



Your Future. Our Business.

Dear fellow investors,

As we wrote to you last quarter, we've been concerned for some time that financial markets were not appreciating the economic and valuation risks that had crept in during the equity market's doubling in price since the lows in March 2009. The correction finally came in the third quarter, and some of the effects of it can be seen in the returns of our funds. This shifting market psychology is always a part of investing, even for the long term – and it is never easy to experience. The possibility still exists for further declines in global equity markets. As you'll read in the fund commentaries this quarter, though, the good news is that the lower prices have offered up some excellent investments that should benefit the funds in coming months.

We would like to officially invite you to attend our second annual **Fortress Investment Forum**. It will be **Saturday, November 12th from 9:00am-11:30am at Frank Collymore Hall**. Many of you attended the inaugural event last year, and thanks to your feedback we hope this year's event will be even better and more enjoyable than last year's. Our goal is to make it an informative, entertaining and interactive session about investing that benefits us all. And it's free.

The Fortress team will be on hand to answer your questions and discuss our investment performance and outlook. There will be a feature presentation by Emmy award winning journalist and TV correspondent Valerie Coleman Morris: "It's Your Future So Take It Personally – Securing Your Financial Future in Challenging Times." Guest speaker Wayne Dass, CEO of bond rating agency CariCRIS, will also share his thoughts on "Sharks in the Water – Assessing the Risks in Caribbean and Global Government Bonds".

More information on the event is available on our website [www.fortressfund.com](http://www.fortressfund.com). Seating is limited, so please RSVP by November 8th to [invest@fortressfund.com](mailto:invest@fortressfund.com) or 431-2198.

We look forward to seeing you at Frank Collymore Hall on November 12th and responding to your questions in these interesting times.

Sincerely,

*Fortress Fund Managers*

## OF INTEREST THIS QUARTER:

### THE CARIBBEAN GROWTH FUND

declined 4.5% in the quarter and is up 0.6% over the last year. Weak international equity markets caused returns to suffer during the quarter.

### THE CARIBBEAN HIGH INTEREST FUND

declined 1.1% in the quarter and has returned 2.3% over the last year. Credit market volatility reduced returns during the quarter.

### THE GLOBAL VALUE FUND

declined 5.9% for the quarter and is up 4.0% over the last year. We have used recent market weakness to add to the Fund's investments.



## Get READY for Your Retirement!

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# Caribbean Growth Fund



## HIGHLIGHTS:

- *The Fund returned -4.5% for the quarter ended September 30, 2011 and is up 0.6% over the last year.*
- *Weak global equity markets caused returns to suffer during the quarter.*

The Fund declined 4.5% during the third quarter and is up 1.3% so far in 2011. The net asset value (NAV) finished on September 30 at \$4.4886. Its compound annual rate of return since inception is now 10.7% per year.

It was an unusually weak few months for global equity markets, with the main indices losing between 14% and 19% in the quarter. While our international investments generally did better than this, with 38% of the Fund invested overseas they still accounted for the bulk of the Fund's negative performance during the quarter.

In August and September the European sovereign debt crisis intensified and spread, with large banks, especially in Europe, seeing their solvency and viability threatened. Growing evidence of an economic slowdown in the US, Europe and now China also caused fear that a new global recession would significantly impact corporate earnings.

Against this backdrop, Caribbean equity markets were generally stable through the quarter, adding marginally to their gains for the year. Unfortunately, the region is unlikely to be immune if a new global economic slowdown develops. We are focusing the Fund's portfolio in holdings with modest valuations, and whose balance sheets give them "staying power" to invest in and work through the uneven business conditions that may still lie ahead.

In Barbados, the Fund's large holdings in Sagicor, FirstCaribbean International Bank and Cable & Wireless were a drag on performance as they showed little change. A 10% decline was recorded by one of the Fund's largest holdings, Neal & Massy, which also impacted performance. We have generally been cautious in the Fund's exposures in Trinidad as the market has rallied in spite of mediocre fundamentals, helped by excess liquidity and very low interest rates. We also remain relatively cautious in Jamaica, and took partial profits on National Commercial Bank Jamaica in September.

The international market turmoil in August and September brought some good buying opportunities. In August the Fund increased its allocation to the Fortress International Equity strategy, using the opportunity of the market selloff to commit cash to a portfolio of high quality international companies at very attractive valuations. We also started making measured, selective allocations to emerging markets, some of which have declined 40% or more in US dollar terms.

