

FORTRESS

Quarterly Report

FORTRESS CARIBBEAN GROWTH FUND



December 2009

Fund Objective – Growth

Capital appreciation of assets over the long term, principally through investment in shares of both quoted and unquoted companies located or that have their principal activities in the Caribbean.

Recommended for:

- Investors seeking investment exposure in the Caribbean.
- Investors seeking capital growth and appreciation over the long term

Fund Details

Inception	December 9, 1996
Minimum Investment	\$100
for subsequent investments	\$100
for monthly savings plan	\$50
Net Asset Value Per Share	\$4.37
Net Assets	\$289,473,227

Expenses

Manager & Administrator

1.75 % per annum of net assets of the Fund

Fund Custodian

0.175 % per annum of net assets of the Fund

Initial Charges

2% initial charge

Redemption Charge

None

Manager & Administrator

Fortress Fund Managers Ltd.

Directors

Geoffrey Cave, Chairman
David Bynoe
Sir Fred Gollop
Ken Emery
John Williams
Roger Cave, Investment Manager

Custodian

FirstCaribbean International Bank
Wealth Management
Broad Street
Bridgetown
Barbados

Independent Auditors

PricewaterhouseCoopers
Barbados

Attorney-at-Law

Sir Henry deB. Forde, K.A., Q.C.
Juris Chambers

Important information about this fund is contained in our prospectus which we encourage you to read before making an investment. The indicated returns are net of all fees and expenses. The returns are historical and are not necessarily indicative of future performance. Investors should be aware that this is an equity fund and as such there are risks involved where the value of the Fund's shares may go down as well as up.

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Report by the Investment Manager

The Fortress Caribbean Growth Fund produced a return of -0.1% for the quarter ended December 31st 2009, 3.3% for the last six months and 4% for the calendar year 2009. Total assets are now \$289 million.

The Caribbean stock markets were flat during the last quarter, with the exception of Jamaica which was up 3.1% in US\$ terms. As previously reported, the Caribbean economies and their stock markets continue to lag the developed world in their recovery and were all negative for 2009 while the MSCI world index was up 28%. Our international investments, including our US, European and Asian portfolios all did exceptionally well in 2009 which partially offset the declines from our Caribbean holdings and led to the Fund's outperformance of the regional benchmarks.

The Barbados economy contracted by 5.3% in 2009 and the fiscal deficit widened to 8.4% of GDP, unemployment rose to over 10% and net of borrowing, the net international reserves declined. The Barbados debt rating was downgraded by both S&P & Moody's in the last quarter. Looking to the positives, the inflation rate declined to 3.1% from 8.6% in 2008 and the deficit on the current account narrowed due to a decline in imports due mainly to lower energy prices. The economic data for 2009 on the Trinidad, Jamaica and OECS economies is not yet available but similar results are expected with the Jamaica & OECS expected to be similar or worse and the Trinidad reports being better. Overall, it is probably fair to say that all of the regional economies experienced declines in 2009. As a result, corporate profits for most regional companies have declined which has had a similar impact on their share prices.

The Jamaica government has announced a debt swap/restructuring of all of its locally issued J\$ and US\$ debt with the principal being maintained but with lower coupons and extended maturities. The foreign bonds have not not been affected. While the expected full impact of this restructuring is still unclear, the present value "hair cut" will negatively impact financial institutions in Jamaica holding Jamaican debt as assets on their books. The Fund has large holdings in a few companies which either have significant operations in Jamaica - eg Sagcor & FCIB or are based in Jamaica such as NCB and Carreras. The acceptance of the debt swap is a pre-condition for the IMF financing and the outcome of this will be known by the end of February. One of the main objectives of this initiative is to lower the level of interest rates in Jamaica which if successful in the medium to long term could finally put the country on a sound and sustainable path for growth and financial recovery and stability. With valuations in Jamaica so cheap, this may be a great opportunity for the stock market but it is not without risks because if it does not work, there may be tremendous pressure on the exchange rate.

Looking forward, we are genuinely optimistic for the prospects for the Fund given the many indications that a global recovery is underway. The IMF has recently upgraded its forecasts for higher than expected growth in the world economy in 2010 albeit with potential risks if the key stimulus packages are withdrawn too early. If the IMF's projections prove to be correct, it is likely that our regional economies could start to recover towards the end of 2010 and since the regional stock markets are some of the few in the world which have not participated in the rally in 2009, it is possible that our markets could show gains in anticipation of renewed growth in the region.

