



ANNUAL
REPORT
2014

FORTRESS CARIBBEAN PENSION FUND

Fortress Fund Managers is a Barbados-based investment manager. We have been providing top-ranked returns, open communication and accessible service to our clients since 1996.

We offer a range of funds and investment products to meet the needs of individuals and institutions. In each case, our main goal is to achieve consistent long-term returns for our clients. We do this by applying sound, disciplined processes to our investments in equities, fixed income and real estate. We offer products with global reach, as well as those that focus primarily on the Caribbean region.

Please feel free to contact us to learn more about this Fund, or any of our products.

Fortress Fund Managers Limited
First Floor, Carlisle House
Hincks Street
Bridgetown
Barbados
BB11144
TEL (246) 431 2198
FAX (246) 431 0514
invest@fortressfund.com
www.fortressfund.com



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Investment Objectives & Fund Details

Fortress Caribbean Pension Fund offers three classes of share to the public, Redeemable Aggressive Accumulator (AA), Redeemable Conservative Consolidator (CC) and the Redeemable Capital Secure (CS), each with its own investment objective. The objective of the AA class of share is to achieve growth and capital appreciation of the assets over the long term. The investment objective of the CC class of share is to achieve growth and capital appreciation over the medium term, while that of the CS class of share is to achieve capital security.

FUND NAME: Fortress Caribbean Pension Fund Limited
LAUNCH DATE: October 9, 2002
LAUNCH PRICE: \$10.00 per share

	AA	CC	CS
NET ASSET VALUE PER SHARE - 09/30/2014	\$20.7096	\$20.7621	\$16.1802
NET ASSETS - 09/30/2014	\$106,035,566	\$92,359,820	\$8,378,638

MANAGEMENT EXPENSES:

Management fees: 0.50% per annum of net assets at the Fund level. Fees from the underlying Fortress funds in which the Fund invests are capped at between 0.25% and 0.50% per annum of net assets, depending on the fund

Administration fees: 0.03% per annum on the net asset value of the Fund

Custodian fee \$2,000 per annum on the first \$5M - \$15M in assets
\$7,500 per annum on assets > \$50M

INITIAL CHARGES: Nil

REDEMPTION CHARGES: Up to 2% on amounts placed less than 6 months
Up to 1% on amounts placed less than 2 years
Nil on amounts placed greater than 2 years

INVESTMENT MANAGER & ADMINISTRATOR: Fortress Fund Managers Limited

CUSTODIAN: CIBC FirstCaribbean International Bank (Barbados) Limited

FUND VALUATIONS: Monthly

NAV QUOTATIONS: Internet: www.fortressfund.com

Directors & Administrators

DIRECTORS

Geoffrey Cave C.B.E., B.C.H., L.L.D (Hon) - Chairman
C. David Bynoe
Rene Delmas
Kenneth Emery
Sir Fred Gollop K.A., Q.C.
Desmond Kinch
John Williams
David Simpson
John Howard
Roger Cave - Investment Director

COMPANY SECRETARY

Hanna M. Chrysostom
Broad Street
Bridgetown
St. Michael
Barbados

AUDIT COMMITTEE

David Simpson
C. David Bynoe
John Howard

CORPORATE GOVERNANCE AND NOMINATION COMMITTEE

C. David Bynoe
Sir Fred Gollop K.A., Q.C.
Kenneth Emery

REGISTERED OFFICE

First Floor, Carlisle House
Hincks Street
Bridgetown
St. Michael
Barbados

ATTORNEY AT LAW

Sir Henry Forde K.A., Q.C.
Juris Chambers
Fidelity House
Willey Business Park
St. Michael
Barbados

INDEPENDENT AUDITORS

PricewaterhouseCoopers SRL
The Financial Services Centre
Bishop's Court Hill
St. Michael
Barbados

CUSTODIAN

CIBC FirstCaribbean International Bank
(Barbados) Limited
Wealth Management Division
Rendezvous
Christ Church
Barbados

INVESTMENT MANAGER & ADMINISTRATOR

Fortress Fund Managers Limited
First Floor, Carlisle House
Hincks Street
Bridgetown
Barbados

Tel: (246) 431 2198
Fax: (246) 431 0514
Internet: www.fortressfund.com
Email: invest@fortressfund.com

Fortress Caribbean Pension Fund Limited ("the Fund") is an open-ended mutual fund company and was incorporated on October 9, 2002 under the provisions of the Mutual Funds Act of Barbados. The Fund maintains its registered office at First Floor, Carlisle House, Hincks Street, Bridgetown, Barbados.

Important information about this Fund is contained in its prospectus, which we encourage you to read before making an investment. The indicated returns in this document are net of all fees and expenses. Returns are historical and are not necessarily indicative of future performance. Investors should be aware that there are risks involved where the value of the Fund's shares may go down as well as up. A copy of the prospectus may be obtained from the offices of Fortress Fund Managers, or downloaded at www.fortressfund.com



Background

Fortress Caribbean Pension Fund Limited (“Pension Fund”) is a mutual fund investment company incorporated in Barbados and licensed under the Mutual Funds Act 2002-22.

Fortress Fund Managers Limited (“Fortress”) has been manager of the Fund since its inception.

The Pension Fund was established in 2002 in response to the growing trend of companies favouring Defined Contribution (DC) pension plans over Defined Benefit (DB) pension plans. In DC plans, contribution rates are fixed by employer and employee and members bear 100% of the investment and longevity risks as there are no guarantees to the level of pension that can be provided at retirement with the member’s funds.

Recognising that members at different ages have different investment risks and objectives, the Pension Fund has been structured to allow members to direct their own funds as they see fit into one of three investment shares – Aggressive Accumulator (AA) Share, Conservative Consolidator (CC) Share and Capital Secure (CS) Share. Each share has a different asset allocation make-up, from being “aggressive” to “conservative,” thus catering to members who have changing risk/reward objectives as they progress towards retirement.

Where the Pension Fund invests in other funds managed by Fortress, there is a rebate system in place for the Pension Fund to avoid double charging of management fees.

