



Key Facts		Fortitude	RBA Cash	
Strategy	Market Neutral	1 Month Return	-0.58%	0.27%
Domicile	Australia	YTD	4.22%	2.50%
Min. Investment	\$A100,000	Annualised Return p.a.	11.03%	5.78%
Management Fee	1.5% p.a.	Std Deviation	3.01%	0.36%
Performance Fee	20% p.a. with high water mark	Max. Drawdown	-0.58%	0.00%
Min. Term	1 Month	Sharpe	1.75	-
Redemption	Monthly	Sortino	5.51	-

September Commentary

The End of Volatility?

The S&P/ASX 200 rallied 5.9% in September and was up 19.95% for the quarter as part of a world wide rebound in asset prices. Unfortunately the Fortitude portfolio struggled under the weight of our long gamma volatility book. Whilst all our other strategies produced positive returns the low level of realisable volatility along with a harsh month end markdown in implied volatilities resulted in our worst ever monthly performance.

The extent of the current rally has taken us by surprise, the ASX 200 has rallied 52% from its March low whilst the A\$ has rallied 40.3% over the same time. Australia's banks and large mining companies have become a focus for international macro players which causes us to question how quickly downside risk has faded as a concern for investors chasing upside exposure. Fortitude remains committed to our long volatility philosophy, we are obviously conscious that it can be a major drain on performance during sustained market rallies, but we are also certain that the top of the market will not be easy to predict and we know we need a cost effective means of protecting downside to be able to deliver consistent absolute returns.

On the positive side we are very encouraged by the consistent performance of our high concentration positions:

The Lion Nathan scheme of arrangement was overwhelmingly approved by shareholders and it continued to show attractive returns at month end (settlement late October);

Macquarie Airports Tickets (MAZPA) continues to trade at a very attractive margin over the rates for similar collateral;

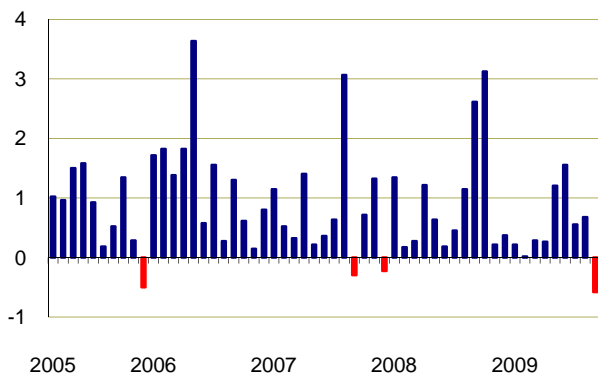
The premium of the Wesfarmers Partially Protected Shares (WESN) over the ordinary share contracted. We have noted increase research and monitoring of this instrument by investment banks as they start to realise the nature of the heavily discounted optionality. We are very comfortable with this position and look to add exposure whenever the premium approaches parity.

Our yield portfolio continues to diversify. Of note is the attractive yield available through the Myer Group notes (MYFG). This is again appears an example of investors not fully understanding the nature of the instrument and/or being happy sellers in order to realise cash to chase beta in a strong market. We are confident in our ability to analyse and price these instruments and deals and use them as a source of alpha to generate absolute returns.

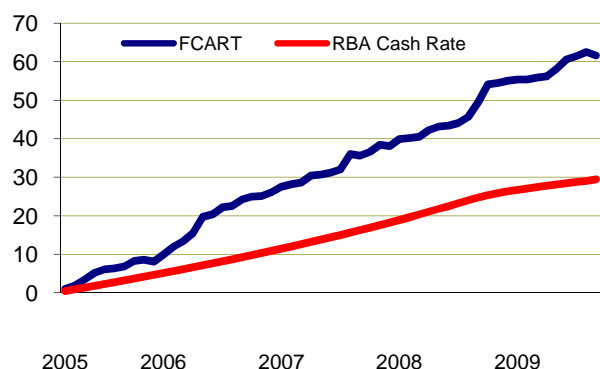
Performance after fees (%)

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				4.22
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.

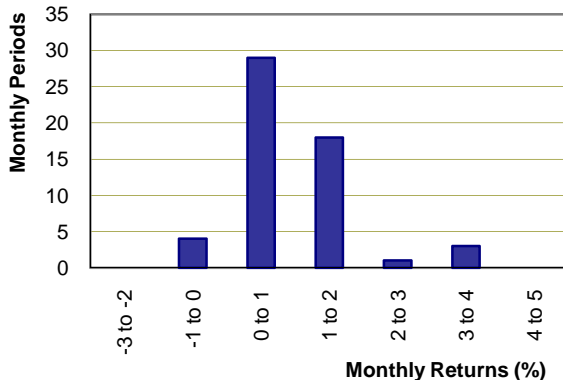
The market provides opportunities and management provides the strategic overlay.

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	8.07%	4.5%
Last 24 months	19.15%	11.9%
% positive mths	92.73%	100
Best month	3.63%	0.6%
Worst month	-0.58%	0.0%
Avg positive return	0.98%	0.5%
Avg negative return	-0.34%	0.0%

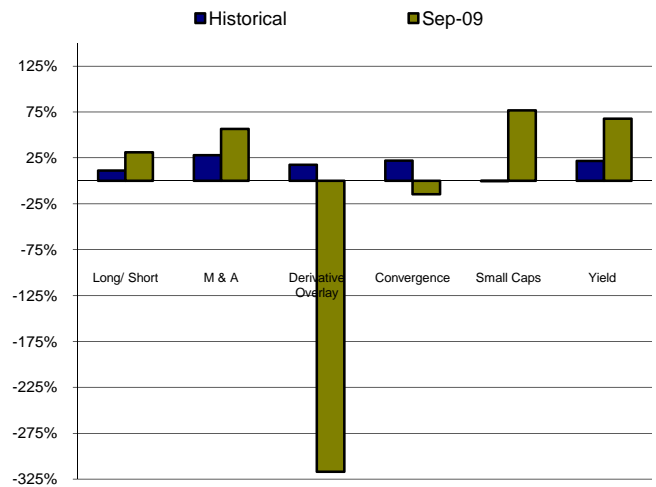
Distributions of Returns



Manager Overview

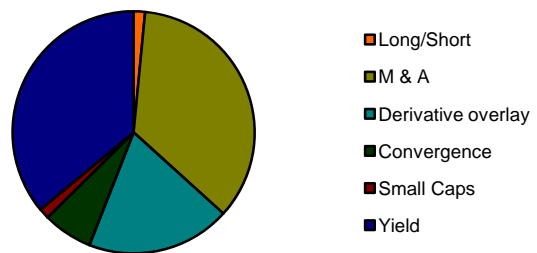
Fortitude Capital is a Sydney based Market Neutral Fund providing 'Strength through the Investment Cycle'. Fortitude has been recognised and awarded as a market leader since inception in 2004. Eight full time staff have collective market experience of 100 years plus. Fortitude Capital targets returns 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

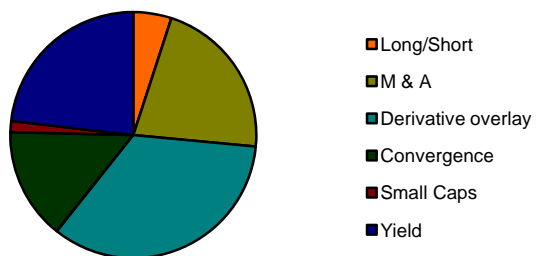


Strategy Weightings

Sep-09



Historical



Fund Service Providers

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

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