

The Fortress Caribbean Property Fund

The Fortress Caribbean Property Fund produced a net profit of \$993,079 for the six months ended March 31st 2013 compared to \$954,854 for the same period in 2012. The Fund experienced a reduction in the fair value losses on the portfolio at \$385,000 compared to \$644,918 in the prior year.

The net asset value per share is now \$1.40, a decline from \$1.42 in the prior year, after paying a dividend of \$0.02 per share in December 2012.

FAIR VALUE LOSSES

The fair value losses of \$385,000 were recorded based on appraised values by Terra Caribbean on the Apes Hill properties, Lion Castle and the Chattel Village.

VILLAS ON THE GREEN

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

This property continues to be a challenge for the Fund with on-going costs to manage and maintain.

COMMERCIAL PROPERTIES

The Fund's commercial property investments have been holding their values. However, the prolonged recession has started to affect our tenants and we are seeing vacancies. We are under pressure to maintain rents and in some cases rent reductions to assist tenants through these very difficult trading conditions.

There is little to suggest that these conditions will improve in the near term.

CARLISLE HOUSE

Carlisle House continues to struggle with increased vacancy and the existing tenants are being challenged by declining business activity in Bridgetown.

Barbados has had a disappointing tourist season in 2013 and the country as a whole, but Bridgetown in particular, is feeling the effects of the prolonged recession. Bridgetown is desperately in need of major infrastructural refurbishment. However, with

the country's finances so stretched, this may not happen in the near term.

There is currently a very strong expression of interest in purchasing the property and due diligence is on-going from the prospective purchaser.

NO. 24 BROAD STREET

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

CHATEL VILLAGE

This project remains fully tenanted and so far rental rates have been maintained. We expect this project will continue to be a solid investment for the Fund in the years ahead.

SUNSET MALL

Works commenced in late January 2013 on the replacement of the roof in preparation for the installation of a Solar Photovoltaic (PV) system. The original roof was old, in need of repair, and was considered to be inadequate to hold the Solar PV system. Regrettably, there were significant rains when the repairs were being undertaken resulting in extensive damages to the head-tenant store which was closed for several weeks during February. We have received a substantial claim from the tenants for damaged stock and fixtures and loss of profits while the store was closed. The matter is being evaluated by the respective insurance companies. No provision was made in these financial statements at March 31st since the amount of losses, if any, cannot be determined at this time.

THE CWBET BUILDING - WILDEY

The BET Building Joint Venture appointed a team of local consultants and a highly rated US firm to explore the various options and opportunities for the re-development of the site when the existing lease expires in 2016.

A number of project meetings were held in recent months on the redevelopment options. These findings and reports will soon be presented to the property owners so that a strategy can be agreed by the partners on the best way forward.

Preliminary results have shown that the property's excellent location and surrounding amenities offer

significant potential for future development of this site.

CS&C JOINT VENTURE

The Carter's and Cave Shepherd properties have held their values despite the weak economic conditions. A number of initiatives are being explored which will require additional investment in energy saving systems including Solar PV and the replacement of air-conditioning units. Discussions have commenced between the landlord and the head-tenant on one of the properties and if successful, could result in significant savings for the tenant and improvements of the property for the landlord.

LOWER ESTATE LANDS

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

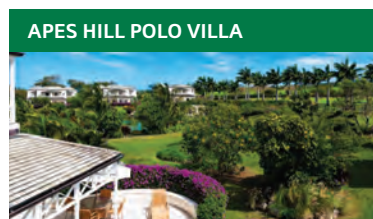
FINANCIAL POSITION & OUTLOOK

At March 31st 2013 the Fund was trading at \$0.80 per share which is a 43% discount to the Net Asset Value (NAV) of \$1.40 per share.

The Fund's financial position remains very strong and solid with total debt to assets of only 17%.

Caribbean real estate markets have not yet started to recover and the commercial property market in Barbados is now suffering from over-supply of space, increased vacancy and more tenants in financial stress. With tourism and the international business sector both showing declines, the near-term prospects in Barbados are a cause for concern. Our focus remains to convert our non-income producing assets into cash and to put new capital to work in higher yielding income producing opportunities.

Our Board has approved a proposal in principle, subject to regulatory and shareholder approval, to amend the Fund's capital structure and re-position the format of the Fund's holdings. The objectives of this are to enhance shareholder value and increase the attractiveness of the Fund's portfolios to different types of investors and narrow the discount at which the Fund's shares are trading. If approved, these changes will be made later this year.



