



Your Future. Our Business.

Dear fellow investors,

The fourth quarter was not kind to investors as global markets registered one of their swiftest drops in years. The Fortress funds held their value reasonably well but still saw declines, now somewhat offset by strength in the first days of 2019. No one can predict the ups and downs of market prices, but as we noted last January, after 2017's exceptionally strong returns, "the higher prices go, the greater the risk of a short-term market correction." Today, after an unusually weak year in 2018, we note the opposite is also true: the lower prices go, the greater the potential for future *gains*. The end of 2018 gave us a "20% off" sale in many areas, and we responded in the Caribbean Growth Fund by steadily investing cash which had been saved for just such an event. With excellent value across our global equity investments, we are more constructive on future returns now than we have been in quite some time. In Barbados, the completion of the Government of Barbados bond restructuring, the corporate tax reductions and work on economic reforms also give us hope that there will be better opportunities in our own backyard.

The **9th Annual Fortress Investment Forum** is scheduled for the evening of **Thursday, March 7, 2019** at the Frank Collymore Hall. As always there will be straight talk from the Fortress team about how we are investing your money and what the future might hold. If you wish to join us, please visit [www.fortressfund.com](http://www.fortressfund.com) to register. This is a free event and space is limited. We hope you can plan to attend and join us afterward for refreshments.

Thank you very much for investing with us.

Sincerely,  
Fortress Fund Managers

## OF INTEREST THIS QUARTER:

### THE CARIBBEAN GROWTH FUND

declined 6.6% in the fourth quarter and 4.0% over the past year. Global stocks sold off sharply, bringing share prices to far more attractive levels. The Fund added steadily to investments on sale.

### THE CARIBBEAN HIGH INTEREST FUND

declined 0.5% during the fourth quarter and 2.0% over the past year. The Government of Barbados completed its bond restructuring and the U.S. Federal Reserve continued to raise interest rates.

### THE CARIBBEAN PENSION FUND

three share classes declined between 1.2% and 5.3% during the fourth quarter and 2.2% to 3.7% over the past year. Stocks fell in the fourth quarter while bond prices were little changed.

*“ Whether we’re talking about socks or stocks, I like buying quality merchandise when it’s marked down. ”*

– Warren Buffet

#### We couldn't agree more.

Our disciplined investment process means the Fortress funds are consistently positioned where the value is best.

You can benefit even more from buying more when prices are lower by "dollar cost averaging" with a monthly investment programme.

**Call us today on 431-2198 to find out more.**





# Caribbean Growth Fund

## HIGHLIGHTS:

- *The Fund declined 6.6% for the fourth quarter and 4.0% over the past year.*
- *Global stocks sold off sharply late in the year bringing share prices to far more attractive levels. The Fund added steadily to investments on sale.*

The Fund declined 6.6% during the fourth quarter and 4.0% over the past year. The net asset value (NAV) finished December 31 at \$5.6868. Net assets of the Fund were \$447 million, down from \$454 million this time last year. The Fund's annual compound rate of return since inception in 1996 is now 8.2% per year. Its portfolio remains well diversified by security, geography and currency.

The Fund's Caribbean holdings had mixed results during the quarter as some consolidation among regional financial companies took place. Sagicor gained 20% in Barbados after announcing a proposal to be taken over by a Canadian entity that is listed on the Toronto Stock Exchange, and a distribution agreement with Bank of Nova Scotia. ICBL gained 23% in the quarter while Goddard Enterprises declined 14%, settling back after a very strong year. The huge reductions in Barbados corporate tax rates should be a long-term positive influence on stock markets, increasing company earnings and making the jurisdiction more desirable for regional companies. Our Jamaican holdings mostly added to their recent gains, with NCBJ up 9% and GraceKennedy adding 12%. We will likely continue to reduce holdings in Jamaica as prices there rise to optimistic valuations. During the quarter NCBJ announced a tender offer that would bring its holding in Guardian shares to 62% at a small premium to current prices. We continued adding slowly to the Fund's position in Massy as its operating results showed further signs of improvement.

