

Aurora Fortitude Absolute Return Fund (AFARF)

| Performance ¹ | 1 month | 3 months | FYTD |
|--|---------|----------|--------|
| Aurora Fortitude Absolute Return Fund | 0.42% | -3.59% | -5.73% |
| Benchmark | 0.06% | 0.19% | 0.44% |
| Outperformance | 0.36% | -3.78% | -6.17% |

Investment Objective

The Aurora Fortitude Absolute Return Fund ("Fund") seeks to achieve absolute returns and income through the use of several different investment strategies. The focus on absolute returns differs from traditional funds in that the Fund aims to produce positive returns regardless of equity market conditions or global market indices.

Investment Strategy

The Fund seeks to take advantage of market mispricing and arbitrage opportunities using a diverse range of investment strategies. The Responsible Entity of the Fund researches various criteria for each investment, including fundamental and quantitative analysis, company event situations such as takeovers and mergers, earnings announcements, demergers and restructuring, liquidity events, recapitalisations, multiple share classes, option availability and pricing.

The Fund will invest in opportunities that are considered to offer attractive risk return characteristics with a focus on potential catalysts that seek to generate a profitable return regardless of the market direction. The Fund may use derivatives for risk management as well as to create new positions and may opportunistically short sell securities that may be overpriced or to reduce risk on the overall portfolio.

Portfolio Position Analysis

Number of Positions

| | |
|--------------|---|
| Long | 4 |
| Short | 0 |

Top 3 Portfolio Holdings (as at 31 December 2019)

| Name | ASX Code |
|---|----------|
| Aurora Property Buy-Write Income Trust | AUP |
| RNY Property Trust | RNY |
| Molopo Energy Limited | MPO |

Fund Overview

| | |
|-----------------------------------|-------------------------------------|
| APIR Code | AFM0005AU |
| NAV per Unit | \$0.2714 |
| Structure | Fund |
| Investment Style | Value/Special Situation |
| Inception Date | 28 February 2005 |
| Management Fee (incl.GST) | 1.49% |
| Performance fee (incl.GST) | 20.5% |
| Buy / sell spread | +/- 0.02% |
| Entry / Exit fees | Nil |
| Benchmark | RBA Cash Rate |
| Distributions | 2.0% ^a pa, semi-annually |

Fund Update**Molopo Energy Limited**

The Fund also has an indirect exposure to Molopo Energy Limited (**MPO**) through its investment in Aurora Fortitude Absolute Return Fund ("AFARF"). MPO was suspended from trading on the Australian Stock Exchange (ASX) on 27 July 2017 and remains suspended as at the date of this update.

On 30 October 2019, Molopo released its Quarterly Cash Flow Statement for the quarter ended 30 September 2019. Based on the information contained in this Quarterly Cash Flow Statement, Aurora has reassessed the carrying value of its investment in Molopo and has decided to write the value of its investment down from 1.5 cents to 0.9 cents.

As more information is released by Molopo on the Drawbridge shareholding as well as the Canadian litigation, it may be appropriate for Aurora to revisit the carrying value of its Molopo investment. The fair value of the Molopo Investment is based on significant estimates and judgements adopted by the Board of Aurora based on all available information about Molopo as at the current date. The valuation of Molopo represents approximately 6% of the value of the assets of the Trust.

Aurora Property Buy-Write Fund (AUP) holding

The Fund also has an indirect exposure to Aurora Property Buy-Write Fund through its significant holding in AUP. This investment was valued by AUP's end of month closing ASX traded price (\$2.61), which represents a discount to AUP's Net Tangible Asset (**NTA**) position. Aurora is of the view that AUP's underlying NTA was \$6.2455.

About Aurora

Aurora Funds Management Limited ("Aurora") is the Responsible Entity of the Fund. Aurora is an Australian based alternative asset manager that specialises in managing absolute-return strategies for high net worth, retail and institutional investors. Aurora utilises a value-orientated approach to select suitable investments that aim to provide investors with positive risk-adjusted returns that are independent of benchmarks or investment cycles.

Aurora is also the Responsible Entity of the:

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

For further information, please contact:

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1. This number represents a cumulative return and assumes reinvestment of distributions and is generated with compounded monthly returns/net of fees. ^2.0% pa of distributable taxable income.

Disclaimer: This information has been prepared by Aurora Funds Management Ltd (ABN 69 092 626 885, AFSL 222110) in its capacity as Responsible Entity for the Fund (ARSN 145 894 800). It has been prepared without taking into account the objectives, financial situation or needs of any investor, which should be considered before investing. Investors should carefully review the Product Disclosure Statement (PDS) for the Fund and seek their own financial advice prior to investing in the Fund. The information in this Portfolio Update is of a summary nature only and does not constitute advice of any kind, nor is it an offer of any financial product. Past performance is not a reliable indication of future performance. The investment objective for the Fund is expressed after the deduction of fees and before taxation. See the PDS for details on taxation. The investment objective is not intended to be a forecast and is only an indication of what the investment strategy aims to achieve over the medium to long term. While the Fund will aim to achieve the objective, the objective and returns are not guaranteed. The payment of franking credits to investors is subject to the Fund achieving a taxable profit in that year.