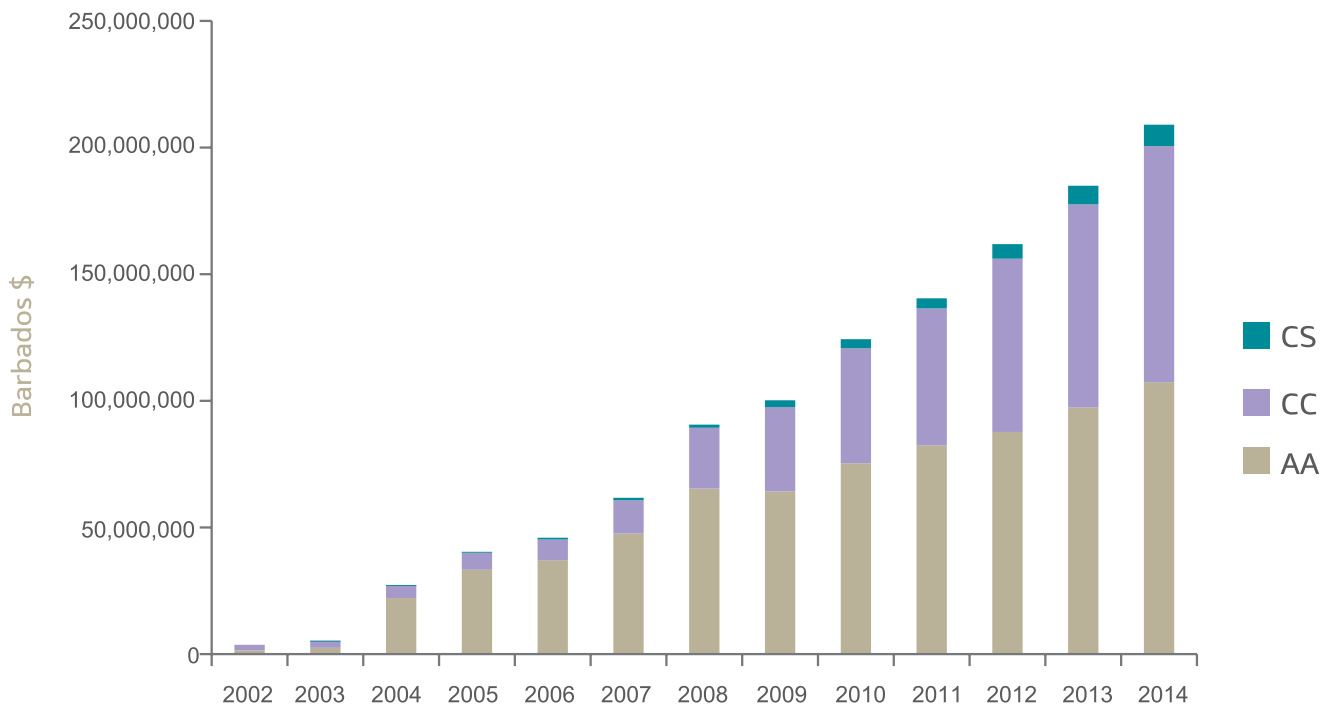
Fortress provides both recording keeping and investment services to DC plans that invest in the Pension Fund, and investment only services to DB pension plans.

Members of DC plans can access their accounts through our website and are also able to use our pension projection tool on the website.

As of 30th September 2014, approximately 80 companies are investing in the Pension Fund and record keeping services are being provided for over 4,200 employees.

Asset Growth & Investment Performance

Pension Fund - Asset Growth





Asset Growth & Investment Performance continued...

Historical One Year Investment Returns (net of all fees and expenses)

Year ending	AA Share Return	CCShare Return	CS Share Return
2003	10.5%	9.5%	
2004	24.0%	17.7%	5.4%
2005	14.9%	12.1%	6.4%
2006	3.7%	4.2%	5.3%
2007	14.8%	11.8%	6.1%
2008	6.4%	8.1%	8.4%
2009	-9.0%	-3.1%	0.6%
2010	2.9%	4.2%	6.3%
2011	1.2%	1.7%	1.4%
2012	2.5%	3.2%	2.3%
2013	1.6%	2.3%	2.7%
2014	4.0%	3.8%	3.3%

Performance Summary as of 9/30/14

	1 year	3 year	5 year	Inception
AA Share	4.0%	2.7%	2.4%	6.1%
CC Share	3.8%	3.1%	3.0%	6.1%
CS Share	3.3%	2.8%	3.2%	4.3%

** periods longer than 1 year are annual compound returns*

Portfolio Positioning

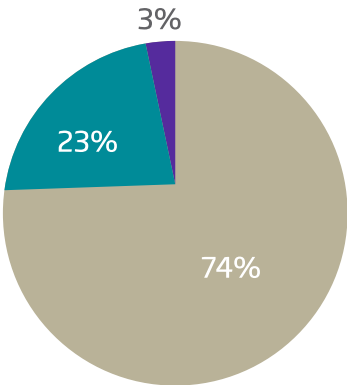
The three classes of shares of the Pension Fund invest in combinations of equities, fixed income and real estate consistent with the time horizons, risk tolerance and objectives for each class of share.

The Fund’s largest holding of equities is in the Fortress Mutual Fund (Growth Fund), while for fixed income it is in the Fortress Caribbean High Interest Fund. Where the Fund invests in other funds managed by Fortress, a rebate system is in place to avoid double charging of management fees.

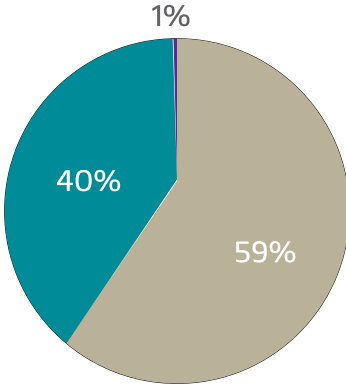
The asset allocation of the three shares as at 30th September 2014 is as follows:

Asset Allocation of Funds

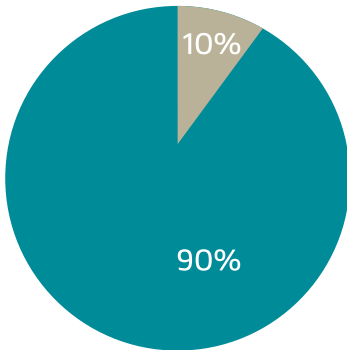
AGGRESSIVE ACCUMULATOR



CONSERVATIVE CONSOLIDATOR



CAPITAL SECURE





Directors' Report



Directors' Report

All classes of shares of the Fortress Caribbean Pension Fund Limited (Pension Fund) showed gains for the year ended September 30, 2014, with the AA share increasing by 4.0%, the CC share by 3.8% and the CS share by 3.3%. This was in spite of very weak conditions in Caribbean economies and stock markets. Since inception in 2002 the AA, CC and CS shares of the Pension Fund have now achieved compound annual rates of return of 6.1%, 6.1% and 4.3% respectively. Total assets in the Pension Fund increased during the year from \$189.9 million to \$209.0 million.

