

Fortress

Annual Report 2009

MUTUAL FUND LIMITED



Fortress

Mutual Fund
Limited
2009

Fortress Mutual Fund Limited

INVITATION

November 16, 2009

Dear Fund Shareholders,

Under the provisions of Clause 2 of the Articles of Fortress Mutual Fund Limited, holders of Redeemable Mutual Fund shares are entitled to vote only in special circumstances by virtue of Sections 202 (3) and 208 (3) of the Companies Act. Nevertheless Fund Shareholders of Fortress Mutual Fund Limited have traditionally been invited to formal meetings of the Fund.

The Directors have been advised that the procedure should be revisited in keeping with the Company's corporate documents and the Industry's practice. Notwithstanding the above, the Directors of the Fund wish to make every effort to continue the cordial dialogue with Fund Shareholders that has been enjoyed from the inception of the Fund.

On this basis, the Fund Shareholders are cordially invited to meet with the Board to review and discuss the performance of the Fund during the preceding year, on Thursday, the 17th day of December, 2009 at 5:30 p.m. at the Lloyd Erskine Sandiford Centre, Foyer Annex Room, Two Mile Hill, St. Michael.

With Best Wishes for the Season.



Fortress Mutual Fund Limited
For and on behalf of the Board of Directors

Directors and Administrators

DIRECTORS

Geoffrey Cave, C.B.E., B.C.H., L.L.D. (Hon) - Chairman
C. David Bynoe
Ken Emery
Sir Fred Gollop K.A., Q.C.
John Williams
Roger Cave - Investment Director

SECRETARY

Corporate Services Limited
The Financial Services Centre
Bishop's Court Hill
St. Michael
Barbados

REGISTERED OFFICE

1st Floor, Carlisle House
Hincks Street
Bridgetown
Barbados

ATTORNEY AT LAW

Sir Henry deB. Forde, K.A., Q.C.
Juris Chambers
Fidelity House Wildey Business Park
St. Michael

INDEPENDENT AUDITORS

PricewaterhouseCoopers
Chartered Accountants
The Financial Services Centre
Bishop's Court Hill
St. Michael
Barbados

CUSTODIAN

FirstCaribbean International Bank
Wealth Management Division
Broad Street
Bridgetown
Barbados

INVESTMENT MANAGER & ADMINISTRATOR

Fortress Fund Managers Limited
1st Floor Carlisle House
Hincks Street
Bridgetown
Barbados

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Fax: (246) 431 0514
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Investment Objectives & Fund Details

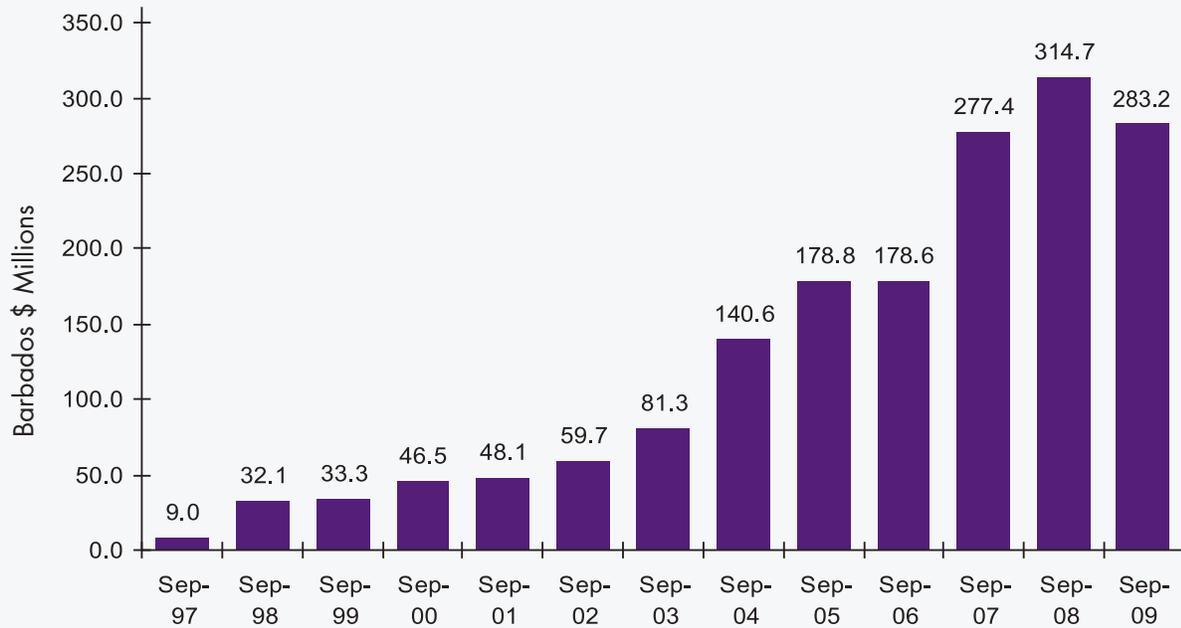
Fortress Caribbean Growth Fund (“the Fund”) is an open-ended mutual fund company and was incorporated on December 4, 1996 under the provisions of the Mutual Funds Act of Barbados. The Fund maintains its registered office at 1st Floor, Carlisle House, Hincks Street, Bridgetown, Barbados. The principal activity of the Fund is investment holding in domestic, regional and international markets with the objective to achieve long- term capital appreciation.

The Fortress Caribbean Growth Fund is invested to achieve long-term capital appreciation from Caribbean securities. The Fund’s assets are invested mainly in shares of companies listed on the Caribbean stock exchanges. The Fund has also invested in unquoted companies and companies listed on international stock exchanges through overseas-managed funds. All income, including interest, dividends and capital gains earned by the Fund, is automatically reinvested and the income value is reflected in the price of the Mutual Fund shares. The Fund does not pay dividends.

