FORTRESS CARIBBEAN GROWTH FUND

### 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 | $4.38 |
| Net Assets | $283,248,525 |

### Expenses

### Manager & Administrator
1.75 % per annum of net assets of the Fund

### Fund Custodian
0.175 % per annum of net assets of the Fund

### Initial Charges
2% initial charge

### Redemption Charge
None

### Manager & Administrator
Fortress Fund Managers Ltd.

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

### Custodian
FirstCaribbean International Bank
Wealth Management
Broad Street
Bridgetown
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:
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# FORTRESS
# Quarterly Report
FORTRESS CARIBBEAN GROWTH FUND

FORTRESS CARIBBEAN GROWTH FUND

**September 2009**

## Report by the Investment Manager

The Fortress Caribbean Growth Fund produced a return of 3.4% for the quarter ended September 30th 2009, 8% for the last six months and -12% for the last year. Total assets are now $283 million an increase of 6% from the beginning of the year.

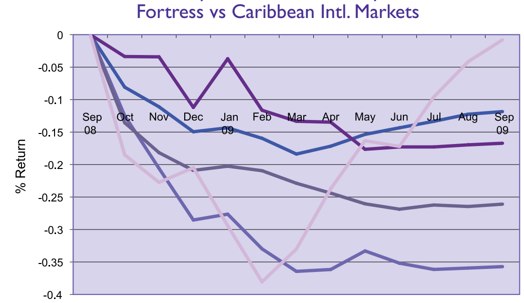
The Caribbean stock markets were either flat or marginally down during the last quarter, with Barbados and Trinidad showing gains of 0.7% and 1.1% respectively while Jamaica was down by 0.8%. As expected, the Caribbean is lagging the tremendous rally, which many call a recovery, in the international markets which were up 20% in the last quarter and 48% in the last six months. Our holdings in the international markets have benefited from some of these gains which have contributed to the Fund's out performance of the regional benchmarks.

The government and central banks of many international economies have the tools and ability to use and have used extreme measures to address the recession which was experienced across the world at the end of 2008 and into 2009. These have included, zero or very low interest rates, quantitative easing which is really printing of money and excessive levels of government borrowing and spending through various stimulus packages. It is clear the G20 continues to do everything possible to reverse the hemorrhaging and stimulate growth. The recent economic data is suggesting that the medicine is starting to work and the bleeding has slowed and some level of recovery is starting to emerge. The recent gains in the international stock markets suggest that many investors are anticipating a strong recovery coming very soon. No one knows yet what will actually happen - if expectations prove to be correct, we may be in the early part of a strong bull market. If on the other hand the recovery proves to disappointing and slow, international markets could correct again to reflect what are currently extended valuations and quite weak underlying fundamentals.

Closer to home in the region, the Caribbean economies are only now feeling the full effects of the global recession. Our governments do not have the luxury of the tool-box of the major developed countries to use the measures described above. Starting from quite weak positions financially, many of the regional governments and by extension their economies have little room to maneuver and they do not have the financial strength to really adopt aggressive counter-cyclical spending policies to help their countries ride through the recession. In addition, most of the region is highly dependent on the developed world for tourism and foreign investment in the real estate sectors as a major part of their economies for employment and the generation of foreign exchange. These industries have been some of the hardest hit globally and with unemployment continuing to rise in the developed world it may be a long time before our tourism and real estate industries recover to "pre-financial crisis" levels. It is for these reasons that we expect regional stock markets to take much longer than those in the developed world to recover their recent declines.

Looking forward, future returns largely depend on the outcomes of the pending global recovery. We expect further pressure on regional equities in the short-term and international returns will probably level out after such a strong rally over the last six months. Many of our international holdings are in companies and sectors which have not yet participated in the recent rally and hence there is a good opportunity for these to perform in the coming year. We have started to add one or two regional companies to the portfolio at very attractive levels and we still have solid cash balances to put back to work as opportunities arise in the regional markets. Therefore the short term fund performance may continue to be a bit choppy and slow but we remain very positive for the medium and long term prospects for the Fund.

