



FORTITUDE CAPITAL

Aurora Fortitude Absolute Return Fund

November 2012

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 2012

	AFARF RETURNS%	RBA CASH RATE	S&P/ASX200AI
1 month	0.54%	0.27%	0.47%
3 months	0.64%	0.84%	5.73%
6 months	2.17%	1.72%	13.36%
12 months	4.56%	3.86%	14.78%
2 years (p.a)	4.56%	4.34%	3.87%
3 years (p.a)	4.40%	4.34%	3.12%
5 years (p.a)	6.05%	4.68%	-2.80%
Annualised Return Since Inception (p.a)	8.32%	5.17%	5.88%
Standard Deviation	2.88%	0.36%	14.62%

Lame Ducks and the Fiscal Cliff!

The US presidential election proved to be more straightforward than the press would have the ordinary citizen believe. Barack Obama now faces a lame duck session with the possibility of going over the fiscal cliff. Whilst consensus predicts agreement, there is the fear of significant fiscal drag on GDP and the real possibility of political squabbling resembling the debt ceiling negotiations of 2011. This would have negative impacts on the market and significantly increase volatility. Whilst this isn't our base case we are running a larger than usual options book for this time of year due to this scenario and the current low levels of implied volatility. The S&P/ASX200 Accumulation Index was up 0.46% for the month whilst the Dow Jones Industrial Average was down -0.57%. The Consumer Discretionary sector continued its rebound to be up 3.5%, whilst Energy stocks struggled with cost blowouts at key projects to be down -2.7% for the month. The Fund finished the month up 0.54%.

The **Long/Short** portfolio produced +0.19% of the monthly return. Pre-event situations provided most of the upside; Australian Infrastructure Fund (AIX.ASX) rallied after signing an implementation agreement with the Australian Federal Government's Future Fund for the sale of all its assets; Chalice Gold Mines (CHN.ASX) announced a significant drilling result ahead of its December capital return. A position in Santos (STO.ASX) was particularly unprofitable despite increased output and gas discoveries. The Strategic Review for Northern Iron (NFE.ASX) ended with both interested parties not presenting a formal, binding bid. The stock fell materially on this news and we exited the position.

The **Convergence** book returned +0.11% with the Wesfarmers (WES.ASX)/Wesfarmers partially protected shares (WESN.ASX) spread closing the month at \$1.37. We continue to hold a large core position in this situation, whilst taking advantage of liquidity events in the partially protected shares.

The **Mergers and Acquisitions** portfolio performed well (+0.43%). The Challenger Infrastructure Fund (CIF.ASX) received a contingent payment for its Inexus asset earlier than expected. Industree (IDL.ASX) shareholders approved the Scheme of Arrangement with General Electric. Sundance Resources released its Scheme Booklet giving investors increased confidence that the drawn out transaction with Hanlong might finally be consummated.

The **Options** portfolio produced a negative month of -0.31%. The book was initially positive after a spike in volatility post the U.S. election. Volatility fell significantly during the final week of the month. We have used this fall to add to the book, particularly where longer dated (3-6 months) options are attractive. Insurance Australia Group Limited (IAG.ASX) was the largest detractor from performance during the month whilst a position in Westpac Banking Corporation was particularly profitable as the stock went ex-dividend during the month.

The **Yield** portfolio continued to produce steady returns (+0.13%) with Yield margins compressing significantly during the month. We used this compression to reduce/exit some of our larger positions (e.g. Westpac, ANZ and Suncorp Mandatory Convertible Preference Shares). We expect spreads to widen in any equity market weakness or where new issuance pipeline was to reopen.

