

The Fortress Caribbean Property Fund has produced net income of \$73,787 for the six months ended March 31st 2009 compared to \$2.073 million in the corresponding period in 2008. The principal reason for this decline is a swing in the market value of the Fund's assets. The Fund's assets are revalued by the independent valuers every six months. In the six months to March 2008 the Fund recorded fair value gains of \$15.4k compared to fair value losses of \$1.085m, a turnaround of \$1.099m. In addition the Fund had realised gains on sales of assets of \$600k in the period to March 31, 2008. In total this represents a turnaround of \$1.72m which is in respect of mark downs and prior period sales.

The total net assets of the Fund have decreased by 1.2% to \$80.9 million. The Fund's net asset value per share has decreased from \$1.47 per share at the end March 2008 to \$1.45 at the end of March this year, after having paid a dividend in October of \$0.06 per share. This equates to a return of 3% over the twelve month period inclusive of the dividend.

Villas On The Green - St. Lucia

We have sold 8 of the 20 units constructed in phase 1, of which one sale was recorded in this reporting period. The world financial crisis has had a significant impact on St. Lucia's tourism and real estate markets with significant declines in tourist arrivals and several of the major development projects have been postponed or cancelled.

With less than half of the development sold, the operating costs for the project as a whole are impacting the gains on the most recent sale and will impact future potential gains on sales as these carrying costs have to be taken into account. The Fund has been approached by a new overseas vacation club to purchase a number of the completed units but so far progress has been slow on this initiative.

Consideration is being given to the alternative options for the remaining development, including the possibility of a joint venture and/or outright sale of the remaining 13 acres as a residential sub-division.

The Fund has begun a rental program and at March 31, 2009 two units had been rented.

Tobago Plantations (TPL) - Tobago

The sale of this villa unit was recently completed and

the Fund recorded a profit of \$204k net of selling costs. This development has faced a number of challenges in recent years despite strong world economies and we are fortunate to have realized this investment as we enter into more difficult times.

Lion Castle - Barbados

The Fund recently completed the sale of one of its lots at Lion Castle for a net gain of \$77k.

Limegrove - Barbados

This development is progressing well and the commercial life-style centre is due to be completed next year. The residential development has commenced and the unit is due to be completed at the end of the year and we plan to offer the Fund's unit for sale at that time.

Commercial Properties

The Fund's commercial property investments including the BET Building Joint Venture, the CS&C Joint Venture, Carlisle House, No 24 Broad Street and the Chattel Village are all performing well and in line with expectations. The rental income from these investments provides steady revenue and cash flow for the Fund.

The partners in the CS&C Joint Venture have just purchased the Sunset Mall in Sunset Crest from Sagicor on a long-term head lease. Plans are being finalised for an expansion and upgrade of the facility which is expected to be completed next year. This should be another solid commercial property investment for the Fund.

Detco Building - Bay Street, Barbados

The Fund is no longer pursuing the purchase of this property as the Vendor was unable to deliver vacant possession of the property by December 31st 2008 as required under the terms of the agreement. The Fund has been refunded its deposit.

Water Hall - Barbados

The Fund has just signed a one year lease to rent the unit at Waterhall. Our expectation remains to sell the unit after the Apes Golf Course has been completed.

Coral Cove - Barbados

This unit did not sell in the last winter season although the Fund did receive interest from a few potential buyers. A lease has recently been signed for the rental of the unit through to November 2010. The unit remains for sale during this period.

Canmore - Alberta, Canada

We continue to rent this unit on a short term basis. The correction in the real estate markets in the US has already had an impact on certain developments in Canada and the

independent valuer has reduced the value of this unit in line with comparative sales in the development. Some of the previous accrued gain on this unit has been reversed in this period due to both the appraised value and the decline in the Canadian dollar.

Wotton

We recently cleared the site at Wotton and a potential development and subdivision plan has been prepared for discussion with local real estate agents and their clients to obtain valuable feedback on what potential purchasers may be seeking for the site. After this process we will submit an application to Town Planning and proceed with the development. We believe that this is an excellent location right on the highway and despite the economic environment, we expect this will prove to be an exciting project.

Financial Position & Outlook

The Fund's financial position remains very strong and the long-term prospects for the Fund are sound. The short-term out-look is negative as the recession in general and the credit crisis in particular will have a significant impact on the Caribbean's real estate markets. It is possible that the Fund could face further 'mark-to-market' declines on its existing portfolio which could even result in 'non-cash' losses for the Fund in our financial statements. In addition, asset sales on the projects will probably be slow. Therefore the Fund plans to raise additional long-term debt financing to cover the purchase of the Wotton site, to assist with the development of other sites and to take advantage of any potential distressed selling opportunities which might arise in the coming months.

Most of the Fund's cash flows from the commercial properties are going towards servicing loans. The BET Building Joint Venture loan will be fully repaid in two years which will be a significant boost to the Fund's annual cash flows.

At March 31st the Fund was trading at \$1.40 per share which is a small discount to the Net Asset Value (NAV) of \$1.45 per share. At the time of writing, the share price had dropped to \$1.29 per share, an 11% discount to the NAV. Given current market conditions and the recent financial results, shareholders can expect further pressure on the share price in the coming months. Looking forward, the Fund is seeking new investments at attractive prices and will put in place plans to put some of its non productive assets in to use. We intend to raise additional capital in order to take advantage of these opportunities.