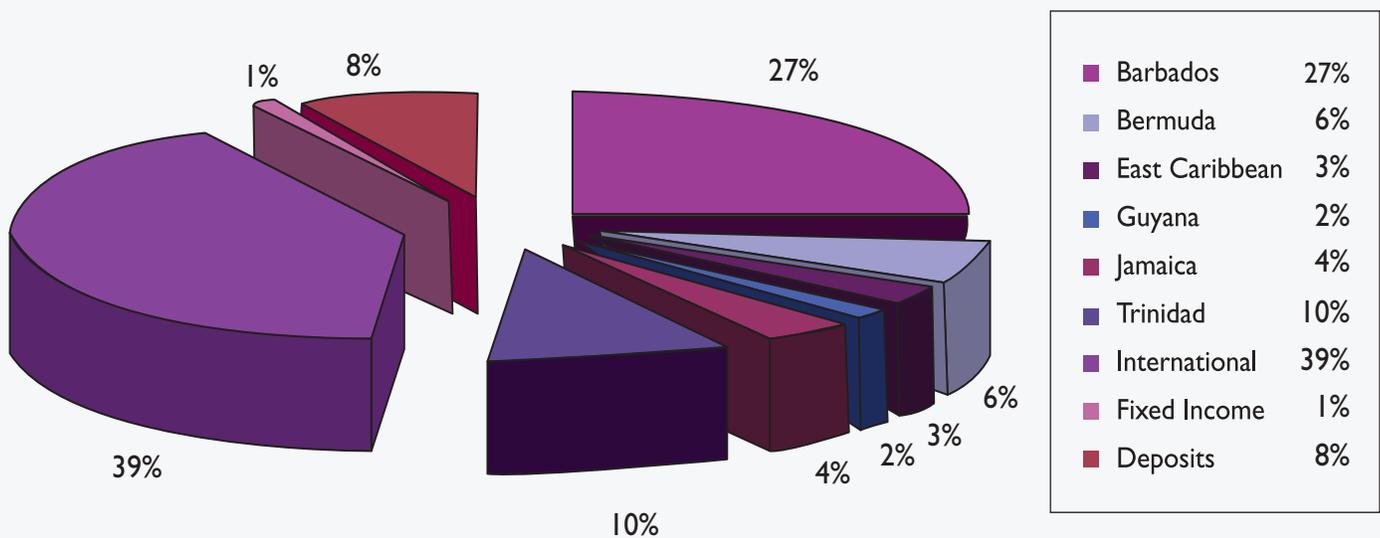
FUND NAME:	Fortress Caribbean Growth Fund
LAUNCH DATE:	December 9, 1996
LAUNCH PRICE:	\$1.00 per share
MINIMUM INVESTMENT:	\$100.00 \$100.00 for subsequent investments \$ 50.00 for monthly savings plan
NET ASSET VALUE PER SHARE:	\$4.376
NET ASSETS:	\$283,248,525
MANAGEMENT EXPENSES:	
Investment Manager:	1.75% per annum on the net assets
Administrator:	0.10% per annum on the first \$30 million of net assets 0.0875% per annum on the remaining balance of net assets
Custodian:	0.0875% per annum on the first \$30 million of the net assets 0.075% per annum of the remaining balance of net assets
INITIAL CHARGES:	2%
REDEMPTION CHARGES:	None
INVESTMENT MANAGER & ADMINISTRATOR:	Fortress Fund Managers Limited
CUSTODIAN:	FirstCaribbean International Bank (Barbados) Limited Wealth Management Division
FUND VALUATIONS:	Weekly on Fridays
NAV QUOTATIONS:	Internet: www.fortressfund.com Local Barbados newspapers Lipper Overseas Fund Table

Investment Performance

GROWTH OF NET ASSETS:



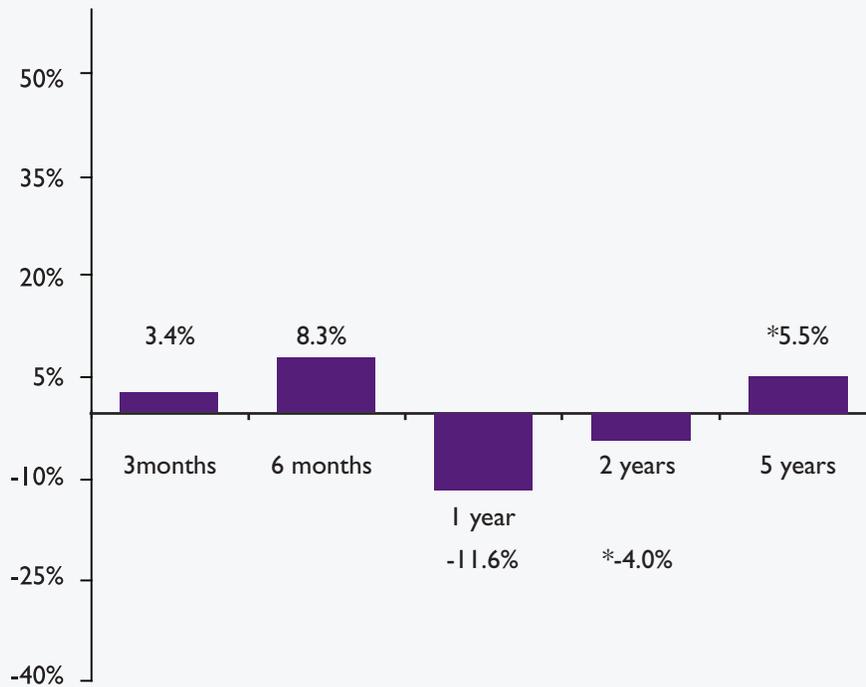
INVESTMENT PORTFOLIO:





During the twelve month period ended September 30th 2009, the net asset value per share of the Fortress Caribbean Growth Fund decreased from \$4.95 to \$4.38, producing a net decline for shareholders after all fees and expenses of -11.6%. This is the first time since the inception of the Fund thirteen years ago that we have produced a negative return for a financial year for shareholders. The annual compound rate of return since inception is still 12.03% versus 5.5% for the Dow over the same period. The net assets decreased from \$315 million to \$283 million at the end of September.

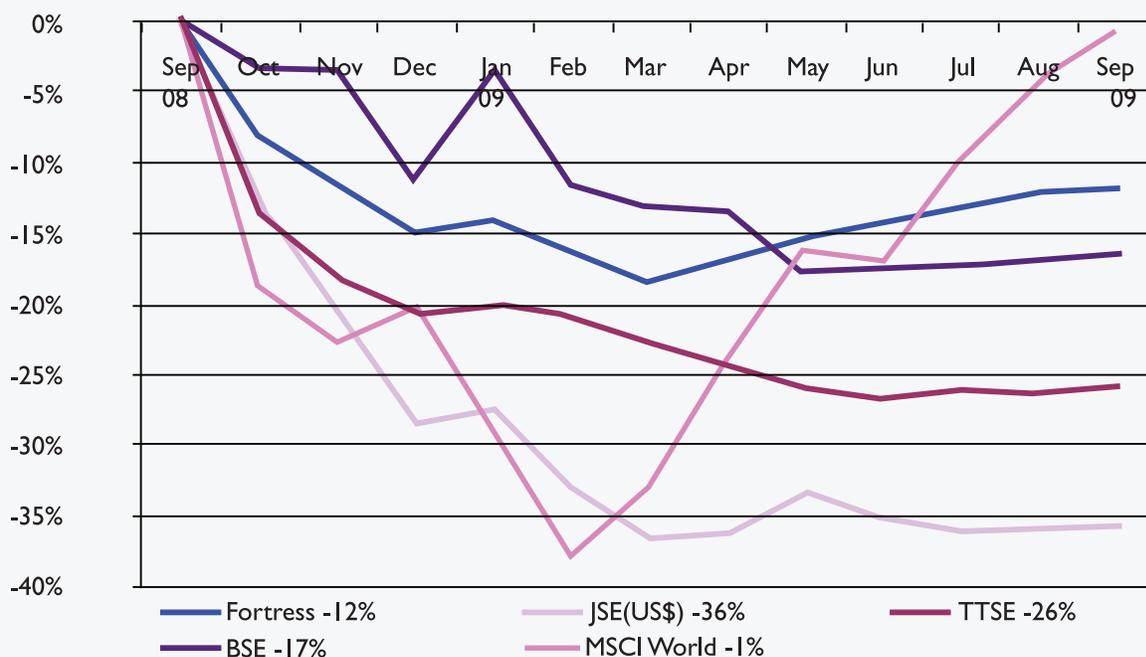
Fund Performance As At September 30th 2009



*Returns for periods longer than one year are annual compound returns.