The Fund is well positioned to take advantage of any recovery in regional markets and while we believe that international markets may have advanced too far, too fast, our holdings are concentrated in solid companies at reasonable valuations and we remain positive of their potential to continue to produce attractive returns going forward.

Top 10 Holdings

Rank	Company	Country	Sector
(1)	Overseas Asset Management	Cayman	Mutual Fund
(2)	Fortress Global Value Fund	BVI	Mutual Fund
(3)	Sagcor Financial Corporation	Barbados	Insurance
(4)	Neal & Massy Holdings Ltd	Trinidad	Conglomerate
(5)	Fortress International Equity Strategy	International	Various
(6)	CS&C Joint Venture	Barbados	Real Estate
(7)	Goddard Enterprises Limited	Barbados	Conglomerate
(8)	Cable & Wireless B'dos Limited	Barbados	Telecommunications
(9)	FirstCaribbean International Bank	Barbados	Banking
(10)	Bermuda Fire & Marine Ltd	Bermuda	Insurance

Investment Returns

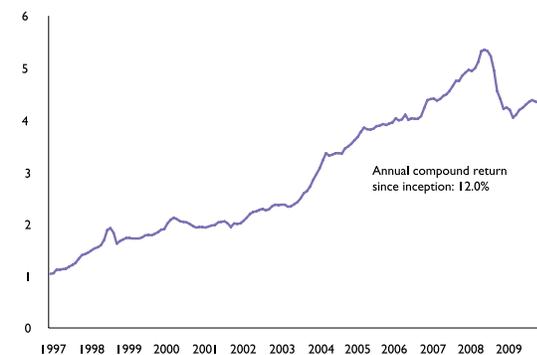
	-0.1%	3.3%	3.9%	-5.6%	4.3%
	3 Months	6 Months	1 Year	2 Years	5 Years

compound annual returns

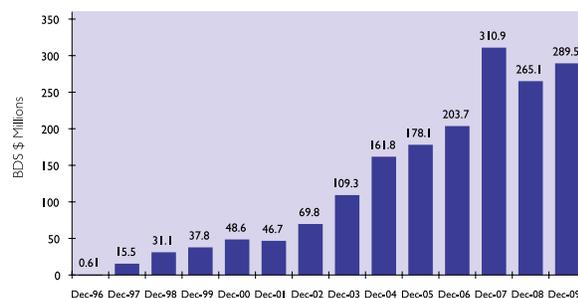
Movement In Fund Price and Total Assets

Date	Net assets	Net Asset Value/Share
31-Dec-08	\$265,096,658	\$4.21
31-Jan-09	\$269,754,220	\$4.24
28-Feb-09	\$267,090,901	\$4.19
31-Mar-09	\$249,966,287	\$4.04
30-Apr-09	\$254,322,937	\$4.10
31-May-09	\$261,537,798	\$4.19
30-Jun-09	\$266,378,062	\$4.23
31-Jul-09	\$275,125,073	\$4.29
31-Aug-09	\$278,725,518	\$4.34
30-Sep-09	\$283,248,525	\$4.38
31-Oct-09	\$282,452,059	\$4.35
30-Nov-09	\$282,670,561	\$4.33
31-Dec-09	\$289,473,227	\$4.37

Investment Performance (Fund NAV) - To Dec 31st 2009



Growth In Assets



1 Year Returns - December 31st 08 - December 31st 09 Fortress vs Caribbean & Intl. Markets



FORTRESS CARIBBEAN HIGH INTEREST FUND

Report by the Investment Manager

Fund Objective

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

Fund Details

Inception	May 17, 2002
Minimum Investment	\$500
for subsequent investments	\$100
or monthly savings plan	\$100
NAV - Accumulation	\$1.5754
NAV - Distribution	\$1.0143

Net Assets

Accumulation	\$72,602,715
Distribution	\$5,648,906
	\$78,251,621

**Expenses
Manager**

0.75% per annum of net assets of Fund

Custodian & Administrator

0.20% on the first \$30M in net assets
0.175% on the next \$50M in net assets
0.15% on amounts over \$80M in net assets

Initial Charges

none

Redemption Charge

2% for funds held less than 6 months
to 1% for funds held less 6 months to 2 years
Nil - After 2 years

Manager & Administrator

Fortress Fund Managers Ltd.

