

Report by the Investment Manager

The net asset value of the Fund rose by 0.99% during the quarter; 2.40% for the six months ended March 31st, 2007 and 5.83% over the last twelve months.

The Fund has had a challenging quarter with performance dropping below the 6% mark for the first time. This was caused by a decrease in the market value of our Barbados bonds which we have had to devalue after the last Government issue at the interest rate of 8.5%. This rate increase caused a \$341,000 unrealized loss in our Barbados portfolio on the existing 7.25% and 7.5% bonds which had to be re-priced to reflect the new rate increases. On the positive side, these bonds are now earning higher effective yields and should interest rates decline, the opportunity also exists for the losses to be recovered on the revaluing of the bonds. On the contrary, more interest rate increases could result in a further negative impact on the Fund.

There has been no new corporate issues in the last quarter which the Fund has found attractive for new investment. In addition, the US dollar bonds issued by Caribbean governments continue to trade at very high prices and very low corresponding yields making them unattractive for the Fund. Cricket World Cup appears not to have attracted the expected visitor or attendance levels at the games and while the potential financial impact on the heavily indebted host Caribbean countries is still unknown, it is not unreasonable to assume that the financial implications are likely to be severe.

The interest rates in the US are still unchanged at 5.25% and the 10 year bond rate was 4.71% at the time of writing. The housing market in the US continues to slow and this has been further compounded by the rising defaults in mortgage sub-prime market. With inflation risks still looming due to a very strong labour market and steady commodity prices, the ability for the Federal Reserve to cut rates in the near term remains uncertain.

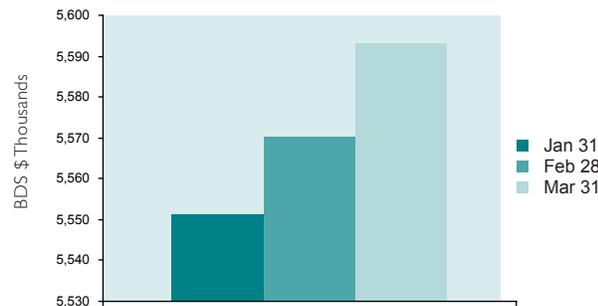
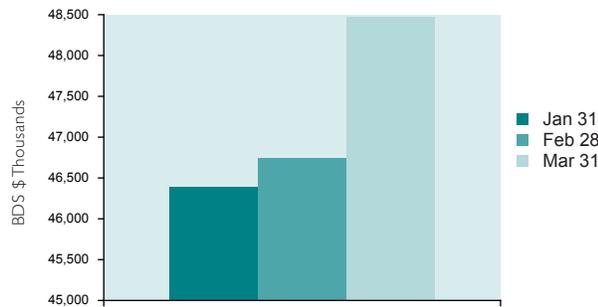
Given the current environment, the prospects for the bond market are clearly not exciting, but equally, neither is it attractive for equities. The risk premiums suggest, caution and conservatism are both warranted at this time.

Investment Returns				
0.99%	2.40%	5.83%	12.55%	34.67%
3 months	6 months	12 months	2 Years	since inception Jun 02

Movement In Fund Price

Date	Net asset value	
	Accumulation	Distribution
2006-03-31	1.2725	1.0346
2006-04-30	1.2790	1.0051
2006-05-31	1.2875	1.0118
2006-06-30	1.2969	1.0192
2006-07-31	1.3019	1.0231
2006-08-31	1.3106	1.0300
2006-09-30	1.3151	1.0335
2006-10-31	1.3179	1.0021
2006-11-30	1.3299	1.0112
2006-12-31	1.3335	1.0139
2007-01-31	1.3388	1.0180
2007-02-28	1.3406	1.0193
2007-03-31	1.3467	1.0240

Movement In Net Assets



Top 5 Holdings

Rank	Security	Currency	Coupon	Maturity	Yield *
(1)	GOJ	US\$	10.50%	2009-07-05	10.50%
(2)	Simpson Finance	BDS\$	6.50%	2009-11-25	6.50%
(3)	Government of B'dos	BDS\$	6.50%	2025-06-30	7.25%
(4)	First Global	US\$	6.50%	2006-08-14	6.25%
(5)	First Global	US\$	9.50%	2006-07-26	6.25%

*This is the effective yield

Fund Objective –

The Fund aims to achieve the highest level of income compatible with the preservation of capital by investing in medium to high grade debt securities issued by corporate and government entities with a short to medium term maturity profile principally in the Caribbean

Fund Details

Minimum Investment	\$500
for subsequent investments	\$100
or monthly savings plan	\$100
NAV - Accumulation	\$1.3467
NAV - Distribution	\$1.0240

Net Assets -

Accumulation	\$48,477,747
Distribution	\$5,593,049
	\$54,070,796

Expenses

Manager

0.75 % per annum of net assets of Fund

Custodian and Administrator

0.20% on the first \$ 30M

in net assets

0.175% on the next \$ 50M

in net assets

0.15% -amounts over \$ 80M

in net assets

Initial Charges

none

Redemption Charges

2% for funds held less than 6 months up to 1% for funds held less 6 months to 2 years.

Nil - After 2 years

Manager & Administrator

Fortress Fund Managers Ltd

Directors

Fortress High Interest Fund
 Geoffrey Cave, Chairman
 David Bynoe
 Sir Fred Gollop
 Ken Emery
 Anthony King
 John Williams
 Roger Cave, Investment Manager

Custodian

FirstCaribbean International Bank
 Trust and Asset Management Division
 Broad Street
 Bridgetown

Independent Auditors

PricewaterhouseCoopers

Attorney-at-Law

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

Important information about this fund is contained in our prospectus which we encourage you to read before making an investment. The indicated returns are net of all fees and expenses. The returns are historical and are not necessarily indicative of future performance. Investors should be aware that this is a fixed income fund and as such there are risks involved where the value of the Fund's shares may go down as well as up.