



Your Future. Our Business.

Dear Fellow Investors,

The new year has started with heightened volatility in financial markets globally. As we have written repeatedly, this was to be expected - but when it happens it is never fun. Our funds have been carrying well above average levels of cash for some time, and have therefore been taking advantage of the lower prices to put some of it to work, selectively, gradually and deliberately. Volatility may last weeks or months, we do not know. What we do know is that today's prices drive tomorrow's returns, and the prices of the investments in the Fortress Caribbean Growth Fund, for example, are today very attractive from a long term perspective.

As we invest around the Caribbean, we believe it is important to remember that the region is not immune to some of the very same factors affecting other regions around the world. Many parts of the world are experiencing currency and earnings crises from falling energy and commodity prices. As you will read in the following commentaries, we believe the risks in Trinidad and Tobago related to a significantly lower oil price deserve particularly close attention, and the funds are positioned with this and other potential risks firmly in mind.

Volatility can be the friend of long term investors because it periodically offers up good assets at great prices. More and more of this is happening now in markets around the world, and it makes us very constructive for returns down the road when this period inevitably passes.

Thank you very much for investing with us.

Sincerely,  
Fortress Fund Managers

## OF INTEREST THIS QUARTER:

### THE CARIBBEAN GROWTH FUND

rose 4.3% during the quarter and is up 1.2% over the past year. Global equities recovered from their September lows, and takeovers continued in the Caribbean.

### THE CARIBBEAN HIGH INTEREST FUND

gained 1.1% during the quarter and is up 0.9% over the past year. Global stresses are pushing yields of some bonds higher, creating opportunities.

### THE CARIBBEAN PENSION FUND

shares showed gains of 1.3% to 4.5% for the quarter and have returned 1.1%-2.2% over the past year. Shares with greater weight to equities performed better during the quarter.

## Markets up, markets down – investing steadily pays off.



The experts call it "dollar cost averaging". We call it good common sense. The same dollar amount invested each month will naturally buy more when prices are lower and less when prices are higher - no stress, just a simple, smart programme for saving and growing your money over time.

*Ask us how easy it is to set up an automatic monthly savings plan.*

*Call us today at 431-2198 to get started or adjust your plan for the new year.*

# Caribbean Growth Fund



## HIGHLIGHTS:

- *The Fund gained 4.3% during the quarter as global stocks recovered and takeovers pushed select Caribbean shares higher.*
- *We expect significant stress to develop in Trinidad & Tobago as oil price weakness persists.*

The Fund gained 4.3% during the fourth quarter of 2015 and was up 1.2% for the full year. The net asset value (NAV) finished December 31st at \$4.8768. Net assets of the Fund were \$373 million, up \$11 million from this time last year. The Fund's annual compound rate of return since inception in 1996 is 8.7% per year. Its portfolio remains well diversified by security, geography and currency.

Caribbean equity markets benefited from corporate takeovers in the fourth quarter, with two major breweries driving gains in Jamaica and Barbados. In Jamaica the buyout of Desnoes & Geddes (D&G), the maker of Red Stripe, had a huge effect on the Jamaica index as it took place at a price more than four times the shares' previous trading level. In Barbados, the takeover of Banks Holdings drove the price of those shares up more than two times. In both cases the prices paid by the acquirers - large, global companies - were very high in terms of a standalone business and would make sense only to a strategic purchaser who can make use of these additional assets within a larger operation. The Fund held approximately 1% of the shares of Banks and benefited accordingly. We did not have a position in D&G. Unfortunately, these deals have the effect of shrinking the Caribbean share markets further.

In Barbados, corporate earnings continued to stabilise and improve but from a very low base. CIBC FirstCaribbean reported better earnings on lower loan loss provisions and Goddard Enterprises reported another improved result. By contrast, Trinidad remains a significant concern as the oil price trades towards US\$30/barrel and pushes the economy into recession. We believe all aspects of the economy will feel pressure from the global crisis among energy producing countries and companies. The Fund currently has only a 3% exposure to Trinidad investments.

Global stocks had positive performance in the fourth quarter after finishing September at a low ebb. More recently, the combination of higher interest rates in the U.S. along with downward pressure on earnings from the stronger U.S. dollar, has brought selling pressure to U.S. stock markets which have been some of the world's strongest performers in recent years. We continue to see valuation risk in the U.S., and far better value among international and emerging markets equities which have lower prices after many months of lacklustre performance, and much lower prevailing valuations. The Fund's global holdings are allocated accordingly. The average Price/Earnings ratio of the Fund's holdings is still less than 10x, a level consistent with well above average returns in the long term. In the short term, though, we believe further volatility is likely. We continue to carry a higher than normal cash level of just over 20%.