Directors

Geoffrey Cave, Chairman
David Bynoe
Sir Fred Gollop
Ken Emery
John Williams
Roger Cave, Investment Manager

Custodian

FirstCaribbean International Bank
Wealth Management Division
Broad Street
Bridgetown

Independent Auditors

PricewaterhouseCoopers

Attorney-at-Law

Sir Henry deB. Forde, Q.C.
Juris Chambers

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The Caribbean High Interest Fund returned 1.44% in the 4th quarter, and was up 4.26% for the full year 2009. This is an improved result from earlier in the year, but still behind the Fund's average annual compound return since inception of 6.1%. Looking forward, we see good prospects for the Fund even in the current low interest rate environment. It continues to be very well-diversified by strategy and geography, and, even with cautious positioning, is still generating a running yield of over 5%.

US dollar deposit rates remained near zero during the quarter, as did rates in most developed countries. Central banks around the world kept rates unusually low to stimulate growth, and government stimulus packages also supported demand. Bond investors, meanwhile, focused on the future effects of such a long period of extremely stimulative policies. Fears of inflation crept in. Long term yields rose, even as short rates stayed low, and yields on inflation-protected bonds such as US government TIPs continued to drop. While the huge debts incurred by governments will likely lead to inflation eventually, it is still unclear when that may be. In the short term, developed economies seem to have enough excess capacity and hangover from the banking crisis to keep inflation relatively low. This means rates may stay low for some time, even though risks of higher rates remain.

In the Caribbean, bond prices remained stable even as many governments struggled with the financial remains of the global economic slowdown. Standard & Poor's downgraded the credit rating of the government of Barbados in October to the lowest level that is still considered "investment grade", but markets took this announcement in stride since Barbados is still one of the stronger credits in the region. Jamaica was widely expected to restructure its debt as its fiscal situation deteriorated in recent months. It finally took that step in early January 2010, as it effectively defaulted on its local debt and asked lenders to accept new terms on their bonds with reduced coupon rates and longer terms to maturity. The International Monetary Fund simultaneously finalised a US\$1.25 billion loan to Jamaica that naturally required unpleasant fiscal austerity measures.

The good news from an investment point of view is that the creditworthiness of Jamaica's external US\$ debt has now improved slightly, and at yields of 11% we now believe offers reasonably good value. Post-restructuring, we purchased an initial position in some of these bonds.

We are concerned other countries may encounter similar difficulties, and that the tide has not turned yet on the pressures threatening their creditworthiness. As a result, we continue to limit the Fund's exposure to long-term regional government debt and favour short-term investments such as Barbados government treasury bills for a substantial portion of the portfolio. We are also keeping the average term to maturity of the Fund's holdings relatively short to insulate the Fund from losses in case global rates begin to rise.

During the quarter, we took profits on a position in US government inflation-linked bonds that had been purchased during the credit crisis. The real yield had fallen from over 3% to nearly 1%, resulting in a 15% gain to the Fund. The Equity Income strategy continued to contribute to the Fund's overall performance, returning 4.12% in the 4th quarter.

The Fund holds positions in short term bonds issued by high quality regional corporations. Most of these are performing very well and are generating significant yields for the portfolio. Unfortunately not all issuers have withstood the economic slowdown easily.

As described in the Fund's annual report, we recently encountered difficulties with a 9.25% CL Spirits bond held by the Fund. It is scheduled to mature in late January, 2010 but now appears unlikely to repay on that date, even though the government of Trinidad & Tobago is now a majority owner of the company and the bonds are backed by shares in Lascelles. A majority of bondholders will likely carry a vote agreeing to extend the term of the bonds by approximately 2 years, in return for a boost in the coupon to 12% and some addition security. While the situation is discouraging for minority holders like us, we believe the bonds are still creditworthy and expect that the situation will ultimately be resolved satisfactorily.

