



Your Future. Our Business.

Dear fellow investor,

It's that time of year again. The 5<sup>th</sup> Annual **Fortress Investment Forum** will be held on **Thursday, November 13<sup>th</sup> at 6:30 p.m.** at the Frank Collymore Hall, and you're invited! The theme this year is *"Finding our way through - Straight talk about your savings and the future."* We think that now, more than ever, straight talk is what's required. We'll offer our candid thoughts on the global and regional investment environment, our funds' performance, the outlook for the future, and most importantly answer your questions. We've also invited guest experts who will have their own unique perspectives on what today's challenges mean in real terms for each of us. There will be light refreshments served afterwards. Seating is limited - you can RSVP by calling 431-2198 or visiting [www.fortressfund.com](http://www.fortressfund.com).

We'd also like to remind you that RRSP contributions need to be in by **December 31<sup>st</sup>** in order to be used for a 2014 tax allowance. Some of our clients have recently received a request from us to update the personal information we have on file for them. To help with this, our office at Carlisle House will be open **Saturday mornings** in October and November, from 9:00 a.m. to noon. Please feel free to stop by to update your documentation, drop off an RRSP contribution, or conduct any other business if this is more convenient for you than regular business hours.

We do hope you can join us for the Fortress Investment Forum on November 13<sup>th</sup>, and as always we thank you very much for investing with us.

Sincerely,

Fortress Fund Managers

## OF INTEREST THIS QUARTER:

### THE CARIBBEAN GROWTH FUND

declined 0.5% for the quarter and is up 3.3% over the last year. Stock markets around the world were mostly weaker during the quarter.

### THE CARIBBEAN HIGH INTEREST FUND

returned 0.1% for the quarter. More global bond yields are going "negative", while large risks remain in the Caribbean.

### THE CARIBBEAN PENSION FUND

shares were approximately unchanged for the quarter, and are up 3.3% - 4.7% over the last year.



## RRSP - REMINDER

### Don't miss out on the 2014 tax savings

Did you know that you can keep a bigger piece of your earnings if you invest in a Fortress RRSP\* (before December 31<sup>st</sup>)

- Give yourself the gift of a tax allowance of up to \$10,000
- Grow income for your retirement - tax-free!
- Use some of the funds invested to buy your first home
- Make payments through SurePay or standing orders from your bank

*Call us today at 431-2198 to learn more.*



# Caribbean Growth Fund

## HIGHLIGHTS:

- *The Fund declined 0.5% in the third quarter and is up 3.3% over the last year.*
- *Most global stock markets weakened during the quarter, as expectations about central bank actions drove international markets.*

The Fund declined 0.5% during the third quarter of 2014 and has returned 3.3% over the last year. The net asset value (NAV) finished September 30th at \$4.8307. Net assets of the Fund were \$361 million, up \$23 million from this time last year. The Fund's annual compound rate of return since inception in 1996 is 9.3% per year.

Global stock markets had a good start to the third quarter, but a relatively weak finish. Investors initially shrugged off potentially troubling developments like the Russia-Ukraine conflict and international sanctions, the referendum in Scotland, escalating hostilities in the Middle East, and the Ebola virus outbreak. What ultimately weighed on markets was the growing expectation that the U.S. Fed would be raising interest rates soon in response to a strengthening economy. If this occurs, it will reduce one of the important factors supporting stocks at record highs. U.S. stocks finished the quarter approximately unchanged, while international markets declined anywhere from 3% to 10% in U.S. dollar terms as equity market declines were compounded by weaker currencies against the U.S. dollar. The European Central Bank announced a new asset purchase program to support the struggling banking sector and prices of financial assets. It may yet accomplish this, but the immediate effect was to push the value of the euro significantly lower. It fell 9% against the U.S. dollar from July to September.

For the first time in many quarters, Caribbean equity markets held in better than their international peers. Markets in the region were little changed during the third quarter, with Barbados and Trinidad declining marginally and Jamaican shares rising slightly. Weaker oil prices could apply some pressure to the Trinidad economy in the coming months, and this combined with relatively high valuations in many Trinidad stocks, means that investors should be mindful of potential risks. We continue to invest very selectively in the Caribbean region, as corporate and economic performance can vary widely, as can stock valuations. We recently visited Jamaica, where an IMF program has been ongoing for a number of years, and where shares trade at a fraction of the prices being paid in a market like Trinidad. We met with a number of companies whose business operations continue to perform in spite of the economic difficulties. The conditions are not easy, but we are finding enough value there in some cases to compensate for the risks, especially on the currency side.

Overall, we continue to invest cautiously in the Caribbean and internationally. While we do see above average risks in some markets and sectors, we also continue to find a range of well-priced shares where reasonable value is suggesting good potential for long term returns. The portfolio remains well diversified geographically.

## FUND OBJECTIVE

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

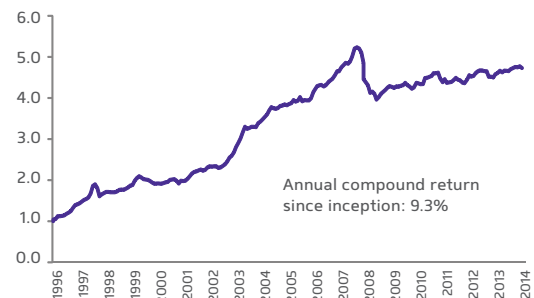
Minimum Investment	\$100
Net Asset Value per share	\$4.8307
Fund Net Assets	\$360,693,219
Fund Inception	Dec 9, 1996