Looking forward, the Fund still has significant levels of cash to invest on further market weakness in the Caribbean or in global markets. The good economic times are not back yet, and our focus will continue to be on making investments that can profit even in mediocre economic conditions.

## FUND OBJECTIVE

Capital growth over the long term. The Fund uses a value approach to invest primarily in Caribbean and international equities.

<b>Minimum Investment</b>	\$100
<b>Net Asset Value per Share</b>	\$4.4886*
<b>Fund Net Assets</b>	\$341,792,318*
<b>Fund Inception</b>	Dec 9, 1996

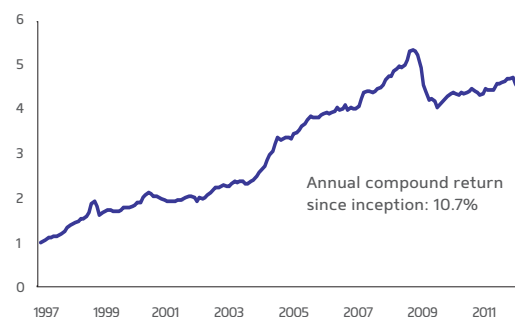
\* unaudited

## INVESTMENT RETURNS

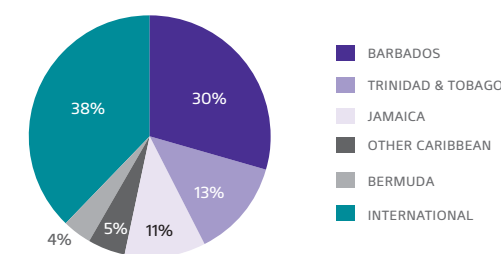
	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
<b>Fund</b>	<b>-4.5%</b>	<b>0.6%</b>	<b>-3.2%</b>	<b>2.2%</b>	<b>10.7%</b>
Jamaica (US\$)	3.1%	8.9%	-8.8%	-4.0%	5.9%
Trinidad	3.8%	18.9%	-3.4%	2.1%	12.4%
Barbados	-0.9%	8.6%	-6.9%	-2.8%	6.8%
MSCI World Index	-16.5%	-3.8%	-6.9%	-1.7%	4.2%

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO SEPT 30TH, 2011



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

Holding	Country/Region
1. Neal & Massy Holdings Ltd.	Trinidad
2. Fortress Global Value Fund	Global
3. OAM European Value Fund	Europe
4. GraceKennedy Ltd.	Jamaica
5. Fortress Equity Income Strategy	US

## EXPENSES

**Manager:** 1.75% per annum of net assets  
**Custodian:**  
 0.0875% on 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  
**Redemption Charge:** none  
**Initial Charges:** 2%

## MANAGER & ADMINSTRATOR

Fortress Fund Managers Ltd.

## CUSTODIAN

CIBC First Caribbean International Bank®  
 Wealth Management Division

## AUDITORS

PricewaterhouseCoopers

## ATTORNEY-AT-LAW

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

## DIRECTORS

Geoffrey Cave, Chairman  
 David Bynoe  
 Sir Fred Gollop  
 Ken Emery  
 John Williams  
 Roger Cave, Investment Director

Please see our **Fund Prospectus** for further important information

# Caribbean High Interest Fund



## HIGHLIGHTS:

- *The Fund returned -1.1% for the quarter ended September 30, 2011 and is up 2.3% over the last year.*
- *Credit market turmoil reduced returns during the quarter.*

The Fund declined 1.1% during the third quarter and is up 1.4% so far in 2011. The net asset value (NAV) of the accumulation shares finished on September 30 at \$1.6878. Its compound annual rate of return since inception is now 5.7% per year.

This is only the second time in the Fund's history that it has failed to produce a positive return over a three-month period. (The first was during the 2008/2009 financial crisis.) This quarter's negative result came for two reasons. The first is that we have structured the portfolio with a heavy weighting of approximately 40% to low-risk, but also lower yielding, Government of Barbados treasury bills and commercial bank deposits. These are the lowest risk securities available domestically, earning a secure return of approximately 3.5% per year and carrying little or no capital risk. We believe this focus on safety is warranted by the current situation where prices of long term government bonds do not fairly compensate investors for the risks. As we have written before, though, this comes at a cost. The lower running yield reduces the "buffer" of interest income that could compensate for short term volatility in other bonds in the portfolio.

