

## **FORTRESS GLOBAL FUNDS SPC INC.**

*An Exempted Segregated Portfolio Company  
Incorporated in the Cayman Islands with Limited Liability*

Supplement to the Offering Memorandum  
Class A Shares, Corresponding to the Segregated Portfolio

**FORTRESS FIXED INCOME FUND SP  
AUGUST 2017**

This Supplement forms part of the Offering Memorandum dated August 2017 (“**Memorandum**”) of FORTRESS GLOBAL FUNDS SPC INC. (“**Fund**”) and **must** be read in conjunction therewith. In the event of any conflict between this Supplement and the Offering Memorandum, the terms of this Supplement will govern.

This Supplement contains specific information in relation to Class A Shares (“**Shares**”) in the FORTRESS BOND FUND SP (“**Segregated Portfolio**”) of the Fund.

Any terms that are defined in the Memorandum shall have the same meanings when used in this Supplement unless the context otherwise requires.

The Directors of the Fund accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything which is likely to affect the import of such information. The Directors accept responsibility accordingly.

## INVESTMENT POLICY

### INVESTMENT OBJECTIVE AND STRATEGY

The primary investment objective of the Segregated Portfolio is to generate consistent returns and protect principal over the medium-term.

The Segregated Portfolio seeks to achieve this by investing primarily in high quality government and corporate fixed income securities across a range of maturities, reducing risk and volatility through consistent portfolio structure and diversification. It aims to increase returns by investing selectively in corporate bonds whose yields are more attractive than would be suggested by the issuers' underlying operations, risks and business prospects.

The primary source of return to the portfolio is coupon income, which may be offset or enhanced in the short-term by changes in the market value of holdings.

### INVESTMENT PHILOSOPHY AND PROCESS

The Investment Manager believes that a sensibly constructed and consistently executed fixed income strategy can deliver superior risk-adjusted returns for investors, provided that the strategy can be accessed at a reasonable cost. The Investment Manager's intention therefore is to minimise fees and expenses for the Segregated Portfolio while following a clear, deliberate strategy to generate returns and limit risk through careful security selection and portfolio construction.

The portfolio is allocated in two main segments:

1. Corporate bonds, notes and preferred shares – approximately 40-70% of portfolio, with not more than 10% below investment grade. These are primarily high quality securities with a focus on short and medium-term maturities to limit volatility.

Corporate bonds selected for the portfolio are trading at more attractive yields than their issuers' business operations, risks and prospects would imply, according to the Investment Manager's assessment. The Investment Manager has developed analytical models for assessing the intrinsic value of companies' equity securities and applies these, as well as its credit analysis and other tools to the security selection process. Equity analysis is useful in selecting corporate bonds because the current and future size of equity market capitalization can provide a buffer to protect a company's bondholders from loss. Issuers are typically large or medium capitalization, publicly listed companies.

2. Government notes and bonds including US Treasury securities – approximately 30-60% of portfolio. These are investment grade government obligations, at least 20% of which are US Treasury securities. The focus is on medium and long-term maturities to generate yield and provide an offsetting sensitivity within the portfolio during periods of weakness that affect the market value of corporate holdings.

Securities are selected based on yield, expected horizon returns, and the impact on overall portfolio duration.

While the Investment Manager may adjust the duration of the portfolio and trade individual securities as prices warrant, trading is not expected to be extensive or frequent. The portfolio consists primarily of securities denominated in US dollars.

### **OVERALL PORTFOLIO RISK MANAGEMENT:**

Depending on market conditions, protecting capital can be just as important as positioning for gains. The strategy approaches capital preservation structurally by:

1. Maintaining an appropriate duration of typically between five and seven years.
2. Allocating the holdings across a spectrum of corporate securities, with exposure to different industry sectors. Based on the prevailing credit conditions and available yields, credit risk is also adjusted to appropriate levels;
3. Balancing the allocation to corporate securities with longer dated government bonds to provide an offset in periods of market volatility.

In addition, specific position and aggregate exposure limits ensure appropriate diversification and credit quality are maintained at all times.

Below investment grade securities are limited to a maximum of 10% of the portfolio. These are typically defined as securities rated below BBB- by Standard & Poor's Rating Services (S&P) or below Baa3 by Moody's Investor Service Inc (Moody's).

### **PERMITTED SECURITIES AND TRADING ACTIVITIES:**

This Segregated Portfolio may hold positions in the following securities, subject to risk management limits monitored by the Investment Manager:

- Government and supranational bonds or notes, fixed, floating or inflation-linked.
- Corporate bonds or notes, fixed, floating or inflation-linked.
- Stripped coupons or other components of permitted bonds.
- Preferred shares.
- Funds investing in fixed return assets or strategies that are consistent with the Segregated Portfolio's mandate and liquidity requirements.
- Securities may have additional features such as embedded options.

- Derivatives on any eligible underlying investment or representative index of underlying investments may be used to reduce portfolio risk or to gain exposure to a desired underlying asset.

### INVESTMENT RESTRICTIONS

The Segregated Portfolio may borrow up to 10% of its net assets for investment or liquidity purposes.

