

FORTRESS Quarterly Report

FORTRESS CARIBBEAN GROWTH FUND



June 2010

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

Inception	December 9, 1996
Minimum Investment	\$100
for subsequent investments	\$100
for monthly savings plan	\$50
Net Asset Value Per Share	\$4.37
Net Assets	\$301,013,533

Expenses

Manager

1.75 % per annum of net assets of the Fund

Fund Custodian

0.0875% on the first \$30M in net assets
0.075% on amounts over \$30M in net assets

Administrator

0.10% on the first \$30M in net assets
0.0875% on amounts over \$30M in net assets

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
John Williams
Roger Cave, Investment Manager

Custodian

FirstCaribbean International Bank
Wealth Management
Rendezvous
Christ Church
Barbados

Independent Auditors

PricewaterhouseCoopers
Barbados

Attorney-at-Law

Sir Henry deB. Forde, K.A., 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. BB11144
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Toll Free: 800 450 6461 (USA & Canada only)
E-mail: invest@fortressfund.com
www.fortressfund.com

Report by the Investment Manager

- The Fund returned -0.6% for the quarter ended June 30, is flat for 2010 year to date, and has gained 3.4% over the last year.
- Caribbean stock markets were mixed during the quarter, with Barbados still stagnating. International markets were down sharply in the quarter and are showing meaningful losses year to date.
- The European debt "crisis" and government austerity measures are leading to slower economic growth and the risk of renewed recessions in some countries and regions.
- The Fund is carrying 20% cash. We are prepared if near-term market stress brings good buying opportunities either regionally or internationally.

The Fund has been fighting significant headwinds so far in 2010, and the NAV has shown little change. Major global markets are down anywhere from 10%, in the case of the US, to 20% in the case of Europe. Closer to home, Caribbean markets are mixed with Barbados continuing to experience slow declines on very thin trading volumes. The economic news has not been good, with evidence now of slowing in the US, Europe and key parts of Asia.

Against this backdrop, we continue to hold positions in very attractively valued regional companies. The Caribbean economies are not yet showing signs of sustainable recovery, and more stress may yet be in store. As a result, we are focussing the Fund's holdings more than ever in conservatively capitalised companies that are likely to have the flexibility to survive and grow through uneven and unpredictable times. We cannot predict when the market will improve and the value of these shares will increase, but we will be positioned for it when the time comes. In the meantime, we can benefit from the accumulation of profits and payment of dividends. During the quarter we added to our position in Lascelles, a stock we consider to be significantly undervalued.

A significant portion of the Fund's assets is also invested internationally. We believe the long-term return prospects for these global holdings are good, and that they add essential diversification to the Fund's regional investments. We are managing the risk around them, though, in response to market conditions. At the end of May, we reduced our Asian exposure and invested the proceeds in Europe, where the recent market and currency declines had begun to offer up good value. In June, we again reduced the Fund's allocation to Asia, and international stocks generally, in favour of cash and the relatively stable Fortress Equity Income strategy. With such reductions in overall risk, and more than 20% of the Fund's assets in cash, we are prepared to respond if temporary market weakness creates good buying opportunities in the coming months.

Top 10 Holdings

Rank	Company	Country	Sector
(1)	Overseas Asset Management	Cayman	Mutual Fund
(2)	Fortress Global Value Fund	BVI	Mutual Fund
(3)	Fortress International Equity Strategy	Global	Various
(4)	Sagico Financial Corporation	Barbados	Insurance
(5)	Neal & Massy Holdings Ltd	Trinidad	Conglomerate
(6)	CS&C Joint Venture	Barbados	Real Estate
(7)	Goddard Enterprises Limited	Barbados	Conglomerate
(8)	Cable & Wireless B'dos Limited	Barbados	Telecommunications
(9)	Lascelles deMercado	Jamaica	Conglomerate
(10)	Bermuda Fire & Marine Ltd	Bermuda	Insurance

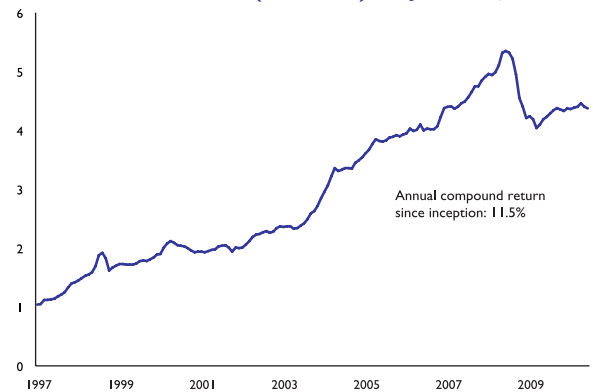
Investment Returns				
-0.6%	3.4%	-0.9%	2.8%	11.5%
3 Months	1 Year	3 Years	5 Years	Inception