1 Year Returns - September 30th 08 - September 30th 09
Fortress vs Caribbean Intl. Markets



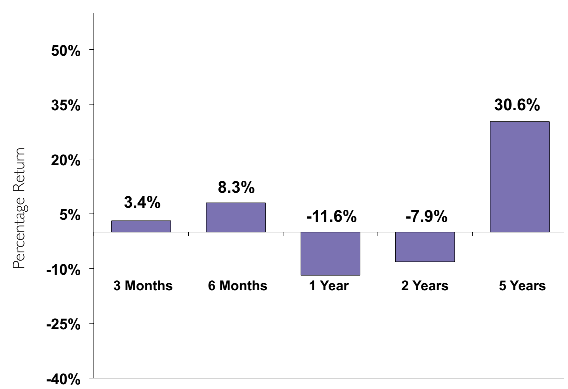

**Investment Returns**

| 3.4% | 8.3% | -11.6% | -7.9% | 30.6% |
|---|---|---|---|---|
| 3 Months | 6 Months | 1 Year | 2 Years | 5 Years |

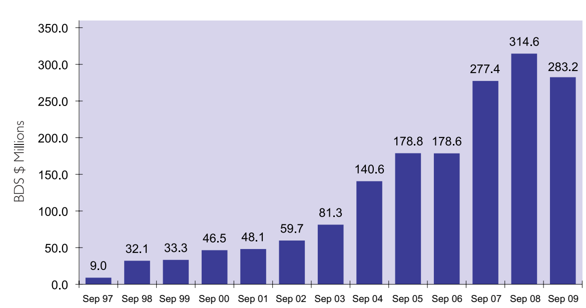
### Movement In Fund Price and Total Assets

| Date | Net assets | Net Asset Value/Share |
|---|---|---|
| 30-Sept-08 | $314,650,859 | $4.95 |
| 31-Oct-08 | $283,539,888 | $4.55 |
| 30-Nov-08 | $274,205,867 | $4.40 |
| 31-Dec-08 | $265,096,658 | $4.21 |
| 31-Jan-09 | $269,754,220 | $4.24 |
| 28-Feb-09 | $267,090,901 | $4.19 |
| 31-Mar-09 | $249,966,287 | $4.04 |
| 30-Apr-09 | $254,322,937 | $4.10 |
| 31-May-09 | $261,537,798 | $4.19 |
| 30-Jun-09 | $266,378,062 | $4.23 |
| 31-Jul-09 | $275,125,073 | $4.29 |
| 31-Aug-09 | $278,725,518 | $4.34 |
| 30-Sep-09 | $283,248,525 | $4.38 |

### Investment Performance - As at Sept 30th 2009




### Growth In Assets
Sept 30th, 1997 to Sept 30th, 2009




### Top 10 Holdings

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

FORTRESS
CARIBBEAN HIGH
INTEREST FUND

### 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 | $1.5531 |
| NAV - Distribution | $1.0091 |

### Net Assets
| | |
|---|---|
| Accumulation | $72,482,030 |
| Distribution | $5,537,154 |
| | $78,019,183 |

### Expenses
### Manager
0.75% per annum of net assets of 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 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 historical and are not necessarily indicative of future performance. Investors should be aware that this is a fixed income fund and as such there are risks involved where the value of the fund may go down as well as up.

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Bloomberg Ticker: FORCAHI BA



# Report by the Investment Manager

The Caribbean High Interest Fund returned 0.4% in the third quarter, and 2.9% over the past year. It is up 2.8% year to date to September 30, 2009. Looking forward, the average yield of the Fund's holdings is now expected to be 5.5%, and the average term to maturity of these holdings is quite short, at just over 3 years.

The global economic crisis that began in late 2007 was slow to reach the Caribbean and to affect credit markets here. In 2009, though, it arrived. CLICO's severe difficulties and the moves by regional governments to shore up its various subsidiaries only had a small effect on prices of regional debt. More recently, Jamaica's need to access funding from the International Monetary Fund has highlighted concerns there, and added to concerns that had already led rating agencies to downgrade other regional governments. Tourism is weak across the region, foreign currency reserves are at a low ebb, and the outlook for offshore financial services' economic contribution is uncertain.

