

FORTRESS Caribbean Quarterly Report

FORTRESS CARIBBEAN GROWTH FUND



June 2008

Fund Objective – Growth

Capital appreciation of assets over the long term, principally through investment in shares of both quoted and unquoted companies located or that have their principal activities in the Caribbean.

Recommended for:

- Investors seeking investment exposure in the Caribbean;
- Investors seeking capital growth and appreciation over the long term

Fund Details

Minimum Investment	\$100
for subsequent investments	\$100
for monthly savings plan	\$50
Net Asset Value Per Share	\$5.35
Net Assets	\$351,843,083

Expenses

Manager & Administrator

1.75 % per annum of net assets of Fund

Fund Custodian

0.175 % per annum of net assets of Fund

Initial Charges

2 % initial charge

Redemption Charge

None

Manager & Administrator

Fortress Fund Managers Ltd.

Directors

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

Custodian

FirstCaribbean International Bank
Wealth 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 an equity fund and as such there are risks involved where the value of the Fund's shares may go down as well as up.

Fortress Caribbean Quarterly is published by: Fortress Fund Managers Limited, 1st Floor, Carlisle House, Hincks Street, Bridgetown, Barbados. Tel: (1 246) 431 2198. Toll Free: 800 450 6461 (USA & Canada only) E-mail: invest@fortressfund.com www.fortressfund.com

Report by the Investment Manager

The Fortress Caribbean Growth Fund increased by 7.2 % during the quarter ended June 30th 2008. The Fund has increased 9% over the last six months and 19.2% over the last twelve months. Total assets are now \$352 million with the net asset value (NAV) at \$5.35 per share.

The Caribbean stock markets were all positive during the last twelve months with Barbados increasing by 18%, Jamaica 16% (in US\$ terms), and Trinidad was the leader with an increase of 25%. The major international stock market all declined over the last twelve months with US down by 7%, UK by 9% and Japan by 14%.

Our international investment portfolio on average has been flat over the last year which is better than the international benchmarks with the main MSCI World Index down by 14% during the last year.

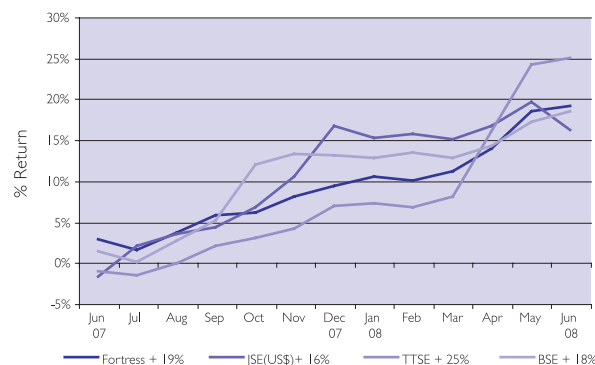
During the last quarter the Trinidad Stock Market performed exceptionally well increasing by 15% and this has been the main driver of the Fund's performance during this period. The Barbados and Jamaica stock markets are only up 5% and 2% respectively for that quarter. Our largest holdings in the Fund, include Sagico, Neal & Massy and RBTT, all of which had significant increases in their stock prices in the last quarter. Other Trinidad shares which performed well include Republic Bank, Guardian Holdings and Readymix which also helped to boost our returns. The recent past has been very strong for the Fund, however looking forward over the short-term, we see little opportunity for further gains from regional stock markets. We believe that while share prices of most regional companies are currently reasonable, that future earnings will soon come under severe pressure because of the weak US economy and high energy and commodity prices, which will soon negatively affect most of the Caribbean, with the exception of Trinidad & Tobago.

We are taking a very defensive position on the Fund's portfolio, taking profits where we can and increasing our cash positions, but with no mechanisms to hedge regional markets, short-term declines in Fund performance are going to be unavoidable. The brooding questions, which will only be answered over time are; to what extent will the Caribbean countries be affected by high energy and food costs; how long will the downturn in the US, UK & European economies last; will our real estate markets feel similar corrections to those being experienced in the developed countries; how much will high energy prices hurt the global airline and travel industry and finally how will the region manage the impact on our vital tourism industry? Most of the Caribbean countries can be considered small with fragile economies and high levels of indebtedness, and the 'headwinds' listed above will present enormous challenges for the region in the coming months.