FINANCIAL YEAR PERFORMANCE after fees (%)													
Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin/Year
12-13	0.61	0.36	0.33	-0.23	0.54								1.62%
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;

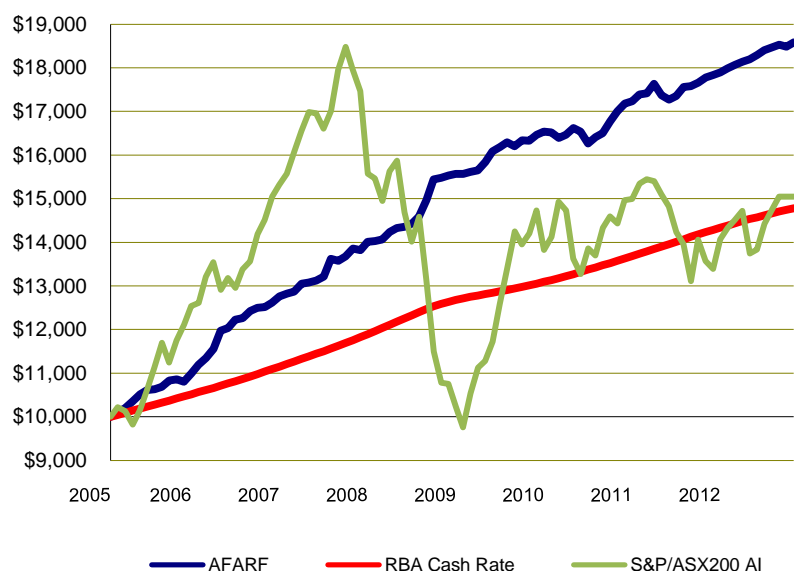
- Mergers and Acquisitions
- Long/Short
- Share Class Arbitrage, and
- Yield securities.

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.

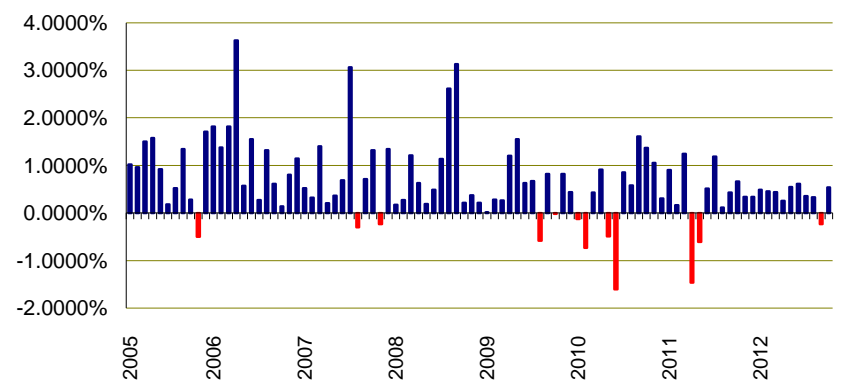
AFARF vs RBA Cash vs S&P/ASX200AI (\$)



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%
Total since inception	\$0.6919	

Monthly Returns Since Inception (%)



INVESTMENT MANAGER

Fortitude Capital Pty Ltd (AFSL 221131) is a wholly-owned subsidiary of Aurora Funds Limited (Aurora). With over \$550 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 over 2,500 Australian and New Zealand investors.

Aurora is also the issuer of the:

- Aurora Sandringham Dividend Income Trust (ASX code: AOD)
- Aurora Dividend Income Trust (APIR code: AFM0010AU)
- 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
Strategy	Market Neutral	Sharpe Ratio	1.09
Feeder Fund	Aurora Absolute Return (ABW)	Best month	3.63%
APIR Code	AFM0005AU	Worst month	-1.60%
Benchmark	RBA Cash Rate	Positive months	87.10%
Administrator	Unity Administration	Prime Broker/Custodian	UBS

Level 2, 350 George Street, Sydney NSW 2000
 PO Box R1695, Royal Exchange NSW 1225
 Telephone: +61 2 9080 2377, Fax: +61 2 9080 2378

Visit: www.FortitudeCapital.com or www.AuroraFunds.com.au
 Email: info@fortitudecapital.com or 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 7th October 2010 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.fortitudecapital.com or www.aurorafunds.com.au.