

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 OCTOBER 2013

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
1 month	0.28%	0.21%	3.97%
3 months	1.00%	0.63%	8.92%
6 months	3.42%	1.32%	6.88%
12 months	6.82%	2.87%	25.48%
2 years (p.a)	5.74%	3.41%	17.60%
3 years (p.a)	5.59%	3.89%	10.05%
5 years (p.a)	5.04%	3.88%	11.09%
Annualised Return Since Inception (Mar 05) - p.a.	8.16%	4.92%	7.97%
Standard Deviation	2.79%	0.40%	14.41%

Bull Market Continues for Banks

The S&P/ASX200 Accumulation Index charged ahead during October finishing up +3.97%. The banks, and financial stocks were generally the best performers (+5.5%) in advance of their results announcements and final dividends early November. The rise in the Index also reflected strong sentiment in domestic house prices which recorded +3.6% for the September quarter. Interest rates were on hold as expected in light of a strong Aussie dollar and subdued economic activity.

US and European equity markets also surged ahead particularly once the concerns over the US debt ceiling and Government shutdown were addressed. The S&P500 finished up +4.5%, Euro Stoxx +6%. Asia was lacklustre by comparison, with the Hang Seng +1.5% and Shanghai Composite -1.5%.

The Aurora Fortitude Absolute Return Fund finished +0.28% against a cash benchmark of +0.21%.

Yield was the best performing strategy for the month (+0.14%). The Transpacific Step-Up Preference shares were the strongest performer after the issuer announced that they are seeking to sell their New Zealand waste management business and potentially use the proceeds to redeem the notes. The Antares Energy Convertible Notes (AZZG.ASX) also paid their quarterly distribution and carried their value well.

The **Long/Short** strategy had a strong month (+0.11%) in light of a flood of capital raising that were undertaken mostly by small and mid-tier companies, the best performer of which was E & A Limited (EAL.ASX). Also doing well during October was the initial public offering of OzForex (OFX.ASX) and the recapitalisation of Trafalgar Property Group (TGP.ASX).

Convergence (+0.08%) benefitted once again from the Fund's Wesfarmers exposure (long WESN.ASX and short a ratio hedge in WES.ASX). Volatility around the results announcement from Resmed (RMD.ASX) provided profitable trading opportunities between Australia and the US. Offsetting these gains was a marked down in Purseus (PRU.ASX) trading between Australia and Canada resulting from a softer gold price.

Mergers and Acquisitions (+0.07%) was marginally profitable with RHG Limited (RHG.ASX) providing most of the gain. The bidding tension for RHG peaked resulting in an improvement to the Resimac offer and resulting in Peppers and Cadence Capital formally withdrawing their competing joint offer. A mark down in share price of Clough Resources (CLO.ASX) reflected the inability of new purchases to be held 'at risk' long enough to qualify for franking credits as part of expected deal completion early December.

As with many of the stronger monthly market moves, the **Options** strategy was again a drawdown (-0.12%). The S&P/ASX200 index puts and calls were a cost to the Fund as realisable volatility was lower than the implied volatility paid to own the market protection. BHP Billiton (BHP.ASX), CSL Limited (CSL.ASX) and OZ Minerals (OZL.ASX) were all costly options positions. Offsetting some of the cost were profitable positions the Banks (ANZ.ASX and WBC.ASX), QBE Insurance (QBE.ASX) and Transurban Group (TCL.ASX).

FINANCIAL YEAR PERFORMANCE after fees (%)													
Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin/Year
13-14	1.13	0.18	0.53	0.28									2.13%
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 advantage of these opportunities as they arise.

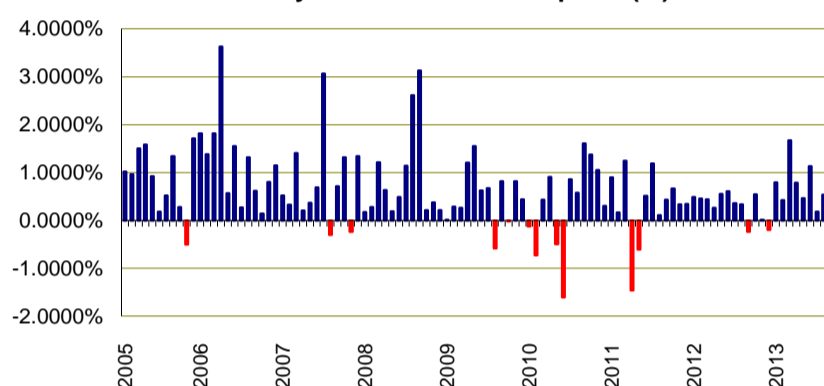
AFARF vs RBA Cash vs S&P/ASX200AI (\$)



FUND DISTRIBUTIONS (per Unit)

Period (per Unit)	Amount (\$)	Yield at NAV (p.a)
30/06/2005	\$0.0516	15.48%
30/06/2006	\$0.1449	14.49%
30/06/2007	\$0.1040	10.40%
30/06/2008	\$0.0961	9.75%
30/06/2009	\$0.1384	14.09%
30/06/2010	\$0.0256	2.66%
30/06/2011	\$0.0338	3.47%
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	

Monthly Returns Since Inception (%)



INVESTMENT MANAGER

Fortitude Capital Pty Ltd (AFSL 221131) is a wholly-owned subsidiary of Aurora Funds Limited (Aurora). With over \$660 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
Strategy	Market Neutral	Sharpe Ratio	1.16	-
Feeder Fund	Aurora Absolute Return (ABW)	Best month	3.63%	0.60%
APIR Code	AFM0005AU	Worst month	-1.60%	0.21%
Benchmark	RBA Cash Rate	Positive months	87.50%	100.00%
Prime Broker/Custodian	UBS	Fund Size	\$124.7 million	
Administrator	Unity Fund Services	Net Asset Value per Unit	\$	0.9316

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