During the last twelve months the Fund outperformed the Barbados, Trinidad and Jamaica stock exchanges by a wide margin, but underperformed the international world index. The Barbados, Trinidad and Jamaica markets were down 17%, 26% and 36% respectively while the MSCI World index was down by 1%.

I Year Returns - September 30th 08 - September 30th 09
Fortress vs Caribbean & Intl. Markets



The above graph shows very clearly what has happened to the major stock markets that we invest in during the last twelve months. The financial year began with markets in a complete free-fall with the world's entire financial system teetering on the edge of collapse. Several of the world's largest banks and insurance companies were bailed-out by their governments and central banks as hundreds of billions of dollars were created and pumped into financial institutions as credit markets literally froze. Between the end of September 2008 and the beginning of March 2009, the MSCI World index lost almost 40% of its value. With the exception of two small short-term rallies, stock markets were on a roller-coaster ride down with no end in sight. The markets hit bottom on March 6th with the S&P 500 at 667 and while valuations were attractive they were not at the historically cheap levels achieved in other cyclical stock market corrections. What was surprising and to us a bit unexpected, was the speed and the shape of what has been a truly spectacular 'V' shaped recovery. In just over six months the markets recovered to within 1% of the level of September 30th 2008, where the MSCI World index is up 65% from its lows. The Caribbean stock markets, on the other hand, have not yet shown any recovery and are still trading near the levels of their respective lows.

As shareholders are aware, we took the position of managing the Fund in the interest of capital preservation, to maintain sufficient levels of cash to cover redemptions and to minimise further losses on the Fund's NAV. In this regard, the Fund did not fall as much from peak to trough (i.e. down 31%) as many markets did. Similarly, though, we have not shown the same level of recovery, mainly for four reasons: (1) the Caribbean stock markets, where most of our money is invested, have not yet shown any recovery (2) some of our larger Bermuda holdings have also not yet recovered (3) our international equity strategies were only started in June missing some of the sharpest part of the recovery between March & June and (4) the Fund still has local BDS\$ cash balances representing 15% of the Fund's assets which are a drag on returns in rising markets.

It is always easy in hindsight to say what we should have done. That is, all of our excess US\$ cash should have been re-invested at the market low in March, 2009 (i.e. we missed the bottom). The difficulty is that one only knows after the fact that that day was the low. It is not that we were not aware that markets would recover and would do so in advance of the recession ending as they always have done, but we honestly expected that markets would have actually gotten cheaper than they did and they would have stayed lower for longer near their lows. Not knowing how deep or long the recession might last, our first priority was to ensure that we had enough cash to pay redemptions. We needed to be sure that we had the liquidity to see the Fund through the crisis.

We did see net redemptions during February and March, but in all months since then investors have actually been net buyers of the Fund. This is a better outcome than we had prepared for, and it is to the credit of our unitholders that they continued to be disciplined and consistent at just the right time.

Looking forward now, the main issues that are of interest for all of us are: where are we now and what are the prospects for the future? We can say with almost certainty that the worst of the financial crisis is behind us, most stock markets internationally have recovered their past losses and many of the world's major economies are no longer declining at the pace they were. Some countries such as China, India and Brazil are actually growing quite strongly again. Interest rates are still at record lows which is having the desired effect of both making banks quite profitable again and encouraging investors' 'risk appetite' as the return on cash and short-term investments is close to zero. It does appear, however, that stock markets may 'have gotten' or 'be getting' ahead of themselves from a valuation perspective as the current levels of earnings and growth do not easily support the current lofty share price levels.

"A seven-month rebound from a 12-year low in March has lifted the S&P 500 by 61 percent and left it trading at more than 20 times the reported operating earnings of its companies, the highest since 2004"

Source Bloomberg Oct 09

As investors, we need to be concerned that many of the problems which caused the crisis are still with us. The housing and real estate markets are still very weak with record foreclosures in the US in recent months, unemployment continues to increase in many parts of the developed world and consumers, banks and governments still have extremely high debt levels which together are going to be serious headwinds for renewed economic growth around the world. Added to this, many places like the Caribbean rely on strong growth in the developed world to support foreign investment and trade in their smaller and more fragile economies. Until the developed world is growing again, many emerging countries are going to continue to face enormous challenges for some time, and this will be felt in the levels of profitability that can be achieved by companies operating here.

Asia may be a partial exception to this. With strong foreign reserves, favourable demographics, high savings rates, relatively unscathed corporate balance sheets and strong economic growth, these countries could be the engine for renewed world growth. This Fund is heavily invested in Asia and our investments there are doing exceptionally well. The OAM Asia Recovery Fund is up 48% for the calendar year to date at September 30th 2009.

From an overall investment perspective, the prospects for the international markets would suggest that we should not see a repeat of 2008 but equally it is difficult to see a continuation of the share price increases of the last six months. It is likely that we will see a return to 'more normal' returns from stock markets as well as some sector rotation within the markets themselves. Many of the 'more boring' and 'conservative' companies that we currently invest in have not really participated

Directors' Report

in the recent stock market rally. Should this rotation happen, we believe that our portfolio will perform quite well in the coming year. It is also possible that with investor expectations so unrealistically high and the 'herd mentality' taking hold, an unforeseen event may yet trigger another sharp correction and sell-off in world markets.

The Caribbean markets have not yet moved and for shareholders in this Fund that is a good thing. Valuations in the region are becoming quite attractive again and we have started to add to one or two positions in the region at levels not seen for some time. The economic back-drop for the region is still of concern, and with heavily indebted governments struggling to meet budget and foreign currency short-falls, considerable risks remain.

All in all, we believe that that Fund has weathered the storm well and that we are very well positioned to take advantage of the opportunities that will arise in regional and international markets in the coming year. As we reported to shareholders in a recent letter, we strengthened our investment team with Peter Arender joining us to manage US and International portfolios through segregated accounts for off-shore individual and institutional clients. The results so far have been very encouraging with the US equity strategy outperforming its benchmark by a considerable margin.

These strategies are carefully structured through stringent stock selection on a value basis, creating focused portfolios of just thirty companies that collectively have superior value and return characteristics relative to those of the respective benchmarks. These portfolios are re-balanced regularly and over time should produce returns that are better than the market while taking on less overall risk. In addition, we have been employing prudent levels of downside insurance protection should a significant correction occur again.

In summary, we believe that we have come out of the financial crisis of the past year as a stronger, more focused and better structured Fund. For all the risks that remain in the financial landscape, there are also plenty of very real opportunities – more than we've seen in many years. While the short-term movement of markets is always unpredictable, we believe that in the medium and long term the Fund is once again very well positioned to generate solid returns.

We thank all our shareholders for investing with us, and look forward to a profitable and less "eventful" year ahead.



