

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 2015

	AFARF*	RBA CASH RATE	OUTPERFORMANCE
1 month	0.17%	0.17%	0.00%
3 months	0.83%	0.52%	0.31%
6 months	2.11%	1.11%	1.00%
12 months	1.74%	2.38%	-0.64%
2 years (p.a)	3.14%	2.46%	0.68%
3 years (p.a)	3.98%	2.70%	1.28%
5 years (p.a)	4.46%	3.45%	1.01%
Annualised Return Since Inception (Mar 05) - p.a.	7.22%	4.52%	2.70%
Standard Deviation	2.66%	0.44%	

Interesting Times

The S&P/ASX 200 travelled an interesting path through the last month of the Financial Year. Trading was down early in the month on concerns around the domestic banking sector and the declining profitability of consumer discretionary equities. Concerns eased and the market rallied to be flat by mid-month but then sold off on international concerns linked to the Greek Financial Crisis and a slowing Chinese Economy. The end result was -5.3% from the accumulation index. Global markets were broadly lower (S&P 500 -2.2%, FTSE -6.6%, Hang Seng -4.3% Nikkei -1.6%).

Whilst we saw a benefit from some increase in volatility in June, Australian equity market volatility closed at a level only marginally higher than the end of 2014, and over the last ten years the Australian equity market has been more volatile than current levels approximately 40% of the time. As a result, it is too premature to suggest current volatility has run its course and hence we maintain our long volatility exposure given the macro environment. Our team has recently investigated this theme in the latest Aurora research paper entitled 'Volatility: Where are we now?'

Our Fund returned +0.174% for the month. Investor uncertainty saw an increase in implied volatilities and this combined with significant price movements in some sectors resulted in our protective **Option** strategy making the largest contribution (+0.68%) for the month. Positions in the banking sector were the dominant contributors. National Australia Bank (NAB.ASX) completed their rights issue as well as the pricing periods for dividend reinvestment plans for both ANZ Banking Group (ANZ.ASX) and Westpac Banking Corporation (WBC.ASX) all provided good trading opportunities.

The reverse of this banking price activity impacted our **Yield** Strategy (-0.53%) as listed bank debt instruments were generally sold off and risk margins were marked wider. The most significant impact was from National Australia Bank Perpetual Securities (NABHA.ASX) which appears to have been affected by seasonality as it has sold off in June for the last five years only to rally back in July.

Wider margins aided opportunities within our **Convergence** Trading Strategy (+0.14%). This was particularly relevant in dual listed fund manager Henderson Group (HGG.ASX/HGG.LN) where volumes were elevated in Australia as institutional investors exited to free up cash to allocate to the Westpac sell down of BT Investment Management (BTT.ASX).

The **Mergers and Acquisitions** Strategy (-0.03%) was flat. The iiNet (IIN.ASX) price fell on both ACCC concerns resulting in a slight delay and the general market sentiment towards deal risks. The Fund took the opportunity to increase the position size. The agreed transaction between Recall Holdings (REC.ASX) and US listed Iron Mountain (IRM.US) remained steady during the month as the companies entered into a scheme implementation deed. We maintain a position and await US Federal Trade Commission rulings.

Long/Short Trading (-0.09%) positions were significantly reduced during the month as we assess the consequences of developing events.

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							2.11%
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.

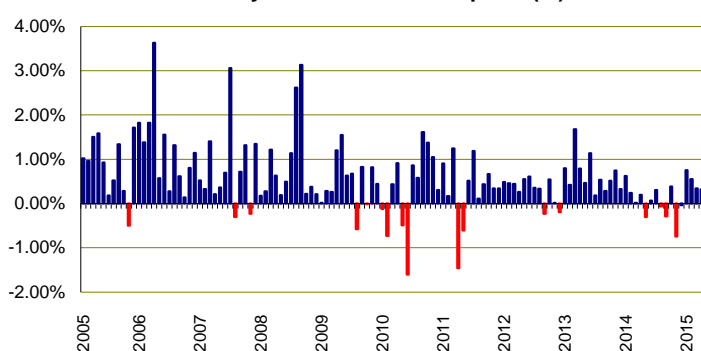
Aurora is also the issuer of the:

- 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)

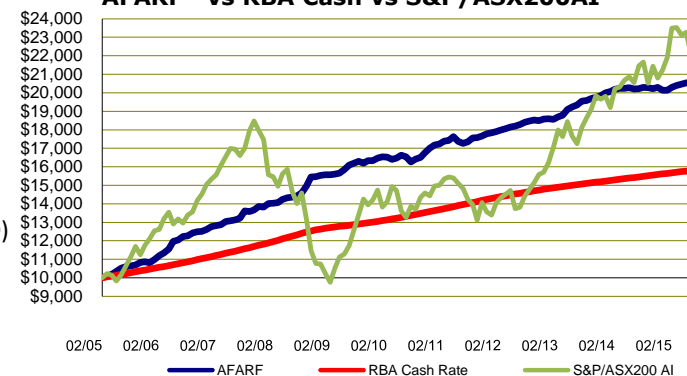
FUND DISTRIBUTIONS (per Unit)

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	1.02
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	\$ 0.8450
Fund Size	\$88 million	Exit Price per Unit	\$ 0.8448

Level 4, 1 Alfred Street, Sydney NSW 2000
 PO Box R1695, Royal Exchange NSW 1225
 Telephone: +61 2 9080 2377, Fax: +61 2 9080 2378

Visit: www.aurorafunds.com.au

Email: enquiries@aurorafunds.com.au

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.