

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 AUGUST 2015

	AFARF*	RBA CASH RATE	OUTPERFORMANCE
1 month	1.44%	0.17%	1.27%
3 months	2.12%	0.50%	1.62%
6 months	3.35%	1.05%	2.30%
12 months	3.34%	2.29%	1.05%
2 years (p.a)	3.46%	2.41%	1.05%
3 years (p.a)	4.32%	2.61%	1.71%
5 years (p.a)	5.02%	3.37%	1.65%
Annualised Return Since Inception (Mar 05) - p.a.	7.30%	4.47%	2.83%
Standard Deviation	2.66%	0.45%	

That's Not Volatility....This is Volatility

Apologies for paraphrasing Crocodile Dundee's famous line, but investors and long term readers will be well aware of our forecasts that equity markets can be dramatically more volatile than we had seen over recent years, and this has proven to be the case over the last few weeks.

During August the S&P/ASX 200 Accumulation Index fell 7.8% impacted by a number of global and domestic factors.

Significant capital raisings by leading commercial banks was chief amongst market concerns. ANZ Bank (ANZ.ASX) raised \$2.5billion and fell 14.5% and Commonwealth Bank (CBA.ASX) announced a \$5.1bn Renounceable Rights issue and also fell 14.5%. Investment banks and fund managers need to take major risk management adjustments to hedge their underwriting commitments as markets sold off during the month.

The slowing of the Chinese economy was a major concern for global equity markets (Dow -6.6%, FTSE -6.7%, DAX- 9.3%) and naturally Asian markets were hard hit (Hang Seng -12.0% Nikkei -8.2%, Shanghai Composite -12.5%). Australia, long seen as a proxy for Chinese exposure, was impacted by this as well as the associated fall in commodity prices. The heavyweight miners held up relatively well (BHP.ASX -4.8%, RIO.ASX -4.8%) following significant falls during June and July.

Our Fund returned +1.4% for the month. As expected in this environment our **Options** Strategy (+1.9%) was the most significant contributor. Our bought put options over the Share Price Index was the most profitable position. Positions in all the major banks were profitable reflecting strong demand for downside protection following capital raisings (see above).

Along with banks, high yielding industrials were sold in sympathy which saw profitable opportunities in Telstra (TLS.ASX), Woolworths (WOW.ASX), Wesfarmers (WES.ASX) and Suncorp (SUN.ASX). Most mining names already had elevated implied volatilities and were difficult for us to generate positive returns.

The **Mergers and Acquisitions** Strategy (+0.2%) largely benefited from the regulatory approval and completion of the acquisition of internet provider iiNet Limited (IIN.ASX) by TPG Telecom (TPM.ASX). We built a position in Asciano (AIO.ASX) which agreed to a Scheme of Arrangement with the Brookfield Consortium (BIP.US), and added to our position in Sirius Resources (SIR.ASX) where shareholders are about to vote on a scheme with Independence resources (IGO.ASX).

The CBA Renounceable Rights Issue provided trading opportunities in our **Convergence** Strategy (+0.03%). We took small but profitable positions in cross-border trades in Henderson Group (HGG.ASX/LN), South32 Limited (S32.ASX/LN) and Resmed Inc. (RMD.ASX/NY).

The **Yield** Strategy (-0.5%) was again a drawdown. This is not surprising given market conditions as prices fall and funds search for liquidity. We remain confident in a quick turnaround in pricing given the high quality of the portfolio and the concentration in short dated instruments.

Long/Short Trading (-0.1%) was also a small drawdown. We benefited from a potential bidding war developing in Affinity Education Group (AFJ.ASX). Sonic Healthcare (SHL.ASX) was a profitable short position as the company downgraded guidance and reported contract losses. Genworth Mortgage Insurance Australia (GMA.ASX) was affected by market volatility despite announcing capital initiatives at its result. Origin Energy (ORG.ASX) was also a drawdown as the market punished companies with oil exposure and high debt. We exited this position on a stop loss before month end.

MONTHLY PERFORMANCE* (after fees %)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2015	-0.04	0.75	0.55	0.34	0.31	0.17	0.50	1.44				4.09%	
2014	0.32	0.62	0.24	0.01	0.19	-0.31	0.07	0.30	-0.07	-0.29	0.38	-0.74	0.72%
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	4.23%
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.