Roger Cave
Investment Director

Financial Statements

The background of the page is an abstract composition of several overlapping, curved bands of color. The colors range from deep, dark purple to lighter, more vibrant shades of magenta and pink. The bands curve from the top right towards the bottom left, creating a sense of movement and depth. The overall effect is a modern, artistic design that complements the professional title.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Fortress Mutual Fund Limited

We have audited the accompanying consolidated financial statements of **Fortress Mutual Fund Limited** which comprise the consolidated balance sheet as of September 30, 2009 and the consolidated statement of income, consolidated statement of changes in net assets attributable to holders of redeemable mutual fund shares, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **Fortress Mutual Fund Limited** as of September 30, 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PriceWaterhouseCoopers

Chartered Accountants
November 16, 2009
Bridgetown, Barbados

Fortress Mutual Fund Limited
 Consolidated Balance Sheet
 As of September 30, 2009
 (Expressed in Barbados dollars)

	Notes	2009 \$	2008 \$
Assets			
Investments	5,7	236,239,542	247,078,446
Real estate available for re-sale	6	9,529,805	9,414,848
Due from brokers	8	4,293,523	11,641,097
Accounts receivable		191,079	1,099,511
Cash and cash equivalents	9	34,169,316	51,906,120
Total assets		284,423,265	321,140,022
Liabilities			
Derivative financial instruments	7	962,200	-
Accounts payable and accrued expenses		172,540	297,706
Due to brokers	8	-	6,151,462
Total liabilities (excluding net assets attributable to holders of redeemable mutual fund shares)		1,134,740	6,449,168
Net assets attributable to holders of redeemable mutual fund shares	12	283,248,525	314,650,854
Total liabilities		284,383,265	321,100,022
Share capital	13	40,000	40,000
Liabilities and shareholder funds		284,423,265	321,140,022
Net asset value per share		4.38	4.95

Approved by the Board of Directors on November 16, 2009

 Director

 Director

Fortress Mutual Fund Limited
 Consolidated Statement of Changes in Net Assets attributable
 to holders of redeemable mutual fund shares
 For the year ended September 30, 2009
 (Expressed in Barbados dollars)

	Number of Shares	Net assets attributable to holders of redeemable mutual fund shares \$
Balance as at September 30, 2007	58,342,632	277,336,491
Issue of shares	15,065,306	74,053,726
Redemption of shares	(9,777,709)	(49,934,392)
Net income for the year	-	13,195,029
Balance as at September 30, 2008	63,630,229	314,650,854
Issue of shares	9,100,372	39,344,400
Redemption of shares	(8,002,556)	(34,884,578)
Net loss for the year	-	(35,862,151)
Balance as at September 30, 2009	64,728,045	283,248,525

Fortress Mutual Fund Limited
Consolidated Statement of Income
For the year ended September 30, 2009
(Expressed in Barbados dollars)

	Notes	2009 \$	2008 \$
Revenue			
Net fair value (loss)/gain on investments	5	(38,001,769)	8,575,749
Dividend income		5,791,667	8,462,027
Interest income	10	1,654,882	2,756,522
Total investment (loss)/income		(30,555,220)	19,794,298
Expenditure			
Management fees	11	4,459,840	5,620,905
Administrator and custodian fees	11	446,953	538,648
Operating expenses		290,908	164,345
Professional fees		98,415	249,182
Withholding taxes		10,815	26,189
Operating expenditure		5,306,931	6,599,269
Net (loss)/income on ordinary activities		(35,862,151)	13,195,029

Fortress Mutual Fund Limited
Consolidated Statement of Cash Flows
For the year ended September 30, 2009
(Expressed in Barbados dollars)

	2009 \$	2008 \$
Net (loss)/income for the year	(35,862,151)	13,195,029
Adjustment for:		
Net fair value loss/(gain) on investments	38,001,769	(8,575,749)
Dividend income	(5,791,667)	(8,462,027)
Interest income	(1,654,882)	(2,756,522)
Operating loss before working capital changes	(5,306,931)	(6,599,269)
Net decrease in accounts receivable	631,013	6,096,716
Decrease in due from brokers	6,706,547	3,268,022
(Decrease)/increase in due to brokers	(6,151,462)	98,220
Decrease in accounts payable	(125,166)	(14,992)
Purchase of investments	(215,920,842)	(278,079,961)
Additions to real estate available for re-sale	(114,957)	(9,414,848)
Proceeds on sale of investments	189,966,033	280,704,306
Cash used in operations	(30,315,765)	(3,941,806)
Interest received	2,050,053	2,354,001
Dividends received	6,069,086	8,037,320
Cash (used in)/generated from operating activities	(22,196,626)	6,449,515
Cash flows from financing activities		
Issue of Mutual Fund shares	39,344,400	74,053,726
Redemption of Mutual Fund shares	(34,884,578)	(49,934,392)
Cash generated from financing activities	4,459,822	24,119,334
Net (decrease)/increase in cash and cash equivalents	(17,736,804)	30,568,849
Cash and cash equivalents - beginning of year	51,906,120	21,337,271
Cash and cash equivalents - end of year	34,169,316	51,906,120

1. INCORPORATION AND PRINCIPAL ACTIVITY

Fortress Mutual Fund Limited ("the Fund") was incorporated in Barbados on December 4, 1996, is registered under the Companies Act of Barbados and is licensed under the Mutual Funds Act 2002-22 as an authorised Mutual Fund. The Fund maintains its registered office at 1st Floor, Carlisle House, Hincks Street, Bridgetown, Barbados.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

A. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. Although these estimates are based on management's best knowledge of current events and conditions, actual results could differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Standards, interpretations and amendments to published standards in 2009

New standards, amendments to published standards and interpretations issued but not yet effective.

The application of the amendments and interpretations listed below are not yet effective but are not expected to result in substantial changes to the Fund's accounting policies:

- IFRS 7 'Financial instruments - Disclosures' (amendment) (effective from 1 January 2009);
- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009);
- IFRS 2 (Amendment), Share - Based Payment (effective from 1 January 2009);
- IFRS 7 (amendment) as the provisions of IAS 1 (Revised) will result in certain changes in presentation of the Fund's financial statements;
- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009);
- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009);
- IAS 38 (amendment), 'Intangible Assets' (effective from 1 July 2009);
- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale' (effective from 1 January 2010);
- IAS 1 (amendment), 'Presentation of financial statements' (effective from 1 January 2010);
- IFRS 2 (amendment), 'Group cash-settled share-based payment transactions' (effective from 1 January 2010).

B. FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in Barbados dollars which is the Fund's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

Translation differences on non-monetary financial assets and liabilities such as securities held at fair value through profit or loss are recognised in the statement of income as part of the fair value gain and loss.

C. INVESTMENT INCOME

Interest income is recognised in the statement of income for all interest-bearing instruments on an accrual basis using the effective yield method. Interest income relates to coupons earned on fixed income investments and short-term deposits.

Dividend income is recognised when the Fund's right to receive payment is established.

D. INVESTMENTS

The Fund classifies its investments into two categories:

- Financial assets at fair value through profit or loss
- Loans and receivables

Management determines the appropriate classification of these assets at initial recognition.

Financial assets at fair value through profit or loss

(a) Classification

The majority of the Fund's investments have been classified as financial assets at fair value through profit or loss in accordance with International Accounting Standards 39 (IAS 39), Financial Instruments: Recognition and Measurement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. INVESTMENTS (continued)

Financial assets in the category at fair value through profit or loss have been so designated by management at inception since the assets form part of the managed portfolio whose performance is evaluated on a fair value basis in accordance with a documented investment strategy.

b) Recognition, derecognition and measurement

Regular-way purchases and sales of investments are recognised on the trade date, which is the date the Fund commits to purchase or sell the investments.

Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

The Fund's interests in jointly controlled entities are initially recognised at cost and are subsequently carried at fair value based on the Fund's proportionate share of the underlying fair value of the entity's assets.