Top 5 Holdings

Rank	Security	Currency	Coupon	Maturity	Yield
(1)	UWI Bond	BDS\$	9.03%	2027-09-27	9.03%
(2)	Fortress Equity Income Strategy	US\$	N/A	N/A	N/A
(3)	Term Deposit	BDS\$	7.00%	2011-12-01	7.00%
(4)	Term Deposit	US\$	6.5%	2010-06-30	6.5%
(5)	Treasury Bill	BDS\$	3.43%	2010-02-11	3.43%

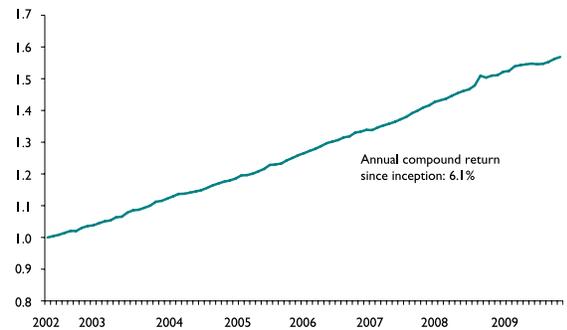
Investment Returns				
1.44%	1.80%	4.26%	5.5%	6.0%
3 Months	6 Months	1 Year	2 Years	5 Years

compound annual returns

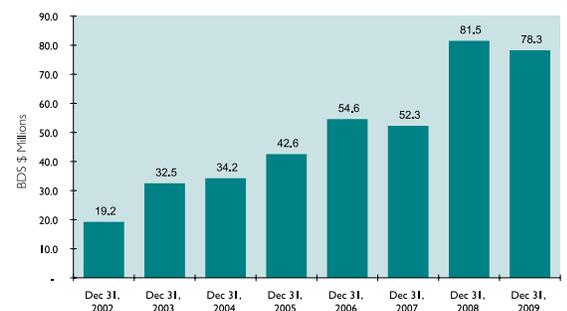
Movement In Fund Price

Date	Net asset value	
	Accumulation	Distribution
2008-12-31	\$1.5110	\$1.0015
2009-01-31	\$1.5218	\$1.0087
2009-02-28	\$1.5242	\$1.0103
2009-03-31	\$1.5389	\$1.0201
2009-04-30	\$1.5427	\$1.0025
2009-05-31	\$1.5451	\$1.0042
2009-06-30	\$1.5476	\$1.0056
2009-07-31	\$1.5454	\$1.0042
2009-08-31	\$1.5470	\$1.0052
2009-09-30	\$1.5531	\$1.0091
2009-10-31	\$1.5624	\$1.0060
2009-12-01	\$1.5684	\$1.0098
2009-12-31	\$1.5754	\$1.0143

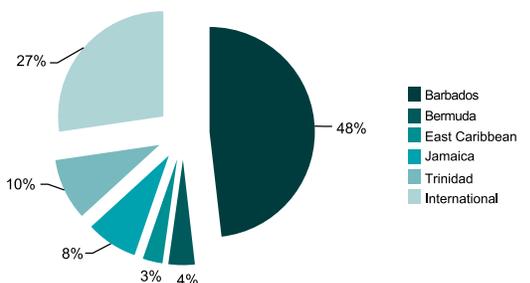
Investment Performance (Fund NAV) - To Dec 31st 2009



Growth In Assets



Geographical Distribution of Assets



Report by the Investment Manager

As at December 15th, 2009, the Fund was up 21.26% for the year. This compares with the full year return of 29.91% on the MSCI World index. The return on the last three months for the Fund as well as the MSCI World was 5.88% and 3.39% respectively.

During the latter part of the quarter, new information on Dubai surfaced suggesting possibly further problems to come. Emerging markets were down sharply on this news on fears of further contagion throughout world markets. The impact was mostly minimal to the more developed markets but the overall optimism we have seen since March appears to have waned.

Emerging markets were still the top performing markets for the year as Brazil, Russia and Indonesia registered overall returns of over 100% in US dollar terms. Currency had a large part to play in the overall returns in the emerging markets as the US dollar still remained at weakened levels. This played well for those interested in the commodities sphere of the market. It is not clear the direction of the US monetary policy and the long-term effects of the past two years of increased deficits. China, India and other typically large foreign holders of US debt logically do not seem keen on supporting massive US Treasury investments and this has pushed many of these sovereign investors into focusing on gold. As the US\$ remains depressed, we expect to see more large sovereign buying of gold due to this move.

Our relative lag on the index as discussed in previous quarterly commentaries throughout the year was due to our conservative strategies taken throughout the year. The Fund's cash balance stood at 16%, 20% of the Fund was in emerging markets and the remaining 64% in the developed markets.