Our international investments have held up well despite a very difficult period and we believe that our portfolios in Europe and Asia in particular, represent good value at these levels and will perform well as and when markets do recover. Several of the world's leading investors, economists and central bankers do not yet see any signs of an immediate recovery to the US economy. The outlook for the UK and Europe markets are also very weak and the key areas of opportunity for near term growth rests with the BRIC countries of Brazil, Russia, India & China and other energy and commodity based economies. Interest rates are still very low which is positive for stock and real estate markets. However, with oil now over US\$140/barrel and inflation expectations rising, future interest rates may well be higher, which will have a negative impact on equities, bonds or real estate.

Going forward, we will be faced with some very interesting challenges and history suggests that it is in times like these that some of the best investment opportunities are found. The Fund already has over 10% in cash and short-term deposits, which is likely to double in the next quarter. This level of cash will help to buffer any declines and will position us well for new opportunities at lower prices as they arise. Investors in this Fund must have a long term focus and therefore they must be prepared for volatility and declines in the short-term but we look forward to taking advantage of the many opportunities that will arise in the months ahead.

1 Year Returns - June 30th 08 - Fortress vs Caribbean Markets

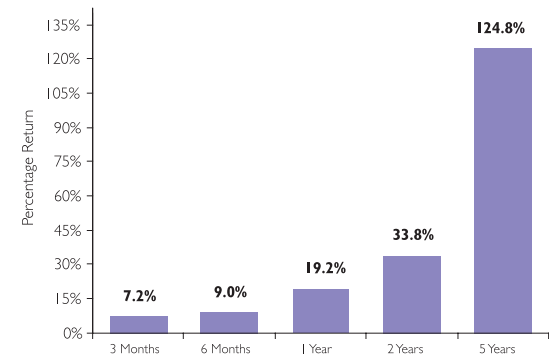


Investment Returns				
7.2%	9.0%	19.2%	33.8%	124.8%
3 Months	6 Months	1 Year	2 Year	5 Years

Movement In Fund Price and Total Assets

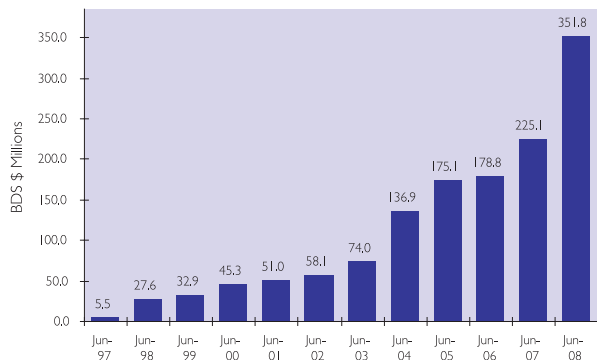
Date	Net assets	Net Asset Value/Share
30-Jun-07	\$225,156,249	\$4.49
31-Jul-07	\$241,097,497	\$4.56
31-Aug-07	\$250,094,623	\$4.65
30-Sep-07	\$277,372,539	\$4.75
31-Oct-07	\$288,726,129	\$4.76
30-Nov-07	\$298,957,829	\$4.85
31-Dec-07	\$310,943,223	\$4.91
31-Jan-08	\$315,082,442	\$4.96
29-Feb-08	\$322,990,371	\$4.94
31-Mar-08	\$327,582,660	\$4.99
30-Apr-08	\$340,568,548	\$5.11
31-May-08	\$357,655,118	\$5.32
30-Jun-08	\$351,843,083	\$5.35

Investment Performance - As at June 30th 2008



Growth In Assets (BDS\$m)