The equity allocations of the three shares of the Pension Fund are primarily made up of investments in the Fortress Mutual Fund (Growth Fund), the fixed income allocations are primarily made up of investments in the Fortress Caribbean High Interest Fund (High Interest Fund), and the small allocations to real estate are typically made through the Fortress Caribbean Property Fund SCC. The returns of the three shares are therefore primarily a "blend" of the performance returns of these three underlying Fortress funds.

The Growth Fund's return for the year was 3.0%, below its compound annual return since inception in 1996 of 9.3%, but well above the significant losses shown during the year in regional Caribbean stock markets. The Barbados Index was down 22.5%, Jamaica down 28.3%, and Trinidad showed only a marginal gain. The Growth Fund is widely diversified geographically, including a substantial allocation to international investments. These contributed positive returns during the year, especially in the U.S. and emerging markets. Using direct investments in the Caribbean and global markets, and allocations to specialist managers, we believe the Fund's portfolio is well positioned in stocks trading at attractive valuations and with good potential for future returns.

The High Interest Fund posted a 3.2% return for the year, below its compound annual return of 5.0% since inception in 2002. The Fund's portfolio continues to be well diversified among a number of sources of return both in the Caribbean and internationally. In response to the substantial and largely unaddressed credit risks in Caribbean government bonds, the Fund continues to have very little exposure in this area, and is carrying a higher than normal cash reserve which is currently reducing its running yield. Very low interest rates globally are also limiting the yields available to the Fund for investments with an appropriate level of risk. In Barbados, a good portion of the Fund's assets are invested in medium term corporate bonds generating attractive yields, and we were successful over the past year in making some new, secured investments in this area.

During the year, we adjusted the asset allocations of all three classes of share in the Pension Fund, moving their equity weights marginally closer to the top end of the mandated range. This involved a partial switch out of a portion of the High Interest Fund and into the Growth Fund in July. We believe that in the current environment, and in the context of a diversified, long term portfolio, the Growth Fund offers a higher expected return and greater currency diversification. The current asset mix of each class of the Pension Fund may be seen on the Portfolio Positioning page of this report, and at any time on the quarterly reports for the Fund which are posted at www.fortressfund.com.

We expect the single digit return regime for the Fund to continue for the medium term, given the risks in Caribbean government debt, low prevailing interest rates globally, and the fact that major stock markets are no longer universally cheap. The Pension Fund continues to be in a position to offer investors flexibility and a sound, long-term, principled approach to earning the required rate of return for retirement, as well as the protection of capital that is more and more critical in the current environment.

If you would like to learn more about the performance and positioning of the main underlying funds in which the Pension Fund invests, please see the annual reports for the Fortress Mutual Fund and Fortress Caribbean High Interest Fund, available for download at www.fortressfund.com.

Thank you to all our pension plan participants and sponsors for investing with us. We take very seriously the trust you have placed in us, and will continue working hard to preserve and grow your retirement savings.

A handwritten signature in black ink that reads "Roger Cave". The signature is written in a cursive, flowing style.

Roger Cave CA, CFA
Investment Director



INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of
Fortress Caribbean Pension Fund Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of **Fortress Caribbean Pension Fund Limited**, which comprise the statement of financial position as at September 30, 2014 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable mutual funds shares and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Fortress Caribbean Pension Fund Limited** as at September 30, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers SRH

December 12, 2014
Bridgetown, Barbados

Fortress Caribbean Pension Fund Limited

Statement of Financial Position

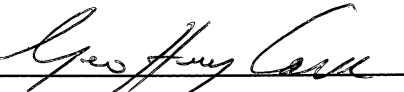
As of September 30, 2014

(expressed in Barbados dollars)

	2014				2013			
	Total \$	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$	Total \$	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$
Assets								
Investments (note 5)	202,490,073	104,420,616	90,288,666	7,780,791	183,967,056	96,311,080	80,366,298	7,289,678
Accounts receivable	2,841,497	1,012,517	1,622,471	206,509	3,006,377	1,274,330	1,593,115	138,932
Cash and cash equivalents	3,680,578	1,913,155	1,292,284	475,139	2,910,945	1,653,450	1,079,579	177,916
Total assets	209,012,148	107,346,288	93,203,421	8,462,439	189,884,378	99,238,860	83,038,992	7,606,526
Liabilities								
Redemptions payable	984,027	601,002	352,159	30,866	196,514	37,876	72,877	85,761
Accounts payable and accrued expenses	1,253,097	708,941	491,245	52,911	4,032,170	1,382,471	2,378,225	271,474
Total liabilities (excluding net assets attributable to holder of redeemable mutual fund shares)	2,237,124	1,309,943	843,404	83,777	4,228,684	1,420,347	2,451,102	357,235
Net assets attributable to holders of redeemable mutual fund shares (note 7)	206,774,024	106,035,566	92,359,820	8,378,638	185,654,694	97,817,734	80,587,693	7,249,267
Share capital (note 8)	1,000	779	197	24	1,000	779	197	24
Liabilities and shareholder funds	209,012,148	107,346,288	93,203,421	8,462,439	189,884,378	99,238,860	83,038,992	7,606,526
Net asset value per share		20.71	20.76	16.18		\$19.92	\$20.00	\$15.66

The accompanying notes form an integral part of the financial statements.

Approved by the Board of Directors on December 12, 2014

 Director

 Director

Fortress Caribbean Pension Fund Limited

Statement of Changes in Net Assets Attributable to Holders of Redeemable Mutual Fund Shares

For the year ended September 30, 2014

(expressed in Barbados dollars)

	Number of shares			Net assets attributable to holders of redeemable mutual fund shares			
	Aggressive Accumulator	Conservative Consolidator	Capital Secure	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$	Total \$
Balance as at September 30, 2012	4,500,302	3,531,298	415,987	88,196,588	69,047,739	6,341,332	163,585,659
Issue of shares	504,071	668,328	76,373	10,044,249	13,299,549	1,189,941	24,533,739
Redemption of shares	(92,480)	(170,618)	(29,503)	(1,851,442)	(3,402,318)	(461,534)	(5,715,294)
Total comprehensive income for the year	–	–	–	1,428,339	1,642,723	179,528	3,250,590
Balance as at September 30, 2013	4,911,893	4,029,008	462,857	97,817,734	80,587,693	7,249,267	185,654,694
Issue of shares	558,115	543,839	148,336	11,428,024	11,144,969	2,366,848	24,939,841
Redemption of shares	(349,897)	(124,521)	(93,360)	(7,147,828)	(2,542,101)	(1,473,542)	(11,163,471)
Total comprehensive income for the year	–	–	–	3,937,636	3,169,259	236,065	7,342,960
Balance as at September 30, 2014	5,120,111	4,448,326	517,833	106,035,566	92,359,820	8,378,638	206,774,024

