

The Fortress Caribbean Property Fund

The Fortress Caribbean Property Fund has produced a net profit of \$954,854 for the six months ended March 31st 2012 compared to \$706,625 for the same period in 2011. The Fund experienced fair value losses on the portfolio at a similar level to the prior year amounting to \$644,918, reflecting the on-going weakness in the real estate sector in Barbados.

The net asset value per share is now \$1.42, a decline from \$1.49 in the prior year, after paying a dividend of \$0.02 per share in December 2011.

FAIR VALUE LOSSES

The fair value losses of \$644,918 were recorded based on appraised values by Terra Caribbean on Carlisle House, Chattel Village, Apes Hill Polo Villa, Apes Hill Lot and Lion Castle.

VILLAS ON THE GREEN

There were no sales at Villas On The Green during the period.

A number of recent initiatives have been taken to try and move this project forward, including the appointment of a new property manager and commencement of renovation of the unsold units. This is being funded from outstanding money relating to "retentions" on the original construction contract. On completion, the plan is to revise the pricing of the units which together will hopefully generate some sales in the coming year.

LIMEGROVE

The Fund's unit has been rented on a short-term basis but remains for sale. The commercial part of the "Life Style" centre is almost fully complete and has had a very strong winter season. The property has attracted a wide range of high-profile international brands as tenants in the Centre. It is attracting a growing clientele of locals and visitors alike.

COMMERCIAL PROPERTIES

The Fund's commercial property investments including the BET Building Joint Venture, the CS&C Joint Venture, Sunset Joint Venture, Carlisle House, No. 24 Broad Street and the Chattel Village continued to perform well in the first half of fiscal 2012 but we are beginning to see signs that the impact of the on-going recession (now four years on) are being felt in this segment of the property market.

CARLISLE HOUSE

The appraised value of the property was reduced by \$150,000 to \$12,250,000. The top floor of the property remains vacant with no prospects yet for future tenants. Bridgetown continues to struggle with increasing vacancy rates, with added pressure on existing rental rates as businesses of all kinds are feeling the effects of the continuing recession due to the down-turn in business.

This property is being carried at a significantly lower value than its replacement cost.

NO. 24 BROAD STREET

This property continues to perform well and the appraised value has been maintained at \$8.5 million.

CHATTEL VILLAGE

This project remains fully tenanted and so far rental rates have been maintained. The appraised value has been reduced by \$45,000. We are pleased to report that we have reached an agreement to extend the lease on the Chattel Village for a further ten years on the basis of an additional investment and increases in the annual rent.

We expect this project will continue to be a solid investment for the Fund in the years ahead.

SUNSET CREST MALL

The upgrade for this mall has been completed and was achieved on-time and within budget. The level of works was reduced where the expansion of the car park area was excluded due to some onerous conditions that made certain aspects of the project unworkable.

We expect the upgrades will result in greater customer satisfaction and improved business for the tenants.

LIME - WILDEY

Further discussions were held with LIME on the extension of the lease after 2016 and this appears unlikely in its present form. The Joint Venture Partners have started to investigate the various options for the re-development of the property.

Given the excellent location and surrounding amenities we remain very optimistic for the future potential of this property.

CS&C JOINT VENTURE

The Carters and Cave Shepherd properties continue to perform well during the first half of 2012.

APES HILL POLO VILLA & APES HILL GOLF LOT

Both of these properties incurred appraised losses at March 31st of \$100,000 each. Market conditions in the luxury vacation segment remain tough and it is unlikely that these properties will be sold in the second half of the year.

WOTTON

The plans for a commercial development on this site are now uncertain due to the challenges of finding additional road access to and from the site.

We are now going to revisit the plans for a commercial sub-division.

LOWER ESTATE

There were no sales recorded in the first half of the year.

ROCKLEY - CANE GARDEN

Revised plans for the development of the site are ongoing and will be submitted for approval.

FINANCIAL POSITION & OUTLOOK

At March 31st 2012 the Fund was trading at \$0.85 per share which is a 40% discount to the Net Asset Value (NAV) of \$1.42 per share.

The Fund's financial position remains solid with less than 20% total debt to equity.

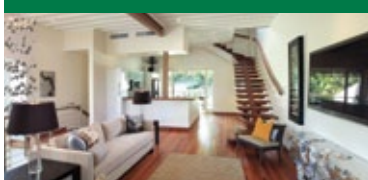
The loan on the LIME property has been repaid and the Fund will receive additional cash flows from this property.

Caribbean real estate markets have not yet recovered and the commercial property market in Barbados is now showing signs of weakness due to increased vacancy and pressure on rents.

The cost cutting and austerity measures being adopted by the weaker countries in Europe are having political implications with several governments losing power over the last year. Populations in Greece and other European countries are showing there are limits as to how far austerity measures can be taken. The sovereign debt crisis in Europe is far from over and financial markets have corrected in the past few months on renewed fears of lower growth and/or even recession again in the global economy and the outlook is again very weak and uncertain.

Our focus remains to try and convert our non-income producing assets into cash and to put new capital to work in higher yielding income producing opportunities.