The Fund's investments in other investment funds are initially recognised at fair value and are subsequently valued on the basis of the net asset value per share as determined by the administrators of those investment vehicles in accordance with industry practice.

All other financial assets at fair value through profit or loss are initially recognised at fair value and subsequently carried at fair value based on quoted bid prices. In the absence of quoted bid prices the last close price and other information including the quoted offer price is considered by the Manager to determine the appropriate fair value price to be used. In the event that a security held by the Fund is unquoted, if unusual market conditions exist, or in the event that a particular security's value has become impaired, as evidenced by no bids being quoted and offers below the previous

trade price, the Manager, in consultation with the Custodian, and on advice of an independent broker, will make a reasonable estimate of the fair value price by using valuation techniques. These can include the use of recent arm's length transactions, reference to other instruments that are substantially the same or discounted cash flow analysis which make maximum use of market inputs and rely as little as possible on entity-specific inputs.

Gains or losses arising from changes in the fair value of securities classified as financial assets at fair value through profit or loss are recognised in the statement of income as they arise. Average cost is used to compute realised and unrealised gains and losses on investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortised cost using the effective interest method less provision for impairment. A loan or receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees and the financial condition and viability of the borrower.

E. DERIVATIVE CONTRACTS

Open contracts held for trading purposes are included in the balance sheet at fair value. Fair value is based generally on market prices or broker quotations.

The fair value of open contracts, which are comprised of call and put options, is included in investments where the fair value represents an asset of the Fund. Where the fair value of the options represents an obligation of the Fund, the fair value is included in the derivative financial liabilities. Amounts are offset and the net amount reported in the balance sheet if, and only if there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or

to realise an asset and settle the liability simultaneously. This is not generally the case and the related assets and liabilities are presented gross in the balance sheet.

Gains and losses arising from the application of this policy are taken to the statement of income.

F. SUBSIDIARY UNDERTAKINGS

Subsidiary undertakings in which the Fund has an interest of more than half of the voting rights, or otherwise has power to exercise control over the operations, are consolidated. The Fund's subsidiary holdings are set out below:

	2009	2008
Cove 11 Limited	100%	100%
Fortress Property (SVG) Ltd	100%	100%

Cove 11 Limited is incorporated in Barbados and owns Coral Cove Unit 11 in Payne's Bay, St. James, which has been included in real estate available for re-sale.

Fortress Property (SVG) Ltd is incorporated in Bahamas and owns Lot E24 at Canouan Resorts Developments, St Vincent, which has been included in real estate available for re-sale.

G. REAL ESTATE AVAILABLE FOR RE-SALE

Properties that are being held for future sale are classified as real estate available for re-sale and are carried at cost. Subsequent costs are included in the properties' carrying value. The carrying value is immediately written down to its recoverable amount if its carrying value is assessed to be greater than the estimated recoverable amount.

H. CASH AND CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments, with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to insignificant changes in fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. EXPENSES

Expenses are accounted for on an accrual basis. Expenses are charged to the statement of income except where incurred on the acquisition of an investment, which are included in the cost of that investment. Expenses arising on the disposal of investments are deducted from the disposal proceeds.

In addition to the management fees and administration expenses, the Fund is responsible for the payment of all direct expenses relating to its operations such as audit, legal and professional fees.

J. DUE FROM AND DUE TO BROKERS

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased, that have been contracted for but not yet settled or delivered by the balance sheet date respectively.

K. REDEEMABLE SHARES / NET ASSET VALUE

The Fund issues redeemable shares which are redeemable at the holder's option and are classified as financial liabilities. Redeemable shares can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The redeemable shares are carried at the redemption amount that is payable at the balance sheet date if the holders exercise the right to put the shares back to the Fund.

Redeemable shares are issued and redeemed at the holder's option at prices based on the Fund's net asset value per share at the time of issue or redemption. The Fund's net asset value per redeemable mutual fund share is calculated by dividing the net assets attributable to those shares by the number of outstanding redeemable shares. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the procedures described in note 2D for the purpose of determining the net asset value per share for subscriptions and redemptions.

L. TAXATION

The Fund is licensed as an authorised mutual fund under the Mutual Funds Act, 2002-22 of Barbados. The Directors have resolved that all of the net income of the Fund is attributable to the Fund's Class "A" redeemable mutual fund shareholders. In calculating the assessable income of the Fund for tax purposes, the Act provides for a deduction of up to a 100% of the income that is designated to be the income of the Fund shareholders.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and assumptions that have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the next financial year, include the valuation of unquoted investments where valuation techniques need to be utilised and the determination of impairment provisions. Management policies surrounding these estimates and assumptions are disclosed in note 2D.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Fund's activities expose it to a variety of financial risks: market risk (which includes market price risk, interest rate risk and currency risk), credit risk and liquidity risk in the financial instruments it holds. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance. The risk management policies employed by the Fund to manage these risks are discussed below. The objective of the Fund is to achieve long-term capital appreciation through investment in domestic, regional and international markets.

Market risk

(i) Price risk

The Fund is exposed to market price risk arising primarily from the changes in equity prices. To manage this risk the Fund holds a diversified portfolio of investments in accordance with its investment policy. As at September 30, 2009, 28% (2008- 30%) of financial assets at fair value through profit or loss, comprise of investments in other funds that have been fair valued in accordance with the policies set out in note 2D. Since the shares of the other funds are not publicly traded, redemption can only be made by the Fund on the redemption dates and subject to the required notice periods specified in the offering documents of each of the other funds. The rights of the Fund to request redemption of its investments in other funds may vary in frequency from weekly to monthly redemptions. As a result, the carrying values of the other funds may not be indicative of the prevailing values ultimately realised on redemption. In addition, the Fund may be materially affected by the actions of other investors who have invested in other funds in which the Fund has invested. A summary of the overall balance sheet market exposures at September 30, 2009 is disclosed in note 5.

Sensitivity

The effects of a change in equity prices of the Fund's financial assets at fair value through profit or loss are set out below. These changes represent what is considered to be a reasonable movement within the specific regions by management.

Financial assets at fair value through profit or loss:

	Carrying Value 2009 \$	Effect of change at September 30, 2009	Impact on Income \$
Listed on Caribbean stock exchanges and markets	112,493,941	8%	8,999,515
Listed on US stock exchanges and markets	23,756,968	10%	2,375,697
Listed on other exchanges and markets	19,631,125	10%	1,963,112
Unlisted securities	62,530,054	10%	6,253,005
	218,412,088		19,591,329

	Carrying Value 2008 \$	Effect of change at September 30, 2008	Impact on Income \$
Listed on Caribbean stock exchanges and markets	147,844,539	10%	14,784,454
Listed on US stock exchanges and markets	1,598,830	10%	159,884
Listed on other exchanges and markets	3,878,000	10%	387,800
Unlisted securities	78,014,257	10%	7,801,426
	231,335,626		23,133,564

The carrying value of all financial assets and liabilities are considered reasonable estimates of their fair value. A depreciation in the fair value at the levels above will have an equal and opposite effect to that disclosed above.

4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(ii) Interest rate risk

The majority of the Fund's financial assets and liabilities are non-interest bearing. As a result the Fund is not subject to significant amounts of risk due to fluctuation in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. The effective yield on loans and receivables is disclosed in note 5 and on cash and cash equivalents in note 9.