## FUND OBJECTIVE

Capital growth over the long term. The Fund uses a value approach to invest primarily in Caribbean and international equities.

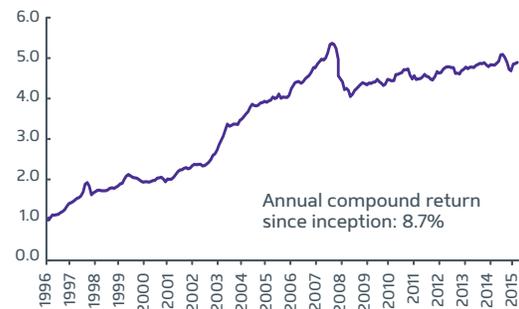
Minimum Investment	\$100
Net Asset Value per share	\$4.8768
Fund Net Assets	\$372,661,683
Fund Inception	Dec 9, 1996

## INVESTMENT RETURNS

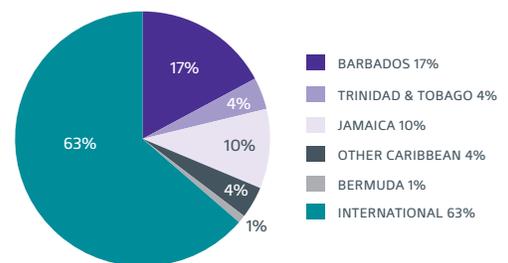
	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept
<b>Fortress</b>	<b>4.3%</b>	<b>1.2%</b>	<b>1.1%</b>	<b>1.9%</b>	<b>8.7%</b>
Jamaica	54.7%	87.2%	8.2%	4.7%	5.9%
Trinidad	0.0%	0.3%	3.0%	6.7%	11.4%
Barbados	8.1%	10.5%	-8.5%	-4.9%	3.7%
Global Index	5.6%	-0.3%	10.2%	8.2%	6.7%

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO DECEMBER 31ST, 2015



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

Holding	Country/Region
1. Fortress International Equity Fund	International
2. Fortress OAM Overseas Fund	Europe/Asia
3. Fortress Emerging Markets Fund	International
4. Fortress Income Builder Int'l Fund	International
5. CS&C Joint Venture	Barbados

## EXPENSES

*Manager:* 1.75% per annum of net assets

*Custodian:*

0.0875% on first \$30M in net assets

0.075% on amounts over \$30M in net assets

*Administrator:*

0.10% on the first \$30M in net assets

0.0875% on amounts over \$30M in net assets

*Redemption Charge:* none

*Initial Charges:* 2%

## MANAGER & ADMINISTRATOR

Fortress Fund Managers Ltd.

## CUSTODIAN

CIBC FirstCaribbean International Bank®  
Wealth Management Division

## AUDITORS

Ernst & Young

## ATTORNEY-AT-LAW

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

## DIRECTORS

Geoffrey Cave, Chairman

David Bynoe

Ken Emery

Sir Fred Gollop

John Howard

David Simpson

John Williams

Roger Cave, Investment Manager

Please see our **Fund Prospectus** for further important information.

# Caribbean High Interest Fund



## HIGHLIGHTS:

- *The Fund returned 1.1% during the fourth quarter, in line with the average yield of its underlying holdings.*
- *Global economic pressures from the energy and commodity crisis are pushing corporate bond yields higher and increasing expected future returns for investors.*

The Fund returned 1.1% during the fourth quarter of 2015 and was up 0.9% for the full year. The net asset value (NAV) of the Fund's Accumulation share finished at \$1.8629. The Distribution share finished at \$1.0042. Net assets of the Fund were \$117 million, up \$2 million from this time last year. The Fund's annual compound rate of return since inception in 2002 is 4.7% per year. It remains as diversified as possible by issuer, geography and currency, with approximately 54% invested in Barbados and 46% invested globally.

Global interest rates remained at historic lows with many developed countries' government bonds carrying negative yields for terms out as far as 10 years. Against this backdrop the U.S. Federal Reserve (Fed) finally raised its target rate from zero to 0.25% in December, a first step back to a more neutral monetary policy after a decade of ultra-low rates and four rounds of quantitative easing. This move was at odds with policies in most other countries which have recently been looking to ease policy to support economic growth. This policy "divergence" has pushed up the value of the U.S. dollar relative to most other currencies in the world. Approximately 13% of the Fund's assets are denominated in global currencies other than Barbados or U.S. dollars, so these returns have been reduced in recent months by the strength of the U.S. dollar.