Returns longer than 1 year are annualised

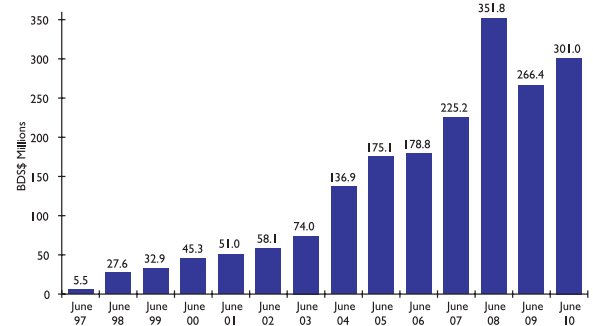
Movement In Fund Price and Total Assets

Date	Net assets	Net Asset Value/Share
30-Jun-09	\$266,377,636	\$4.23
31-Jul-09	\$275,125,070	\$4.29
31-Aug-09	\$278,725,518	\$4.34
30-Sep-09	\$280,210,643	\$4.33
31-Oct-09	\$282,452,060	\$4.35
30-Nov-09	\$282,670,561	\$4.33
31-Dec-09	\$289,473,227	\$4.37
31-Jan-10	\$295,059,542	\$4.36
28-Feb-10	\$297,563,581	\$4.39
31-Mar-10	\$299,343,223	\$4.40
30-Apr-10	\$303,555,244	\$4.46
31-May-10	\$301,554,480	\$4.40
30-Jun-10	\$301,013,533	\$4.37

Investment Performance (Fund NAV) - to June 30th, 2010

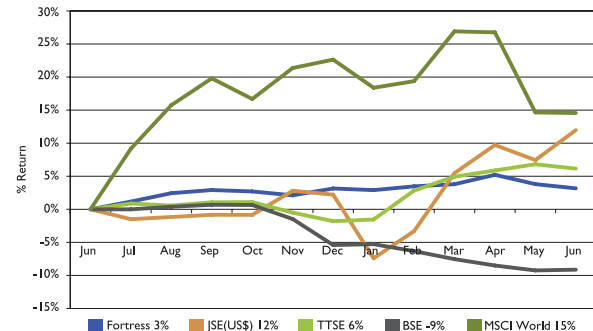


Growth in Fund Assets



1 Year Returns - June 30th, 2009 - June 30th, 2010

Fortress vs Caribbean & Intl. Markets



FORTRESS CARIBBEAN HIGH INTEREST FUND

Report by the Investment Manager

Fund Objective

The Fund aims to achieve the highest level of income compatible with the preservation of capital by investing primarily 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

Inception	May 17, 2002
Minimum Investment	\$500
for subsequent investments	\$100
for monthly savings plan	\$100
NAV - Accumulation	\$1.6192
NAV - Distribution	\$1.0070

Net Assets

Accumulation	\$84,444,207
Distribution	\$5,609,292
	\$90,053,500

Expenses Manager

0.75% per annum of net assets of the Fund

Custodian & Administrator

0.20% 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
John Williams
Roger Cave, Investment Director

Custodian

FirstCaribbean International Bank
Wealth Management Division
Broad Street
Bridgetown
Barbados

Independent Auditors

PricewaterhouseCoopers
Barbados

Attorney-at-Law

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

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Bloomberg Ticker: FORCAHI BA

- The Fund returned +0.70% for the quarter ended June 30, +2.78% year to date in 2010 and +4.63% over the last year.

- The lack of a convincing economic recovery in the Caribbean has kept interest rates low and pressure on credit ratings. We remain concerned about the risks to long-term government debt.

- The Fund is conservatively positioned, with 30% of holdings in cash and Barbados government treasury bills.

The Fund continues to generate positive returns, but at a slower pace than in previous years. Interest rates in Barbados dollars and other currencies are very low, with US 10-year bonds now yielding less than 3%. The Barbados bank deposit rate is 2.5%.

This environment is a result of continued lacklustre economic performance in the Caribbean and in many other regions around the world. The weakness in the value of the British Pound has also affected tourism and related industries in Barbados. With tax receipts suffering, expenditures feeling upward pressure and global investors less inclined to lend first and ask questions later, governments all over the world are seeing their access to capital reduced. This has led to austerity measures in the UK, Greece and other European countries. It has led to debt downgrades in the Caribbean. Unfortunately, we do not see an end to this worsening trend any time soon. Greek government bonds traded as low as 60 cents on the dollar in April - this should be a warning to all investors that government bonds are not risk-free. We are limiting the Fund's exposure to government debt and keeping maturities relatively short and safe.

