



Key Facts		Fortitude	RBA Cash	
Strategy	Market Neutral	1 Month Return	0.82%	0.27%
Domicile	Australia	YTD	5.08%	2.75%
Min. Investment	\$A100,000	Annualised Return p.a.	11.01%	5.74%
Management Fee	1.5% p.a.	Std Deviation	2.98%	0.37%
Performance Fee	20% p.a. with high water mark	Max. Drawdown	-0.58%	0.00%
Min. Term	1 Month	Sharpe	1.77	-
Redemption	Monthly	Sortino	5.68	-

The Macro March, Stopping or Stalling?

Strong economic news and the associated Aussie dollar strength saw continued buying of Australian equities by macro economic and quantitative based funds during October. However, profit announcements by two leading domestic banks and some renewed concerns over the extent of the economic recovery in Europe and North America saw a classic “buy the rumour, sell the fact” sell off which resulted in the ASX 200 having its first negative monthly return (-2.1%) since February.

The Fortitude portfolio again relied heavily on our high conviction trades for a large percentage of our returns. The Lion Nathan scheme of arrangement was completed with settlement occurring marginally ahead of our timetable; Macquarie Airport Tickets (MAZPA) continued to accrue nicely into December maturity and our long volatility option portfolio delivered positive returns particularly during the late month selloff.

Our short term convergence often generates positive returns in strong trending markets (i.e. when the macro march is on) as large order flow often distorts pricing between share classes and currency movements potentially having dramatic impact. This was again the case in October with significant returns generated from

positions in Aquarius Platinum (AQP), Resmed (RMD) and Wesfarmers (WES).

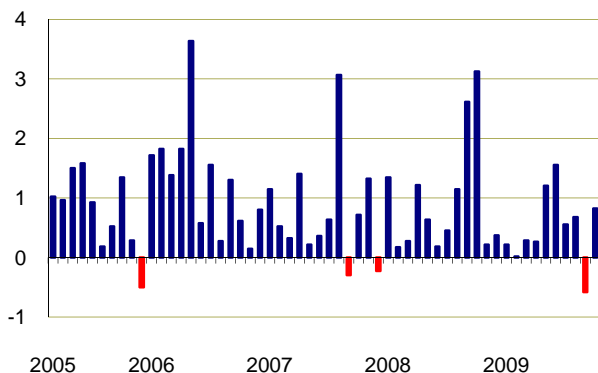
We have found it difficult to generate positive returns from our long/short book. This partly relates to it having had a long bias, another factor has been the reduced number and size of discounted corporate issues and placements. This is a development that has resulted from an increase in confidence which has led to a more active credit market as a source for corporate finance and better pricing for new stock issues.

The most interesting geo-political development during the month was the highly conditional Foreign Investment Review Board (FIRB) approval for Yanzhou Coal Mining to acquire Felix Resources (FLX) through a scheme of arrangement. There were significant concerns that the Government’s ownership cap of 50% for “foreign government controlled entities” over Australian natural resource projects would be applied to this case. Approval was granted yet was highly conditional and the decision has added to the uncertainty regarding M&A involving foreign companies. This uncertainty is currently reflected in the large trading discount in proposed acquisitions of Nufarm (NUF and NFNG) and Rocklands Richfields (RCI). We expect such discounts to continue until there is more clarity and consistency from the Australian Government with respect to the “national interests” policy and we continue to price and trade these situations accordingly.

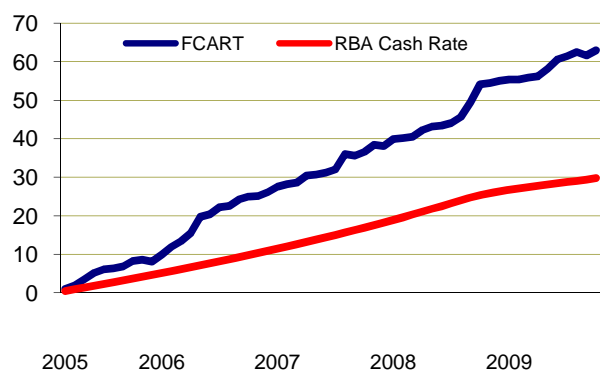
Performance after fees (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009	0.21	0.01	0.28	0.26	1.20	1.55	0.55	0.67	-0.58	0.82			5.08
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 (%)





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.

