asset sales saw a 2.9% unit price improvement. We expect a further update on timing of capital returns during May.

A standout amongst larger resources companies was the 8.3% total return from Woodside Petroleum (WPL.ASX). This was largely in response to the announcement of a special dividend and increased dividend payout ratio which was music to the ears of yield hunters. Our Option portfolio was well positioned for the resulting share price rally and WPL was the largest contributor to the 0.60% return from this strategy.

Our longer term Convergence positions were well supported during the month. Yancoal Contingent Value Shares (YALN) rallied 4.9% as investors became more confident about the parent redeeming the shares for cash; this produced a return of 0.22% for the Fund. Wesfarmers ordinary shares (WES.ASX) continue to trade around the early conversion price for the partly protected shares (WESN.ASX). This provides continued trading opportunities as we regularly adjust the appropriate hedging; this produced a 0.11% return for the month.

There continues to be some supply of short dated hybrid instruments as investors continue to switch into new issues and ordinary shares. We continue to seek alpha in this area with the knowledge that returns will accelerate as maturity approaches. Macquarie Convertible Preference Securities (MQCPA.ASX), with June redemption highly likely, provided the bulk of returns (0.11%) for the month.

Long/short trading was mixed (0.11%). We benefited from a "pre-event" position in Graincorp (GNC.ASX) which rallied 9.8% as management finally agreed to allow the American agricultural group, Archer Daniels Midland, to conduct due diligence prior to an agreed takeover; however we suffered from a similar exposure to Billabong International (BBG.ASX) which fell 35% after management agreed to continued due diligence by a private equity consortium despite the consortium reducing the indicative price it was willing to pay. We have exited the BBG position but maintained GNC exposure with expectations that a full bid will be launched in May.

### 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	1.68			4.39%
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.

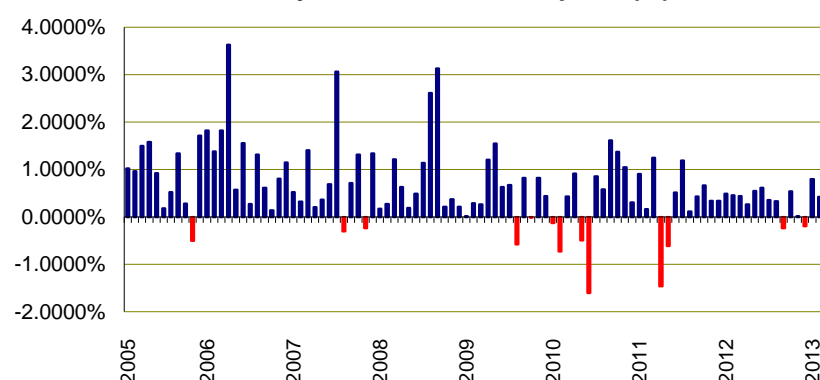
Low transaction costs and liquidity are other important factors in the success and implementation of the strategies.

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.

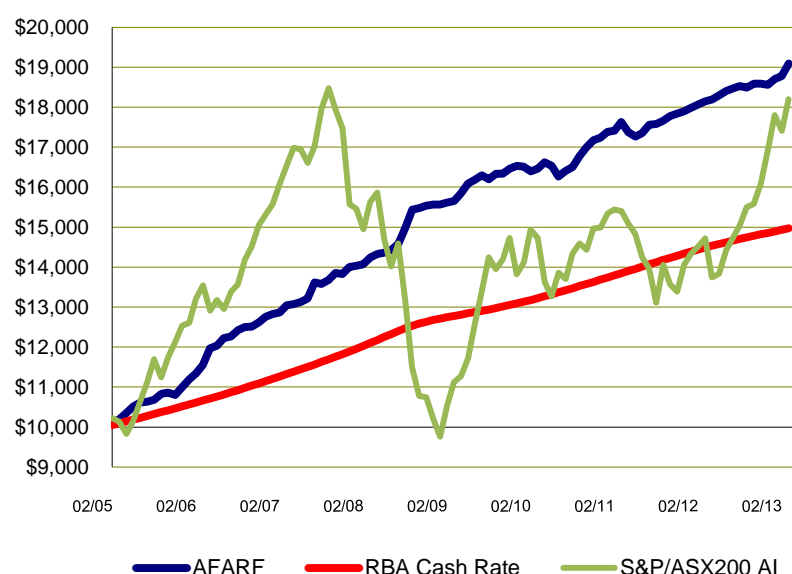
## FUND DISTRIBUTIONS (per Unit)

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 (%)



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



## INVESTMENT MANAGER

Fortitude Capital Pty Ltd (AFSL 221131) is a wholly-owned subsidiary of Aurora Funds Limited (Aurora). With over \$490 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>	1.11
<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>	86.73%
<b>Administrator</b>	Unity Administration	<b>Prime Broker/Custodian</b>	UBS

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