Prospective Shareholders should carefully consider the section headed "INVESTMENT POLICY" in the Memorandum.

### FEES AND EXPENSES

#### FEES OF THE INVESTMENT MANAGER

**Management Fee.** Pursuant to the Investment Management Agreement, the Investment Manager receives an annual fee (“**Management Fee**”) that is equal to 0.35% of the Net Asset Value attributable to the Shares during the relevant calendar year. The Management Fee will be calculated at each Valuation Day and paid monthly, in arrears, in an amount equal to 0.35% of the Net Asset Value attributable to the Shares. The Management Fee will be prorated based upon a Shareholder’s actual period of ownership of its Shares. The Investment Manager may, in its discretion, effectively waive all or part of the Management Fee with respect to any Shareholder by rebate or otherwise.

**Payment of Management Fee.** The Management Fee is payable by the Fund to the Investment Manager within 3 days after each becomes due. Payment of the Management Fee will be subject to adjustment upon completion of the audit of the Fund’s financial statements for the fiscal year in which such fees accrue.

#### FEES OF THE ADMINISTRATOR

**Administrator Fee.** For performing and supervising the performance of corporate and administrative services necessary for the operation of the Fund (other than making of investment decisions), the Administrator will receive an administration fee equal to 0.075% per annum on assets of this Segregated Portfolio.

**Payment of Administrator Fee.** The fee will be calculated at each Valuation Day and paid monthly in arrears. The Administrator will also be reimbursed for out-of-pocket expenses.

Prospective Shareholders should carefully consider the section headed “FEES AND EXPENSES” in the Memorandum.

### SHARES OF THE FUND

#### SUBSCRIPTION PRICES

Shares may be purchased twice a month on the 15<sup>th</sup> and last day of each month or at such other time as determined by the Directors in their sole discretion (each a “**Subscription Day**”) at a subscription price equal to the Net Asset Value per Share as of the close of business on the immediately preceding Valuation Day (as defined below). The Directors may modify the frequency of permitted subscriptions in their sole discretion.

For the purposes of this Supplement, a “**Valuation Day**” shall mean 5:00 p.m. Barbados time twice a month on the 15<sup>th</sup> and last day of each month or on such other date when such computation is necessary or appropriate.

The minimum initial investment for each investor is \$100,000 and the minimum additional investment for an existing Shareholder is US\$10,000. The minimum initial and additional investments may be waived, increased or reduced at the discretion of the Directors generally or on a case by case basis except on initial subscription which must always be for at least US\$100,000 or its equivalent or such other minimum as may be relevant under applicable law.

Subscriptions may be subject to a charge of up to 2% calculated as a percentage of the total amount subscribed by a Shareholder for Shares. The charge will be deducted from the applicant’s subscription payment for purposes of determining the net amount available for investment in the Shares. Waivers of this charge are at the sole discretion of the Directors. The charge is in place to cover distribution costs.

Subscriptions are payable in US Dollars, unless otherwise permitted in another currency if approved by the Directors in their sole discretion.

#### PROCEDURE FOR REDEMPTIONS

Except as provided herein, a Shareholder may request redemption of all or some of its Shares as of 5:00 p.m. one (1) Business Day before the 15<sup>th</sup> and the last day of the month or at such other time as determined by the Directors in their sole discretion (each a “**Redemption Day**”), provided that a Shareholder who requests the redemption of any of its Shares within three months after the Shareholder initially invests in the Fund shall be subject to a 2% redemption fee payable to the Fund.

At all times, unless the Directors determine otherwise in their sole discretion, redemptions shall be subject to a 0.10% fee payable to the Fund.

Shareholders wishing to redeem Shares as of a particular Redemption Day must provide the Administrator with one day’s prior written notice of their intention to redeem such Shares as of that Redemption Day. A request for redemption received after 5:00 p.m. (Barbados time) will be treated as a request for redemption as of the next Redemption Day.

Redemption payments will be made in US Dollars and within five business days of Valuation Day.

Prospective Shareholders should carefully consider the section headed "SHARES OF THE FUND" in the Memorandum.

### CERTAIN RISK FACTORS

When evaluating the merits and suitability of an investment in the Shares, prospective investors should give careful consideration to all of the risk factors described in the section headed "CERTAIN RISK FACTORS" in the Memorandum and the following risk factors that are relevant to the Segregated Portfolio. Such risk factors are not purported to be a comprehensive summary of all of the risks associated with an investment in the Shares. Rather, they are only certain risks to which the Segregated Portfolio is subject and that the Investment Manager wishes to encourage prospective investors to discuss in detail with their professional advisors.

