

**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 2014

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
1 month	0.01%	0.21%	1.77%
3 months	0.87%	0.63%	7.14%
6 months	2.47%	1.26%	3.35%
12 months	5.98%	2.59%	10.46%
2 years (p.a)	5.61%	2.96%	16.87%
3 years (p.a)	4.70%	3.50%	9.28%
5 years (p.a)	5.27%	3.74%	12.56%
Annualised Return Since Inception (Mar 05) - p.a.	7.99%	4.79%	7.91%
Standard Deviation	2.72%	0.41%	14.16%

Fox on the Run

The S&P ASX200 Accumulation Index managed a gain of +1.77% during April despite profit taking in some of the high PE multiple momentum stocks and the loss of Twenty-First Century FOX from the local market. Aussie small caps and high PE stocks followed the lead of the US tech-heavy NASDAQ, which was down -2% as high valuations were rebased. By contrast, the broader US S&P500 market managed a +0.6% gain. Asia was mixed (Nikkei -3.5%, Singapore +2.4%) and Europe performed well (FTSE +2.8%). Our market was supported by strong performance by most of the banks in the lead up to their May profit reporting and dividend periods. The Aurora Fortitude Absolute Return Fund was flat for the month (+0.01%) with relatively minor offsetting strategy contributions.

The best performing strategy for the month was **Yield** (+0.17%) and it is currently the largest strategy weighting for the Fund. The Tabcorp Floating Rate Bonds (TAHHA.ASX) ceased trading and were redeemed as per their terms of issue. The Funds holdings which are due to be redeemed next (within two months); are the Amp Group Finance floating rate notes (AQNHA.ASX) and the ANZ Convertible Prefs (ANZPB.ASX). There are an additional seven hybrid issues that the Fund holds that are highly likely to be redeemed within the next six months. We estimate an average weighted maturity of less than 5 months for greater than 75% of the yield securities that the Fund holds.

One of the biggest events for the market in April was the Australian delisting of Twenty-First Century FOX (FOX.ASX and FOXLV.ASX) leaving the company's issued securities to trade solely in the US.

This provided some good liquidity opportunities as many funds repositioned their portfolios for the delisting event and the requirements of their mandate. AFARF maintained a disciplined approach to position sizing. The **Convergence** strategy generated +0.1% largely due to FOX and also Resmed Inc (RMD.ASX).

The Protective **Options** overlay cost the Fund -0.12% due to the low volatility environment. Collectively the banks (ANZ.ASX, CBA.ASX, NAB.ASX and WBC.ASX) were the biggest drawdown due to the share price rallies and hence expensive put protection. We expect increased opportunities in this sector during the May reporting and dividend month for Australia and New Zealand Banking Group Limited (ANZ.ASX), National Australia Bank Limited (NAB.ASX) and Westpac Banking Corporation (WBC.ASX).

The **Mergers and Acquisitions** strategy also detracted from the Funds returns (-0.11%). Leighton Holdings (LEI.ASX) traded at a large discount to the proportional share offer from parent Hochtief over the course of the month. The Fund exited its position and will revisit the situation closer to the close of the offer on 9 May.

A host of **Long/Short** investments provided +0.04% of performance. Position sizes were small with tight price and time stops being used as part of the risk management process in order to protect capital.

MONTHLY PERFORMANCE after fees (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2014	0.32	0.62	0.24	0.01									1.20%
2013	-0.19	0.80	0.42	1.68	0.78	0.46	1.13	0.18	0.53	0.28	0.52	0.74	7.57%
2012	0.34	0.49	0.45	0.44	0.26	0.57	0.61	0.36	0.33	-0.23	0.54	0.02	3.89%
2011	0.31	0.90	0.16	1.25	-1.46	-0.61	0.51	1.19	0.11	0.43	0.67	0.34	3.83%
2010	0.44	-0.13	-0.73	0.43	0.91	-0.49	-1.60	0.86	0.58	1.61	1.37	1.05	4.33%
2009	0.21	0.01	0.28	0.26	1.20	1.55	0.63	0.67	-0.58	0.82	-0.02	0.82	6.01%
2008	1.34	0.17	0.27	1.21	0.63	0.18	0.45	1.14	2.61	3.13	0.21	0.37	12.38%
2007	1.14	0.52	0.32	1.40	0.21	0.36	0.63	3.06	-0.30	0.71	1.32	-0.23	9.55%
2006	1.71	1.82	1.38	1.82	3.63	0.57	1.55	0.27	1.32	0.61	0.14	0.80	16.75%
2005			1.02	0.96	1.50	1.58	0.92	0.18	0.52	1.34	0.28	-0.50	8.06%