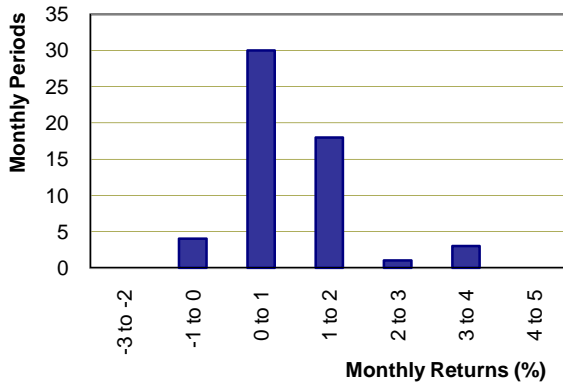
The market provides opportunities and management provides the strategic overlay.

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.

Performance Statistics		
	Fortitude	RBA Cash
Last 12 months	5.71%	3.6%
Last 24 months	19.28%	11.0%
% positive mths	92.86%	100
Best month	3.63%	0.6%
Worst month	-0.58%	0.0%
Avg positive return	0.98%	0.5%
Avg negative return	-0.40%	0.0%

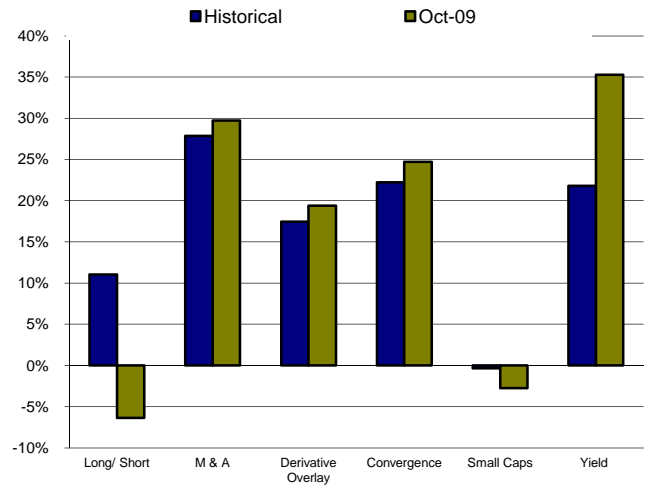
Distributions of Returns



Manager Overview

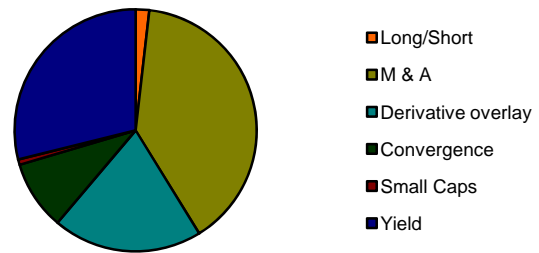
Fortitude Capital is a Sydney based Market Neutral Fund providing 'Strength through the Investment Cycle'. Fortitude has been recognised and awarded as a market leader since inception in 2004. Eight full time staff have collective market experience of 100 years plus. Fortitude Capital targets returns of 10% above risk free rates with minimal drawdowns. Fortitude Capital is licensed and regulated by the Australia Securities and Investments Commission.

Profit & Loss Contribution by Strategy

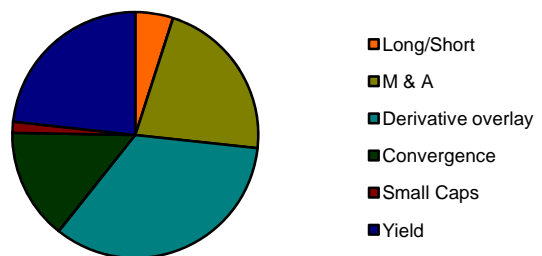


Strategy Weightings

Oct-09



Historical



Fund Service Providers

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

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