As stated in last quarter's report, we feel that in this environment it is essential to keep the risk level of the Fund low. The objective of the Fund is to earn the highest possible rate of return, consistent with capital preservation. Recently, our focus has been very much on the capital preservation side of that objective. Risk is not always lurking where everyone assumes it is – it is often in unexpected places. We believe one of those places right now is long term Caribbean government debt. We are not necessarily predicting negative developments there, but do feel that the risk is meaningful and generally underappreciated.

As a result, one of the "capital preservation" steps taken by the Fund has been to reduce the amount and average term to maturity of its regional government exposure. For example, the Fund has been a regular buyer of Government of Barbados Treasury bills in recent months, drawn by the relative stability of such short-term (less than 90 days) obligations of the government. It has at the same time virtually eliminated its exposure to long-term Government of Barbados bonds.

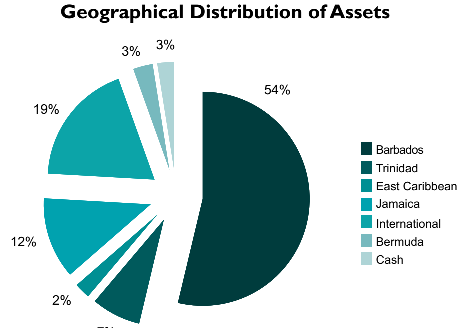
Unfortunately, the Fund's return was unusually low in the third quarter, and over the past year. This was due to four factors, all of which we expect were temporary:

- Relatively large amounts kept in short, liquid, but low-yielding investments to maintain reserves in the event of further financial market turmoil, and to fund investor redemptions if they occurred. With US$ deposit rates approaching zero, this had a real impact on overall return.
- Reductions in the carrying value of some investments for which the timing of repayment became less certain. We have chosen to be conservative by taking accounting provisions against these positions.
- Fewer long-term government bond holdings, and a corresponding drop in the contribution from their relatively higher yields until other investments could be made at similar yields.
- The timing of increases in bond prices a year ago resulted in a 2008 yearly return of over 8%, and left a high bar for comparisons with the Fund's September, 2008 net asset value. From September, 2007 to September, 2009 the Fund's annual compounded return was 5.3% per year.

In the near future, we continue to see significant risks in regional debt markets that will require diligent, active management of the Fund. In almost all cases, we prefer to have as creditors high quality corporations backed by real, income-producing assets. We expect that in good times, and bad, such issuers will have strong incentives to stay current on debt payments. In this economic environment, though, some governments may develop both an unwillingness and an inability to do so. We have worked hard over the past few months to put the assets of the Fund more and more into a diversified, and liquid, mix of securities whose prices fairly reflect the risks behind them.

As mentioned above, the Fund's forward-looking yield is once again above 5%. We believe it is well-positioned to accomplish this with far less risk – and greater liquidity – than the regional debt markets generally offer.

**Geographical Distribution of Assets**



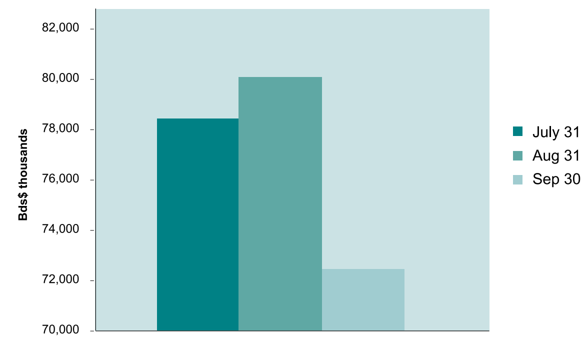

### Investment Returns

| 0.36% | 0.92% | 2.91% | 13.62% | 55.31% |
|---|---|---|---|---|
| 3 Months | 6 Months | 12 Months | 2 Years | since inception Jun 02 |