Closer to home, credit stresses remain in the Caribbean. In December, Standard & Poor's revised Trinidad & Tobago's credit rating outlook to "negative" reflecting the fiscal pressure to come from a sustained low oil price. The government has since stated that the economy is in recession and that it will be tapping into the US\$5.5 billion Heritage and Stabilisation Fund to make up for lost revenue. Interest rates in Trinidad remain very low by Caribbean standards and may see some upward pressure; we also believe the currency could weaken. As these forces play out there may be opportunities for bond investments and we will be looking for them. The Fund continues to have very little exposure to Caribbean government debt.

The global energy and commodity crisis and fears of a weaker global economy have significantly increased the yields on corporate bonds generally in recent months. We are actively searching for additional corporate bonds to add to the portfolio, and rising yields mean higher expected returns for the future. Including cash, the average gross yield of the Fund's portfolio is currently 3.8%, an indication of its medium term return potential. The average term to maturity of its holdings remains short at 2.8 years, meaning there is only minimal exposure to rising interest rates.

## FUND OBJECTIVE

Income and capital preservation over the medium term. The Fund actively invests in a diversified portfolio of primarily Caribbean and international debt securities.

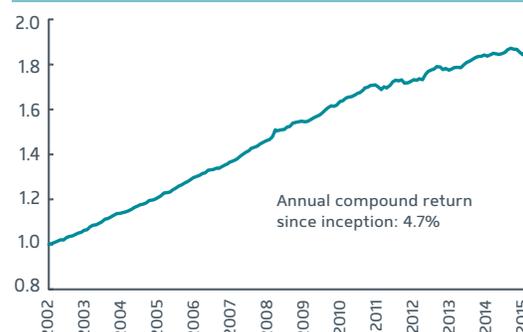
<i>Minimum Investment</i>	\$500
<i>Net Asset Value per share</i>	\$1.8629 / \$1.0042
<i>Fund Net Assets</i>	\$116,824,016
<i>Fund Inception</i>	May 17, 2002

## INVESTMENT RETURNS

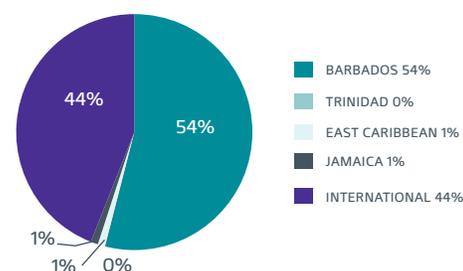
3 Months	1 Year	3 Years	5 Years	Inception
<b>1.1%</b>	<b>0.9%</b>	<b>2.0%</b>	<b>2.3%</b>	<b>4.7%</b>

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO DECEMBER 31ST, 2015



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

Holding	Country
1. Sagicor 6.5% Preferred Shares	Barbados
2. Legg Mason Asian Opportunities Debt Fund	International
3. GEL 4.75% 30 Nov 2015	Barbados
4. Franklin Templeton Global Bond Fund	Global
5. PIMCO Global Investment Grade Credit Fund	Global

## EXPENSES

*Manager:* 0.75% per annum

*Custodian & Administrator:*

0.20% on first \$30M in net assets

0.175% on next \$50M in net assets

0.15% on amounts over \$80M in net assets

*Redemption Charge:*

2% for funds held less than 6 months

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

Nil after 2 years

*Initial Charges:* none

## MANAGER & ADMINISTRATOR

Fortress Fund Managers Ltd.

## CUSTODIAN

CIBC FirstCaribbean International Bank®  
Wealth Management Division

## AUDITORS

Ernst & Young

## ATTORNEY-AT-LAW

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

## DIRECTORS

Geoffrey Cave, Chairman

David Bynoe

Ken Emery

Sir Fred Gollop

John Howard

David Simpson

John Williams

Roger Cave, Investment Manager

Please see our **Fund Prospectus** for further important information.



# Caribbean Pension Fund

## HIGHLIGHTS:

- Shares of the Pension Fund gained 1.3% to 4.5% during the fourth quarter as equity investments in the Caribbean and globally contributed to returns.
- Returns by class of share are shown in the table to the right.

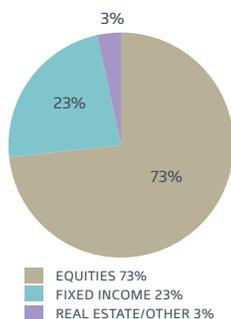
Last quarter we noted that recently announced changes to the tax treatment of individuals' contributions to pension plans and RRSPs could require some simple adjustments by participants depending on the plan's structure and each individual's tax situation in order to avoid unnecessary risk of double taxation. We think the points are worth repeating now:

1. Employees should consider immediately diverting future Additional Voluntary Contributions (AVCs) **that are not being matched** by their employer into a direct savings vehicle like a mutual fund where the savings can grow tax-free over the years and then be withdrawn free of additional tax.
2. Persons who are accustomed to contributing to a Registered Retirement Savings Plan (RRSP) should equally consider diverting future savings directly into a regular mutual fund account where the savings can grow tax free and then be withdrawn free of additional tax.