The table below summaries the Fund's exposure to interest rate risk. It includes the Fund's financial assets and liabilities categorised by the earlier of contractual re-pricing or maturity dates.

At September 30, 2009

	1-3 months	4 months- 1 year	1-5 years	Non-interest bearing	Total
	\$	\$	\$	\$	\$
Financial assets					
Investments	17,395,433	507,021	3,065,471	215,271,617	236,239,542
Due from brokers	-	-	-	4,293,523	4,293,523
Accounts receivable	-	-	-	191,079	191,079
Cash and cash equivalents	21,790,999	-	-	12,378,317	34,169,316
Total financial assets	39,186,432	507,021	3,065,471	232,134,536	274,893,460
Financial liabilities					
Derivative financial instruments	-	-	-	962,200	962,200
Accounts payable and accrued expenses	-	-	-	172,540	172,540
Net assets attributable to holders of redeemable mutual fund shares	-	-	-	283,248,525	283,248,525
Total financial liabilities	-	-	-	284,383,265	284,383,265

At September 30, 2008

	1-3 months	4 months- 1 year	1-5 years	Non-interest bearing	Total
	\$	\$	\$	\$	\$
Financial assets					
Investments	-	15,794,820	3,140,518	228,143,108	247,078,446
Due from brokers	-	-	-	11,641,097	11,641,097
Accounts receivable	-	-	-	1,099,511	1,099,511
Cash and cash equivalents	44,905,535	-	-	7,000,585	51,906,120
Total financial assets	44,905,535	15,794,820	3,140,518	247,884,301	311,725,174
Financial liabilities					
Due to brokers	-	-	-	6,151,462	6,151,462
Accounts payable and accrued expenses	-	-	-	297,706	297,706
Net assets attributable to holders of redeemable mutual fund shares	-	-	-	314,650,854	314,650,854
Total financial liabilities	-	-	-	321,100,022	321,100,002

4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The following table indicates the sensitivity to the fair value of the Fund's long term fixed rate financial assets designated at fair value through profit or loss, to a reasonable possible change in interest rates, with all other variables held constant.

Change in interest rate:	2009 Effect on net income \$	2008 Effect on net income \$
- 2%	89,389	145,781
2%	(85,983)	(137,620)

(iii) Currency risk

The Fund holds financial assets denominated in currencies other than Barbados dollars, the functional currency of the Fund. Consequently, except where assets and liabilities are denominated in currencies fixed to the Barbados dollar, the Fund is exposed to currency risk. The Fund's policy is not to enter into any hedging transactions to mitigate currency risk.

The table below summarises the Fund's exposure to currency risk:

At September 30, 2009	JMD \$	GBP \$	GUY \$	NOK \$
Financial assets				
Investments	10,218,492	13,412,727	3,786,691	5,407,904
Accounts receivable	9,331	-	-	-
Cash and cash equivalents	12,917	-	-	-
Total financial assets	10,240,740	13,412,727	3,786,691	5,407,904
Total financial liabilities	-	-	-	-
Net position	10,240,740	13,412,727	3,786,691	5,407,904

At September 30, 2008	JMD \$	GBP \$	GUY \$	NOK \$
Financial assets				
Investments	27,850,205	13,132,884	3,610,110	3,878,000
Due from brokers	92,049	81,871	-	-
Accounts receivable	195,400	-	-	-
Cash and cash equivalents	247,101	-	-	-
Total financial assets	28,384,755	13,214,755	3,610,110	3,878,000
Total financial liabilities	-	-	-	-
Net position	28,384,755	13,214,755	3,610,110	3,878,000

4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(iii) Currency risk (continued)

Sensitivity

The Fund is most exposed to currency risk in its operating currencies whose values have noticeably fluctuated against the Barbados dollar. These currencies include the Jamaica dollar (JMD), the Great Britain Pound Sterling (GBP), the Guyanese dollar (GUY) and the Norwegian Krone (NOK). The theoretical decrease in net assets if these currencies had depreciated by 5% against the Barbados dollar with all other variables held constant is considered below.

	Effect of a 5% depreciation as of September 30, 2009	Effect of a 5% depreciation as of September 30, 2008
	\$	\$
Balances denominated in JMD	512,037	1,419,238
Balances denominated in GBP	670,636	660,738
Balances denominated in GUY	189,335	180,505
Balances denominated in NOK	270,395	193,900

A 5% appreciation in the currencies will have an equal and opposite effect to that disclosed above.

Credit risk

Credit risk is the risk that an issuer or counterparty to a financial instrument will be unable or unwilling to meet a commitment thereby causing a financial loss to the Fund.

The maximum exposure of the Fund to credit risk is set out in the following table:

	2009 \$	2008 \$
Government bonds	3,121,500	3,121,500
Loans and receivables	17,827,454	15,742,820
Due from brokers	4,293,523	11,641,097
Accounts receivable	191,079	1,099,511
Cash and cash equivalents	34,169,316	51,906,120
Total financial assets	59,602,872	83,511,048

Government bonds are issued by the Government of Barbados which maintains a BBB+ (2008- A-) rating by Standard and Poor's.

Credit risk from loans and receivables is minimised through holding a diversified portfolio of investments, purchasing securities after careful assessment of the borrower and placing deposits with financial institutions with a strong capital base. The Fund's loans and receivables are unrated.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal since delivery of securities sold is only made once the broker has delivered payment. On a purchase, payment is made once the securities have been received by the broker. The trade will fail if either party fails to meet their obligation. The Fund's exposure to credit risk related to due from brokers is set out below in the following table:

	2009 \$	2008 \$
Due from brokers		
Impaired	1,620,796	-
Neither past due or impaired	2,672,727	11,641,097
Total carrying amount	4,293,523	11,641,097

The impaired amount relates to the proceeds and interest due from The Republic Bank of Havana.

4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The Fund's exposure to individual counterparty credit risk on its cash and cash equivalents exceeding 2.5% of total the Fund's net assets is set out below:

Cash and cash equivalents	2009	2008
	\$	\$
FirstCaribbean International Bank	24,785,690	31,849,690
NCB Capital Markets Limited (CCC by Standard and Poor's)	-	7,996,136
Total	24,785,690	39,845,826

Liquidity risk

The Fund is exposed to weekly cash redemptions of Class "A" Redeemable Mutual Fund Shares (note 2K). It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amount, as the impact of discounting is not significant.

September 30, 2009	Less than 1 month	1-3 months	3-12 months
	\$	\$	\$
Accounts payable and accrued expenses	97,790	74,750	-
Derivative financial instruments	151,200	775,000	36,000
Net assets attributable to holders of redeemable mutual fund shares	283,248,525	-	-
Total financial liabilities	283,497,515	849,750	36,000

September 30, 2008	Less than 1 month	1-3 months
	\$	\$
Due to brokers	6,151,462	-
Accounts payable and accrued expenses	227,556	70,150
Net assets attributable to holders of redeemable mutual fund shares	314,650,854	-
Total financial liabilities	321,029,872	70,150

Redeemable shares are redeemed on demand at the holder's option (note 2K). In the event of unusual circumstances should redemption requests representing more than 20% of the Fund's assets be received within 30 consecutive days, the directors of the Fund reserve the right to suspend redemptions and to hold a special meeting of the Fund shareholders to determine the future of the Fund, including the liquidation of the Fund's assets.