Fortress Caribbean Pension Fund Limited

Statement of Comprehensive Income
For the year ended September 30, 2014

(expressed in Barbados dollars)

	2014				2013			
	Total \$	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$	Total \$	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$
Revenue								
Net gain on financial assets at fair value through profit or loss (note 5)	6,201,624	3,366,738	2,618,091	216,795	2,161,862	940,628	1,040,633	180,601
Other income	830,871	535,362	292,621	2,888	723,320	489,633	231,459	2,228
Interest income	354,000	22,654	310,280	21,066	419,516	3,817	415,202	497
Dividend income	118,030	98,559	19,006	465	67,006	56,479	10,261	266
Total investment Income	7,504,525	4,023,313	3,239,998	241,214	3,371,704	1,490,557	1,697,555	183,592
Expenditure								
Administrator and custodian fees	66,027	34,408	29,103	2,516	60,076	31,849	25,873	2,354
Professional fees	18,658	9,892	8,109	657	18,744	9,872	8,127	745
Directors fees	20,000	10,405	8,836	759	16,000	8,378	6,983	639
Office and administrative expenses	56,880	30,972	24,691	1,217	26,294	12,119	13,849	326
Operating expenditure	161,565	85,677	70,739	5,149	121,114	62,218	54,832	4,064
Comprehensive income for the year	7,342,960	3,937,636	3,169,259	236,065	3,250,590	1,428,339	1,642,723	179,528

The accompanying notes form an integral part of these financial statements.

Fortress Caribbean Pension Fund Limited

Statement of Cash Flows

For the year ended September 30, 2014

(expressed in Barbados dollars)

	2014	2013
	\$	\$
Cash flows from operating activities		
Total comprehensive income for the year	7,342,960	3,250,590
Adjustment for:		
Interest income	(354,000)	(419,516)
Dividend income	(118,030)	(67,006)
Net gain on financial assets at fair value through profit or loss	<u>(6,201,624)</u>	<u>(2,161,862)</u>
Operating income before working capital changes	669,306	602,206
Decrease/(increase) in account receivables	164,880	(2,939,312)
(Decrease)/increase in payables	(1,991,560)	998,240
Purchase of financial assets at fair value through profit or loss	(38,229,436)	(23,603,117)
Proceeds on sale of financial assets at fair value through profit or loss	<u>25,804,397</u>	<u>2,743,650</u>
Cash used in operations	(13,582,413)	(22,198,333)
Interest received	457,646	374,933
Dividend received	<u>118,030</u>	<u>67,006</u>
Net cash used in operating activities	<u>(13,006,737)</u>	<u>(21,756,394)</u>
Cash flows from financing activities		
Issue of redeemable mutual fund shares	24,939,841	24,533,739
Redemption of redeemable mutual fund shares	<u>(11,163,471)</u>	<u>(5,715,294)</u>
Net cash from financing activities	<u>13,776,370</u>	<u>18,818,445</u>
Net increase/(decrease) in cash and cash equivalents	769,633	(2,937,949)
Cash and cash equivalents - beginning of year	<u>2,910,945</u>	<u>5,848,894</u>
Cash and cash equivalents - end of year	<u>3,680,578</u>	<u>2,910,945</u>

The accompanying notes form an integral part of these financial statements.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

1 Incorporation and principal activity

The Fund was incorporated in Barbados on October 9th, 2002 under the Companies Act of Barbados and is licensed under the Mutual Funds Act 2002-22 of Barbados as an authorised mutual fund. The Fund maintains its registered office at 1st Floor, Carlisle House, Hincks Street, Bridgetown, Barbados.

The primary objective of each class of share is stated below:

The investment objective of the Aggressive Accumulator (AA) class of shares is to achieve growth and capital appreciation of the assets over the long term.

The investment objective of the Conservative Consolidator (CC) class of shares is to achieve growth and capital appreciation of the assets over the medium term.

The investment objective of the Capital Secure (CS) class of shares is to achieve the highest possible return compatible with the preservation of capital in the short term.

The Fund's investment and administration activities are managed by Fortress Fund Managers Limited (the Investment Manager).

These financial statements were authorised for issue by the Board of Directors on December 12, 2014.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

a) Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) promulgated by the International Accounting Standards Board (IASB), applicable to entities reporting under IFRS. The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. Although these estimates are based on management's knowledge of current events and conditions, actual results could differ from these estimates. The areas involving a higher degree of judgement on complexity, or areas where assumptions and estimates are significant to the financial assets are disclosed in note 3.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

2 Summary of significant accounting policies ...continued

a) Basis of presentation ...continued

New and amended standards adopted by the Fund

The following standards have been adopted by the Fund for the first time for the financial year beginning on or after 1 January 2013:

- IFRS 13, 'Fair value measurement' – The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. On adoption of the standard, the Fund has maintained the use of bid and ask prices for its listed financial assets and liabilities in accordance with IAS 39. The adoption of this standard has no significant impact on the financial statements.

Standards, amendments and interpretations that are issued but not yet effective which may be relevant for the Fund's operations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Fund except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and is applicable from January 1, 2018. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Fund is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2018.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

2 Summary of significant accounting policies ...continued

b) Foreign currency translation

Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in Barbados dollars which is the Fund's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of comprehensive income as part of fair value gain and loss.

c) Investments

The Fund classifies its financial assets into the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables

Management determines the appropriate classification of these assets at initial recognition.

Financial assets at fair value through profit or loss

i) Classification

The Fund's investments have been classified as financial assets at fair value through profit or loss in accordance with International Accounting Standards 39 (IAS 39), Financial Instruments: Recognition and Measurement.