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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INDEPENDENT AUDITORS

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ATTORNEY-AT-LAW

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Unaudited Consolidated Statement of Financial Position As At March 31, 2013

(expressed in Barbados Dollars)

	31/03/13	31/03/12
	\$	\$
Assets		
Investment properties	81,939,810	82,452,818
Real estate available for re-sale	23,857,990	26,307,556
Investment in associated company	2,999,625	2,999,625
Cash and cash equivalents	1,371,379	1,590,116
Short term deposits	289,200	527,200
Financial assets	656,850	668,493
Accounts receivable and prepaid expenses	1,322,439	1,028,975
Total assets	112,437,293	115,574,783
Liabilities		
Security and advanced deposits	1,244,390	1,261,388
Accounts payable and accrued expenses	1,575,883	1,963,194
Loans payable	16,245,180	17,917,004
Total liabilities	19,065,453	21,141,586
Total assets less liabilities	93,371,840	94,433,197
Capital & Reserves		
Share capital	66,522,072	66,598,970
Retained earnings	11,481,854	12,550,581
Total equity	78,003,926	79,149,551
Non-controlling interests	15,367,914	15,283,646
Total equity and non-controlling interests	93,371,840	94,433,197

Unaudited Consolidated Statement Of Comprehensive Income For The Six Month Period Ended March 31, 2013

(expressed in Barbados Dollars)

	31/03/13	31/03/12
	\$	\$
Revenues		
Net rental income	4,054,526	4,123,210
Fair value losses on investment property	(385,000)	(644,918)
Gain on sale of financial assets	75,760	69,837
Interest income	17,935	10,907
Other income	1,577	4,116
Total revenue	3,764,798	3,563,152
Expenses		
Interest expense	601,769	639,833
Fund management fees	294,000	293,194
Investment advisor fees	294,000	293,194
Professional fees	250,901	139,448
Net carrying costs on real estate available for re-sale	210,457	201,413
Net loss on sale of real estate available for re-sale	36,122	-
Office and administrative expenses	24,922	13,020
Directors' fees	23,000	8,000
Impairment loss on real estate available for re-sale	-	-
Lease premium expense	-	-
Total expenses	1,735,171	1,588,102
Total comprehensive income for the period	2,029,627	1,975,050
Attributable to:		
Class 'A' common property fund shareholders	993,079	954,854
Non-controlling interests	1,036,548	1,020,196
Total comprehensive income for the period	2,029,627	1,975,050

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

FUND DETAILS (Bds\$)

	31/03/13	31/03/12
Per Share Data		
Original Share offer price	\$1.00	\$1.00
Secondary share offer price	\$1.20	\$1.20
Rights issue share offer price	\$1.40	\$1.40
Net asset value per share	\$1.40	\$1.42
Number of shares	55,652,768	55,717,101

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

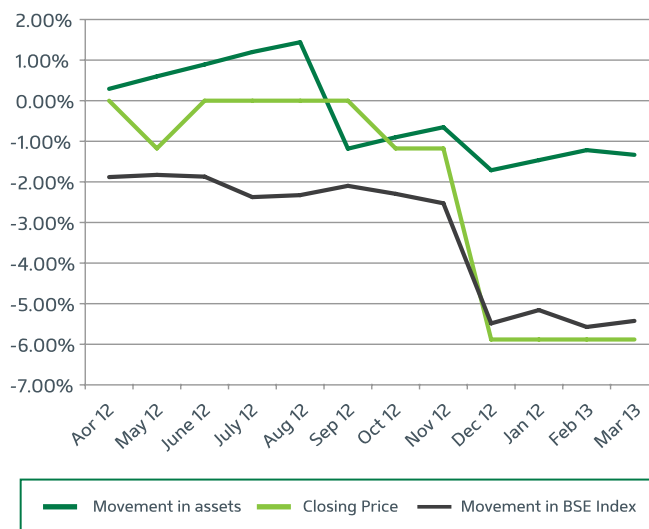
Property Consultancy Services Inc.

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-12	79,380,274	1.42	\$0.85	-40.34%	3,199.91
31-May-12	79,623,874	1.43	\$0.84	-41.22%	3,201.68
30-Jun-12	79,855,516	1.43	\$0.85	-40.69%	3,200.26
31-Jul-12	80,098,317	1.44	\$0.85	-40.87%	3,183.83
31-Aug-12	80,289,353	1.44	\$0.85	-41.01%	3,185.41
30-Sep-12	78,123,902	1.40	\$0.85	-39.45%	3,192.87
31-Oct-12	78,345,872	1.41	\$0.84	-40.33%	3,186.45
30-Nov-12	78,541,704	1.41	\$0.84	-40.48%	3,178.85
31-Dec-12	77,703,655	1.40	\$0.80	-42.70%	3,082.38
31-Jan-13	77,900,623	1.40	\$0.80	-42.85%	3,093.08
29-Feb-13	78,095,558	1.40	\$0.80	-42.99%	3,079.50
31-Mar-13	78,003,926	1.40	\$0.80	-42.92%	3,084.37



INVESTMENT RETURNS (including dividends)

	3 mths	6 mths	1 Yr	3 Yrs	5 Yrs	Since inception
Share price	0.0%	-5.9%	-3.5%	-8.8%	-9.1%	1.9%
NAV	-0.4%	-0.2%	0.1%	-0.6%	0.9%	4.8%

Returns longer than 1 year are annual compound returns