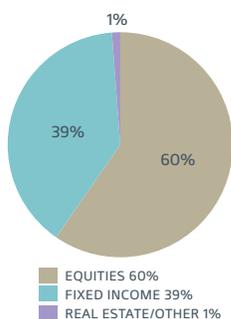
Whatever the changes or new environment, the most important thing is to keep saving. Pensions are a significant part of an overall plan. The discipline provided by automatic payroll deductions and, in most cases, company matching is a huge incentive for all of us to make saving for the future a part of everyday life. As the suggestions above show, there are also some easy ways to supplement your pension savings. We are here to help. Please let us know if you have questions about easy, efficient ways to save and grow your money for the future.

Investors in the Pension Fund typically select from three different classes of share, based on personal circumstances and risk tolerance. These classes differ in how their assets are spread across the major asset classes of equities, bonds, and real estate and other assets. The graphs below show how each of the classes (AA, CC, CS) is allocated currently. The reports on the Caribbean Growth Fund and Caribbean High Interest Fund on pages two and three of this quarterly report give you a direct look into the performance, positioning and outlook for the major underlying investments in the Pension Fund.

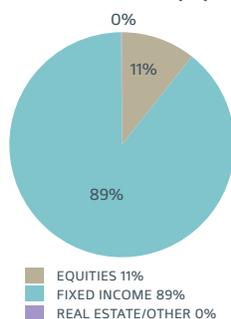
### AGGRESSIVE ACCUMULATOR (AA)



### CONSERVATIVE CONSOLIDATOR (CC)



### CAPITAL SECURE (CS)



## EXPENSES

**Manager:** 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.  
**Custodian:** \$7,500 per year paid by the Fund as a whole.  
**Administrator:** No charge at the Fund level.  
**Sales Charge:** None  
**Redemption Charge:** none

## MANAGER & ADMINISTRATOR

Fortress Fund Managers Ltd

## CUSTODIAN

CIBC FirstCaribbean International Bank®  
 Wealth Management Division

## AUDITORS

Ernst & Young

## ATTORNEY-AT-LAW

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

## FUND OBJECTIVE

Capital growth, income and security over the long term, as appropriate to each class of share. The Fund invests in equities, fixed income, and real estate assets primarily via the other Fortress funds.

### Net Asset Value

Per Share (est.): \$21.18 / \$21.16 / \$16.43 (AA/CC/CS)

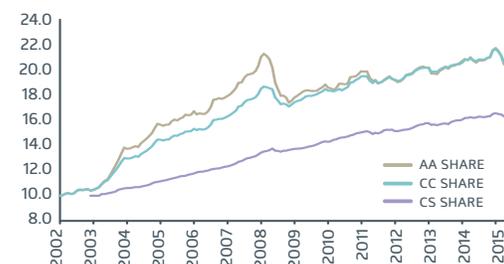
Fund Net Assets (est.): \$227,241,351

## INVESTMENT RETURNS

	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
<b>AA Share</b>	4.5%	2.2%	2.0%	2.3%	5.7%
<b>CC Share</b>	3.4%	1.7%	2.1%	2.6%	5.7%
<b>CS Share</b>	1.3%	1.1%	2.0%	2.3%	4.0%

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO DECEMBER 31ST, 2015



## BENEFITS AT A GLANCE

### Company Pension (DC Scheme):

- Choose from three easy, professionally managed options to get the class of share that suits you.
- 25% of your pension can be withdrawn tax free at retirement.
- Employers match employee contributions up to certain amounts.

### Personal Pension (RRSP):

- Choose from the same three easy, professionally managed options to get the class of share that suits you; or pick your mix of Fortress funds.
- Up to \$25,000 may be withdrawn tax free for the purchase of a first house.
- Flexibility to withdraw funds as necessary, provided tax paid in year of withdrawal.

Fortress is a leading provider of DB and DC pension management and administration services to companies of all sizes, and to individuals via the Personal Pension Plan (RRSP).

## DIRECTORS

Geoffrey Cave, Chairman  
 David Bynoe  
 René Delmas  
 Ken Emery  
 Sir Fred Gollop  
 John Howard  
 Desmond Kinch  
 David Simpson  
 John Williams  
 Roger Cave, Investment Manager

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