



Key Facts		Fortitude	RBA Cash	
Strategy	Market Neutral	1 Month Return	0.67%	0.25%
Domicile	Australia	YTD	4.83%	2.17%
Min. Investment	\$A100,000	Annualised Return p.a.	11.39%	5.77%
Management Fee	1.5% p.a.	Std Deviation	2.95%	0.35%
Performance Fee	20% p.a. with high water mark	Max. Drawdown	-0.50%	0.00%
Min. Term	1 Month	Sharpe	1.90	0.00%
Redemption	Monthly	Sortino	6.69	0.00%

August Commentary

Banking On a Recovery..... But For How Long?

Australian equities continued to rally during August. The ASX 200 rose 5.5% which was a noticeable out performance against most leading indices (S & P 500 +3.4%, Nikkei 225 +1.3%, Hang Seng -4.1%, Dax 30 +2.5%), this performance was driven by an extremely strong finance sector (+12.1%). The leading bank names where stand out performers (ANZ +14.89%, CBA +7.48%, NAB +17.06% and WBC +12.35%). This performance was largely sparked by the CBA half yearly report, and market updates by WBC and ANZ, as the numbers and commentary reflected balance sheets that weathered the GFC in reasonable condition, and benefiting from the consumer economy continuing to expand and the support of the Federal Government Guarantee for funding. Whilst the Federal Government is happy to trumpet the strength of the Australian Banking system we are already seeing signs of competition concerns with regional banks highlighting the dominance of the majors in the current home mortgage market as an example. We think that there is likely to be increased political pressure to restrain margins and increase competition; whilst this will obviously take time to take shape the first signs of this developing could have a dramatic impact on long term valuation models.

The balance of the industrial sector largely struggled and a large influence on this was the sale of 614 million Telstra shares by the Australian Future Fund. This represented 5.15% of the issued capital.

Sino/Australian diplomatic relationships continue to be a concern. Comments by leading Chinese newsagencies that "China's money sack doesn't have to be bound to an unfriendly kangaroo" and that China should look to take reprisals through "practical measures" give a gauge to the extent of problems. We fear that these problems could have further spill-over into commercial relationships and obviously this is a particular fear for the resources sector.

The Fortitude Portfolio again produced positive returns in August. Our derivatives portfolio continues to struggle as implied volatilities trade above realisable levels. This is not a surprise in this environment but we remain committed to long volatility strategy and continue to search for special opportunities in individual names, particularly where they play into broader themes of uncertainty such of those mentioned above.

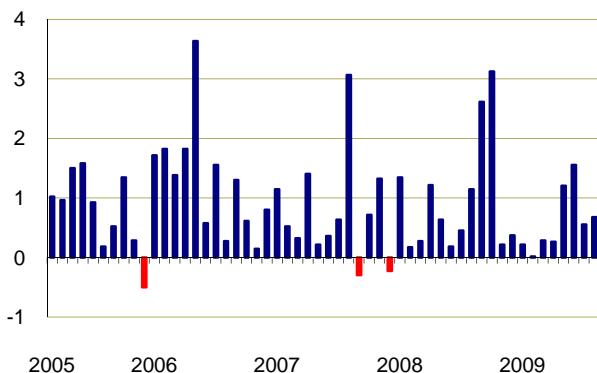
Risk spreads generally continued to tighten and this benefitted our concentrated positions in the yield and convergence portfolios. The usual favourites, WES, MAZPA, NWS, AQP, HIN and OCP all performed well.

The portfolio's largest net exposure is still LNN. The vote on this scheme is scheduled for mid September and it is expected to have broad support. A higher risk-return exposure within the M&A strategy is the ABB and Viterra scheme of arrangement, which is also due to be voted on during September. Despite the unanimous support of directors there is some doubt about the voting intentions of grain growers who represent approximately 40% of shares and 50% of shareholders. The portfolio has a gross exposure of 5.5% of NAV to this trade and we will wait for the vote before adding significantly.