Financial assets in the category at fair value through profit or loss have been so designated by management at inception since the assets form part of the managed portfolio whose performance is evaluated on a fair value basis in accordance with a documented investment strategy.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

2 Summary of significant accounting policies ...continued

c) Investments...continued

ii) Recognition, derecognition and measurement

Regular-way purchases and sales of investments are recognised on the trade date, which is the date the Fund commits to purchase or sell the investments. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income. They include the bid-ask spread, fees and commissions paid to agents, advisers, brokers and dealers. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

All financial assets at fair value through profit or loss are initially recognised at fair value and are subsequently carried at fair value based on quoted bid prices. In the absence of quoted bid prices, the last close price and other information including the quoted offer price, is considered by the Manager to determine the appropriate fair value price to be used. In the event that a security held by the Fund is unquoted, if unusual market conditions exist, or in the event that a particular security's value has become impaired, as evidenced by no bids being quoted and offers below the previous trade price, the Manager, in consultation with the Custodian, and on advice of an independent broker, will make a reasonable estimate of the fair value price by using valuation techniques.

These can include the use of recent arm's length transactions, reference to other instruments that are substantially the same or discounted cash flow analysis which make maximum use of market inputs and rely as little as possible on entity-specific inputs.

Investments in other investment funds are valued on the basis of the net asset value per share as determined by the administrators of those investment vehicles in accordance with industry practice.

Gains or losses arising from changes in the fair value of securities classified as financial assets at fair value through profit or loss are recognised in the statement of comprehensive income as they arise. Fair value at date of disposal is used to compute realised and unrealised gains on investments.

iii) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The quoted market price used for financial assets held by the Fund is the current bid price; the quoted market price for financial liabilities is the current asking price. If a significant movement in fair value occurs subsequent to the close of trading on the year end date, valuation techniques will be applied to determine the fair value. A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign exchange, but before the Fund's valuation time that materially affects the integrity of the closing prices for any security, instrument, currency or securities affected by that event so that they cannot be considered 'readily available' market quotations.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

2 Summary of significant accounting policies ...continued

c) Investments...continued

iii) Fair value estimation...continued

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

iv) Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortised cost using the effective interest method less provision for impairment. A loan or receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees and the financial condition and viability of the borrower.

d) Cash and cash equivalents

Cash and cash equivalents are short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to insignificant changes in fair value.

e) Investment income

Interest income

Interest income is recognised in the statement of comprehensive income for all interest-bearing instruments on an accrual basis using the effective interest method. Interest income relates to coupons earned on fixed income investments and short-term deposits.

Dividend income

Dividend income is recognised when the Fund's right to receive payment is established.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

2 Summary of significant accounting policies ...continued

f) Expenses

Expenses are accounted for on an accrual basis. Expenses are charged to the statement of comprehensive income. In addition to the management fees and administration expenses, the Fund is responsible for the payment of all direct expenses relating to its operations such as audit, legal and professional fees.

g) Redeemable mutual fund shares/net asset value

The Fund's net asset value per redeemable mutual fund share is calculated by dividing the net assets attributable to those shares by the number of outstanding redeemable shares. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the procedures described in note 2c for the purpose of determining the net asset value per share for subscriptions and redemptions.

h) Distributions payable to holders of redeemable mutual fund shares

The Fund does not pay dividends or distributions to the holders of redeemable mutual fund shares. All income, including interest, dividends and capital gains earned by the Fund, is automatically reinvested and this income is reflected in the net asset value of the shares.

i) Taxation

The Fund is licensed as an authorized mutual fund under the Mutual Funds Act, 2002-22 of Barbados. The Directors have resolved that all of the net income of the Fund is attributable to the Fund's redeemable mutual fund shareholders. In calculating the assessable income of the Fund for tax purposes, the Act provides for a deduction of up to a 100% of the income that is designated to be the income of the Fund shareholders.

3 Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the next financial year relate to the valuation of unquoted investments and the determination of impairment provisions. The fair value of such securities not quoted in an active market may be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices.

The Fund exercises judgement and estimates on the quantity and quality of pricing sources used. The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Management policies surrounding these estimates and assumptions are disclosed in note 4.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

4 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (which includes price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk.

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise the potential adverse effect on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments to moderate certain risk exposures.

The risk management policies employed by the Fund to manage these risks are discussed below. There are no changes in the risk management policies from the prior year.

The management of these risks is carried out by the investment manager under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments and the investment of excess liquidity.

Market risk

i) Price risk

The Fund is exposed to market price risk arising from the changes in equity prices. To manage this risk the Fund holds a diversified portfolio of investments in accordance with its investment policy. A summary of the overall balance sheet market exposures at September 30, 2014 is disclosed in note 5.

At September 30, 2014, 98% (2013- 97%) of financial assets at fair value through profit or loss, comprise of investments in other funds that have been fair valued in accordance with the policies set out in note 2c. Since the shares of the other funds are not publicly traded, redemption can only be made by the Fund on the redemption dates and subject to the required notice periods specified in the offering documents of each of the other funds. The rights of the Fund to request redemption of its investments in other funds may vary in frequency from daily to monthly redemptions. As a result, the carrying values of the other funds may not be indicative of the prevailing values ultimately realised on redemption. In addition, the Fund may be materially affected by the actions of other investors who have invested in funds in which the Fund has invested.

The Fund's holding in a third party investee fund, as a percentage of the investee fund's total net asset value, will vary from time to time dependent on the volume of subscriptions and redemptions at the investee fund level. It is possible that the Fund may, at any point in time, hold a majority of an investee fund's total units in issue.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

4 Financial risk management

Market risk...continued

i) Price risk ...continued

Sensitivity

The effects of an across the board 9%-10% change in prices of the Fund's financial assets at fair value through profit or loss are set out below:

	Carrying value \$	Effective change at September 2014	Impact on income \$
2014			
Listed on Caribbean stock exchange and markets	2,718,306	9%	244,648
Mutual funds	194,229,571	10%	19,422,957
Hedge funds	1,428,250	10%	142,825
Government backed securities	2,843,321	10%	284,332
	201,219,448		20,094,762
	Carrying value \$	Effective change at September 2013	Impact on income \$
2013			
Listed on Caribbean stock exchange and markets	2,401,472	10%	240,148
Mutual funds	172,483,136	10%	17,248,314
Hedge funds	1,856,580	10%	185,658
Government backed securities	5,964,410	10%	596,441
	182,705,598		18,270,561

ii) Cash flows and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow. The Fund holds fixed interest securities that expose the Fund to fair value interest rate risk. The Fund's significant interest-bearing financial assets earn interest at fixed rates and therefore the cash flows of the Fund are not affected by fluctuations in the prevailing levels of market interest rates. The Fund therefore has no significant interest rate risk on its cash flows.

