



FORTITUDE CAPITAL

Aurora Fortitude Absolute Return Fund

November 2013

AURORA
 FUNDS LIMITED

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 NOVEMBER 2013

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
1 month	0.52%	0.21%	-1.31%
3 months	1.33%	0.63%	4.86%
6 months	3.14%	1.30%	10.45%
12 months	6.79%	2.81%	23.26%
2 years (p.a)	5.66%	3.33%	18.91%
3 years (p.a)	5.30%	3.83%	9.96%
5 years (p.a)	5.10%	3.84%	12.22%
Annualised Return Since Inception (Mar 05) - p.a.	8.14%	4.90%	7.73%
Standard Deviation	2.77%	0.40%	14.36%

Reap What You Sow

The S&P ASX200 Accumulation Index finished the month down -1.31%, its first monthly decline since June. All sectors declined during the month with Energy declining -6.3% and Materials reversing recent underperformance to finish only down -0.7%. The S&P ASX200 Accumulation Index significantly underperformed international indices with the Dow Jones Industrial Average +3.5% and the Hang Seng +2.9. The Aurora Fortitude Absolute Return Fund finished the month up +0.52%.

Two very important market fundamentals were reinforced during the month: a) The market does not always go up and the timing of declines is difficult to predict; and b) Each Merger and Acquisition deal is unique and should be priced on the risks inherent in each deal. The Federal Treasurer's decision to reject the Archer Daniels Midland (ADM.US) takeover bid for GrainCorp Limited (GNC.ASX) on "national interest grounds" dominated news flow and discussion amongst portfolio managers. The Fund uses strong risk management procedures to ensure that position size is dependent on the risks inherent in each deal. As such, we held a small position (<1% on NAV) invested in GNC and this resulted in a loss of approximately -0.31%.

Despite the GNC loss, **Mergers and Acquisitions** contributed +0.24% to the Fund's performance for the month. Positive contributions came from the Trust Company scheme of arrangement with Perpetual after the scheme was approved by shareholders and similarly Clough Resources.

The **Yield** strategy also made an immaterial contribution +0.03%, as short dated credit pulled back slightly. National Australia Bank (NAB.ASX) launched a new \$1.5 billion offer for longer dated (2020) convertible preference shares. These raisings tend to provide the Fund with opportunities in other shorter dated instruments.

The **Options** portfolio contributed +0.15% of performance on the back of a small increase in volatility. Positions in over sold industrial companies provide opportunities through significant short term share price rallies; James Hardie (JHX.ASX) increased guidance on the back of the U.S. housing recovery up 14.94% in one day and Incitec Pivot (IPL.ASX) surprised many with its result and rallied 7.3% on the day of its result. Positions in large miners (BHP.ASX, RIO.ASX, FMG.ASX) were a drag on performance for the month as trading ranges remained relatively tight.

The other significant disappointment for the Fund was the rally in the Wesfarmers (WES.ASX) share price through the \$43.11 level, which resulted in the early reclassification of the Wesfarmers Partly Protected Shares (WESN.ASX). Whilst this caused minimal short term pain (-0.07%) the loss of the opportunity to trade mispriced longer term volatility is unfortunate. The balance of the **Convergence** portfolio was positive and the strategy netted a +0.06% return. The largest positive contributor was the IMF convertible notes (IMFG.ASX) position coming up for maturity in December.

Event situations provided positive returns in the **Long/Short** portfolio +0.04%. Stonewall Recourses (SWJ.ASX) rallied 46.4% after announcing an agreement had been reached on the sale of its main asset following completion of due diligence. Similarly Miclyn Express (MIO.ASX) rallied on private equity confirming terms for a buyout of minority holders. Positioning in Perseus (PRU.ASX) for improved production resulted in a drawdown following continued deterioration in the gold price.

FINANCIAL YEAR PERFORMANCE after fees (%)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin/Year
13-14	1.13	0.18	0.53	0.28	0.52								2.64%
12-13	0.61	0.36	0.33	-0.23	0.54	0.02	-0.19	0.80	0.42	1.68	0.78	0.46	5.70%
11-12	0.51	1.19	0.11	0.43	0.67	0.34	0.34	0.49	0.45	0.44	0.26	0.57	5.93%
10-11	-1.60	0.86	0.58	1.61	1.37	1.05	0.31	0.90	0.16	1.25	-1.46	-0.60	4.44%
09-10	0.55	0.67	-0.58	0.82	-0.02	0.82	0.44	-0.13	-0.73	0.43	0.91	-0.49	2.79%
08-09	0.45	1.14	2.61	3.12	0.21	0.37	0.21	0.01	0.28	0.26	1.20	1.55	12.05%
07-08	0.63	3.06	-0.30	0.71	1.32	-0.23	1.34	0.17	0.27	1.21	0.63	0.18	9.40%
06-07	1.55	0.27	1.30	0.61	0.14	0.80	1.14	0.52	0.32	1.40	0.21	0.36	9.00%
05-06	0.92	0.18	0.52	1.34	0.28	-0.50	1.71	1.82	1.38	1.82	3.63	0.57	14.50%
04-05	-	-	-	-	-	-	-	-	1.02	0.96	1.50	1.58	5.16%

FUND OVERVIEW

The Fund aims to produce positive returns irrespective of the direction of the share market, by investing in predominantly Australian listed securities and derivatives.