June 30th, 1997 to June 30th, 2008



Top 10 Holdings

Rank	Company	Country	Sector
(1)	Overseas Asset Management	Cayman	Mutual Fund
(2)	Sagico Financial Corporation	Barbados	Insurance
(3)	National Commercial Bank Ltd	Jamaica	Banking
(4)	Fortress Global Value Fund	BVI	Mutual Fund
(5)	FirstCaribbean International Bank	Barbados	Banking
(6)	Neal & Massy Holdings Ltd	Trinidad	Conglomerate
(7)	Goddard Enterprises Limited	Barbados	Conglomerate
(8)	Royal Bank of Canada	International	Banking
(9)	Bermuda Fire & Marine Ltd	Bermuda	Insurance
(10)	Grace Kennedy	Jamaica	Conglomerate

FORTRESS GLOBAL VALUE FUND
Commentary

The Fund as at June 15th, 2008 has recorded a NAV of \$1.1705. This represents a year to date return of 1.81% compared to a loss of 7.72% on the MSCI World Index and a loss of 10.11% on the MSCI EAFE Index. The past quarter showed some improvement across most indices but driven mainly by energy and energy related stocks. The markets all hit bottoms in mid-March and rallied back in good favour but accompanied still by some volatility. The equity markets have all been a roller coaster experience due to volatile movements in the commodities markets especially on oil. Supply of the heavier crude has been increased but the market has more of an interest and concern for the supply of the medium to light sweet crude.

The UK and Eurozone are currently in a battle against inflation, with inflation rates in the area recently topping 4% which is well above the comfort level of 2%. Authorities in both regions have maintained rates at higher levels which in turn has led to strengthening of their currencies against the US dollar. There are indications of reduced growth prospects and this has the UK region especially in a slight bind. The top Eurozone central banker however has a different belief of preferring to fight inflation first and worrying about growth later. We currently hold a slightly bearish view of both the UK and Europe and are waiting for opportunities to acquire investments on the cheap.

Latin America is also in a battle against inflation but is still one of our preferred regions at this stage. There are great businesses in the region especially in Brazil with their exposure to commodity resources. Mexico is more driven by consumer related businesses which may drag on our Latin American exposures.

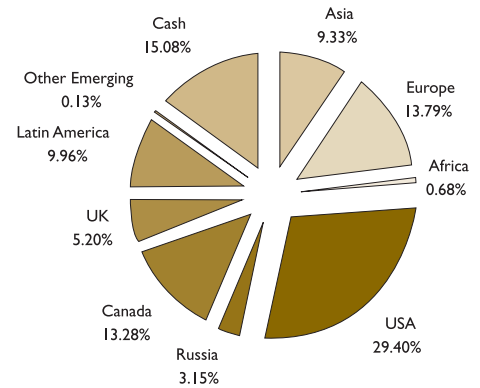
Our underlying funds had varying degrees of success over the past quarter with one of our larger holdings producing a return of over 26% during the period December 31st to May 31st. Our main winning investments so far this year have all come from managers and investments exposed to emerging markets and energy related stocks.

The remainder of the year is shaping out to be a lot tougher than many participants have anticipated. Our line up of investments provides good diversification for the Fund. We have positions in the areas that are favorites at this point (energy), a manager who has essentially shorted financials since the beginning of the year and a basket of fundamentally solid investments which we were able to pick up cheaply and will continue to pick up as valuations get lower.

We do not expect things to be easy for us in the coming months but we believe based on our exceptional outperformance since the launch of the Fund, that we will continue to outperform in the long run.