The second negative factor this quarter was that another 40% of the portfolio is invested in US dollar assets, and nearly all of these came under panic selling pressure in August and September as a consequence of the European debt crisis and related turmoil. The Fund maintains a diversified mix of corporate bonds, government bonds and specialised funds in areas such as structured credit, factoring and a low volatility equity income strategy. In normal circumstances these throw off an attractive yield from a number of different sources. In September's selloff, though, nearly all saw their prices drop. These declines, which we expect to be temporary, outweighed the income earned during this short time. It was a rare period, and not one we are keen to see repeated.

The good news is that the Fund had maintained high levels of cash for several months. Amid the turmoil we made investments at prices that we expect will add to returns in the coming months and years. In September, for example, we allocated \$2 million to a fund that focuses on Asian bonds that has an expected return of 5%, with limited risk and the potential for very useful currency diversification in certain Asian currencies.

Looking forward, the weighted average yield to maturity of the Fund's holdings is now approximately 4.6% per year, a good indication of the rate of return we can expect on average from the Fund in coming months. The Fund continues to be positioned to achieve a reasonable rate of return from diversified sources, while assuming significantly less risk than currently prevails in regional debt markets – with the added benefit of weekly liquidity and 40% in US dollar assets.

## FUND OBJECTIVE

Income and capital preservation over the medium term. The Fund actively invests in a diversified portfolio of primarily Caribbean and international debt securities.

<i>Minimum Investment</i>	\$500
<i>Net Asset Value per share</i>	\$1.6878*
<i>Fund Net Assets</i>	\$109,824,293*
<i>Fund Inception</i>	May 17, 2002

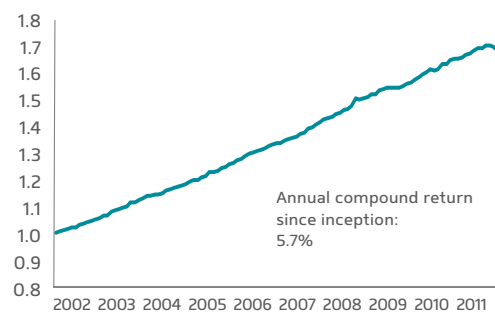
\* unaudited

## INVESTMENT RETURNS

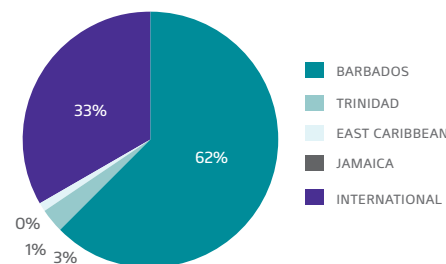
3 Months	1 Year	3 Years	5 Years	Inception
<b>-1.1%</b>	<b>2.3%</b>	<b>3.8%</b>	<b>5.1%</b>	<b>5.7%</b>

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO SEPT 30TH, 2011



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

<i>Holding</i>	<i>Country</i>
1. CIBC FirstCaribbean Deposit 12/26/11	Barbados
2. CIBC FirstCaribbean demand deposit	Barbados
3. University of West Indies Bond 9/29/2027	Barbados
4. Fortress Equity Income Strategy	US
5. Templeton Global Bond Fund	Global

## EXPENSES

*Manager:* 0.75% per annum  
*Custodian & Administrator:*  
 0.20% on first \$30M in net assets  
 0.175% on next \$50M in net assets  
 0.15% on amounts over \$80M in net assets  
*Redemption Charge:*  
 2% for funds held less than 6 months  
 Up to 1% for funds held less than 6 months - 2 years  
 Nil after 2 years  
*Initial Charges:* none

## CUSTODIAN

CIBC First Caribbean International Bank®  
 Wealth Management Division

## AUDITORS

PricewaterhouseCoopers

## ATTORNEY-AT-LAW

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

## MANAGER & ADMINSTRATOR

Fortress Fund Managers Ltd.

## DIRECTORS

Geoffrey Cave, Chairman  
 David Bynoe  
 Sir Fred Gollop  
 Ken Emery  
 John Williams  
 Roger Cave, Investment Director

Please see our **Fund Prospectus** for further important information



# Global Value Fund (US\$)

## HIGHLIGHTS:

- *The Fund returned -5.9% for the quarter ended September 15, 2011 and is up 4.0% over the last year.*
- *We have been using recent market weakness to add to the Fund's investments.*

The Fund declined 5.9% during the third quarter and is down 2.1% so far in 2011. The net asset value (NAV) finished on September 15 at \$0.9458. The benchmark MSCI World index dropped 8.4% in the quarter and is down 5.2% year to date. The Fund's unique combination of disciplined, value-based processes continues to limit risk in volatile markets, and to position for gains when market conditions eventually stabilise.

