

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 JANUARY 2015

	AFARF*	RBA CASH RATE	S&P/ASX200AI*
1 month	-0.04%	0.21%	3.28%
3 months	-0.40%	0.63%	2.24%
6 months	-0.46%	1.26%	2.16%
12 months	0.36%	2.53%	14.13%
2 years (p.a)	4.17%	2.62%	13.40%
3 years (p.a)	4.00%	2.96%	15.89%
5 years (p.a)	4.01%	3.62%	9.64%
Annualised Return Since Inception (Mar 05) - p.a.	7.30%	4.61%	8.22%
Standard Deviation	2.71%	0.43%	13.95%

A More Volatile Year Ahead

The S&P/ASX 200 Accumulation Index gained +3.28% for January shrugging off a mid-month slump for the month to rally with a vengeance. The market gain was achieved despite the Energy sector falling -6.5%. Commodity prices mostly suffered declines in January with Oil continuing its slide (-9.4%) and Copper (-12.8%). Gold and Silver (+8.3 and 9.9%) were the notable exceptions. The Swiss National Bank's move to uncouple the Swiss Franc (CHF) per Euro cap, after intervening for the last three years, sent shockwaves through currency markets and related equities. The European Central Bank announced €1.1 trillion of asset purchases through to September 2016. Globally, markets were mixed with the US falling the most in a year (S&P500 -3.1%) but Europe rallying strongly (UK +2.8%, Germany +9.1%, CAC +7.8%). The Aussie Dollar fell more than 5% against the US Dollar as expectations of an imminent rate cut firmed here in Australia versus improving US jobs data.

The Aurora Fortitude Absolute Return Fund was marginally down in January (-0.04%) despite the volatility assisting the majority of positions held. The RBA Cash Rate was steady at 0.21% for the month. The market eagerly awaits half yearly reporting commencing in February, as this should provide a guide to the underlying strength of companies and sectors, dividend payout policies and market valuations.

Mergers and Acquisitions (+0.05%) began 2015 with the settlement of the \$0.30 cash offer for Indophil Resources (IRN.ASX). Chandler Macleod Group (CMG.ASX) announced it has entered into a scheme implementation deed with Recruit Holdings, a large Japanese human resources company. A number of small deals have been announced to kick off the year and we expect there to be more opportunity for deals in 2015 as a result of the Aussie dollar fall and the divergence between small and large company valuation multiples.

The **Options** Overlay was the best performing strategy +0.62% due to the heightened volatility. Woodside Petroleum (WPL.ASX) and Telstra (TLS.ASX) were the best performing companies within the options strategy. Woodside was particularly volatile during the month in line with underlying commodity performance. The stock was the biggest detractor within the S&P/ASX 200 index. Telstra, the best index contributor in January, rallied almost 8.9% during the month as investors focussed on yield due to the likelihood of a falling interest rate environment this year. In fact, most positions were profitable for the month. Scentre Group (SCG.ASX) was a small detractor as AREITs remain the sector of choice in a global declining interest rate environment.

Long Short was the worst performing strategy (-0.71%). The biggest loss resulted from Stonewall Resources (SWJ.ASX) which resumed trading following the announcement of the failed asset sale and subsequent recapitalisation of the company. Australian Careers Network (ACO.ASX) was a positive performer, recovering from the poor December 2014 listing and the Fund exited the position. The Fund has reduced the exposure and number of Long/Short holdings over recent months, with a renewed focus on liquidity and hard catalysts.

Convergence was flat (+0.0%). Henderson (HGG.ASX) provided trading opportunities as a large domestic shareholder reduced its position. Boart Longyear (BLY.ASX) completed a renounceable rights issue as their preferred method of raising capital. This structure can offer low-risk returns and/or cheap optionality.

Yield was flat (0.0%) with the best position being CBA Perls III (PCAPA.ASX). Softening interest rates globally should see high quality debt continue to outperform. The only small detractor was Antares Energy Convertible Notes (AZZG.ASX) as a result of energy sector concerns more broadly.

MONTHLY PERFORMANCE* (after fees %)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2015	-0.04											-0.04%	
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%

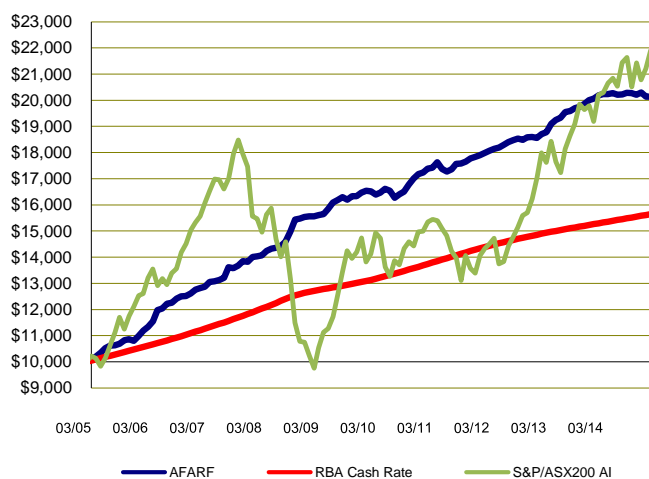
FUND OVERVIEW

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.

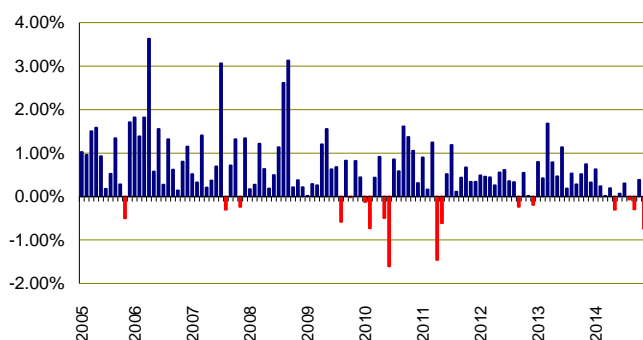
AFARF* vs RBA Cash vs S&P/ASX200AI*



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	6.00%
31/12/2014	\$0.0298	13.39%
Total since inception	\$0.8408	

Monthly Returns Since Inception (%)



INVESTMENT MANAGER

Fortitude Capital Pty Ltd (AFSL 221131) is a wholly-owned subsidiary of Aurora Funds Limited (Aurora). With over \$220 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	0.99
APIR Code	AFM0005AU	Sortino Ratio	0.68
Benchmark	RBA Cash Rate	Best month	3.63%
Prime Broker/Custodian	UBS	Worst month	-1.60%
Administrator	Unity Fund Services	Positive months	85%
Auditors	Deloitte Touche Tohmatsu	Net Asset Value per Unit	\$ 0.8536
Fund Size	\$126 million	Exit Price per Unit	\$ 0.8534

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*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.