Geographic Distribution

(as at June 15th, 2008)

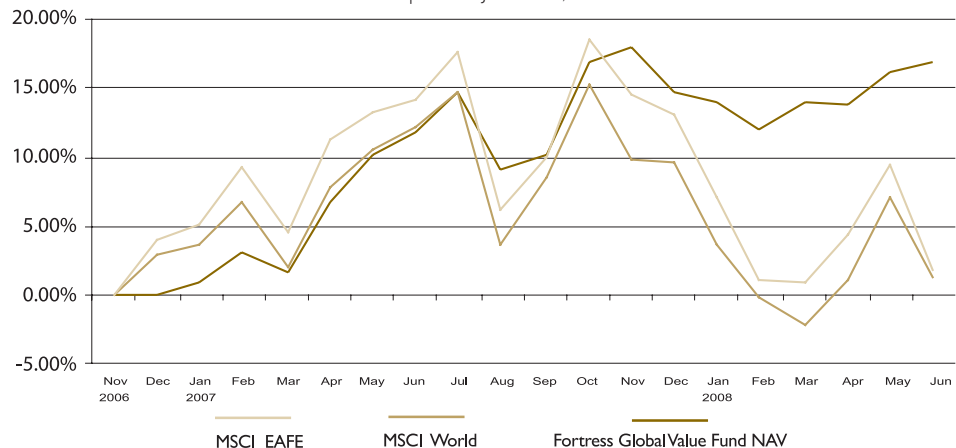

Relative Performance

as at June 15th, 2008	3 Months	6 Months	1 Year
Fortress Global Value Fund	2.48%	1.81%	4.62%
Benchmarks			
MSCI World	1.57%	-7.72%	-9.84%
MSCI EAFE	-1.09%	-10.11%	-10.95%
Developed Markets			
USA - S&P 500	5.58%	-7.35%	-11.28%
Japan - Nikkei	14.15%	-9.93%	-22.25%
Toronto - TSX	11.51%	8.08%	4.53%
London - FTSE	3.04%	-9.29%	-13.81%
Emerging Markets			
MSCI BRIC	5.85%	4.70%	26.86%
MSCI Emerging Markets	1.40%	2.52%	10.32%

Performance													(stated in percentages)	
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	
2007	0.96	2.32	-1.58	5.19	3.20	1.45	2.64	-4.96	0.99	6.19	1.07	-2.81	15.06	
2008	-0.63	-1.90	1.92	-0.21	2.12	0.56							1.81	

Fortress Global Value Fund Limited vs Benchmarks

Inception to June 15th, 2008


FORTRESS GLOBAL VALUE FUND
Fund Objective

The Fund aims to identify geographic regions and investment sectors around the world that offer sound prospects for capital growth over the long term by investments into a combination of professionally managed funds as well as direct equity selections on international exchanges.

Fund Details

Net Asset Value \$1.1705
 Net Assets US\$12,477,726.63

Structure

Open-ended fund

Minimum Subscription

US\$5,000

Subsequent Investments

US\$1,000

Management Fees

0.90% per annum of net assets

Sales Charge

2% for subscriptions through agents

Investment Manager

Fortress Fund Managers Limited

Auditors

PricewaterhouseCoopers

Custodian

FirstCaribbean International Bank
 Wealth Management Division
 Broad Street
 Bridgetown

Legal Counsel

Appleby Hunter Bailhache

Administrator

ATU Fund Administrators(BVI)Limited

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Contact Details

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 E-mail: invest@fortressfund.com
 Website: www.fortressfund.com
 Bloomberg Ticker: FORGLVF BA

Report by the Investment Manager

The net asset value of the Fund increased by 1.68% during the quarter; 3.09% for the six months ended June 30th 2008 and 7.13% over the last twelve months. Total assets are now \$60.9 million.

During the quarter 10 year interest rates in the US moved up again from just below 3.6% to just under 4% having reached as high as 4.2% during the quarter. Interest rates have moved by over a 100 basis points from decade lows in mid March of 3.2% in less than four months, as fears of rising inflation everywhere continues to overshadow a very weak economy. The recent decline in rates over the last two weeks probably has more to do with a 'flight-to-quality' from the declining equity markets than a change in inflation expectations. We expect the European Central Bank to increase rates in the near term as inflation rates have now passed 4%, well above the 2% target. We believe that despite the weakness in the US economy, we are unlikely to see any further cuts in rates by the Federal Reserve which will put further pressure on the dollar vs the Euro.

