Press Release: 19th June 2009

Fortitude Capital recently received media coverage regarding the new **Fortitude Equity Income Fund** which will commence trading on August 1st, 2009.

Fortitude Plans New Hedge Fund as Equities Recover From Rout

By Malcolm Scott

June 17 (Bloomberg) -- Fortitude Capital, an Australian hedge-fund manager run by a former Citigroup Inc. trader, plans to start an equity-income fund to attract clients after its funds under management fell 41 percent in last year's rout.

The Fortitude Equity Income Fund will begin Aug. 1 with about A$10 million ($7.9 million) from individual investors and a not-for-profit group, and will have a capacity of about A$500 million, John Corr, the firm's founder and managing director, said in an interview in Sydney yesterday. It will buy Australian equities and write options on those to provide extra income.

The benchmark S&P/ASX 200 Index has rallied 26 percent from a six-year low in March, giving hedge funds an opportunity to recover from their worst performance last year. Australia's hedge funds dropped a record 18 percent in 2008 as the credit crunch forced investor withdrawals and prompted regulators to ban short-selling of shares.

``Hopefully we've bottomed out,'' said Corr, 46. ``The new fund will be more volatile with a different risk equation to our current fund, really for investors who want to put more money in the market but still want a steadier stream of income and less volatility than the market.''

Fortitude's existing Absolute Return Trust may rise 9 percent this year after returning 12.3 percent in 2008 by profiting from pricing gaps in securities regardless of the market's direction, Corr said. Funds under management slumped to A$95 million from A$160 million mid-last year as fund-of-funds and offshore investors exited amid the global credit crisis.

Global Rout

Hedge funds globally lost an average 18 percent last year, the most since Chicago-based Hedge Fund Research Inc. began tracking the industry. Hedge funds are mostly private pools of capital whose managers participate substantially in the profits from their speculation on whether asset prices will rise or fall.

So-called equity market neutral funds, which seek to profit whether prices are rising or falling, returned 6.6 percent last year, according to Australian Fund Monitors, which tracks the performance of more than 200 hedge funds managed from within the country, profiting even as the benchmark S&P/ASX 200 Index tumbled 41 percent.

Equity buy/write funds, which buy shares and sell options against them to generate income, fell 19.8 percent, according to AFM data. Options are contracts to buy or sell a security by a certain date at a specific price.

Minimizing Risk

Fortitude's new fund will charge a 1 percent management fee and a 9 percent performance fee if returns exceed the S&P/ASX 100 Index that tracks the performance of Australia's 100 biggest listed companies, by 8 percent or more, Corr said.

Corr, who was previously director of proprietary trading at Citigroup Global Markets Australia, will manage the new fund along with the existing fund.

The Absolute Return Trust has posted positive returns in 47 of the 50 months to April, profiting as the local stock index accelerated to its November 2007 high and throughout its subsequent tumble.

``We were criticized a bit during the bull market for concentrating too much on protecting the downside," Corr said. ``We and our traders are focused on minimizing risk."

Corr is targeting returns of 13 percent in 2009 for the Absolute Return fund, though it's currently on target for an 8 percent to 9 percent gain, Corr said.

--Editors: Andreea Papuc, Andrew Hobbs