The third quarter was very difficult for global equity markets – broad, steep declines left very few areas unscathed. The European debt crisis intensified in August and September, with fears of large bank failures adding another urgent issue to be confronted by governments and the European Central Bank. In addition, the Moody's downgrade of US government debt came at the same time as economic data began confirming a slowdown and possible recession in the US, Europe and maybe China. As we pointed out last quarter, equity markets were not priced with much, if any, room for error and were vulnerable to decline.

Some areas were hit harder than others during the quarter. While the S&P 500 index of US stocks fell 14.3%, the MSCI Emerging Markets index collapsed 22.5%. This has significantly lowered valuations in some emerging markets, from levels that we considered too expensive, to levels that are reasonably attractive. We took advantage of this in August by allocating approximately 3% of the Fund's assets to the Templeton Latin America Fund. This and other purchases have brought the Fund's cash level down to just over 8% from 16% last quarter. We expect to continue allocating capital to areas of good value if and when markets decline further.

Looking forward, we are finding more and more good value in global markets but are aware that the situation could still worsen in the short term. There is a good chance that some European banks will need to be recapitalised as a result of losses on government debt holdings. The important question for equity and credit markets is how quickly and efficiently European authorities will facilitate this process. The longer it is left hanging before moving to a durable conclusion, the more markets may suffer – in spite of the good value currently being offered.

The good news from our perspective is that investors have become very pessimistic, very quickly, possibly tapping into wounds still fresh from the 2008/2009 crisis. This does not need to be a repeat of that crisis. Low interest rates in the US, Japan and (some of) Europe should help support equity prices. Corporate sales and profit reports continue to be acceptable, quite unlike the sudden collapse in trade that 2008 saw. From today's levels, we are becoming quite constructive again on the Fund's medium term return prospects.

## FUND OBJECTIVE

Capital growth over the long term. The Fund uses a value approach to invest primarily in global equities and allocate to specialist managers.

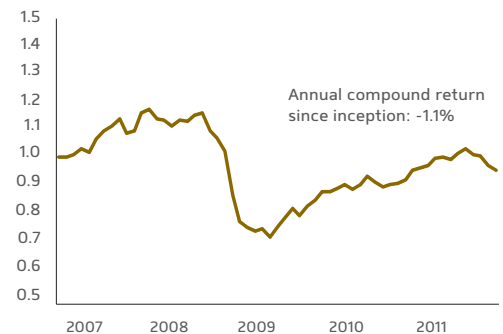
<i>Minimum Subscription</i>	US\$ 5,000
<i>Net Asset Value per Share</i>	US\$0.9458
<i>Fund Net Assets</i>	US\$15,769,294
<i>Fund Inception</i>	Nov 30, 2006

## INVESTMENT RETURNS

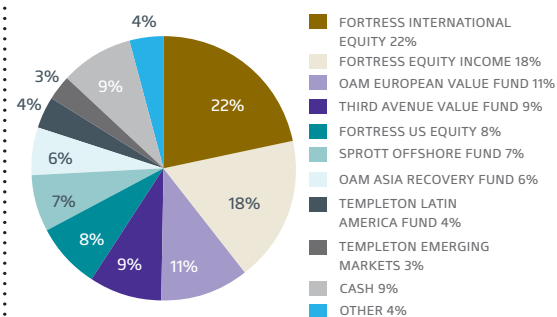
	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
<b>Fund</b>	<b>-5.9%</b>	<b>4.0%</b>	<b>-2.5%</b>	<b>n/a</b>	<b>-1.1%</b>
MSCI World Index	-8.4%	3.6%	-0.9%	n/a	-1.6%

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO SEPT 15TH, 2011



## MANAGER / STRATEGY ALLOCATIONS



\*Important information about our funds is contained in the applicable prospectus, which we encourage you to read before making an investment. The indicated returns are net of all fees and expenses. Returns are historical and are not necessarily indicative of future performance. Investors should be aware that there are risks involved where the value of the funds' shares may go down as well as up.

### EXPENSES

*Manager:* 0.90% per annum of net assets  
*Sales Charge:* 2% for subscriptions through agents

### INVESTMENT MANAGER

Fortress Fund Managers Ltd.

### CUSTODIAN

CIBC First Caribbean International Bank®  
 Wealth Management Division

### AUDITORS

PricewaterhouseCoopers

### LEGAL COUNSEL

Appleby Hunter Baihache

### ADMINISTRATOR

ATU Fund Administrators (BVI) Limited

### DIRECTORS

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

Please see our **Fund Prospectus** for further important information