



FORTITUDE CAPITAL
STRENGTH THROUGH THE INVESTMENT CYCLE

EXTENSION (CAYMANS) FUND January 2010

RETURNS & RISK

Fortitude Capital
Extension (Caymans) Fund



FORTITUDE CAPITAL
STRENGTH THROUGH THE INVESTMENT CYCLE

- ✓ Annualized return of 6.05% p.a. (NET of fees)
- ✓ 21% return since inception (NET of fees)
- ✓ 3% p.a. alpha since inception (NET of fees)
- ✓ Good Risk-Adjusted Returns
- ✓ Low Volatility & Strong Risk Management
- ✓ Minimal Drawdowns

Return & Statistical Analysis	Fund	LIBOR
Compound ROR	6.05%	3.01%
Standard Deviation	2.72%	0.59%
Percentage of Positive Months	75%	100%
Sharpe Ratio last 12 months	1.11	-
Sharpe Ratio since inception (3.33%)	1.30	-
Sortino Ratio since inception (3.33%)	2.70	-
Best 12 Month Return	8.26%	5.36%
Worst 12 Month Return	2.57%	1.37%
Maximum Drawdown	-1.06%	0.00%
VaR (95%)	-0.72%	-

Monthly Performance (%) Net of Fees													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2009	-0.27%	-0.26%	-0.18%	0.13%	0.79%	1.56%	0.55%	0.39%	-1.06%	0.51%	-0.28%	0.69%	2.57%
2008	1.33%	0.06%	-0.29%	1.21%	0.30%	-0.43%	0.34%	0.56%	2.10%	2.35%	-0.32%	0.20%	7.62%
2007	0.74%	0.60%	0.37%	1.14%	-0.01%	0.47%	0.42%	2.90%	0.02%	1.14%	0.44%	-0.23%	8.26%
2006									1.07%	0.42%	0.04%	0.24%	1.78%

FORTITUDE DELIVERS ... ABSOLUTELY!



FORTITUDE CAPITAL
STRENGTH THROUGH THE INVESTMENT CYCLE

Fortitude Capital has delivered on the objective of providing
'Strength through the investment cycle'

✓ Consistent Alpha (against LIBOR)

2009	2.22%
2008	4.83%
2007	2.59%
2006*	10.87%
2005*	4.15%

- ✓ Monthly Liquidity, No lock-ups or redemption gates
- ✓ Performance fees against benchmarks
- ✓ Transparency, only deal in exchange traded securities

* 2005 & 2006 are based off AUD returns against AUD LIBOR.

Caymans alpha (USD returns against USD LIBOR) shown post September 2006 fund inception. All funds are managed pari passu.

INTRODUCTION



FORTITUDE CAPITAL
STRENGTH THROUGH THE INVESTMENT CYCLE

The Company

- Established 2004
- Recognised & Awarded as a Market Leader*
 - 2009 **Winner** 'Hedge Fund Manager of the Year' – Australian Hedge Fund Awards
 - 2009 **Winner** 'Best Market Neutral Fund' – Australian Hedge Fund Awards
 - 2009 Finalist 'Best Asian Multi-Strategy Hedge Fund' - EurekaHedge
 - 2008 **Winner** Australian Hedge Fund Manager of the Year - AIMA
 - 2008 Finalist Australian Best Market Neutral Fund- AIMA
 - 2007 Finalist Australian Best Market Neutral Fund- AIMA
 - 2006 **Winner** Australian Best Market Neutral Fund- AIMA
 - 2005 Finalist Australian Best Market Neutral Fund- AIMA
- Licensed & Regulated by the Australian Securities and Investment Commission
- Targeting non-correlated returns of 5-10% above risk free rates with minimal drawdowns