Global stocks fell sharply across the board in the fourth quarter as rising interest rates and worsening trade tensions between the U.S. and China took centre stage. The arrest in Canada in early December of an executive of the Chinese company Huawei suggested the trade conflict could escalate beyond trade. While U.S. stocks had been resilient through most of the year, even as other international markets fell, they gave way in December and registered their worst December performance since 1931. The broad index of global stocks fell 13% during the quarter, with 8% of that coming in December. Interest rates and trade tensions matter because in time they can impact economic growth and corporate profits. So far, though, we have not seen the kind of precipitous drop in earnings that recent share price declines seem to be pricing in. Earnings in many areas are in fact still steady or growing; this makes us more and more constructive in these areas as prices fall. Stock markets outside the U.S. especially contain a range of companies with growing earnings and whose shares, already cheaper than those in the U.S. by a healthy margin, have fallen 20-50% in recent months. We continue to invest steadily and deliberately in international and emerging markets shares with the characteristics we seek. Expected returns there are now exceptional. During the quarter we took advantage of the sale prices and added substantially to the Fund's investments.

*The Fund is currently open only to monthly investment programmes and pensions. It remains closed to new lump sum investments.*

## FUND OBJECTIVE

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

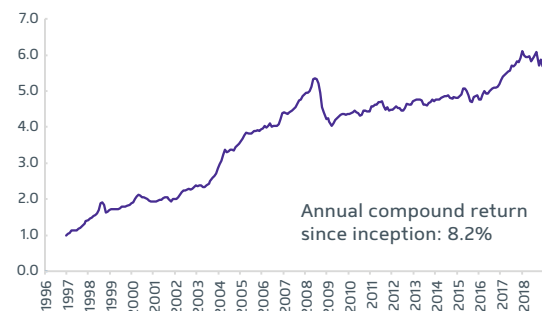
Minimum Investment	\$100
Net Asset Value per share	\$5.6868
Fund Net Assets	\$446,684,869
Fund Inception	Dec 9, 1996

## INVESTMENT RETURNS

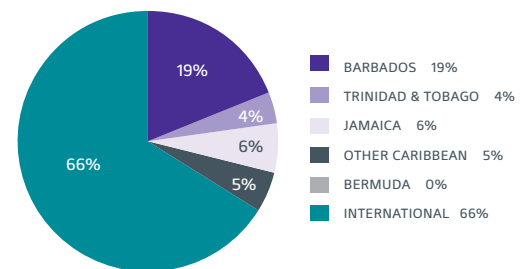
	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept
<b>Fortress</b>	<b>-6.6%</b>	<b>-4.0%</b>	<b>5.3%</b>	<b>3.8%</b>	<b>8.2%</b>
Jamaica	11.9%	28.8%	33.4%	31.5%	8.9%
Trinidad	6.7%	2.6%	2.0%	0.8%	9.3%
Barbados	3.4%	10.1%	12.9%	2.6%	4.6%
MSCI World	-13.3%	-8.2%	6.9%	5.1%	6.2%

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO DECEMBER 31ST, 2018



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

Holding	Country/Region
1 Fortress Emerging Markets Fund	International
2 Fortress International Equity Fund	International
3 Goddard Enterprises Limited	Barbados
4 Fortress Income Builder Intl Fund	International
5 Fortress OAM Overseas Fund	Europe/Asia

## 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

EY Barbados

## ATTORNEY-AT-LAW

Clarke Gittens Farmer

## DIRECTORS

Sir Geoffrey Cave, Chairman  
 David Bynoe  
 Ken Emery  
 John Howard  
 David Simpson  
 John Williams  
 Roger Cave, Investment Manager

# Caribbean High Interest Fund



## HIGHLIGHTS:

- *The Fund declined 0.5% for the fourth quarter and 2.0% over the past year.*
- *The Fund has preserved its value well in a difficult environment for bond investors in Barbados and globally.*

The Fund declined 0.5% during the fourth quarter and 2.0% over the past year. The net asset value (NAV) of the Fund's Accumulation share finished December 31 at \$1.9278, while the Distribution share finished at \$0.9832. Net assets of the Fund were \$132 million, up from \$129 million this time last year. The Fund's annual compound rate of return since inception in 2002 is now 4.0% per year. Its portfolio remains as diversified as possible across various issuers, industries, geographies and terms to maturity.