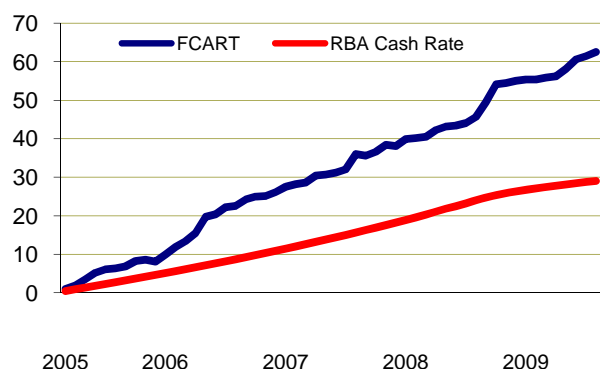
Performance after fees (%)

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					4.83
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.

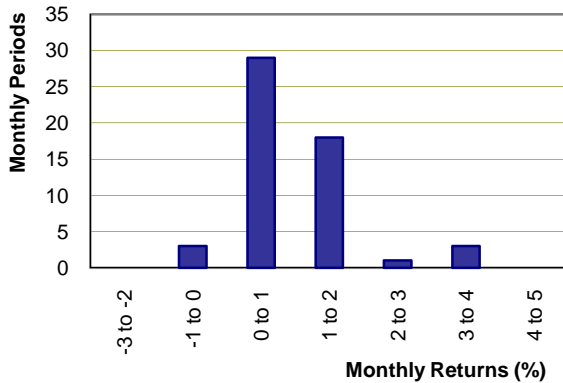
The market provides opportunities and management provides the strategic overlay.

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.

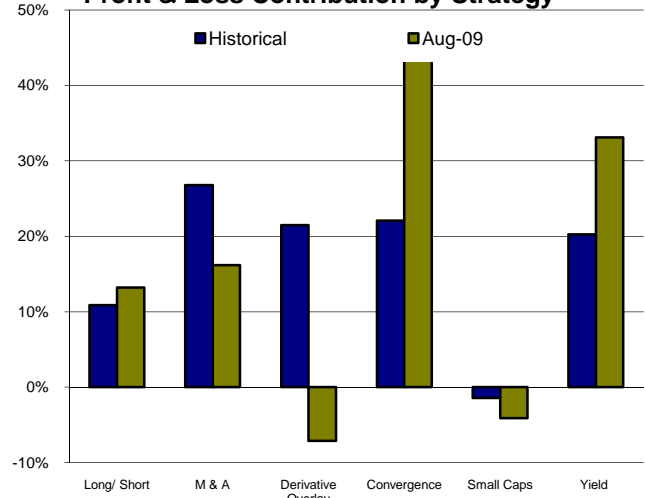
Liquidity is a major consideration of all investments.

Performance Statistics		
	Fortitude	RBA Cash
Last 12 months	11.6%	4.5%
Last 24 months	19.5%	11.9%
% positive mths	94.4%	100
Best month	3.6%	0.6%
Worst month	-0.5%	0.0%
Avg positive return	1.0%	0.5%
Avg negative return	-0.3%	0.0%

Distributions of Returns

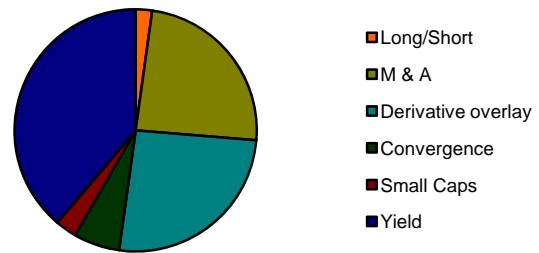


Profit & Loss Contribution by Strategy

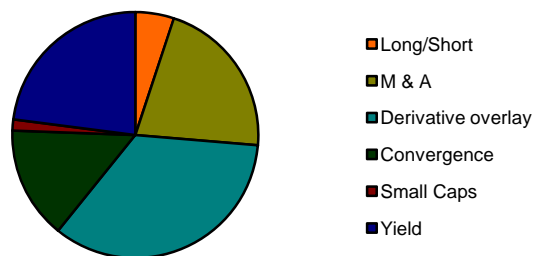


Strategy Weightings

Aug-09



Historical



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.

Fund Service Providers

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

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