

**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 JUNE 2014

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
1 month	-0.31%	0.21%	-1.50%
3 months	-0.10%	0.63%	0.93%
6 months	1.09%	1.26%	3.04%
12 months	4.55%	2.55%	17.43%
2 years (p.a)	5.12%	2.86%	20.06%
3 years (p.a)	5.39%	3.37%	10.37%
5 years (p.a)	4.67%	3.72%	11.19%
Annualised Return Since Inception (Mar 05) - p.a.	7.83%	4.75%	7.67%
Standard Deviation	2.72%	0.42%	14.05%

Gridlock Continues

Volumes remain light and returns from global equity markets again varied during June. US markets continue to trade at record prices (S&P 500 +1.9%, Nasdaq +3.9%); European markets weaker (FTSE -1.5%, DAX -1.1%) and Asian indices mixed (Nikkei +3.6%, Hang Seng +0.5%, Straits Times Index -1.2%).

Continued budget concerns and an ongoing flow of IPO and other corporate lines appeared to affect the Australian market. The S&P ASX200 Accumulation Index fell 1.5% over the month.

After 16 months of positive returns, the Aurora Fortitude Absolute Return Fund also had a negative return for the month (-0.31%).

Lack of volatility remains a feature of most global markets and this continues to be a drain on our Protective **Option** Strategy (-0.51%). Woodside Petroleum (WPL.ASX) was the most significant drawdown. The Fund took the opportunity through the Shell Energy sell down of 13.6% of the company to establish a position to benefit from a possible rerating ahead of August profit and dividend announcements whilst still maintaining downside protection. Oil Search (OSH.ASX) was also a significant drawdown as the stock traded in a very tight range during the month. We anticipate a significant price movement as it appears that a large portion of the market believes the company will receive a takeover bid, whilst we remain more sceptical on the possibility of this development.

We expect that the July/August reporting season for Australian corporates is likely to provide some degree of uncertainty and price volatility, which should provide some significant opportunities for this portion of our portfolio.

In the current low volatility environment it is not surprising that our **Yield** Strategy was again the most positive performing section of the portfolio (+0.28%) and that all positions produced positive returns for the month.

A bid for Australand Property Group (ALZ.ASX) by Singaporean development group Frasers Centrepoint Limited (FCL.SG) saw a significant contraction the discount to face value of the stapled security Australand Assets Trust (AAZPB.ASX). This bid is likely to lead to an early redemption for AAZPB which was the best performer in this section of the portfolio.

ALZ was also the best performer in our **Long/Short portfolio**, but this strategy produced a drawdown for the month (-0.09%). A major theme in this drawdown was the underperformance of new listings. Whilst the Fund only had small exposures to new floats Mantra Group (MTR.ASX), Monash Ivf Group (MVV.ASX) and The Pas Group (PGR.ASX) all listed at a discount to issue price; obviously we proceed with caution in this space.

Mergers and Acquisitions had mixed results (+0.02%) during the month. A small exploration company, Ambassador Oil and Gas (AQO.ASX) was in the very unusual position of having two competing unconditional bids which has provided attractive trading opportunities with limited downside; Horizon Oil Limited (HZN.ASX) came under pressure as it merger partner, ROC Oil Company (ROC.ASX), received a "indicative non-binding" takeover proposal which has the potential to scuttle the current scheme of arrangement; we continue to add to our position in Papillion Resources Limited (PIR.ASX) although the spread to B2Gold Corporation (BTO.CN) did widen towards month end.

The Fund maintains a small exposure to David Jones Limited (DJS.ASX). This has been a very topical situation as the press and investors speculate as to the probable intentions of Solomon Lew who has accumulated a 9.9% holding and could possibly vote against the Scheme of Arrangement with Woolworths Holdings (WHL.JO). If the deal was to fail we believe there is significant downside the current DJS price of \$3.94.

Convergence was a small drawdown (-0.01%). Current low trading volumes limit short term opportunities in this space and we await more attractive risk/reward situations.

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	0.19	-0.31							1.09%
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%

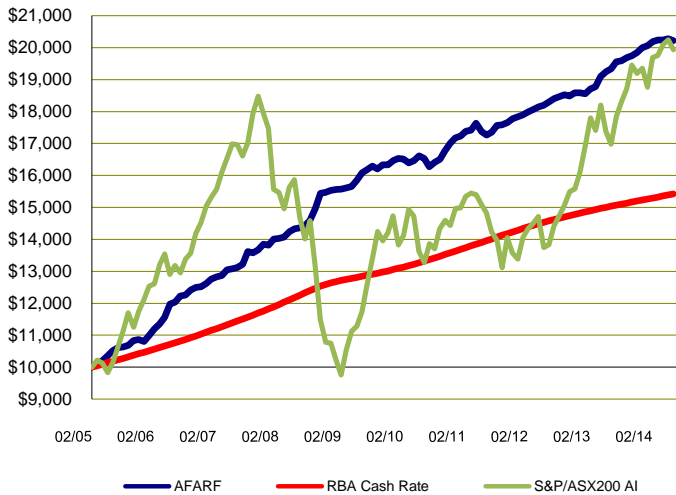
FUND OVERVIEW

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.

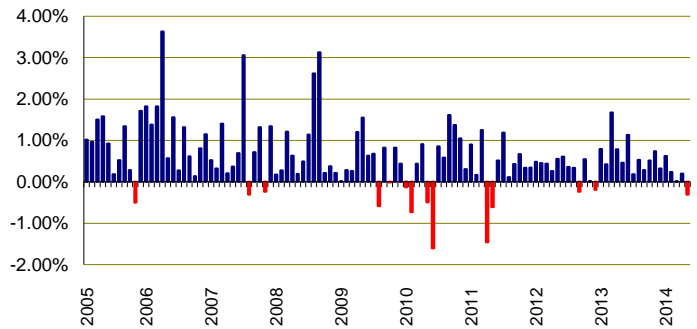
AFARF vs RBA Cash vs S&P/ASX200AI (\$)*



FUND DISTRIBUTIONS (per Unit)

Period (per Unit)	Amount (\$)	Yield at NAV (p.a)
June 2005 to June 2011	\$0.5944	
30/09/11	\$0.0193	7.93%
31/12/11	\$0.0194	8.00%
31/03/12	\$0.0193	8.00%
30/06/12	\$0.0205	8.55%
30/09/12	\$0.0190	8.00%
31/12/12	\$0.0142	6.00%
31/03/13	\$0.0140	6.00%
30/06/13	\$0.0298	12.87%
30/09/13	\$0.0139	6.00%
31/12/13	\$0.0139	6.00%
31/03/14	\$0.0139	6.00%
30/06/14	\$0.0253	10.91%
Total since inception	\$0.2225	

Monthly Returns Since Inception (%)



INVESTMENT MANAGER

Fortitude Capital Pty Ltd (AFSL 221131) is a wholly-owned subsidiary of Aurora Funds Limited (Aurora). With over \$250 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	1.13
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	0.88
Auditors	Deloitte Touche Tohmatsu	Net Asset Value per Unit	\$ 0.9003
Fund Size	\$196 million	Exit Price per Unit	\$ 0.9001

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