While a negative return is never cause for celebration, we are pleased the Fund preserved its value over a very difficult year for bond investors in Barbados and globally. During the fourth quarter the Government of Barbados completed its domestic bond restructuring as holders of old bonds exchanged their investments for "new" bonds with lower coupons and longer maturity dates. This exchange resulted in losses for many bondholders, in some cases significant ones, but it has given the government a much-needed ease in interest and principal payments as it restructures its finances. The recent credit rating upgrades were a natural, automatic result of this process because the newly issued bonds are not in default.

Over the next few years the Government of Barbados will rely on cheap funding from multilateral organisations such as the IMF and is unlikely to be issuing any additional new bonds. We expect a secondary market to develop in the recently issued bonds, but this has not yet happened. There are few indications of what the fair value is for them, and we do not yet have a sense of what the supply/demand balance will look like in the short and long term. Depending on where the bonds trade, we may find worthwhile investments in this area in the months ahead. We are also hopeful that an eventual rejuvenation of economic activity will also bring more corporate new issues to market into which the Fund could also usefully deploy cash and increase its yield.

The U.S. Federal Reserve (Fed) continued gradual rate increases during the quarter, edging the target rate up another 0.25% in late December, to a range of 2.25%-2.5%. Corporate bonds prices came under pronounced pressure as equity markets weakened and investors worried that company profits would be choked off by further Fed tightening and balance sheet reductions. The Fed has since softened its stance and yields have stabilised. Following 2018's moves the running yield of the Fund's global bond investments is now higher than it has been in some time and as a result we expect a move back to more positive returns in the year ahead. The gross weighted average yield to maturity of the Fund's whole portfolio, including cash, is 2.7% and the average term to maturity remains short at 3.0 years which means sensitivity to interest rate movements is still low.

*The Fund is currently open only to monthly savings programmes and pensions. It remains closed to new lump sum investments.*

## 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.

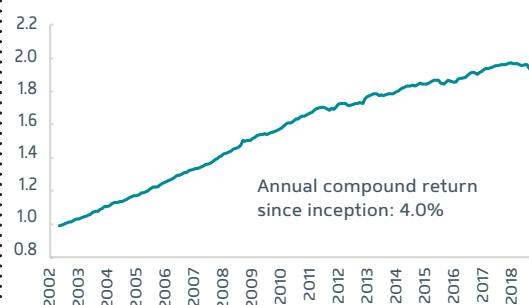
<i>Minimum Investment</i>	\$500
<i>Net Asset Value per share</i>	\$1.9278 / \$0.9832
<i>Fund Net Assets</i>	\$131,607,589
<i>Fund Inception</i>	May 17, 2002

## INVESTMENT RETURNS

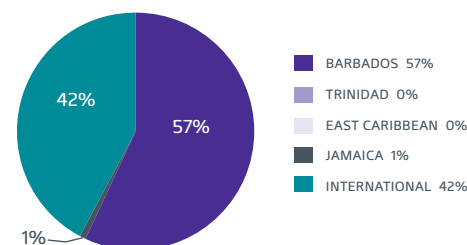
3 Months	1 Year	3 Years	5 Years	Inception
<b>-0.5%</b>	<b>-2.1%</b>	<b>1.1%</b>	<b>1.5%</b>	<b>4.0%</b>

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO DECEMBER 31ST, 2018



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

Holding	Country
1 Deposits - CIBC FirstCaribbean Intl Bank	Barbados
2 Fortress Fixed Income Fund	International
3 Legg Mason Asian Opportunities Debt Fund	International
4 PIMCO Global Investment Grade Credit Fund	Global
5 GEL Note 11/30/2019	Barbados