5. INVESTMENTS

	2009 \$	2008 \$
Designated at fair value through profit or loss:		
- listed equity securities	135,323,704	147,163,985
- debt securities	3,140,471	3,192,518
- mutual funds	68,152,650	68,958,305
- joint ventures	11,101,721	10,394,473
- other	693,542	1,626,345
Total financial assets designated at fair value through profit or loss	218,412,088	231,335,626
Loans and receivables	17,827,454	15,742,820
Total investments	236,239,542	247,078,446
Net (losses)/gains recognised in relation to financial assets designated at fair value through profit or loss:		
- realised	(9,204,905)	22,513,947
- unrealised	(28,796,864)	(13,938,198)
	(38,001,769)	8,575,749

The detailed portfolio of investments is as follows:

Security	2009		2008	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Financial assets at fair value through profit or loss:				
Barbados				
Sagicor Financial Corporation	18,327,034	15,570,869	14,686,620	17,838,387
Goddard Enterprises Limited	5,631,846	9,965,783	5,226,569	12,596,936
FirstCaribbean International Bank Ltd	10,449,567	8,443,920	10,849,042	10,663,986
Cable & Wireless B'dos Limited	4,713,517	8,792,935	4,672,977	8,593,954
Light & Power Holdings Ltd	1,802,742	2,245,912	1,682,537	2,110,607
Banks Holdings Limited	1,616,307	1,829,171	2,358,554	2,656,461
Fortress Caribbean Property Fund	1,384,075	1,285,023	1,384,075	1,720,273
Barbados Dairy Industries Ltd	946,187	1,084,365	946,187	1,127,412
Insurance Corporation of Barbados Ltd	1,117,895	913,610	1,117,895	1,347,651
Barbados National Bank Inc	792,063	899,597	792,063	985,128
ANSA McAL (Barbados) Ltd	963,628	766,496	963,628	775,598
Fortress Caribbean High Interest Fund	-	-	1,100,123	1,100,123
The West Indies Rum Distillery Ltd	-	-	276,677	623,875
	47,744,861	51,797,681	46,056,947	62,140,391

5. INVESTMENTS (continued)

Security	2009		2008	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Financial assets at fair value through profit or loss				
Jamaica				
Grace Kennedy & Company	7,879,910	4,527,830	6,667,250	6,702,227
Lascelles Demercado	2,916,494	2,838,377	-	-
Carreras Group	1,683,061	1,370,501	1,683,061	2,703,108
National Commercial Bank Ltd	1,360,203	618,859	19,714,912	16,185,876
Cable & Wireless Jamaica	1,971,867	578,686	2,123,194	1,748,940
FirstCaribbean Intl Bank (Jamaica) Ltd	686,224	284,239	686,224	510,054
	16,497,759	10,218,492	30,874,641	27,850,205
Trinidad				
Neal & Massy Holdings Ltd	15,611,408	14,910,920	14,811,765	17,682,559
Praetorian Property Mutual Fund	4,978,543	3,330,865	4,978,543	4,203,088
National Enterprises Limited	2,657,967	3,042,667	-	-
Guardian Holdings	2,982,900	1,929,455	2,482,223	2,349,965
SavInvest	222,709	210,721	222,709	234,023
	26,453,527	23,424,628	22,495,240	24,469,635
Bermuda				
Bermuda Fire & Marine Ltd	8,072,987	8,801,968	8,072,987	10,901,783
Bank of N T Butterfield Ltd	11,227,435	4,594,729	10,871,102	10,950,225
Bermuda Commercial Bank	2,418,236	1,478,950	2,418,236	2,487,325
	21,718,658	14,875,647	21,362,325	24,339,333
East Caribbean				
East Caribbean Financial Holdings Ltd	2,832,221	4,645,869	2,832,221	4,005,060
Trading & Development Co Ltd	526,249	1,256,069	526,249	1,088,594
St Lucia Electricity Services	536,480	1,089,775	536,480	1,089,775
St. Vincent Brewery Limited	287,899	410,465	287,899	305,178
	4,182,849	7,402,178	4,182,849	6,488,607

5. INVESTMENTS (continued)

Security	2009		2008	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Financial assets at fair value through profit or loss				
Guyana				
Demerara Bank Limited	2,601,374	3,515,382	2,601,374	3,333,876
Demerara Distilleries Ltd	233,674	271,309	233,674	276,234
	2,835,048	3,786,691	2,835,048	3,610,110
Government Bonds				
Government of Barbados	3,000,000	3,121,500	3,000,000	3,121,500
International Investments				
Fortress Global Value Fund	23,525,492	18,684,472	23,525,492	20,883,166
OAM Asian Recovery Fund	4,299,924	15,858,514	4,299,924	12,682,583
Fortress International Equity Strategy	12,000,000	13,454,213	-	-
OAM European Value Fund	3,702,839	9,923,402	3,702,839	8,833,303
CG Portfolio Fund Real Return A Class	5,744,535	6,764,481	5,744,535	6,513,418
C G Portfolio Fund Ltd	3,858,199	6,648,246	3,858,199	6,619,466
Yara International Asa	7,401,759	5,407,904	5,416,103	3,878,000
Fortress US Equity Strategy	3,999,940	4,577,712	-	-
Fortress Equity Income Strategy	3,999,940	4,216,543	-	-
OAM/Greenpark II	2,750,000	2,358,426	2,750,000	3,462,802
United States Natural Gas Fund	1,437,023	1,187,680	-	-
Berkshire Hathaway Inc Class B	1,095,672	1,043,422	1,095,672	1,380,030
OAM Other Securities	2,086,476	880,971	2,086,476	1,308,014
Caribbean Strategic Fund Ltd	750,000	679,500	750,000	862,500
OAM/Greenpark Secondaries	500,000	325,136	500,000	535,546
Caribbean Utilities Co Ltd Class A	238,810	170,010	238,810	218,800
Call and put options	576,188	320,820	-	-
CIBC Wood Gundy	-	-	500,000	873,500
Credit Suisse Securities USA Ltd	-	-	500,000	451,700
	77,966,797	92,501,452	54,968,050	68,502,828
Other				
CS&C Joint Venture	5,784,000	10,165,721	6,000,000	9,674,473
Sunset Joint Venture	936,000	936,000	720,000	720,000
	6,720,000	11,101,721	6,720,000	10,394,473
Holdings less than 0.05%	238,878	182,098	371,003	418,544
Total financial assets at fair value through profit or loss	207,358,377	218,412,088	192,866,103	231,335,626

5. INVESTMENTS (continued)

Loans and receivables:

	2009		2008	
	Cost \$	Amortised Cost \$	Cost \$	Amortised Cost \$
Deposits	16,906,700	16,927,132	14,581,675	14,756,336
Fortress St. Lucia Limited	900,322	900,322	900,322	986,484
Total loans and receivables	17,807,022	17,827,454	15,481,997	15,742,820
Total investments	225,165,399	236,239,542	208,348,100	247,078,446

The effective yield on loans and receivables is 4.30% (2008-8.64%).