The outlook for bonds generally is tough given where rates are and the rising inflation rates from high energy, commodity and food prices across the globe. We continue to focus on a mix of short-term deposits and t-bills and we are only prepared to go longer term where rates are in the 8% and 9% range.

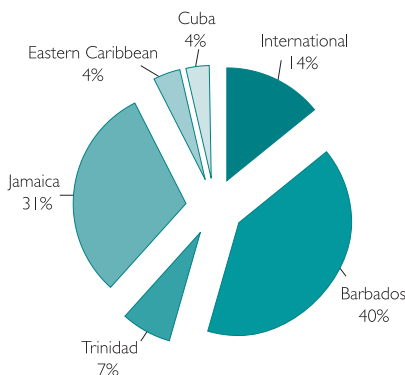
The crisis in the credit markets has eased somewhat from the peak in March but it is still far from over as banks continue to record huge losses from write-downs on securitized loans and other forms of asset-backed securities. The share values of most major international banks have been decimated and many have had to offer 'rights issues' at depressed price levels to shore-up their weak balance sheets. The fall-out from all of this is that credit will be hard to come by from even the highest quality of borrowers and spreads will probably continue to widen as the declining economic environment takes its toll on weak and highly leveraged borrowers who will find it increasingly difficult to access the equity or bond markets, other than at very high rates.

This type of environment is much better for a Fund like this as terms are more likely to favour the lender than the borrower as high yields on comparative distressed paper squeezes the market as a whole.

The Fund assets have increased by over \$8 million in the quarter. During the period, we have purchased a number of new securities including a UWI 20 Year bond with a rate of over 9%, Government of Jamaica 11 year bond at over 9%, a Jamaica Public Service Company 8.5% 18 month Bond, ECFH Property Development Co. 8%, 9 year bond, some TT\$ 1 year Repos and short-term T-Bills in the 7.5 % range.

As stated above, the Fund has produced a return of over 7% for the last year and we expect the Fund to continue to perform well in the coming year.

Geographical Distribution of Assets

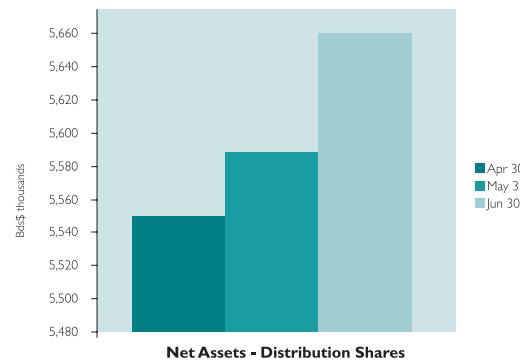
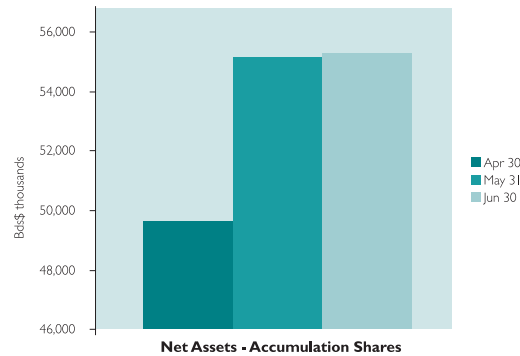


Investment Returns				
1.68%	3.09%	7.13%	12.68%	46.14%
3 Months	6 Months	12 Months	2 Years	since inception Jun 02

Movement In Fund Price

Date	Net asset value	
	Accumulation	Distribution
2007-06-30	\$1.3642	\$1.0130
2007-07-31	\$1.3722	\$1.0190
2007-08-31	\$1.3798	\$1.0250
2007-09-30	\$1.3914	\$1.0340
2007-10-31	\$1.4016	\$1.0074
2007-11-30	\$1.4095	\$1.0127
2007-12-31	\$1.4176	\$1.0185
2008-01-31	\$1.4269	\$1.0253
2008-02-29	\$1.4320	\$1.0291
2008-03-31	\$1.4372	\$1.0328
2008-04-30	\$1.4464	\$1.0056
2008-05-31	\$1.4544	\$1.0115
2008-06-30	\$1.4614	\$1.0163