* Based on Fortitude Capital Absolute Return Trust

INTRODUCTION

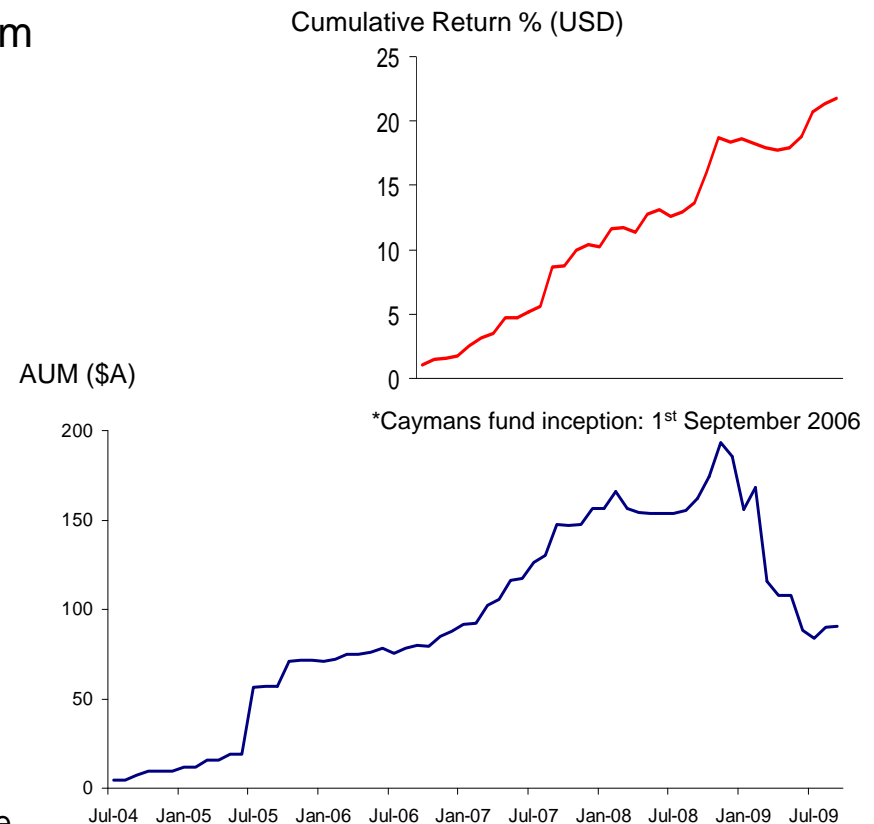


FORTITUDE CAPITAL
STRENGTH THROUGH THE INVESTMENT CYCLE

The Company

- **Assets Under Management - AUD80m**
 - Public Funds – AUD & USD
 - BTIM Managed Account
- **Values**
 - Honest
 - Transparent
 - Down to earth
 - Accessible
 - Consistent
 - Concentrate on risk
- **Ownership**
 - 60% internally owned
 - 40% MFS Alternative Assets Limited
- **Strong Team**

6 full-time staff with significant market experience





FORTITUDE CAPITAL
STRENGTH THROUGH THE INVESTMENT CYCLE

THE TEAM

	JOINED FORTITUDE	MARKET EXPERIENCE (yrs)
John Corr	Since inception 2004	24
Sheriden Hure	2005	6
Andrew Ward	2006	7
Darren Raward	2008	21
Donna Dwyer	2008	18
Phil Cornet	2009	14