1. *Potential of Loss.* An investment in the Fund entails a degree of uncertainty. There can be no assurance that the Fund will achieve its investment objective or that the strategies described herein will be successful. Given the factors that are described below, there exists a possibility that an investor could suffer a substantial loss as a result of an investment in the Fund.
2. *Market Risk:* There is a risk that the price of a security held by the Fund will fall due to changing economic, currency exchange rates, interest rates, political or market conditions or by disappointing earning results.
3. *Company Risk:* Prices of securities react to the economic conditions of the company that issued the security. The Fund's investments in an issuer may rise or fall based on the issuer's actual or anticipated earnings, changes in management and potential for takeovers and acquisitions.
4. *Concentration Risk:* The Fund may invest a substantial amount of its assets in issuers located in a single country or a limited number of countries. If the Fund concentrates its investments in this manner, it assumes the risk that economic, political and social conditions in those countries will have a significant impact of its investment performance.
5. *Conversion Risk:* The Fund's shares will be valued in US Dollars. As such, investors need to be aware of the cost of converting from their home currency to US Dollars to purchase as well as to redeem shares.
6. *No Current Income:* As there can be no assurance that the Investment Manager's assessments of the short-term or long-term prospects of investments will generate a profit, the Fund's investment policies should be considered speculative. In view of the fact that the Fund will likely not pay dividends, an investment in the Fund is not suitable for investors seeking current income for financial or tax planning purposes.
7. *Credit Risk:* Credit risk is the risk that the issuer of a debt security will fail to repay principal and interest on the security when due, and that there could be a decline or

perception of a decline in the credit quality of a security. The default of a single holding could have the potential to adversely affect the Fund's net asset value.

8. *Preferred Shares Risk:* Preferred shares are a class of equity which rank senior to common shares. They are considered hybrid as they have qualities of both bonds and stocks. Like bonds, there is an inverse relationship between interest rates and preferred share prices and like stocks, the price action of the preferred shares vary according to an issuer's fundamentals. In some cases, preferreds may have a characteristic which allows them to forgo having to pay a dividend. The market for preferreds can be illiquid at times.
9. *Interest Rate Risk:* Interest rate risk is the risk that a debt security's value will decline due to changes in market interest rates. Even though some interest-bearing securities offer a stable stream of income, their prices will fluctuate with changes in interest rates. Prices of certain debt securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect the prices of such securities, and, accordingly, the Fund's share price.
10. *Inflation-Linked Securities Related Risk:* Inflation-linked securities are typically issued with a fixed interest rate and a fixed maturity date, but their principal value will usually change, as the issuer raises or lowers such value each month to keep pace with inflation. Consequently, the coupon payments made to investors will also vary. Although generally considered a low-risk investment inflation-linked securities can be sensitive to changes in interest rates and, in the short term, can experience substantial fluctuations in price. In addition, depending on their specific terms they could lose value during protracted periods of deflation.
11. *Illiquidity of Shares:* Transfers of Shares are restricted; there is no market for Shares and, accordingly, Shares may be disposed of only through the redemption procedures described elsewhere in the Memorandum. Under certain circumstances, such redemption procedures may entail a significant delay in redemptions.
12. *Distributions/Redemptions in Cash or Kind:* The Fund is not required to distribute cash or other property to the Shareholders, and the Fund does not intend to make any such distributions. Notwithstanding the foregoing, the Fund may, in its discretion, settle redemptions in kind.
13. *Notice Required:* A Shareholder must give prior written notice to the Administrator to make a partial or total redemption of its Shares. During such notice period, the Shareholder's investment remains at risk and may decrease in value from the date that notice of redemption is made to the Administrator until the effective date of redemption.
14. *Compliance:* The Fund must comply with various legal requirements, including requirements imposed by the securities laws, tax laws and pension laws in various jurisdictions. Should any of those laws change over the scheduled term of the Fund, the legal requirements to which the Fund and the Shareholders may be subject could differ materially from current requirements.



15. *Forced Liquidation:* Substantial redemptions by Shareholders within a short period of time could require the Investment Manager to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the value of the Fund's capital. The resulting reduction in the Fund's capital could make it more difficult to generate a positive rate of return or to recoup losses due to a reduced equity base. Additionally, such substantial redemptions may increase the share of the Fund's fees and expenses payable by the remaining Shareholders.
16. *Acts of Interest:* The Fund and the Investment Manager are subject to various conflicts of interest as set forth in the section of the Memorandum entitled "POTENTIAL CONFLICTS OF INTEREST".
17. *Need for Independent Advice:* The Investment Manager has consulted with counsel, accountants and other experts regarding the formation of the Fund. Each prospective investor should consult his own legal, tax and financial advisors regarding the desirability of an investment in the Fund.
18. *Allocation of Shareholder Loss:* No Shareholder will be liable for losses or debts of the Fund beyond that Shareholder's investment nor may any Shareholder be assessed or otherwise required to invest more than its initial investment.
19. *Legal Requirements:* The Fund must comply with various legal requirements, including requirements imposed by the securities laws, tax laws and pension laws in various jurisdictions. Should any of those laws change over the scheduled term of the Fund, the legal requirements to which the Fund and the Shareholders may be subject could differ materially from current requirements.
20. *Economic and Business Conditions:* General economic and business conditions may affect the Fund's activities. Interest rates, the prices of securities and participation by other investors in the financial markets may affect the value of securities purchased by the Fund. Unexpected volatility or liquidity in the markets in which the Fund directly or indirectly holds positions could impair the Fund's ability to carry out its business and could cause it to incur losses.