FUND OVERVIEW

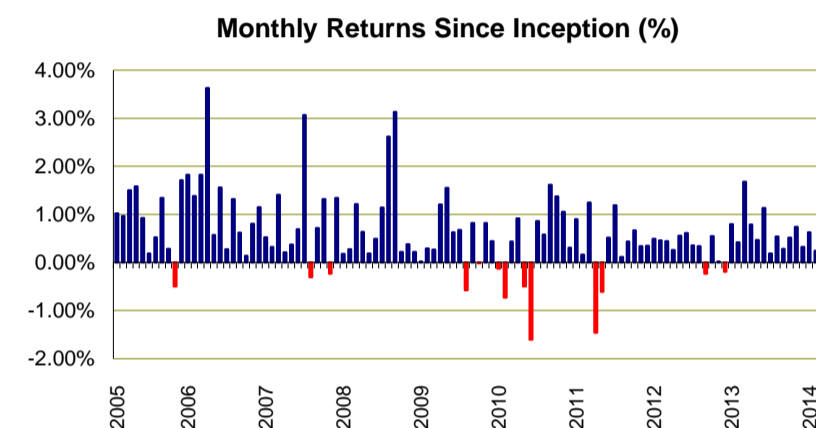
The Fund aims to achieve absolute returns (i.e. positive returns in both rising and falling equity markets) by using a number of different investments that allow the Fund to have very little correlation to the performance of the stock market index. The focus on 'absolute returns' differs from traditional funds in that the Fund aims to produce positive returns regardless of equity market conditions.

We have a wide discretion over the investments that may be held by the Fund. The pursuit of a diverse range of investments means that the Fund's returns are not necessarily dependent on the stock market's direction. In selecting investments for the Fund we follow a rigorous investment selection process which includes detailed qualitative and fundamental research.

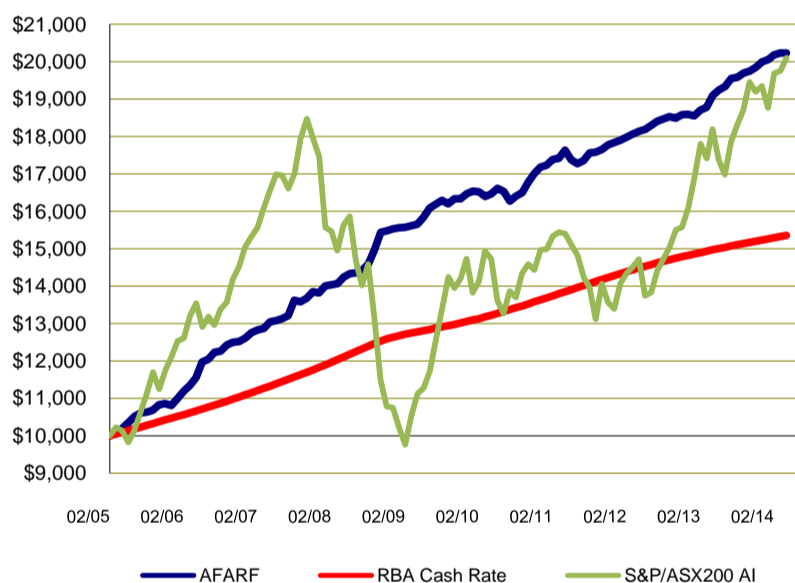
We research various criteria and reasons to invest in particular situations. These criteria may pertain to fundamental and quantitative analysis, company event situations such as takeovers and mergers, demergers and restructuring, liquidity events, recapitalisations, multiple share classes, option availability and pricing. Once an investment decision is made, the implementation of the trade is conducted in parallel with an active focus on risk management. The Fund uses derivatives for risk management as well as to create new positions.

FUND DISTRIBUTIONS (per Unit)

Period (per Unit)	Amount (\$)	Yield at NAV (p.a)
June 2005 to June 2011	\$0.5944	
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%
30/09/2013	\$0.0139	6.00%
31/12/2013	\$0.0139	6.00%
31/03/2014	\$0.0139	6.00%
Total since inception	\$0.7916	



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 \$230 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)

KEY FACTS		AFARF	RBA Cash
Feeder Fund	Aurora Absolute Return (ABW)	Sharpe Ratio	1.18
APIR Code	AFM0005AU	Sortino Ratio	0.72
Benchmark	RBA Cash Rate	Best month	3.63%
Prime Broker/Custodian	UBS	Worst month	-1.60%
Administrator	Unity Fund Services	Positive months	0.88
Auditors	Deloitte Touche Tohmatsu	Net Asset Value per Unit	\$ 0.9266
Fund Size	\$180.7 million	Exit Price per Unit	\$ 0.9264

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