The Fund purchases both put and call options which allows it to profit from movements in the market both up and down. It then looks for short term trading opportunities to generate low risk returns from other strategies including;

- Mergers and Acquisitions
- Long/Short
- Share Class Arbitrage, and
- Yield securities.

Each investment considers the risk, the timeline of that risk occurring and then the potential return.

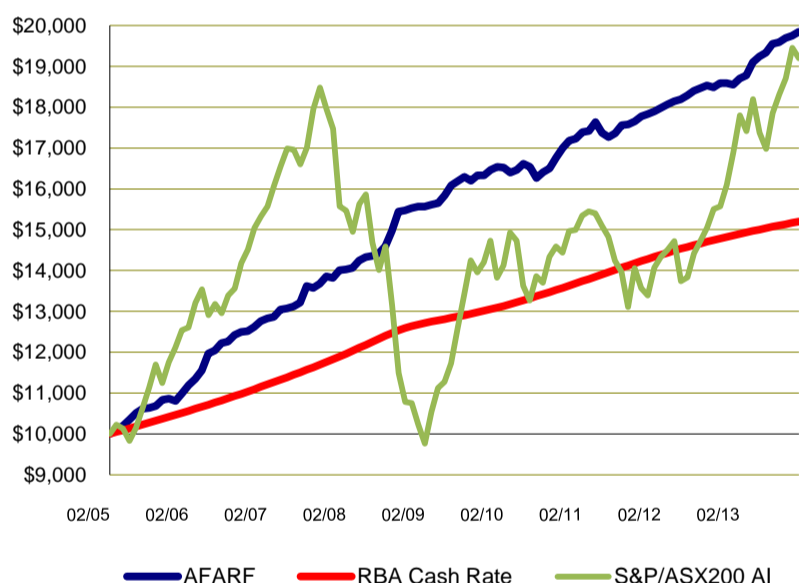
Low transaction costs and liquidity are other important factors in the success and implementation of the strategies.

Within the implementation of this strategy, the Investment Manager believes that the Australian equity market presents franking credit opportunities that are being ignored and/or mispriced by the market. As such, the Fund seeks to take

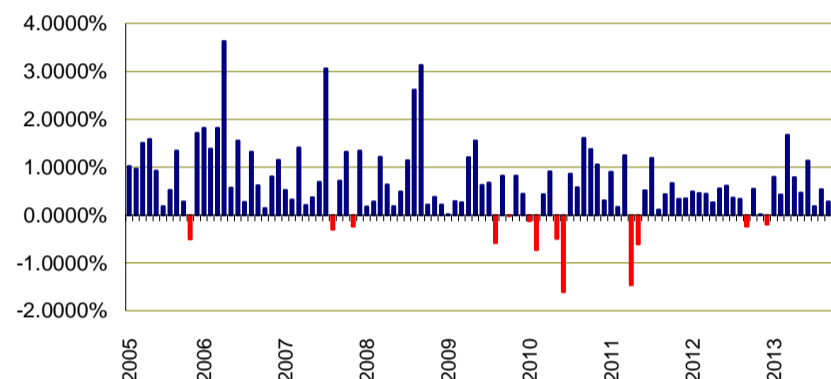
FUND DISTRIBUTIONS (per Unit)

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%
Total since inception	\$0.7638	

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



Monthly Returns Since Inception (%)



INVESTMENT MANAGER

Fortitude Capital Pty Ltd (AFSL 221131) is a wholly-owned subsidiary of Aurora Funds Limited (Aurora). With over \$680 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)
- van Eyk Blueprint Alternatives Plus (ASX code: VBP)

KEY FACTS		AFARF	RBA Cash
Feeder Fund	Aurora Absolute Return (ABW)	Sharpe Ratio	1.17
APIR Code	AFM0005AU	Sortino Ratio	0.73
Benchmark	RBA Cash Rate	Best month	0.04
Prime Broker/Custodian	UBS	Worst month	-0.02
Administrator	Unity Fund Services	Positive months	0.88
Auditors	Deloitte Touche Tohmatsu	Net Asset Value per Unit	\$ 0.9364
Fund Size	\$133.6 million	Exit Price per Unit	\$ 0.9362

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