



Key Facts			Fortitude	1m USD LIBOR
Strategy	Equity Market Neutral	1 Month Return	0.69%	0.02%
Domicile	Cayman Islands	YTD	2.57%	0.35%
Min. Investment	\$US100,000	Annualised Return p.a.	6.05%	3.01%
Management Fee	1.5% p.a.	Std Deviation	2.72%	0.59%
Performance Fee	20% p.a. with high water mark	Max. Drawdown	-1.06%	0.00%
Min. Term	1 Month	Sharpe	1.11	0.00
Redemption	Monthly	Sortino	2.70	0.00

**Deal or No Deal**

December 09 eventually rewarded the bulls again after getting off to a shaky start, interest rates still rose for the third time in as many months and retailers reported greater confidence in consumer discretionary spending. To date it has been a sharp revival from the doom and gloom of 2007/08 - Can the market continue its 'V-shaped' recovery unhindered?

Australia's resurging M&A environment provided attractive returns as many deals concluded by calendar year end. Our largest positions to roll off were: Lend Lease Primelife Trust (LLP), Felix Resources (FLX), Warwick Resource (WRK) and Eircom (ERC). We anticipate a continuation of corporate merger and takeover activity throughout 2010.

AXA APH generated some excitement during the month with a revised proposal from AMP declared "Best and Final". Unexpectedly, NAB came over the top as the timeline for the directors recommendation of the AMP bid drew nearer to close. The NAB proposal is recommended by the AXA APH directors and is expected to be formalised with the signing of an implementation agreement due early in 2010.

Nufarm announced that Sinochem revised their offer down from \$13 to \$12 per share which negatively impacted both yield and long/short performance. The reduced offer was rejected. Further news emerged that Sumitomo will acquire a strategic 20% stake at a surprisingly high \$14 per share to be followed by \$250m capital raising.

Our preferred yield instrument during 2009 was the Macquarie Airports' Tickets (MAZPA). The MAZPA's redeemed for cash on the 31st of December concluding one of the best yield scenarios that we have invested in to date.

Short-dated volatility continued to decline in line with risk sentiment during the historically quiet holiday period. A conscience effort was made to pare back daily time decay (theta) in order to minimise the drag on performance.

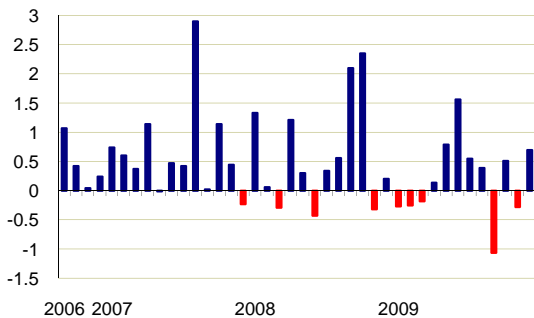
The Convergence strategy overall was flat after some good performance in selective ADRs and CDIs, offsetting this was a temporary discount in the WESN/WES spread.

Best performers: LLP, MAZPA and MXUPA  
 Worst performers: NFNG, S&P ASX200 Share Price Index, WES/WESN.

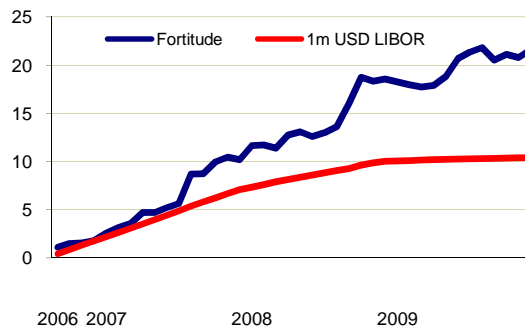
Best wishes for 2010!

Performance after fees (%)													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
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

**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.

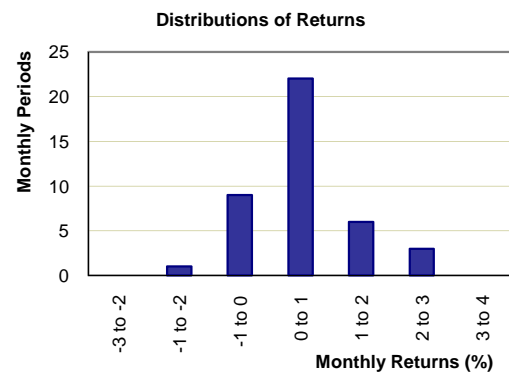
The long volatility overlay allows for more aggressive positioning within the fund's other strategies - Long Short, Mergers and Acquisitions, Convergence and Yield.

The market provides opportunities and management provides the strategic overlay.

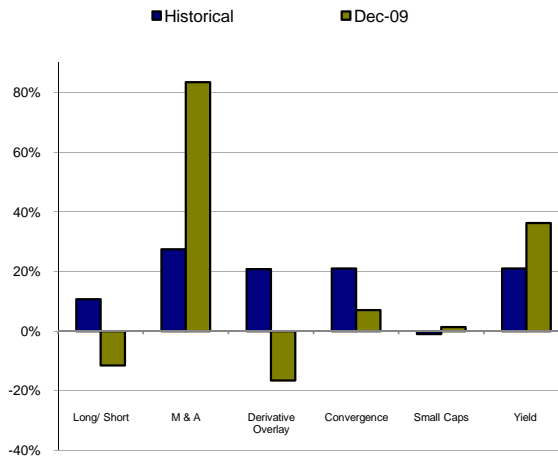
Risk management is a major focus. Trading stops are implemented based on price and time along with continual hedging of positions at relatively low execution costs.

Liquidity is a major consideration of all investments.

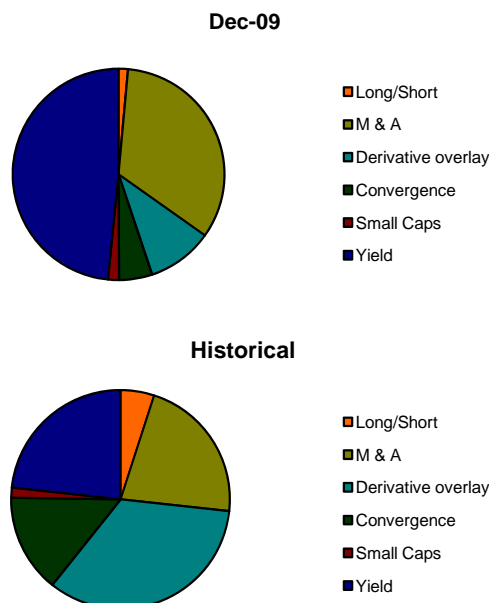
Performance Statistics		
	Fortitude	USD Libor
Last 12 months	2.56%	0.35%
Last 24 months	9.37%	3.13%
% positive mths	75.0%	100
Best month	2.90%	0.46%
Worst month	-1.06%	0.00%
Avg positive return	0.77%	0.24%
Avg negative return	-0.33%	0.00%



**Profit & Loss Contribution by Strategy**



**Strategy Weightings**



**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. Fortitude Capital targets returns of 5-10% 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: Walkers  
 Auditor: Ernst & Young

**Contact**

P: +61 2 9376 9800  
 A: Level 2, 350 George Street  
 Sydney NSW 2000  
 W: [www.fortituedeapital.com](http://www.fortituedeapital.com)  
 E: [info@fortituedeapital.com](mailto:info@fortituedeapital.com)