Movement In Net Assets



Top 5 Holdings

Rank	Security	Currency	Coupon	Maturity	Yield*
(1)	UWI Cave Hill Bond 2027	BDS\$	9.03%	2027-09-27	9.03%
(2)	First Global Bank	US\$	7.10%	2008-10-03	7.10%
(3)	Sagicor Finance	US\$	7.50%	2016-05-12	7.50%
(4)	Simpson Finance	BDS\$	6.50%	2009-10-25	6.50%
(5)	Govt of Barbados	BDS\$	8.00%	2014-09-30	8.00%

* 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	\$1.4614
NAV - Distribution	\$1.0163

Net Assets

Accumulation	\$55,273,073
Distribution	\$5,659,685
	\$60,932,758

Expenses Manager

0.75% per annum of net assets of Fund

Custodian & Administrator

0.75% on the first \$30M in net assets
0.175% on the next \$50M in net assets
0.15% on amounts over \$80M in net assets

Initial Charges

none

Redemption Charge

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

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

Custodian

FirstCaribbean International Bank
Wealth Management Division
Broad Street
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Mutual Funds - YTD Returns Dec 07 - June 08

Rank	Mutual Fund	Ytd
1	BNB Capital Growth	13.2%
2	Fortress C'bean Growth	9.0%
3	Clico Balanced	6.5%
4	Fortress C'bean High Int.	3.2%
5	Fortress C'bean Property	2.2%
6	BNB Income	1.9%
7	Roybar	1.8%
8	Sagicor Global Balanced	0.9%
9	Sagicor Select Growth	0.9%
10	BNB Property	-0.6%
11	Sagicor Preferred Income	-0.9%

Mutual Funds - 1 Year Returns June 07 - June 08

Rank	Mutual Fund	1 Yr
1	BNB Capital Growth	24.8%
2	Fortress C'bean Growth	19.2%
3	Clico Balanced	12.9%
4	Fortress C'bean High Int.	7.1%
5	Fortress C'bean Property	6.9%
6	Sagicor Global Balanced	6.7%
7	Roybar	6.4%
8	Sagicor Select Growth	6.3%
9	BNB Income	4.5%
10	Sagicor Preferred Income	1.8%
11	BNB Property	0.0%

Mutual Funds - 3 Year Returns June 05 - June 08

Rank	Mutual Fund	3 Yrs
1	Fortress C'bean Growth	40%
2	Fortress C'bean Property	27%
3	Fortress C'bean High Int.	21%
4	Sagicor Select Growth	16%
5	Sagicor Preferred Income	10%
6	Sagicor Global Balanced	9%
7	BNB Income	6%
8	BNB Property	5%
9	Roybar	4%
10	Clico Balanced	2%
11	BNB Capital Growth	-3%

Mutual Funds - 5 Year Returns June 03 - June 08

Rank	Mutual Fund	5 Yrs
1	Fortress C'bean Growth	125%
2	Sagicor Global Balanced	47%
3	Roybar	45%
4	Fortress C'bean High Int.	37%
5	Fortress C'bean Property	37%
6	BNB Capital Growth	34%
7	BNB Property	32%
8	BNB Income	30%
9	Clico Balanced	28%
10	Sagicor Select Growth	-
11	Sagicor Preferred Income	-

Mutual Funds - 10 Year Returns June 98 - June 08

Rank	Mutual Fund	10 Yrs
1	Fortress C'bean Growth	235%
2	Roybar	105%
3	Sagicor Global Balanced	78%
4	Fortress C'bean High Int.	-
5	Fortress C'bean Property	-
6	BNB Income	-
7	BNB Property	-
8	BNB Capital Growth	-
9	Clico Balanced	-
10	Sagicor Select Growth	-
11	Sagicor Preferred Income	-