

## 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 JULY 2013

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
<b>1 month</b>	1.13%	0.23%	5.20%
<b>3 months</b>	2.40%	0.69%	-1.87%
<b>6 months</b>	5.38%	1.45%	5.71%
<b>12 months</b>	6.25%	3.11%	23.83%
<b>2 years (p.a)</b>	6.13%	3.70%	11.99%
<b>3 years (p.a)</b>	6.31%	4.07%	8.81%
<b>5 years (p.a)</b>	6.27%	4.10%	4.97%
<b>Annualised Return Since Inception (Mar 05) - p.a.</b>	8.29%	4.99%	7.13%
<b>Standard Deviation</b>	2.82%	0.38%	14.56%

## Market Rams Higher

The S&P/ASX200 Accumulation Index bounced back from the malaise of June with a stellar 5.2% gain for the month of July. Internationally, a change in sentiment towards the US Quantitative Easing tapering debate as well as the release of China's second quarter GDP numbers provided catalysts for the turnaround in the market. Domestically, the RBA governor continued to deliver clear signals that interest rates are on a downward trajectory. The Aussie Dollar responded and continued downwards to finish -1.7% for the month. The Fund delivered a net return of +1.13% for the month.

The Long/Short strategy was the best performer for the month delivering +0.38% primarily due to a long position in mortgage provider RHG Limited, formerly known as RAMS Home Loans (RHG,ASX). A takeover approach was made for the entity on 8 July by Resimac. A bidding war shortly ensued with Resimac competing with Pepper Australia for the company. The Fund continues to hold a position as part of the M&A strategy at month end. Chalice Gold Mines (CHN.ASX) announced a strong cash position as part of their Quarterly Report and the share price gained support. A placement in Buccaneer Energy (BCC.ASX), a small cap oil and gas exploration company, alongside a strategic investor was also profitable.

The Convergence strategy +0.27% benefitted from an indicative proposal by Yanzhou Coal Mining Company Limited to acquire the remaining shares in Yancoal Australia Limited it does not already own. This resulted in an increase in the Yancoal Contingent Value Rights (YALN.ASX) as the probability of a cash return of \$3 increased.

The demerger of NewsCorp into 21st Century Fox (FOX.ASX) and New NewsCorp (NNC.ASX) continues to create good inter-market trading opportunities between Australian and US exchanges.

The Mergers and Acquisitions strategy also delivered a strong return of +0.23%. A large portion of these returns came from the RHG Limited position (outlined above), as the position was transferred to Mergers and Acquisitions post the initial bid on 8 July. Elemental Minerals (ELM.ASX) was a drag on performance as the price of Potash fell 25% after a leading Russian producer abandoned a supply cartel. This put in doubt one of the conditions of the takeover (board approval by the acquirer).

The Options strategy delivered a return of +0.15% for the month despite the fall in volatility as the market rallied. The Fund benefitted from an Orica (ORI.ASX) earnings downgrade on weaker global markets and higher costs. Suncorp (SUN.ASX) reacted strongly to an increased ordinary dividend as well as capital returns in the form of special dividends. The Fund has a spread of volatility positions and we look forward to reporting season which inevitably brings increased volatility in single stock names.

The Yield portfolio delivered a small return +0.10%. The ANZ Convertible Preference Shares (ANZPB.ASX) produced the majority of returns. Opportunities abound in this strategy and the fund continues to focus on short dated, high quality instruments.

## FINANCIAL YEAR PERFORMANCE after fees (%)

Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin/Year
13-14	1.13												1.13%
12-13	0.61	0.36	0.33	-0.23	0.54	0.02	-0.19	0.80	0.42	1.68	0.78	0.46	5.70%
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%
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.

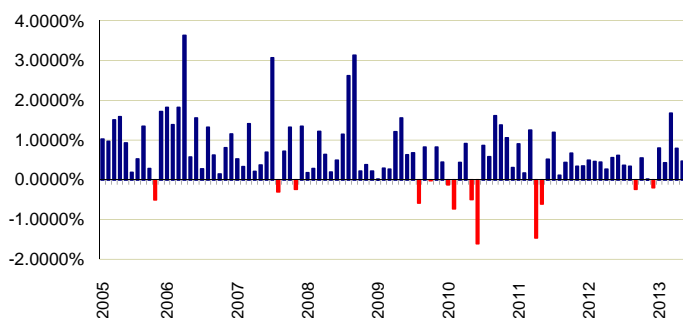
AFARF vs RBA Cash vs S&P/ASX200AI (\$)



## 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%
30/06/2013	\$0.0298	12.87%
<b>Total since inception</b>	<b>\$0.7499</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 \$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 Dividend Income Trust (Managed Fund) (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>	1.17
<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>	87.13%
<b>Prime Broker/Custodian</b>	UBS	<b>Fund Size</b>	\$105.01 million
<b>Administrator</b>	Unity Fund Services	<b>Net Asset Value per Unit</b>	\$0.9362

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