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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UNAUDITED CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009

(expressed in Barbados Dollars)

	31/03/09	31/03/08
	\$	\$
ASSETS		
Cash and cash equivalents	3,101,819	3,214,662
Financial asset at fair value through profit or loss	431,958	3,173,294
Other current assets	1,020,264	707,182
Real estate available-for-sale	32,956,005	32,147,822
Investment property	83,971,520	81,488,862
Total assets	121,481,566	120,731,822
LIABILITIES & EQUITY		
Current liabilities	6,822,659	6,956,818
Short term debt	6,675,794	-
Long term debt	13,159,349	19,291,566
Total liabilities	26,657,802	26,248,384
Total assets less liabilities	94,823,764	94,483,438
CAPITAL & RESERVES		
Share capital	66,718,500	66,718,500
Retained earnings	14,230,949	15,206,318
Total equity	80,949,449	81,924,818
Minority interest	13,874,315	12,558,620
Total equity and minority interest	94,823,764	94,483,438

UNAUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTH PERIOD ENDING MARCH 31, 2009

(expressed in Barbados Dollars)

	Unaudited Six Months To 31/03/09	Unaudited Six Months To 31/03/08
	\$	\$
REVENUES		
Net rental income	3,661,041	3,409,005
Fair value (losses)/gains	(1,084,522)	15,417
Net (loss)/gain on sale of property	(21,333)	600,542
(Loss)/gain on financial assets at fair value through profit or loss	(78,584)	139,659
Interest income	34,480	29,651
Other income	1,414	26,366
Total revenue	2,512,496	4,220,640
EXPENSES		
Interest expense	839,430	651,916
Fund management and advisor Fees	609,406	604,540
Professional and other fees	166,539	157,500
Office and administrative expenses	18,463	9,926
Directors fees	6,000	6,000
Total expenses	1,639,838	1,429,882
Net Income before minority interest	872,658	2,790,758
Minority interest	(798,871)	(717,599)
Net income	73,787	2,073,159
Earnings per share - basic	\$0.001	\$0.04

FUND DETAILS (Bds\$)

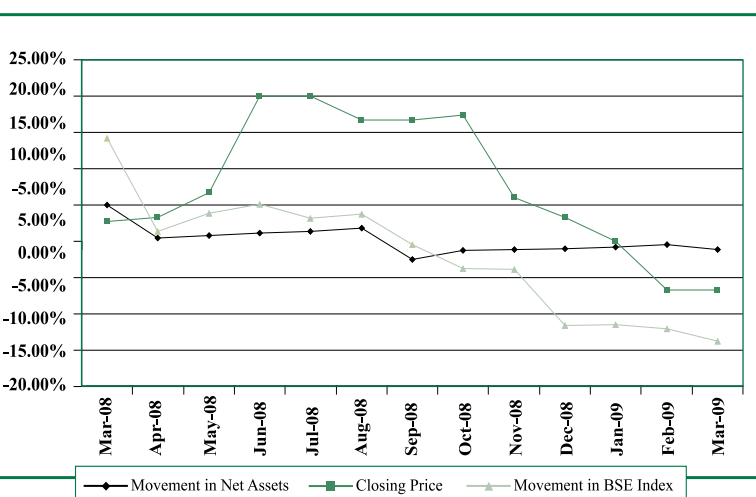
	31/03/08	31/03/07
PER SHARE DATA		
Original Share offer price - 20/08/1999	\$1.00	\$1.00
Secondary share offer price - 15/10/2001	\$1.20	\$1.20
Rights issue share offer price-10/03/ 2005	\$1.40	\$1.40
Net asset value per share	\$1.45	\$1.47
Number of shares	55,817,101	55,817,101

EXPENSES

Fund Manager	0.75% per annum of the net assets of the Fund
Investment Manager	0.75% per annum of the net assets of the Fund
Exchange Listings	Barbados Stock Exchange and Trinidad & Tobago Stock Exchange
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
31-Jan	\$81,343,273	\$1.46	\$1.50	2.93%	4,108.18
29-Feb	\$81,791,094	\$1.47	\$1.50	2.37%	4,133.11
31-Mar	\$81,924,818	\$1.47	\$1.50	2.20%	4,108.63
30-Apr	\$82,269,501	\$1.47	\$1.55	5.16%	4,166.23
31-May	\$82,548,674	\$1.48	\$1.60	8.19%	4,269.13
30-Jun	\$82,810,756	\$1.48	\$1.80	21.33%	4,318.55
31-Jul	\$83,056,125	\$1.49	\$1.80	20.97%	4,238.87
31-Aug	\$83,452,935	\$1.50	\$1.75	17.05%	4,261.77
30-Sep	\$79,851,659	\$1.43	\$1.75	22.33%	4,090.83
31-Oct	\$80,869,377	\$1.45	\$1.76	21.48%	3,953.08
30-Nov	\$80,973,620	\$1.45	\$1.59	9.60%	3,951.06
31-Dec	\$81,050,639	\$1.45	\$1.55	6.74%	3,632.52
31-Jan	\$81,238,716	\$1.46	\$1.50	3.06%	3,639.04
28-Feb	\$81,581,676	\$1.46	\$1.40	-4.21%	3,614.71
31-Mar	\$80,949,449	\$1.45	\$1.40	-3.47%	3,545.32



INVESTMENT RETURNS (including dividends)

	3 months	6 months	1 year	3 year	5 year	Since inception
Share price	-9.7%	-20.0%	-2.7%	4.3%	29.2%	83.0%
NAV	-0.1%	1.4%	2.9%	19.5%	41.8%	86.2%