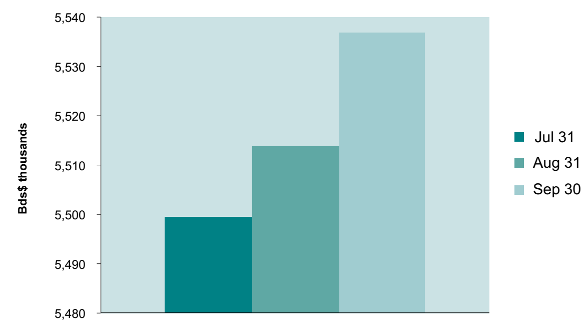
### Movement In Fund Price

| Date | Net asset value Accumulation | Net asset value Distribution |
|---|---|---|
| 2008-09-30 | $1.5092 | $1.0510 |
| 2008-10-31 | $1.5034 | $0.9961 |
| 2008-11-30 | $1.5098 | $1.0004 |
| 2008-12-31 | $1.5110 | $1.0015 |
| 2009-01-31 | $1.5218 | $1.0087 |
| 2009-02-28 | $1.5242 | $1.0103 |
| 2009-03-31 | $1.5389 | $1.0201 |
| 2009-04-30 | $1.5427 | $1.0025 |
| 2009-05-31 | $1.5451 | $1.0042 |
| 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 |

### Movement In Net Assets




**Net Assets -Accumulation Shares**




**Net Assets - Distribution Shares**

### Top 5 Holdings

| Rank | Security | Currency | Coupon | Maturity | Yield* |
|---|---|---|---|---|---|
| (1) | UWI Bond | BDS$ | 9.03% | 2027-09-27 | 9.03% |
| (2) | Fortress Equity Income Strategy | USD$ | N/A | N/A | N/A |
| (3) | Term Deposit | BDS$ | 7.00% | 2011-12-01 | 7.00% |
| (4) | Term Deposit | US$ | 6.50% | 2009-12-31 | 6.50% |
| (5) | Government of Barbados - Treasury bill | BDS$ | 3.49% | 2009-12-28 | 3.49% |

* This is the effective yield

FORTRESS GLOBAL VALUE FUND

**September 2009**

## Commentary

The Global Value Fund enjoyed significant gains during the third quarter, but lagged its benchmark in recent months due to its relatively conservative portfolio positioning and broad diversification. The Fund produced a year to date return of 14.62%. By September 30th the year to date return increased to 16.64% compared to the MSCI World which had a return of 26.45%. The one year return as at September 15th was down 18.75% compared to a loss on the MSCI World of 9.46% reflecting the fact that the intense market decline began almost exactly one year ago.

We accomplished some important structural improvements in the fund over the past several months. First, we reduced the number of external managers. Managers in the portfolio are more and more in specialist areas such as emerging markets, where we believe their fees in aggregate will be well earned. Second, we brought management of a significant portion of the "core" portfolio in-house. This includes US and International large cap equities. The effect here is to have greater transparency and control over the portfolios, to reduce fees paid by the fund, and, we expect, to generate improved returns by consistent application of our own value-based processes. Third, we have begun managing overall portfolio risk more actively. The selective use of options or other tools to protect the portfolio from significant declines should be a component of all portfolios. Where external managers we select do not do so, we will adjust the overall portfolio risk accordingly. This is in keeping with our two long term objectives: to generate positive absolute rates of return, and to outperform the market.

Unfortunately, the last year was difficult for the Global Value Fund. Value investors around the world saw less success than usual. Within the S&P 500, for example, the "value" sub-index underperformed the "growth" sub-index by nine (9) percentage points. In the long term, value investing strategies outperform all others – a natural consequence of paying attention to valuations. In the ebb and flow of the short-term, though, other approaches can enjoy periods of greater success. The silver lining is that, in the end, these periods naturally create conditions for value investors to profit in the future, by leaving behind a good supply of undervalued securities. In addition to these headwinds, the fund's allocations to certain managers were drags on performance over the past several months. These include Metage Emerging Markets, Sprott and Denholm Hall. While we continue to see value in these managers, we made the decision to exit the unsatisfactory Metage investment in August due to that fund's impaired ability to continue investing as originally planned.

Since June, the Global Value Fund has also allocated approximately 10% of its assets to our low volatility Equity Income strategy. This strategy uses a portfolio of high quality stocks at attractive valuations, and option positions around it, to target a consistent return of 8-10% per year. Since initiation in June, the strategy has steadily generated approximately 5% - well ahead of target for the short period, but behind rallying markets. Over time, we believe this type of strategy will be an important ingredient in the fund because of its ability to generate returns in the flat or slightly negative markets that may lie ahead, and to protect principal in periods of market weakness.