The management team's bios are available on our website or on request



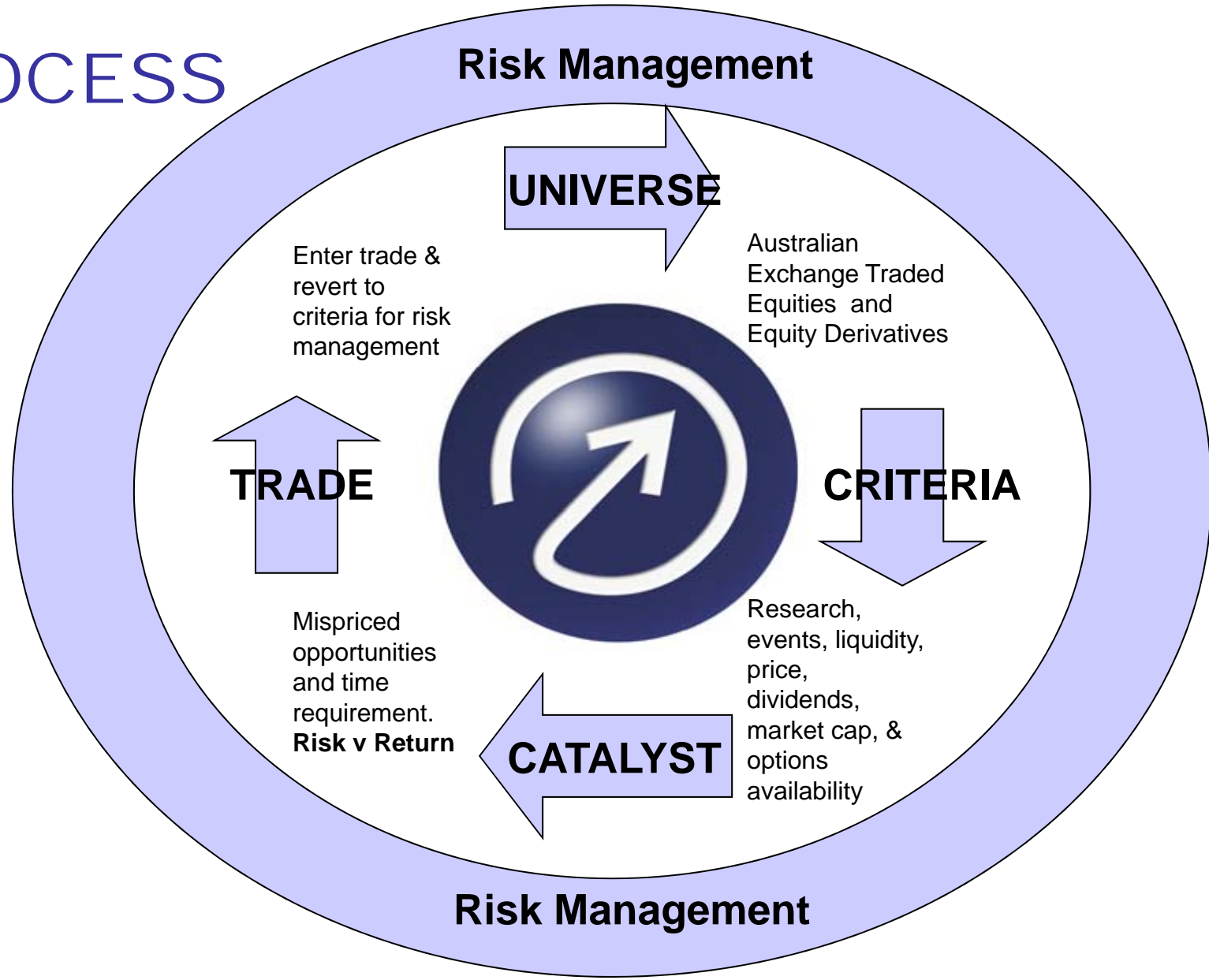
FORTITUDE CAPITAL
STRENGTH THROUGH THE INVESTMENT CYCLE

MARKET NEUTRAL

CORE PHILOSOPHY

- Derivatives & Long Gamma Overlay
- Multi-Sources of Alpha
 - Short term opportunities and mispricings
 - Repeatable & systematic processes
- Strong Risk Management
- Non-Correlated, Absolute Returns
 - Statistical data available

PROCESS





FORTITUDE CAPITAL
STRENGTH THROUGH THE INVESTMENT CYCLE

RISK MANAGEMENT

- Risk free rate is the key focus
- Optionality & Long Gamma
- Price stop losses
- Time stop losses
- Size of position relative to stock turnover & market cap.
- Active position management with low execution costs
- Multi-level risk systems – external and internal
- Head of Risk o/s daily trades

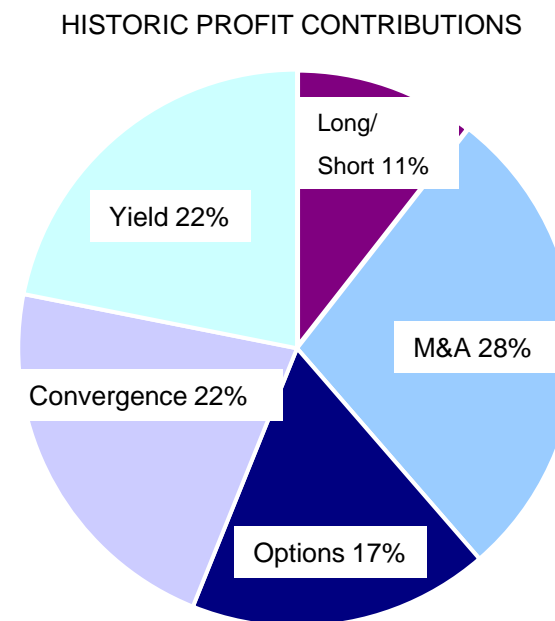


MULTIPLE SOURCES OF ALPHA

The market is dynamic and constantly provides opportunities.
Management provides the strategic overlay.

