

# Fortress Pension News

February 2014

## Fortress Caribbean Pension Fund: *10 Years Strong*

Welcome to the 2014 edition of the Fortress Pension Newsletter.

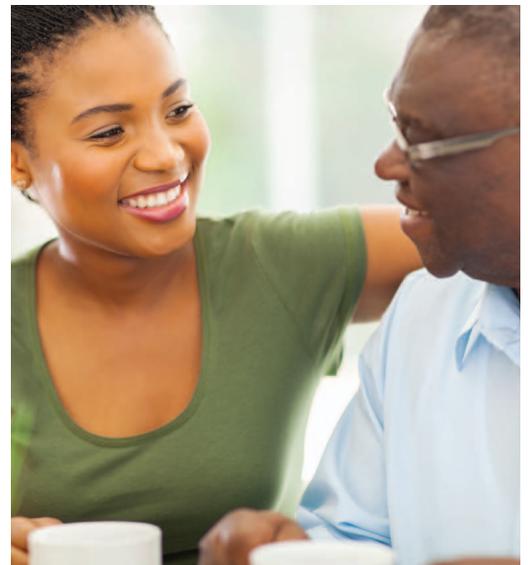
Since this time last year, the Fortress Caribbean Pension Fund celebrated its first decade of existence. In those 10 years, the Fund has grown to nearly \$200 million in assets and has helped thousands of employees save and grow their money for retirement. Recently, we introduced a new alternative for retirees, our "Income Drawdown Policy", which increases retirees' options and is the first of its kind in Barbados.

We're happy to keep you in the know about all of Fortress' pension and mutual fund developments. Join our mailing list and be among the first to know about pension news, investment reports and Fortress events.

We hope you enjoy reading this newsletter and we welcome your questions and comments. You may send them to us at [invest@fortressfund.com](mailto:invest@fortressfund.com).

### In this issue:

- **New Reality**  
Moving the Goal Posts for Retirement
- **Q&A**  
How does Fortress decide what companies it invests in?



## RESOURCES

### Online Account Access



24/7 secure access to your pension account online.

### The Fortress Builder™ Slide Calculator



Use the slide calculator to see what you would need to save daily, monthly and yearly in order to achieve your long term saving goals. Request one from our office.

### Pension News Emails



- Receive timely updates from us about your investment
- Get topical commentaries from the Fortress team

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# New Reality

## *Moving the Goal Posts for Retirement*

In recent years many countries have struggled under the weight of the financial crisis. Our Caribbean islands are no different and most would agree that we are sailing in uncharted waters.

What does this mean for those of us working to build our own financial fortress for the future? Many factors seem to suggest that these difficult times will not give way to a return to normal as we knew it and we need to plan accordingly.

**Inflation.** While inflation is by no means a new phenomenon, it continues to reduce our purchasing power. We can never know what the exact inflation rates will be in the future, but we can definitely count on it sticking around. We must always keep this in mind when calculating how much we need to save for retirement.

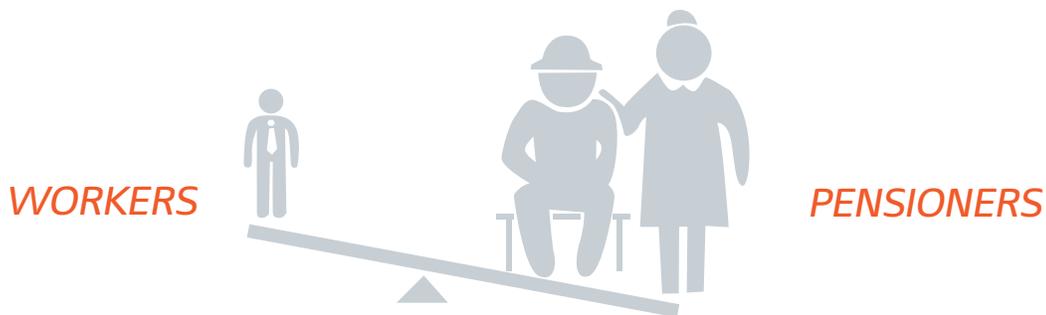
**Lower Investment Returns.** Regionally, corporate profits remain under pressure, as does the creditworthiness of government bonds. In global stock markets, some areas such as the U.S. have seen some recovery while others, such as emerging markets, are still languishing. All this could spell lower investment returns in coming years.