Large contributors to the Fund over the quarter were our holdings in Sprott as their picks on commodities did quite well with their mix of shorts on the US financials. Our internal Fortress Equity Income Strategy and the OAM Asia Recovery Fund were also big contributors during the quarter.

In the near term we believe that the current excitement surrounding gold will continue as retail investors herd around the topic but we are extremely hesitant about any direct purchases at this time. Our investments in gold and other related commodities goes as far as our holdings with the Sprott Offshore Fund which has been in this space for many years and has the experience to know how and when to readjust their portfolio. We have held Sprott almost from the inception of the Fortress Global Value Fund and have reaped tremendous returns over the years.

Our internally managed strategies have also been strong contributors to overall portfolio growth especially our US Equity and International Equity Strategies. We believe going into 2010 the market may exhibit greater volatility and we therefore may seek to rely more on the Equity Income Strategy. It provides us the opportunity to be invested in stable companies with good dividends with only bond like volatility. The US\$ may strengthen in 2010 in response to Fed rate increases and slightly improved fundamentals. This may be a headwind for the international components of the Fund in the year ahead.

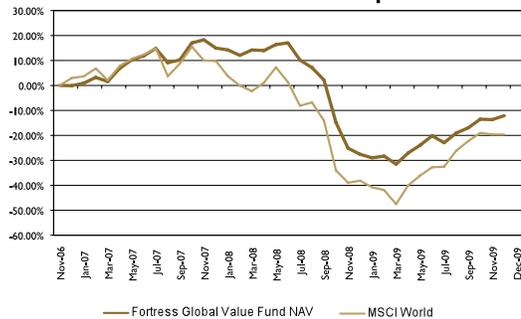
The markets in 2009 gave strength to materials, consumer discretionary and financial stocks and we believe the rotation to areas such as utilities and healthcare will occur. Our strategy allocations have already picked up on these currently unwanted sectors and this should augur well for our portfolios.

We look forward to once again bringing positive results to you our investors for the coming year.

Relative Performance

as at Dec 15th, 2009	YTD	6 Mths	1 Year	Since Inception [annualised]
Fortress Global Value Fund	21.36%	10.07%	21.36%	-4.10%
Benchmarks				
MSCI World	29.91%	19.55%	29.91%	-6.85%
MSCI EAFE	29.13%	19.51%	29.13%	-7.34%

Performance since Inception



Net Asset Values (1 Year)

Date	NAV
15-Dec-08	\$0.7242
15-Jan-09	\$0.7101
15-Feb-09	\$0.7171
15-Mar-09	\$0.6848
15-Apr-09	\$0.7295
15-May-09	\$0.7606
15-Jun-09	\$0.7985
15-Jul-09	\$0.7706
15-Aug-09	\$0.8092
15-Sep-09	\$0.8301
15-Oct-09	\$0.8648
15-Nov-09	\$0.8632
15-Dec-09	\$0.8789

Fortress Global Value Fund Limited vs Benchmarks

Inception to Dec 15th, 2009

Year	Performance (stated in percentages)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	0.96	2.32	-1.58	5.19	3.20	1.45	2.64	-4.96	0.99	6.19	1.07	-2.81	15.06
2008	-0.63	-1.90	1.92	-0.21	2.12	0.56	-5.88	-2.75	-4.64	-16.71	-12.02	-3.27	-37.01
2009	-1.95	0.99	-4.50	6.53	4.26	4.98	-3.49	5.01	2.58	4.18	-0.19	1.82	21.36

FORTRESS GLOBAL VALUE FUND

Fund Objective

The Fund aims to identify geographic regions and investment sectors around the world that offer sound prospects for capital growth over the long term by investments into a combination of professionally managed funds as well as direct equity selections on international exchanges.

Fund Details

Net Asset Value \$0.8789
 Net Assets \$13,931,537

Structure

Open-ended fund

Minimum Subscription

US\$5,000

Subsequent Investments

US\$1,000

Management Fees

0.90% per annum of net assets

Sales Charge

2% for subscriptions through agents

Investment Manager

Fortress Fund Managers Limited

Auditors

PricewaterhouseCoopers

Custodian

FirstCaribbean International Bank
 Wealth Management Division
 Broad Street
 Bridgetown

Legal Counsel

Appleby Hunter Bailhache

Administrator

ATU Fund Administrators(BVI)Limited

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Contact Details

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