## 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

EY Barbados

## ATTORNEY-AT-LAW

Clarke Gittens Farmer

## DIRECTORS

Sir Geoffrey Cave, Chairman  
 David Bynoe  
 Ken Emery  
 John Howard  
 David Simpson  
 John Williams  
 Roger Cave, Investment Manager

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



# Caribbean Pension Fund

## HIGHLIGHTS:

- The three classes of shares of the Pension Fund declined between 1.3% and 5.2% in the fourth quarter and have declined between 2.2% and 3.7% over the past year. Stocks fell in the fourth quarter while bond prices were little changed. Global financial markets continued to grapple with rising interest rates and trade tensions.
- Returns by class of share are shown in the table to the right.

Most developed countries around the world have long-standing and robust policies to encourage the use of pensions to accumulate wealth for retirement. This makes sense because pensions are a great way to save for the future, for three reasons:

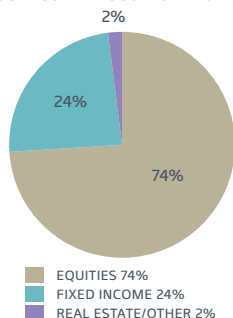
1. The saving is automatic so you “pay yourself first”.
2. Your savings grow, untouched and responsibly invested, over many, many years.
3. Your employer usually matches your contributions, so you get a “free” doubling of your money to start.

A few years ago, the Government of Barbados removed the tax allowance for individuals’ pension contributions. The current government has so far not reversed this policy which we hope will be done soon to remove the double taxation of Barbadians’ retirement savings. Only then would we be able to add “tax efficiency” as a fourth reason to save for the future through your pension. This means that for persons wishing to tap into the same power of automatic, long-term saving and investing *in addition* to their company pension contributions, the best way is via an automatic monthly investment programme directly into the fund of their choice. Hundreds of our clients do it every month.

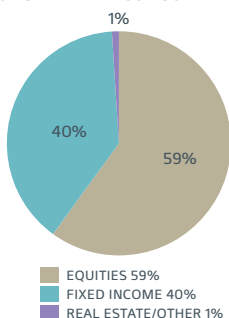
Call us on 431-2198 if you’d like to learn more.

Investors in the Pension Fund typically select from three different classes of shares, 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.

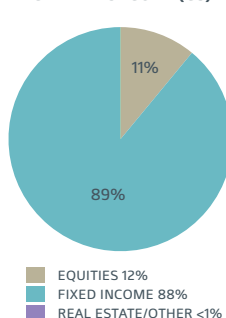
### AGGRESSIVE ACCUMULATOR (AA)



### 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:** 0.03% per annum.  
**Sales Charge:** None  
**Redemption Charge:** none

## MANAGER & ADMINISTRATOR

Fortress Fund Managers Ltd

## CUSTODIAN

CIBC FirstCaribbean International Bank  
Wealth Management Division

## AUDITORS

EY Barbados

## ATTORNEY-AT-LAW

Clarke Gittens Farmer

## 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.

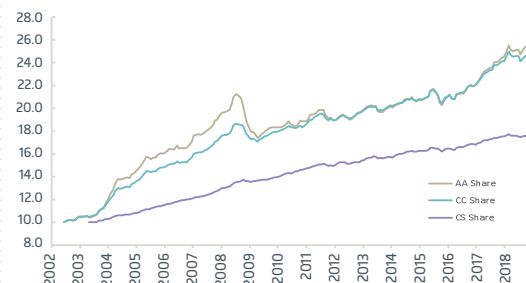
<b>Net Asset Value Per Share:</b>	\$24.18 / \$23.56 / \$17.21 (AA/CC/CS)
<b>Fund Net Assets:</b>	\$293,713,554

## INVESTMENT RETURNS

	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
<b>AA Share</b>	-5.2%	-2.9%	4.5%	3.8%	5.5%
<b>CC Share</b>	-4.2%	-3.7%	3.6%	3.1%	5.3%
<b>CS Share</b>	-1.3%	-2.2%	1.5%	1.9%	3.5%

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO DECEMBER 31ST, 2018



## 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

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

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