**Economic/Job Uncertainty.** The prevailing economic conditions have impacted the private and public sector alike. Just like a dog chasing its own tail, this uncertainty leads to reduced spending as we try to safeguard our money for a possible rainy day, making it even harder for businesses to operate, prosper, and maintain staff levels. This uncertainty must be part of our financial plans.

**Limited/zero wage gains.** The uncertainty and diminished returns have affected us directly in our pockets. With lower company profits and government working to balance the national budget, there is limited scope for wage gains; certainly not in the way that we may have grown to expect in previous years.



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**NIS Vulnerability.** We are slowly coming to terms with the realisation that social security may not fulfil the anticipated income in the future. This is true for many countries with a predominantly ageing population like ours. There is the real concern that there will be many more pensioners with fewer workers (making contributions) to support those pensions.

## NIS PENSIONABLE AGES

Prior to 1 January 2006	65 Years
1 January 2006 to 31 December 2009	65½ years
1 January 2010 to 31 December 2013	66 years
1 January 2014 to 31 December 2017	66½ years
1 January 2018 and after	<b>67 years</b>



*Since 2006 the pensionable age for National Insurance in Barbados has gradually been on the increase. As of January 1st 2014, it is now 66 ½ years and will reach 67 years by 2018. This "moving goal post" effectively drops the value of everyone's total NIS benefits.*

## Build Your Own Fortress

*When we look at these factors collectively, it becomes clear that we all have to plan to work longer and save more for the future.* An employer-sponsored pension plan, along with Additional Voluntary Contributions where possible, a personal pension plan (RRSP) and other long term investments are all essential parts of that.

## QUESTIONS?

Ask us - we can help!

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# Your Pension Questions Answered

**Q: How does Fortress decide what companies it invests in for the Pension and other mutual funds?**

**A: The Pension Fund offers three classes of share so participants can pick the one that best suits their circumstances and risk tolerance.** "Under the hood", each class of share is invested, in different proportions, across the major asset classes of stocks, bonds, and real estate and other investments. This mix, and the underlying investments, drives long term returns.

In all investments, we are first of all focused on controlling risk. One of the best ways to do this is to pay close attention to the price we pay for stocks, bonds or properties - if we buy when prices are depressed there is less chance that they will subsequently disappoint investors and fall further in price. On the other hand, securities trading at high values already have "baked in" optimism about the future, and the chance of these lofty expectations falling short grows as prices rise.

When it comes to stocks, our process is to consider all potential investments using a common, disciplined analysis, aimed at uncovering the best value in the market. Quite simply, we want to own the shares of companies with good earnings and future earnings potential, responsible balance sheets, and whose shares are "on sale". In our view, the cheaper a stock is the better, because this gets the most upside potential while limiting downside risk. Our stock portfolios are usually full of reliably profitable companies whose shares are, for whatever reason, currently out of fashion and trading at a lower price than they should. We will very rarely own the stocks that are making great headlines because their prices will be too high and their expected returns therefore too low.

Our investments in bonds and real estate follow a similar philosophy of getting the highest expected return consistent with reasonable levels of risk. And risk is further limited by how we build our portfolios: diversification is very important. As the saying goes, you don't want to put all your eggs in one basket. This means that as much as possible our funds have a range of holdings from different companies, sectors and countries, so our investors' savings are not overly exposed to any one area.

Want to learn more? The quarterly Pension Fund reports, available at [www.fortressfund.com](http://www.fortressfund.com), are a great place to learn how the funds are positioned and to read our current thoughts on the investment world.

Fortress Fund Managers is a leading provider of pension management and administration services to companies of all sizes, and to individuals via the Registered Retirement Savings Plan (RRSP). In existence for more than 17 years, Fortress has developed a reputation of being a trusted manager of mutual funds, including the Fortress Caribbean Growth Fund and the Fortress High Interest Fund, which have generated annual compound returns of 9.6% and 5.1% since inception in 1996 and 2002 respectively, as at September 30, 2013.



*You don't  
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**SIGN UP  
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