A flexible combination of strategies:

- Derivatives & Long Gamma
- Long Short
- Mergers & Acquisitions
- Convergence and
- Yield



Offsetting Risks

Opportunistic Allocations

Event Driven

Optionality



DERIVATIVES & LONG GAMMA

- Individual stock and equity index positions
- Generates a Volatility Smile
- Produces positive returns with strong market movements
- Particularly relevant to market gaps - usually heavy falls
 - ➔ capital protection
- The strategy focuses on short-dated optionality
 - ➔ maximum gamma but low vega
- Allows more aggressive positioning in other strategies

Historic Average - 34% of Gross Exposure



LONG SHORT

- Opportunistic positioning
- Active participation in bookbuilds, primary issues, placements and block trades
- Leveraging cheap and fast execution with market experience
- Access to investment bank research and recommendation changes
- Liquidity focused
- Short-term stops on price and time
- Trading strategies & implementation

Historic Average - 6% of Gross Exposure



MERGERS & ACQUISITIONS

- Only announced Schemes and Takeovers
- Strong legal protection
- Historically high rate of deal completion (~85%)
- Position size based on analysis of:
 - Terms and Conditions
 - Regulatory and Competition Issues
 - Expected Timetable
 - Major Shareholders
 - Potential for competing bids
- Active management of positions
- Market indicators of risk used in formulating target returns

Historic Average - 22% of Gross Exposure



CONVERGENCE Share Class Arbitrage

- Fungible instruments with defined maturities
 - ADRs
 - CDIs
 - Dividend difference
 - Settlement difference
- Avoids Non-Fungible Instruments
- Convertible arbitrage focused on short timeframes (<2 yrs)
- Liquidity focus

Historic Average - 15% of Gross Exposure



YIELD

- The Australian market provides special opportunities via unique debt/equity structures and treatments for Corporates.
- Approaching maturity often provides arbitrage returns due to the disconnect between investor types
i.e Debt (Income Funds & Retail) Vs Equity (Traditional and Alternative Funds)
- Focused on high quality names maturing within 2 years where there is little duration risk
- Largest positions are highly concentrated in very short dated maturities (<1yr)

Historic Average - 23% of Gross Exposure



ATTRIBUTION ANALYSIS

The table below shows :

1. Fortitude's consistent alpha as a result of offsetting risk
2. Volatile equity market conditions over the life of the fund
3. The respective performance of strategies in various equity and debt market conditions

		2005 – ADR spreads attractive					
		STRATEGY PERFORMANCE CONTRIBUTIONS					
	S&P/ASX200	Fortitude Alpha	Long Short	Mergers & Acq's	Option Overlay	Convergence	Yield
Since Inception	20.22%	26.94%	11%	28%	17%	22%	22%
2005*	17.60%	4.15%	20%	17%	13%	41%	9%
2006*	19.01%	10.87%	15%	33%	8%	20%	24%
2007	11.80%	2.59%	3%	43%	28%	7%	18%
2008	-41.28%	4.83%	-10%	9%	63%	23%	15%
2009	30.85%	2.22%	38%	55%	-81%	25%	63%

*Caymans fund inception: 1st September 2006
Absolute Return Trust data used pre Caymans Launch

2007- High M&A deal completion & competitive bids

Long gamma delivers in 2008
but proves costly in 2009

Pricing inefficiencies in
short-dated instruments

RETURNS & RISK

Fortitude Capital Extension (Caymans) Fund



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INVESTMENT OPTIONS

- US dollar and Euro class investments are available to offshore investors via the Fortitude Capital Extension (Caymans) Fund.
- The Fund manages two domestic (AUD) accounts at present:
 - the Fortitude Capital Absolute Return Trust for local wholesale investors, &
 - a BTIM Managed Account.
- Up to 4 managed accounts have been in operation concurrently. Systems and process are well honed to accommodate a range of investor requirements.
- All accounts are managed pari passu.



INVESTMENT TERMS

Strategy:	Equity Market Neutral	FUM (Caymans):	US\$22m
Fund geographic mandate:	Australia	Fund inception date:	Since 01 September 2006
Fund domicile:	Cayman Islands	Investor type:	Wholesale

Offshore/Onshore	Fund structure	Share Classes	Reporting frequency
Offshore	Company	US\$, Euro	Monthly

Minimum investment	Additional investment	Minimum term	Investment frequency
US\$250,000/ EUR250,000	US\$100,000	0 months	Monthly

Redemption notice	Redemption frequency	Brokers
30 Days	Monthly	Includes: UBS, Citigroup, JPMorgan, Credit Suisse, Deutsche Bank, Macquarie Bank, Morgan Stanley, ML, Goldman Sachs JB Were etc.

Management fee	Performance fee	High water mark	Hurdle
1.50%	20%	Yes	Yes

Entry fee	Exit fee	Early redemption fee	Auditor
0.00%	0.00%	No	Ernst & Young

Administrator	Prime broker	Custodian	Legal
Kingsway Taitz	UBS	UBS	Walkers

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Includes due diligence material and offer documents

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