The majority of the Fund's financial assets and liabilities of the Fund are non-interest bearing. The Fund would be impacted by movement in the market interest rates on the maturity of short term fixed rate instruments which would have to be reinvested at different rates of return.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

4 Financial risk management ...continued

Market risk ...continued

ii) Cash flows and fair value interest rate risk ...continued

The following table indicates the sensitivity to the fair value of the Fund's long term fixed rate financial assets at fair value through profit or loss, to a reasonable possible change in interest rates with all other variables being constant.

	2014	2013
	Effect on	Effect on
	net income	net income
	\$	\$
Change in interest rate:		
-2%	234,401	281,457
2%	(212,279)	(241,707)

The Fund has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Fund invests and impact on the valuation of certain over-the-counter derivative products that use interest rates as an input in their valuation model.

Therefore, the above sensitivity analysis may not fully indicate the total effect on the Fund's net assets attributable to holders of redeemable shares of future movements in interest rates.

iii) Foreign currency risk

The Fund holds financial assets denominated in currencies other than Barbados dollars, the functional currency of the Fund. Consequently, except where assets and liabilities are denominated in currencies fixed to the Barbados dollar, the Fund is exposed to currency risk. The Fund's policy is not to enter into any hedging transactions to mitigate currency risk. The Fund has no significant exposure to currency risk at year end as the foreign currencies within the Fund do not fluctuate noticeably against the Barbados dollar.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

4 Financial risk management ...continued

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment entered into with the Fund.

The maximum exposure of the Fund to the credit risk is set out in the following table:

	2014	2013
	\$	\$
Government backed securities	2,843,321	5,964,410
Loans and receivable	1,270,625	1,261,458
Accounts receivable	2,841,497	3,006,377
Cash and cash equivalents	3,680,578	2,910,945
	<u>10,636,021</u>	<u>13,143,190</u>

The Fund holds government bonds issued by the Government of Barbados which maintains a BB- (2013 – BB-) rating by Standard and Poor's.

None of the Fund's accounts receivables are impaired or past due but not impaired as at September 30, 2014.

The Fund's exposure to individual counterparty credit risk on its cash and cash equivalents exceeding 2.5% of total the Fund's net assets is set out below:

	2014	2013
	\$	\$
Cash and cash equivalents		
CIBC FirstCaribbean International Bank (not rated)	<u>3,680,578</u>	<u>2,910,945</u>

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

4 Financial risk management ...continued

Liquidity risk

The Fund is exposed to monthly cash redemptions of redeemable mutual fund shares (note 2g). It therefore invests the majority of its assets in investments that are easily liquidated. The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month \$	1 - 3 months \$
At September 30, 2014		
Redemptions payable	984,027	–
Accounts payable and accrued expenses	–	1,253,097
Net assets attributable to holders of redeemable fund shares	–	206,774,024
Total financial liabilities	984,027	208,027,121
	Less than 1 month \$	1 - 3 months \$
At September 30, 2013		
Redemptions payable	196,514	–
Accounts payable and accrued expenses	–	4,032,170
Net assets attributable to holders of redeemable fund shares	–	185,654,694
Total financial liabilities	196,514	189,686,864

In the event of unusual circumstances and redemption requests representing more than 20% of the Fund's assets are received within 30 consecutive days, the directors of the Fund reserve the right to suspend redemptions and to hold a special meeting of the Fund shareholders to determine the future of the Fund, including the liquidation of the Fund's assets. In any event, redemptions may be paid in cash or by an appropriate transfer in specie.

At September 30, 2014, 98% (2013- 97%) of financial assets at fair value through profit or loss, comprise of investments in other funds that have been fair valued in accordance with the policies set out in note 2c. Since the shares of the other funds are not publicly traded, redemption can only be made by the Fund on the redemption dates and subject to the required notice periods specified in the offering documents of each of the other funds. The rights of the Fund to request redemption of its investments in other funds may vary in frequency from daily to monthly redemptions. As a result, the carrying values of the other funds may not be indicative of the prevailing values ultimately realised on redemption. In addition, the Fund may be materially affected by the actions of other investors who have invested in funds in which the Fund has invested.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

4 Financial risk management...continued

Liquidity risk...continued

The Fund manages its liquidity risk by investing in securities that it expects to be able to easily liquidate. The following table illustrates the expected liquidity of assets held.

	Less than 1 month \$	1 - 3 months \$	Over 3 months \$
September 30, 2014			
Total assets	9,240,381	195,657,821	4,113,946
September 30, 2013			
Total assets	11,444,082	174,339,716	4,100,580

Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable shares. The amount of net assets attributable to holders of redeemable shares can change significantly on a monthly basis as the Fund is subject to monthly subscriptions and redemptions at the discretion of shareholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Fund is the current bid price; the quoted market price for financial liabilities is the current asking price. If a significant movement in fair value occurs subsequent to the close of trading on the year end date, valuation techniques will be applied to determine the fair value.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The Fund is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following tables analyse within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
September 30, 2014				
Financial assets at fair value through profit or loss				
Mutual funds	–	194,229,571	–	194,229,571
Government backed securities	–	–	2,843,321	2,843,321
Listed securities	2,148,760	569,546	–	2,718,306
Hedge funds	–	–	1,428,250	1,428,250
	2,148,760	194,799,117	4,271,571	201,219,448

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
September 30, 2013				
Financial assets at fair value through profit or loss				
Mutual funds	545,128	171,938,008	–	172,483,136
Government backed securities	–	–	5,964,410	5,964,410
Listed securities	2,401,472	–	–	2,401,472
Hedge funds	–	–	1,856,580	1,856,580
	2,946,600	171,938,008	7,820,990	182,705,598

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

Investments whose value are based on quoted market prices in active markets, and therefore classified within level 1, include active listed close-ended mutual funds. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These are unlisted mutual funds and listed equity securities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include government issued debt. As observable prices are not available for these securities, the Fund has used valuation techniques to derive the fair value.

There were no transfers between levels for the year ended September 30, 2014.

