



Key Facts		Fortitude	RBA Cash
Strategy	Market Neutral	1 Month Return	0.91%
Domicile	Australia	YTD	0.92%
Min. Investment	\$A100,000	Annualised Return p.a.	10.10%
Management Fee	1.5% p.a.	Std Deviation	2.96%
Performance Fee	20% p.a. with high water mark	Max. Drawdown	-0.73%
Min. Term	1 Month	Sharpe	1.54
Redemption	Monthly	Sortino	4.45
			0.38%
			1.70%
			5.54%
			0.39%
			0.00%
			-
			-

**SELL IN MAY AND GO AWAY**

The old traders' axiom of "sell in May and go away" was obviously very tempting for a number of investors this year. Concerns about sovereign debt saw a dramatic sell off in international equity markets with the Nikkei 225 -11.7%, Dow Jones Index -7.9% and FTSE 100 -6.6%. Also of note were the infamous "Flash Crash", where the Dow Jones Index fell 1000 points in 15 minutes then rallied straight back, and the dramatic currency volatility, i.e. AUD/USD -8.2% and EUR/USD -7.4%.

May saw significant falls in commodity prices (Nickel -18.8%, Lead -17.0%, Oil -14.1%). But gold shone as is often the case in times of uncertainty.

Australian investors faced the added problems of the Federal Government's attempt to implement a "Resource Super Profit Tax" which has created significant uncertainty in the sector. The response has seen dramatic valuation shifts and significant changes to both announced and anticipated corporate deals in this sector, including: MacArthur Coal ticker MCC -24.63%, Centennial Coal ticker CEY -15.9%, and Aurox Resources ticker AXO -15.8%.

Some dramatic share price declines were a consequence of company directors not allowing shareholders to decide short term verses long term value situations, namely Transurban Group (TCL) -15.6% , and Nufarm Limited (NUF) -20.4%, having both knocked back takeover bids at much higher levels.

The net result was a decline in the S&P/ASX 200 of -7.9%.

In this environment the benefit of Fortitude's long volatility option overlay generally stands out.

The fund produced a +0.91% net return for the month, of which 89.0% was from our option trading portfolio. The standout names in this book were the Share Price Index or SPI 200 which was down 7.0% for the month, BHP Billiton (BHP) -12.0% and Rio Tinto Limited (RIO) -6.9%. The impact of the uncertainty in the mining sector is highlighted again in these numbers.

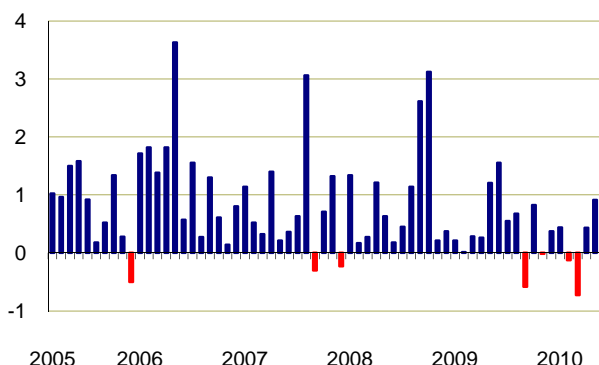
We were surprised to see a significant mark down in option pricing (implied volatility) as the market rallied late in the month. This resulted in a small give-back in some of the profitability of the options book. We remain stringent on our time decay (theta) levels, but are happy to use such sell downs as an opportunity to add protection as we feel there are still dramatic issues facing the world economy and Australian equity valuations are faced with the added burden of a first term federal government that is approaching an election with a reformist agenda.

Our portfolio was not immune from the impact of growing uncertainty in the merger and event space. We had small positions in MCC and CEY and they were negative performers for the fund. We have exited both positions. Indophil Resources (IRN) is still awaiting approval from Chinese Regulators for the Zijin Mining Group's takeover. We remain confident that this will occur, however the continued delays are concerning and we did reduce our exposure during the month despite a weaker share price (-2.1%).

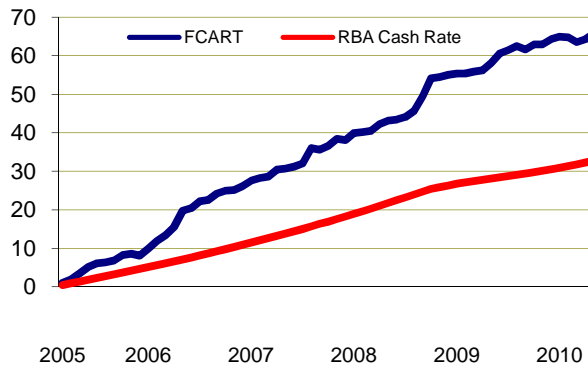
Our yield portfolio was encouragingly resilient during this volatile time. We remain confident that owning quality short dated names will produce solid returns over time and take comfort that the portfolio can produce positive returns in this environment. Our largest exposure in this area, TAPS Trust (TTXPA) will be redeemed next month (June30) and we will continue to apply stringent filters to find quality opportunities.