On the positive side, our internally managed US Equity strategy, initiated in February, gained 45.0% to September 30, outperforming the S&P 500 by 9 percentage points. The fund had a 10% initial allocation to this strategy and raised it to 20% in June. We also saw significant returns from allocations to Templeton Emerging Markets and Overseas Asset Management European and Asian funds. We expect to see continued good performance from these holdings.

Since inception in 2006, the Global Value Fund as at September 15th, 2009 is down 5.7% annualised vs. the MSCI World Index decline of 12.9% per year. This shows the relative benefit over time of the combination of value-based strategies employed by the managers selected for the fund. Unfortunately, it also highlights the importance of overall market conditions to a fund's ability to generate positive returns.

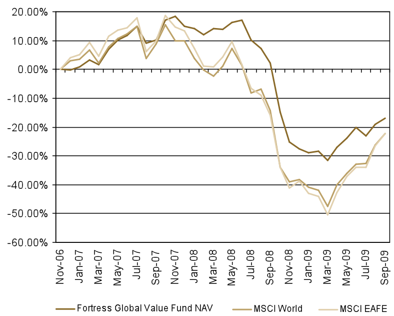
The fund has allocations to managers and investment processes that will continue to sift out attractive investments no matter where in the world they occur. At the same time, we are taking steps to protect the fund's value if markets suffer renewed weakness. The 10% allocation to Sprott, a Canadian manager that specialises in gold, precious metals and commodity stocks is one form of "insurance". While not a strong recent performer, this allocation can act as an inflation hedge in the portfolio, should we need it. The fund's large cap equity portfolios are largely run in-house, so we have direct control over the types of stocks being held, and can reduce the risk around them as appropriate. At the moment, many high quality stocks in the consumer staples, health care and utilities areas have been left behind by the recent rally in more cyclical, higher-risk stocks. This means our core portfolios are naturally being drawn into these more "boring" holdings as the market rally continues, gradually reducing overall risk.

Looking forward, we continue to see risks and excellent long-term value in global markets. The future will not be a repeat of the last six months, or, thankfully, of the 6 months before that. We believe the changes we have made to the fund over the last year, and the turmoil markets have seen recently, have served to position the fund for significantly positive returns in the future, at controlled and reasonable levels of risk.

### Relative Performance

| as at Sept 15th, 2009 | YTD | 1 Year | 2 Year | Since Inception [annualised] |
|---|---|---|---|---|
| Fortress Global Value Fund | 14.62% | -18.75% | -24.69% | -6.36% |
| **Benchmarks** | | | | |
| MSCI World | 25.66% | -9.46% | -28.51% | -8.51% |
| MSCI EAFE | 26.82% | -7.68% | -29.44% | -8.55% |

### Performance since Inception




### Net Asset Values (1 Year)

| Date | NAV |
|---|---|
| 15-Sep-08 | $1.0217 |
| 15-Oct-08 | $0.8510 |
| 15-Nov-08 | $0.7487 |
| 15-Dec-09 | $0.7242 |
| 15-Jan-09 | $0.7101 |
| 15-Feb-09 | $0.7171 |
| 15-Mar-09 | $0.6848 |
| 15-Apr-09 | $0.7295 |
| 15-May-09 | $0.7606 |
| 15-Jun-09 | $0.7985 |
| 15-Jul-09 | $0.7706 |
| 15-Aug-09 | $0.8092 |
| 15-Sep-09 | $0.8301 |

### Fortress Global Value Fund Limited vs Benchmarks

Inception to Sept 15th, 2009

| 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 | -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 | | | | 14.62 |

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 $0.8301
Net Assets $12,983,428.80

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

FORTRESS FUND MANAGERS LTD

FORTRESS CARIBBEAN GROWTH FUND

FORTRESS CARIBBEAN PROPERTY FUND

FORTRESS CARIBBEAN PENSION FUND

FORTRESS CARIBBEAN HIGH INTEREST FUND

FORTRESS GLOBAL VALUE FUND

FORTRESS FUND ADVISORS LTD

FORTRESS INSURANCE COMPANY LTD.

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