The following tables present the movement in level 3 instruments by class of financial instrument:

	Government backed securities	Hedge funds	Total balance
	\$	\$	\$
September 30, 2014			
Opening balance	5,964,410	1,856,580	7,820,990
Purchases	—	—	—
Sales	(3,044,100)	(238,182)	(3,282,282)
Losses recognised in the statement of comprehensive income	(76,989)	(190,148)	(267,137)
	<hr/>	<hr/>	<hr/>
Closing balance	2,843,321	1,428,250	4,271,571
Change in unrealised gains or losses for Level 3 assets held at year end and included in other net changes in fair value on financial assets at fair value through profit or loss	4,199	84,385	88,584
	<hr/>	<hr/>	<hr/>

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

	Government backed securities \$	Hedge funds \$	Total balance \$
September 30, 2013			
Opening balance	5,997,160	2,000,000	7,997,160
Purchases	–	–	–
Losses recognised in the statement of comprehensive income	–	–	–
	(32,750)	(143,420)	(176,170)
Closing balance	5,964,410	1,856,580	7,820,990
Change in unrealised gains or losses for Level 3 assets held at year end and included in other net changes in fair value on financial assets at fair value through profit or loss	(32,750)	(143,420)	(176,170)

The below table provides information about fair value measurements using significant unobservable inputs (Level 3).

Description	Fair value at September 30, 2014	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Government backed securities	\$2,843,321	Third party valuation of bond prices	Market yields Linear interpolation	The higher the market yield the higher the fair value
Hedge funds	\$1,428,250	Third party administrator valuation of net asset value per share	Net asset value per share	The higher the net asset value per share the higher the fair value

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table analyses within the fair value hierarchy the Fund's assets and liabilities (by class) not measured at fair value at September 30, 2014 but for which fair value is disclosed.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2014				
Assets				
Accounts receivable	–	2,841,497	–	2,841,497
Cash and cash equivalents	3,680,578	–	–	3,680,578
Total	3,680,578	2,841,497	–	6,522,075
Liabilities				
Redemptions payable	–	984,027	–	984,027
Accounts payable and accrued expenses	–	1,253,097	–	1,253,097
Net assets attributable to holders of redeemable mutual fund shares	–	206,774,024	–	206,774,024
Total	–	209,011,148	–	209,011,148

The assets and liabilities included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Margin accounts, cash and cash equivalents include cash in hand, deposits held with banks and other short-term investments in an active market.

The puttable value of redeemable shares is calculated based on the net difference between total assets and all other liabilities of the Fund in accordance with the Fund's offering memorandum. These shares are not traded on an active market. A demand feature is attached to these shares, as they are redeemable at the holders' option and can be put back to the Fund at any dealing date for cash equal to a proportionate share of the Fund's net asset value attributable to the share class (Note 2g). The fair value is based on the amount payable on demand, discounted from the first date that the amount could be required to be paid. The impact of discounting in this instance is not material. As such, Level 2 is deemed to be the most appropriate categorisation for net assets attributable to holders of redeemable shares.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

5 Investments

The classification of the Fund's investments is detailed below:

	2014	2013
	\$	\$
Financial assets at fair value through profit or loss:		
Aggressive Accumulator		
- Mutual funds	101,357,158	93,309,825
- Listed securities	2,349,333	2,040,955
- Hedge funds	714,125	960,300
Conservative Consolidator		
- Mutual funds	85,354,116	72,142,268
- Government backed securities	2,843,321	5,964,410
- Listed securities	360,604	351,882
- Hedge funds	714,125	896,280
Capital Secure		
- Mutual funds	7,518,297	7,031,043
- Listed securities	8,369	8,635
Total financial assets designated as fair value through profit or loss	201,219,448	182,705,598
Loans and receivables:		
Conservative Consolidator	1,016,500	1,011,458
Capital Secure	254,125	250,000
Total investments	202,490,073	183,967,056

Net gains on financial assets at fair value through profit or loss:

	2014	2013
	\$	\$
- realised	1,961,114	30,401
- change in unrealised	4,240,510	2,131,461
	6,201,624	2,161,862

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

5 Investments ...continued

The detailed portfolio of investments is as follows:

	2014		2013	
	Cost \$	Market value \$	Cost \$	Market value \$
Aggressive Accumulator				
Financial assets at fair value through profit or loss				
Fortress Mutual Fund Limited	62,453,608	76,318,516	54,934,199	66,237,649
Fortress Caribbean High Interest Fund	18,540,008	23,073,161	20,725,976	25,423,197
Fortress Caribbean Property Fund Limited				
SCC- Value Fund	2,501,454	1,560,483	–	–
Fortress OAM Overseas Fund Limited	1,373,278	1,421,313	1,373,278	1,376,415
OAM Debt Recovery Fund	631,919	714,125	903,114	960,300
Fortress Caribbean Property Fund Limited				
SCC- Development Fund	1,644,892	474,972	–	–
Fortress Emerging Markets Fund	253,375	292,986	253,375	272,564
Fortress Global Opportunity Wealth Fund	253,460	251,182		
Praetorian Property Mutual Fund Limited	320,215	206,328	320,215	205,385
Massy Holdings Ltd	95,100	107,550	–	–
Fortress Caribbean Property Fund Limited	–	–	3,852,812	1,835,570
	88,067,309	104,420,616	82,362,969	96,311,080
Conservative Consolidator				
Financial assets at fair value through profit or loss:				
Fortress Mutual Fund Limited	48,204,259	52,421,316	34,717,021	37,512,849
Fortress Caribbean High Interest Fund	27,760,285	31,441,101	29,931,223	33,439,257
Government of Barbados	2,590,000	2,843,321	5,634,100	5,964,410
Fortress OAM Overseas Fund Limited	915,508	947,530	915,508	917,598
OAM Debt Recovery Fund	631,919	714,125	842,907	896,280
Fortress Emerging Markets Fund	253,375	292,987	253,375	272,564
Fortress Global Opportunity Wealth Fund	253,460	251,182	–	–
Fortress Caribbean Property Fund Limited				
SCC- Value Fund	414,553	249,797	–	–
Fortress Caribbean Property Fund Limited				
SCC- Development Fund	313,755	92,316	–	–
Praetorian Property Mutual Fund Limited	28,854	18,491	28,854	18,407
Fortress Caribbean Property Fund Limited	–	–	693,721	333,475
	81,365,968	89,272,166	73,016,709	79,354,840
Loans and receivables				
Simpson Finance Bond	1,000,000	1,016,500	1,000,000	1,011,458
	82,365,968	90,288,666	74,016,709	80,366,298

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

5 Investments...continued

	2014		2013	
	Cost \$	Market value \$	Cost \$	Market value \$
Capital Secure				
Financial assets at fair value through profit or loss				
Fortress Caribbean High Interest Fund	6,004,384	6,741,525	6,028,148	6,628,050
Fortress Mutual Fund Limited	741,278	776,772	384,959	402,993
Fortress Caribbean Property Fund Limited SCC- Value Fund	10,434	6,111	–	–
Fortress Caribbean Property Fund Limited SCC- Development Fund	7,896	2,258	–	–
Fortress Caribbean Property Fund Limited	–	–	18,330	8,635
	6,763,992	7,526,666	6,431,437	7,039,678
Loans and receivables				
Simpson Finance Bond	250,000	254,125	250,000	250,000
	7,013,992	7,780,791	6,681,437	7,289,678

The Fortress Mutual Fund Limited aims to achieve long term capital appreciation from Caribbean securities. The fund's assets are invested mainly in shares of companies listed on the Caribbean stock exchanges.