Performance after fees (%)													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	0.44	-0.13	-0.73	0.43	0.91								0.92
2009	0.21	0.01	0.28	0.26	1.20	1.55	0.55	0.67	-0.58	0.82	-0.02	0.82	5.93
2008	1.34	0.17	0.27	1.21	0.63	0.18	0.45	1.14	2.61	3.12	0.21	0.37	12.29
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	9.48
2006	1.71	1.82	1.38	1.82	3.63	0.57	1.55	0.27	1.30	0.61	0.14	0.80	16.71
2005			1.02	0.96	1.50	1.58	0.92	0.18	0.52	1.34	0.28	-0.50	8.06

Monthly Returns Since Inception (%)



Cumulative Returns since Inception (%)



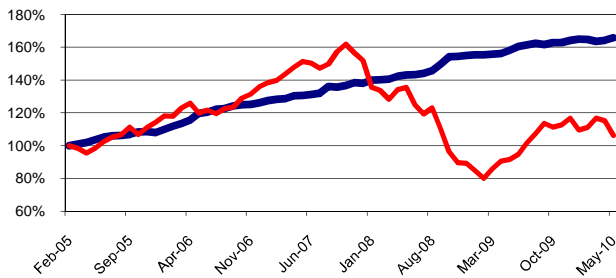


**FORTITUDE CAPITAL**

**Fund Overview**

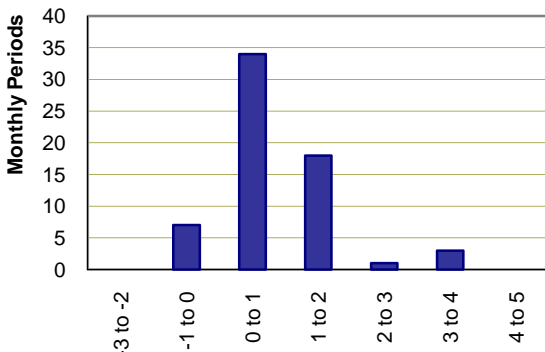
Fortitude Capital is an Australian Market Neutral Fund which only deals in listed securities. The investment focus is neutrality with a long gamma overlay. Short term opportunities, event situations and share class mispricings are targeted to generate low risk returns. The long volatility overlay allows for more aggressive positioning within the fund's other strategies - Long Short, Mergers and Acquisitions, Convergence and Yield. The market provides opportunities and management provides the strategic overlay. Risk management is a major focus. Trading stops are implemented based on price and time along with continual hedging of positions at relatively low execution costs. Liquidity is a major consideration of all investments.

**Fortitude vs Equities ASX200**



Performance Statistics		
	Fortitude	RBA Cash
Last 12 months	4.84%	3.63%
Last 24 months	15.8%	9.0%
% positive mths	88.9%	100%
Best month	3.63%	0.60%
Worst month	-0.73%	0.00%
Avg positive return	0.95%	0.45%
Avg negative return	-0.35%	0.00%

**Distributions of Returns**

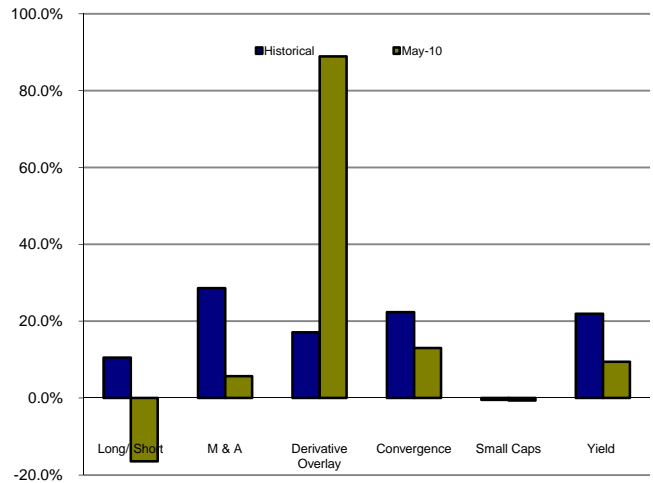


**Manager Overview**

Fortitude Capital is a Sydney based Market Neutral Fund providing 'Strength through the Investment Cycle'. Fortitude has been recognised and awarded as a market leader since inception in 2004. Fortitude Capital targets returns of 5-10% above risk free rates with minimal drawdowns. Fortitude Capital is licensed and regulated by the Australia Securities and Investments Commission.

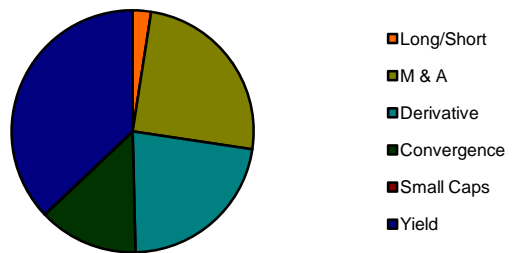
**Absolute Return Trust May 2010**

**Profit & Loss Contribution by Strategy**

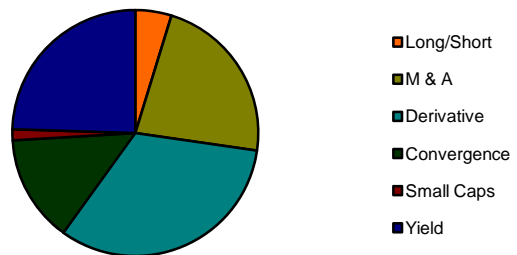


**Strategy Weightings**

**May-10**



**Historical**



**Fund Service Providers**

Prime Broker:	UBS
Administrator:	Kingsway Taitz
Custodian:	UBS
Legal:	DLA Phillips Fox
Auditor:	Ernst & Young

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