INVESTMENT MANAGER

Aurora Funds Management Limited is a fully owned subsidiary of ASX listed, Keybridge Capital (ASX Code: KBC). Aurora is a boutique investment manager that was established in 2003, and has established a long track record of producing risk adjusted returns for retail, institutional and high net worth investors. The investment strategies are offered through both ASX listed investment vehicles and managed funds. They aim to deliver income whilst also managing the risks associated in investing in Australian and global equities.

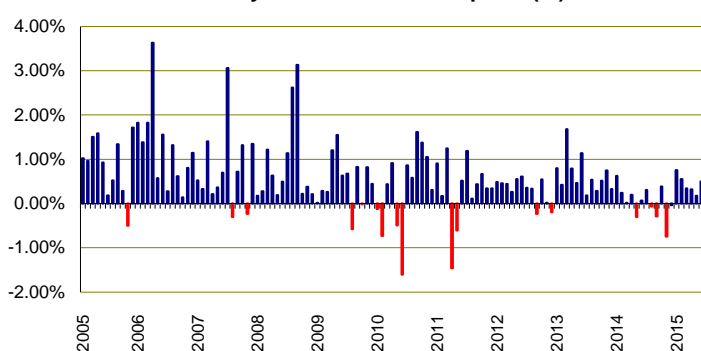
Aurora is also the issuer of the:

- 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)
- HHY Fund (ASX code: HHY)

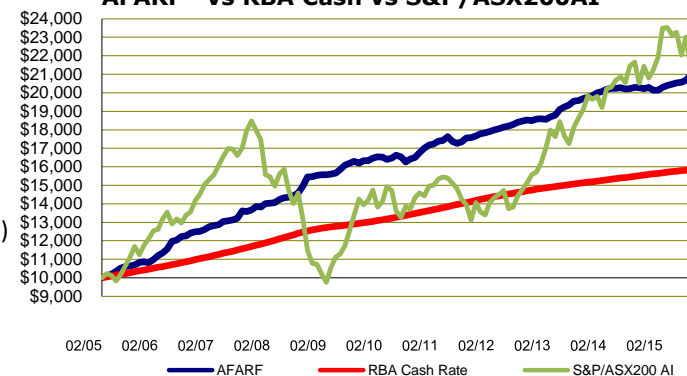
FUND DISTRIBUTIONS (per Unit)

Period (per Unit)	Amount (\$)	Yield at NAV (p.a)
June 2005 to June 2011	\$0.5944	
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%
30/06/2014	\$0.0253	10.91%
30/09/2014	\$0.0135	5.99%
31/12/2014	\$0.0298	13.39%
31/03/2015	\$0.0085	4.00%
30/06/2015	\$0.0183	8.55%
Total since inception	\$0.8677	

Monthly Returns Since Inception (%)



AFARF* vs RBA Cash vs S&P/ASX200AI*



KEY FACTS		AFARF*	RBA Cash
Feeder Fund	Aurora Absolute Return (ABW)	Sharpe Ratio	1.06
APIR Code	AFM0005AU	Sortino Ratio	0.71
Benchmark	RBA Cash Rate	Best month	3.63%
Prime Broker/Custodian	UBS	Worst month	-1.60%
Administrator	Unity Fund Services	Positive months	86%
Auditors	Deloitte Touche Tohmatsu	Net Asset Value per Unit	\$ 0.8614
		Exit Price per Unit	\$ 0.8612

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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 Aurora Fortitude Absolute Return 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 consider a copy of the PDS dated 29 January 2014 and seek their own financial advice prior to investing in the Fund. The information in this Performance Report 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 is expressed after the deduction of fees and before taxation. See the PDS for details on taxation. The 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 we aim to achieve the objective, the objective and returns are not guaranteed. The payment of franking credits to Unit holders is subject to the Fund achieving a taxable profit in that year. For further information please visit www.aurorafunds.com.au.

*AFARF vs RBA vs S&P/ASX200AI graph generated with compounded monthly returns, net of fees. Franking included in both AFARF and S&P/ASX 200 AI after May 2012.