Unfortunately, this stance tends to temporarily reduce the running yield of the portfolio because short-term yields are lower than those for longer maturities. We believe this is prudent, though, given the potential for outright losses on longer dated bonds if creditworthiness continues to worsen, inflation picks up, or both.

During the quarter, the Fund's underlying returns were reduced slightly by a decline in market value of an approximately 5% position in bonds denominated in euros as the euro declined 10% against the US and Barbados dollars. In addition, the Fortress Equity Income strategy, which has returned 10% over the last year, declined in May and June along with markets generally. The Fund has a 6% allocation to this strategy.

The running yield of the Fund's portfolio is still just over 5%, with conservative and diversified positioning. The average term of the portfolio remains relatively short, at 2.8 years, limiting the potential risks if and when interest rates rise.

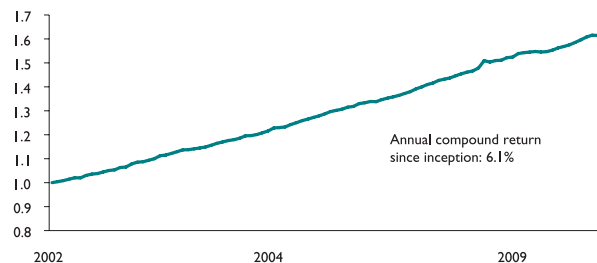
Investment Returns				
0.7%	4.6%	5.9%	6.0%	6.1%
3 Months	1 Year	3 Years	5 Years	Inception

Returns longer than 1 year are annualised

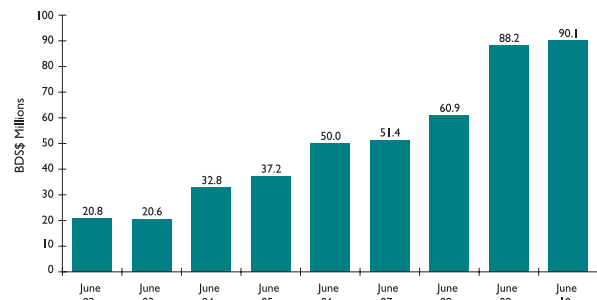
Movement In Fund Price

Date	Net asset value	
	Accumulation	Distribution
2009-06-30	\$1.5476	\$1.0056
2009-07-31	\$1.5454	\$1.0042
2009-08-31	\$1.5470	\$1.0052
2009-09-30	\$1.5531	\$1.0091
2009-10-31	\$1.5624	\$1.0060
2009-11-30	\$1.5684	\$1.0098
2009-12-31	\$1.5754	\$1.0143
2010-01-31	\$1.5853	\$1.0208
2010-02-28	\$1.5964	\$1.0279
2010-03-31	\$1.6080	\$1.0354
2010-04-30	\$1.6156	\$1.0048
2010-05-31	\$1.6144	\$1.0040
2010-06-30	\$1.6192	\$1.0070

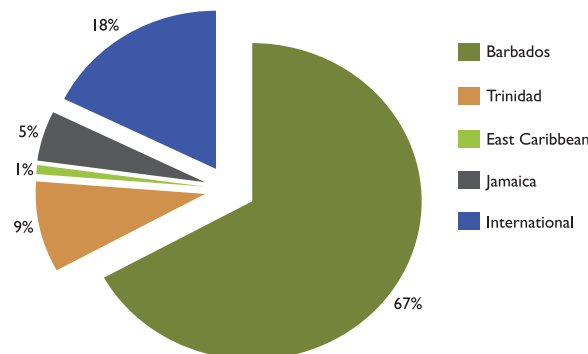
Investment Performance (Fund NAV) - to June 30th, 2010



Growth In Assets



Geographical Distribution of Portfolio



Top 5 Holdings

Rank	Security	Currency	Coupon	Maturity	Yield
(1)	Government of Barbados T-Bill	BDS\$	n/a	2010-08-12	3.25%
(2)	Government of Barbados T-Bill	BDS\$	n/a	2010-09-10	3.25%
(3)	UWI Bond	BDS\$	9.03%	2027-09-27	7.60%
(4)	Fortress Equity Income Strategy	US\$	n/a	n/a	n/a
(5)	Term Deposit	BDS\$	7.00%	2011-12-01	7.00%

Report by the Investment Manager

- The Fund returned -0.8% for the quarter ended June 15, +0.6% year to date in 2010 and +10.7% over the last year. The MSCI World index was down 2.8% year to date to June 15.
- Global stock markets came under pressure in May and June in response to the European debt "crisis" and weaker economic data. Most are now down significantly for the year, and currencies such as the euro have sold off against the US dollar.
- The Fund's risk level has been deliberately reduced over the past few months. With 15% of the Fund's assets in cash, we are prepared to respond if buying opportunities arise on further market weakness.