6. REAL ESTATE AVAILABLE FOR RE-SALE

The detailed portfolio of real estate available for re-sale is as follows:

	2009 \$	2008 \$
Coral Cove- Unit 11	2,869,805	2,754,848
Canouan Resorts Development- Lot E24	6,660,000	6,660,000
	9,529,805	9,414,848

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Fund holds positions in put and call options primarily to reduce the market risk from its portfolio of equity investments as conditions warrant. An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (in the case of a "call" option) or sell (in the case of a "put" option) a specific amount of an underlying security at a specified price on or before the expiry date of the option. The seller receives a premium from the purchaser in return for this right. The market values of these options change primarily in response to changes in values of the underlying assets.

Options held by the Fund are all exchange-traded, with pricing for valuation purposes readily available from the exchange(s). Options are shown in the financial statements on a gross basis.

The purchased and written option contracts held by the Fund are detailed below. Purchased options represent assets of the Fund; written options are liabilities. This is true even if the options correspond to, or are intended to hedge, other underlying assets held in the Fund's portfolio.

Purchased Options Contracts	Cost/Premium paid \$	Market Value \$
Put Options		
SPDRs, 10/17/2009 @ \$190	51,400	4,200
iShares MSCI EAFE Index, 11/21/2009 @ \$100	213,248	175,000
Call Options		
Pfizer Inc., 01/16/2010 @ \$40	311,540	141,620
	576,188	320,820

7. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Written Options Contracts	Cost/Premium received	Market Value
	\$	\$
Put Options		
United States Natural Gas Fund, 10/17/2009 @ \$24	(217,994)	(150,000)
SPDRs, 10/17/2009 @ \$170	(16,200)	(1,200)
Call Options		
iShares MSCI EAFE Index, 12/19/2009 @ \$108	(754,202)	(775,000)
United States Natural Gas Fund, 01/16/2010 @ \$30	(47,199)	(36,000)
	(1,035,595)	(962,200)

As at September 30, 2009, the “notional” amount underlying the options purchased was \$40,824,000. This number is a theoretical one and refers to the total value of securities from which the options derive, or may potentially derive, their value. The notional amount underlying options written as at the same date was \$18,600,000. These numbers are most meaningfully considered in the context of the total market value and offsetting exposures within the Fund’s portfolio.

8. DUE FROM/TO BROKERS

Due from/to brokers represents security purchases and sales transactions contracted for but not yet delivered at the end of the year.

Due from brokers

	2009	2008
	\$	\$
(a) Funds advanced for purchases	2,672,727	938,701
(b) Sales awaiting settlement	1,620,796	10,702,396
	4,293,523	11,641,097

(a) This amount represents funds advanced for the purchase of shares, which have not been issued at the year end.

(b) This amount represents funds due from brokers on the sale of investments which have not been received at the year end. At September 30, 2009 this amount represents the proceeds and interest due from The Republic Bank of Havana. While the Fund believes that it will be able to collect all proceeds and interest due it is being conservative and has recorded a provision against this balance of \$641,027, because of delays in the timing of the repayments being made.

Due to brokers

	2009	2008
	\$	\$
Purchases awaiting settlement	-	6,151,462

This amount represents funds due to brokers on the purchase of investments, which have not been paid at the year end.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following :

	2009	2008
	\$	\$
Cash at bank	29,921,805	31,852,202
Short term deposits and loans	4,247,511	20,053,918
	34,169,316	51,906,120

The effective yield on cash and cash equivalents is 2.80% (2008- 4.78%).

10. INTEREST INCOME

	2009 \$	2008 \$
Loans and receivables	803,436	1,256,073
Debt securities at fair value through profit or loss	151,360	155,360
Cash and cash equivalents	700,086	1,345,089
	1,654,882	2,756,522

11. RELATED PARTIES TRANSACTIONS

Parties are considered to be related if one party directly or indirectly controls or is under common control with the other party or exercise significant influence over the other party in making financial or operational decisions.

Directors fees of \$60,000 (2008- \$67,500) were paid during the year. Directors' interest (including beneficial interests) in class "A" Reemable Mutual Fund shares are as follows:

	2009	2008
Geoffrey Cave		
Number of shares held at October 1	302,711	253,403
Shares (redeemed)/acquired	(256,670)	49,308
Number of shares held at September 30	46,041	302,711
David Bynoe		
Number of shares held at October 1	56,221	54,305
Shares acquired	-	1,916
Number of shares held at September 30	56,221	56,221
Sir Fred Gollop		
Number of shares held at October 1	47,463	43,313
Shares acquired	4,717	4,150
Number of shares held at September 30	52,180	47,463
John Williams		
Number of shares held at October 1	24,079	18,218
Shares (redeemed)/acquired	(801)	5,861
Number of shares held at September 30	23,278	24,079
Roger Cave		
Number of shares held at October 1	52,552	49,138
Shares acquired	2,430	3,414
Number of shares held at September 30	54,982	52,552

11. RELATED PARTIES TRANSACTIONS (continued)

Fortress Fund Managers Limited serves as manager, registrar and administrator of the Fund. As a result of providing investment advisory, management, registrar and administrator services, Fortress Fund Managers Limited receives a weekly management and administration fee based on the actual net asset value of the Fund, calculated weekly and payable in arrears. The management fee amounted to \$4,459,840 (2008- \$5,620,905) for the year. The administrator fees amounted to \$240,379 (2008- \$289,749) for the year. Management fees of \$203,039 (2008- \$184,272) were refunded by Fortress Fund Managers Limited being 0.75% - 0.90% of the net asset values of Fortress Caribbean Property Fund Limited, Fortress Caribbean High Interest Fund and Fortress Global Value Fund shares held by the Fund during the year. This is to avoid double charging of management fees on assets invested in related Funds which have the same Manager.

The Fund holds 1,036,309 (2008-1,036,309) shares in the Fortress Caribbean Property Fund.

At September 30, 2008 the Fund held 743,427 shares in the Fortress Caribbean High Interest Fund.

The Fund holds 11,059,827 (2008-11,059,827) shares in the Fortress Global Value Fund.

Included in investments is a deposit of \$900,322 (2008- \$986,484) held with Fortress St. Lucia Limited. Interest is payable quarterly based on 3 month LIBOR plus 2.75%. At year end the interest rate on the deposit was 3.03% (2008- 6.80%).

12. REDEEMABLE MUTUAL FUND SHARES

Class "A" Redeemable Mutual Fund Shares (Fund shares)

The Fund is authorised to issue an unlimited number of class "A" redeemable mutual fund shares. Each Fund share is entitled to an equal share in the distribution of net income and net capital gains of the Fund and participates equally in all other respects. Fund shareholders shall not be entitled to vote at meetings of shareholders of the Fund save and except as permitted under the Companies Act, CAP 308, for the following:

- 1) Disposal of the assets of the Fund.
- 2) Any change or abrogation of the rights of the shares or any variation affecting the rights of the shares.
- 3) Any proposed amalgamation of the Fund or any amalgamation of the Fund with another Mutual Fund.

13. SHARE CAPITAL

	Number of Shares	2009 \$	Number of Shares	2008 \$
Common Shares				
Authorised				
An unlimited number of common shares of no par value				
Issued	1,000	40,000	1,000	40,000

Common Shares

The 1,000 common shares, held by the Fund Manager, carry full voting rights, but do not share in the profits of the Fund. On winding up of the Fund, the shares would be repaid at issued value.



Fortress Fund Managers Limited

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