The Fortress Caribbean Property Fund Limited SCC aims to achieve income and capital appreciation over the long term. The fund is authorised to invest in real estate, Caribbean Listed shares or open ended funds, unlisted shares of Caribbean companies and government securities. The fund's current holdings are primarily in real estate. The fund has two classes of shares the Fortress Caribbean Property Fund- Value Fund (the Value Fund) and Fortress Caribbean Property Fund -Development Fund (the Development Fund).

The Fortress Caribbean High Interest Fund Limited aims to achieve the highest level of income compatible with the preservation of capital by investing in medium to high grade debt and equity securities issued by corporate and government entities with a short to medium term maturity profile principally in the Caribbean Region.

The Fortress OAM Overseas Fund Limited aims through its investments in OAM Asian Recovery Fund and OAM European Value Fund, to offer investors long-term capital appreciation through the application of a bottom-up value-based investment approach.

The objective of Fortress Emerging Markets Fund SP is long term growth with limited risk in emerging markets equities.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

5 Investments...continued

The objective of Fortress Global Opportunity Wealth Fund SP is long term appreciation. The fund combines investments in Fortress US Equity Fund SP, Fortress International Equity Fund SP, Fortress Income Builder US Fund SP, Fortress Income Builder International Fund SP, Fortress Emerging Markets Fund SP, direct holding in global government fixed income securities and allocations to select specialist managers in fixed income, equity and alternatives assets classes.

6 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Fortress Fund Managers Limited serves as manager, registrar and administrator of the Fund. As a result of providing investment advisory, management, registrar and administrator services, Fortress Fund Managers Limited receives a monthly management fee based on the actual net asset value of the Fund, calculated monthly and payable in arrears, at the rate of 0.50% per annum. The Fund invests in mutual funds managed by the same manager. The management fee amounted to \$975,455 (2013 - \$876,284) for the year. The administrator fees amounted to \$58,527 (2013- \$52,576) for the year.

Management fees of \$1,796,494 (2013 - \$1,598,497) were refunded by Fortress Fund Managers Limited being 0.50% - 1.25% of the net asset values of Fortress Mutual Fund Limited, Fortress Caribbean Property Fund SCC Limited, Fortress OAM Overseas Management Fund Limited and Fortress Caribbean High Interest Fund shares held by the Fund during the year. This is to avoid double charging of management fees on assets invested in related Funds which have the same Manager.

Management fees of \$9,832 (2013- \$1,107) were refunded by Fortress Fund Advisory Limited (a subsidiary of Fortress Fund Managers Limited) being 1% of the net asset values of Fortress Emerging Markets Fund and Fortress Global Opportunity Wealth Fund shares held by the Fund during the year. This is to avoid double charging of management fees on assets invested in related Funds which have the same Manager.

Custodian fees of \$7,500 (2013- \$7,500) were paid to CIBC FirstCaribbean International Bank (Barbados) Limited for which there is shared directorship.

The Fund holds 26,811,146 (2013- 22,378,387) shares valued at \$129,516,604 (2013- \$104,153,491) in the Fortress Mutual Fund Limited.

The Fund holds 33,351,002 (2013- 36,771,760) shares valued at \$61,255,787 (2013- \$65,490,504) in the Fortress Caribbean High Interest Fund Limited.

The Fund holds nil (2013- 3,350,277) shares valued at \$nil (2013- \$2,177,680) in the Fortress Caribbean Property Fund Limited. During the year the company was divided into a segregated cell company- Fortress Caribbean Property Fund Limited SCC. The company was divided into two cells, Fortress Caribbean Property Fund- Value Fund (the Value Fund) and Fortress Caribbean Property Fund -Development Fund (the Development Fund). Each share previously owned was replaced by one share in the Value Fund and one share in the Development Fund. The Fund holds 3,948,677 (2013- nil) shares valued at \$1,816,391 (2013- nil) in the Fortress Caribbean Property Fund Limited SCC- Value Fund. The Fund holds 3,350,277 (2013- nil) shares valued at \$569,546 (2013- \$nil) in the Fortress Caribbean Property Fund Limited SCC- Development Fund.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2014

(expressed in Barbados dollars)

6 Related parties...continued

The Fund holds 1,112,087 (2013- 1,112,087) shares valued at \$2,368,843 (2013- \$2,294,013) in the Fortress OAM Overseas Fund Limited.

The Fund holds 2,856 (2013- 2,856) shares valued at \$585,973 (2013- \$545,128) in the Fortress Emerging Markets Fund Limited.

The Fund holds 2,421 (2013- nil) shares valued at \$502,364 (2013- \$nil) in the Fortress Global Opportunity Wealth Fund Limited.

Directors fees of \$20,000 (2013- \$16,000) were paid during the year.

7 Redeemable mutual fund shares

Each class of Fund shares is entitled to share in the net income and net capital gains of the Fund. Fund shareholders shall not be entitled to vote at meetings of shareholders of the Fund save and except as permitted under the Companies Act CAP 308 and of the following:

- i) Disposal of substantially all of the Assets of the Fund, other than the course of ordinary business.
- ii) Any change or abrogation of the rights attached to the shares or any variation affecting the rights attached to the Fund shares.
- iii) Any proposed amalgamation of the Fund with another company or any amalgamation of the Fund with another Mutual Fund.
- iv) Any proposed liquidation or dissolution of the Fund.

8 Share capital

The 1,000 common shares held by the Fund Manager, carry full voting rights, but do not share in the profits of the Fund. On winding up of the Fund, the shares will be repaid at issue value.



FORTRESS FUND MANAGERS LIMITED
FIRST FLOOR, CARLISLE HOUSE, HINCKS STREET, BRIDGETOWN, BB11144, BARBADOS
TEL: (246) 431-2198 FAX: (246) 431-0514 • invest@fortressfund.com • www.fortressfund.com