After a good start to the year, global markets stumbled in May and June, erasing gains and putting world equities firmly in the red for the year. The drop came in response to a collapse in the value of Greek government debt, which traded as low as 60 cents on the dollar in early May. Bonds issued by Spain and Portugal also sold off substantially. The European Central Bank stopped the slide - at least temporarily - by forming a fund that will support the rollover of EU countries' debt. One of its concerns was the health of the European banking system as a whole - still suffering from the global crisis of 2008, and now facing large potential writedowns on "risk-free" government bond holdings.

More generally, though, investors with aggressive expectations for recovery became disillusioned by weaker data - and rightly so. The disillusionment has been swift and severe, with some markets down 25% from their April highs. Markets may recover some of their recent losses, but the underlying difficulties will probably still linger, and reappear periodically. The economic environment could very well be uneven for quite some time, with movements among markets, sectors and stocks possibly diverging widely from each other. These are fertile conditions for the kinds of value-based investment processes that make up the Fund.

While it is important to limit risk in the months ahead, it is also important to remember that difficult economic times are not necessarily bad for equity returns. The silver lining to lacklustre economic growth is that interest rates can stay low. This tends to help corporate profits and to support equity valuations directly. One way to see this is via dividend yields: There are now dozens of high quality stocks around the world with dividend yields higher than the yield on 10-year US government bonds.

To continue improving the risk profile of the Fund, in May we reduced exposure to Asia by approximately 7% and invested the proceeds in Europe. Asian markets had held in very well, while European markets and the euro currency had weakened dramatically, improving their future prospects. In June we reduced the Fund's Asian holdings by a further 5% and kept the proceeds in cash.

Top 5 Holdings

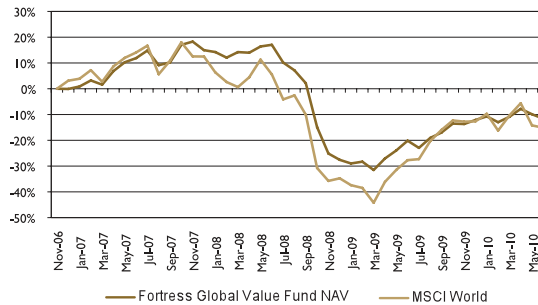
Rank	Company
(1)	Fortress International Equity Strategy
(2)	Fortress Equity Income Strategy
(3)	OAM Asia Recovery Fund
(4)	Sprott Offshore Fund II
(5)	OAM European Recovery Fund

Cash Allocation 10.60%

Relative Performance

as at June 15th, 2010	YTD	6 Mths	1 Year	Since Inception [annualised]
Fortress Global Value Fund	0.56%	0.56%	10.68%	-3.39%
Benchmarks				
MSCI World	-2.84%	-2.84%	17.39%	-4.47%
MSCI EAFE	-8.51%	-8.51%	10.49%	-6.04%

Fund Performance since Inception to June 15th, 2010



Net Asset Values (1 Year)

Date	NAV
15-Jun-09	\$0.7985
15-Jul-09	\$0.7706
15-Aug-09	\$0.8092
15-Sep-09	\$0.8301
15-Oct-09	\$0.8648
15-Nov-09	\$0.8632
15-Dec-09	\$0.8789
15-Jan-10	\$0.8927
15-Feb-10	\$0.8702
15-Mar-10	\$0.8911
15-Apr-10	\$0.9220
15-May-10	\$0.9010
15-Jun-10	\$0.8838

Fortress Global Value Fund Limited - Inception to June 15th, 2010

Year	Performance (stated in percentages)												
	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	-5.88	-2.75	-4.64	-16.71	-12.02	-3.27	-37.01
2009	-1.95	0.99	-4.50	6.53	4.26	4.98	-3.49	5.01	2.58	4.18	-0.19	1.82	21.36
2010	1.57	-2.52	2.40	3.47	-2.28	-1.91							0.56



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 \$0.8838
 Net Assets \$14,167,917

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

Directors

Geoffrey Cave, Chairman
 David Bynoe
 Sir Fred Gollop
 Ken Emery
 Desmond Kinch
 Roger Cave, Investment Director

Auditors

PricewaterhouseCoopers

Custodian

FirstCaribbean International Bank
 Wealth Management Division
 Rendezvous
 Christ Church

Legal Counsel

Appleby Hunter Bailhache

Administrator

ATU Fund Administrators(BVI)Limited

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