LIMEGROVE HILLSIDE VILLA



CARLISLE HOUSE



APES HILL POLO VILLA



NO.24 BROAD STREET



FUND DETAILS

DIRECTORS

Mr. Geoffrey Cave - Chairman
Mr. Paul Altman
Mr. Anthony Audain
Dr. Trevor Carmichael
Mrs. Maureen Davis
Mr. Terry Hanton
Mr. Algernon Leacock
Mr. John Williams

FUND MANAGER

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The Fortress Caribbean Property Fund

HALF YEAR REPORT MARCH 31ST, 2012

Unaudited Consolidated Statement of Financial Position As At March 31, 2012

(expressed in Barbados Dollars)

	31/03/12	31/03/11
	\$	\$
Assets		
Investment properties	82,452,818	84,533,911
Real estate available for re-sale	26,307,556	32,618,350
Investment in associated company	2,999,625	-
Cash and cash equivalents	1,590,116	1,508,432
Short term deposits	527,200	1,785,580
Financial assets	668,493	639,535
Accounts receivable and prepaid expenses	1,028,975	807,815
Total assets	115,574,783	121,893,623
Liabilities		
Long term debt	17,917,004	20,479,094
Current liabilities	3,224,582	3,078,826
Total liabilities	21,141,586	23,557,920
Total assets less liabilities	94,433,197	98,335,703
Capital & Reserves		
Share capital	66,598,970	66,718,500
Retained earnings	12,550,581	16,337,434
Total shareholders' funds	79,149,551	83,055,934
Non-controlling interests	15,283,646	15,279,769
Total equity and non-controlling interests	94,433,197	98,335,703

Unaudited Consolidated Statement Of Comprehensive Income For The Six Month Period Ended March 31, 2012

(expressed in Barbados Dollars)

	31/03/12	31/03/11
	\$	\$
Revenues		
Net rental income	4,123,210	4,027,015
Fair value losses on investment property	(644,918)	(645,067)
Gain on sale of financial assets	69,837	31,163
Interest income	10,907	57,172
Other income	4,116	331,925
Total revenue	3,563,152	3,802,208
Expenses		
Interest expense	639,833	775,558
Fund management and advisor fees	586,388	631,409
Net carrying costs on real estate available for re-sale	201,413	280,238
Impairment loss on real estate available for re-sale	-	218,716
Audit, listing and other professional fees	139,448	192,354
Office and administrative expenses	13,020	13,100
Directors' fees	8,000	8,000
Total expenses	1,588,102	2,119,375
Total comprehensive income for the period	1,975,050	1,682,833
Attributable to:		
Class 'A' common property fund shareholders	954,854	706,625
Non-controlling interests	1,020,196	976,208
	1,975,050	1,682,833
Earnings per share	\$0.02	\$0.01

Certain of the comparative figures have been adjusted to conform with the current year disclosures

FUND DETAILS (Bds\$)

	31/03/12	31/03/11
Per Share Data		
Original Share offer price - 20/08/99	\$1.00	\$1.00
Secondary share offer price - 15/10/01	\$1.20	\$1.20
Rights issue share offer price -10/03/05	\$1.40	\$1.40
Net asset value per share	\$1.42	\$1.49
Number of shares	55,717,101	55,817,101

EXPENSES

Fund Manager

0.75% per annum of the net assets of the Fund

Investment Advisor

0.75% per annum of the net assets of the Fund

Exchange Listings

Barbados Stock Exchange and Trinidad & Tobago Stock Exchange

Fund Manager

Fortress Fund Managers Ltd.

Investment Advisor

Altman Real Estate Ltd.

Property Manager

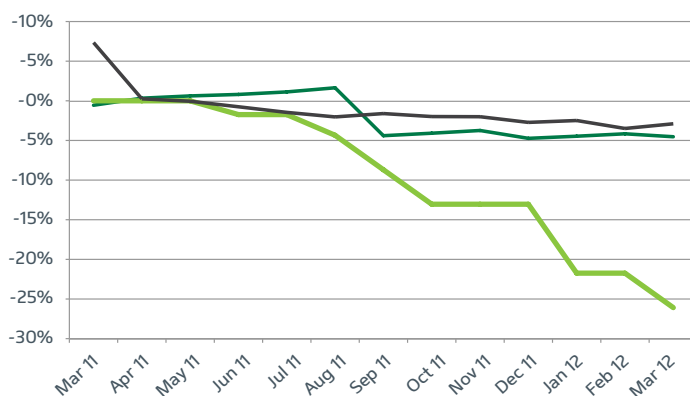
Property Consultancy Services Inc.

Independent Valuer

Terra Caribbean

MOVEMENT IN TOTAL ASSETS, NAV (excluding dividends), CLOSING SHARE PRICE & PREMIUM/DISCOUNT

Date	Net Assets	Net Asset Value/Share	Closing Share Price	Premium/Discount	BSE Index
30-Apr-11	83,330,276	1.49	1.15	-23%	3,367.02
31-May-11	83,568,637	1.50	1.15	-23%	3,356.73
30-Jun-11	83,723,774	1.50	1.13	-25%	3,333.34
31-Jul-11	83,988,155	1.50	1.13	-25%	3,309.54
31-Aug-11	84,419,841	1.51	1.10	-27%	3,290.38
30-Sep-11	79,401,039	1.42	1.05	-26%	3,304.58
31-Oct-11	79,661,323	1.43	1.00	-30%	3,291.91
30-Nov-11	79,946,931	1.43	1.00	-30%	3,291.23
31-Dec-11	79,124,461	1.42	1.00	-29%	3,267.18
31-Jan-12	79,346,686	1.42	0.90	-37%	3,275.10
29-Feb-12	79,600,505	1.43	0.90	-37%	3,241.40
31-Mar-12	79,149,551	1.42	0.85	-40%	3,261.28



— Movement in assets — Closing Price — Movement in BSE Index

INVESTMENT RETURNS (including dividends)

	3 mths	6 mths	1 Yr	3 Yrs	5 Yrs	Since inception
Share price	-5.6%	-19.0%	-24.3%	-13.6%	-6.9%	2.3%
NAV	-0.1%	-0.1%	-3.2%	0.5%	2.6%	5.2%

Returns longer than 1 year are annual compound returns