## INVESTMENT RETURNS

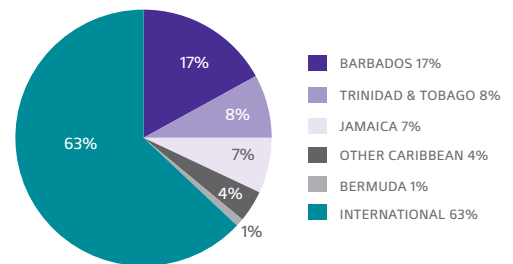
	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
<b>Fortress</b>	<b>-0.5%</b>	<b>3.3%</b>	<b>2.6%</b>	<b>2.0%</b>	<b>9.3%</b>
Jamaica	1.6%	-22.5%	-15.4%	-6.5%	2.0%
Trinidad	-0.6%	1.2%	5.2%	7.7%	11.4%
Barbados	-1.1%	-28.3%	-13.5%	-8.9%	3.1%
MSCI World Index	-2.1%	12.8%	18.6%	11.5%	6.6%

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO SEPTEMBER 30TH, 2014



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

Holding	Country/Region
1. Fortress OAM Overseas Fund	Europe/Asia
2. Fortress Emerging Markets Fund	International
3. Fortress International Equity Fund	International
4. Neal & Massy Holdings	Trinidad
5. CS&C Joint Venture	Barbados

## 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 & ADMINISTRATOR

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

# Caribbean High Interest Fund



## HIGHLIGHTS:

- *The fund gained 0.1% in the third quarter of 2014 and has returned 3.2% over the last year.*
- *Short term bond yields in a number of European countries are now negative, and longer term yields globally are nearing historic lows again.*

The Fund returned 0.1% during the quarter, and has gained 3.2% over the last year. The net asset value (NAV) of the Fund's accumulation share finished at \$1.8367. The distribution share finished at \$1.0121. Net assets of the Fund were \$112 million. The Fund's annual compound rate of return since inception in 2002 is now 5.0% per year.

There were cross currents in global bond markets during the quarter, as investors wondered when the U.S. Fed would begin raising interest rates, even as the European Central Bank launched a new program of asset purchases aimed at supporting the European banking system. Bond yields in the U.S. rose slightly, while they dropped in Europe and elsewhere, to very low levels. Two year bonds in France, Germany and Switzerland now yield -0.01%, -0.07% and -0.10% respectively. With long terms yields not much higher, the current situation is challenging for bond investors looking to earn a "safe" return on their money in developed markets.

One place to earn additional yield is among corporate bonds, but the premium to be earned in this way at the moment is thin by historical standards. This benefits companies that borrow on global markets, but not investors. And the prices of some corporate bonds can be volatile at this part of the economic cycle. U.S. high-yield corporate bond prices, for example, fell 4% during the quarter as fears over a slowing global economy took root.

During the quarter, we made two new investments in Barbados dollars to corporations with good collateral to pledge against their borrowings. The terms are reasonable, with the yields in the 5-6% range. Cash in the fund in Barbados dollars declined during the quarter, but it is still above where we would like it to be given the low rates being paid on deposits. We are working to find more good investments to make in Barbados.

We also continue to monitor the government fiscal situation in the Caribbean very carefully, and believe that the risks of owning long term government debt remain substantial. Government finances are not improving, and we believe the prices of bonds still do not reflect the very substantial risks. As a result, the Fund's exposure to this area remains minimal. The gross average yield to maturity of the portfolio is just over 4%, and the portfolio continues to be well diversified by issuer, sector, and, as much as possible, by geography.

## 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.

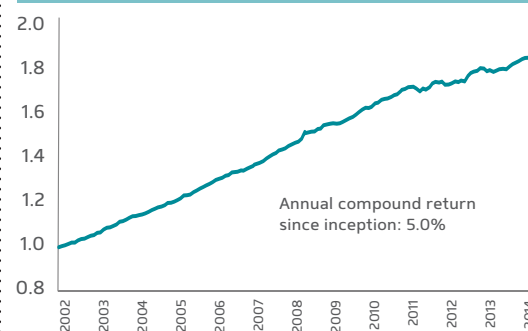
<i>Minimum Investment</i>	\$500
<i>Net Asset Value per share</i>	\$1.8367 / \$1.0121
<i>Fund Net Assets</i>	\$112,342,109
<i>Fund Inception</i>	May 17, 2002

## INVESTMENT RETURNS

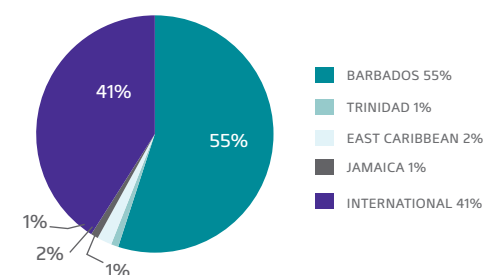
3 Months	1 Year	3 Years	5 Years	Inception
<b>0.1%</b>	<b>3.2%</b>	<b>2.9%</b>	<b>3.4%</b>	<b>5.0%</b>

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO SEPTEMBER 30TH, 2014



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

<i> Holding </i>	<i> Country </i>
1. CIBC FirstCaribbean deposits	Barbados
2. Sagicor 6.5% Preferred Shares	Barbados
3. Legg Mason Asian Opportunities Debt Fund	International
4. Franklin Templeton Global Bond Fund	Global
5. GEL 4.75% 30 Nov 2015	Barbados

## 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

## MANAGER & ADMINISTRATOR

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 Pension Fund

## HIGHLIGHTS:

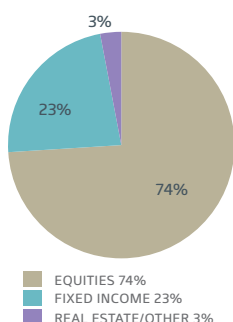
- Shares of the Pension Fund were all approximately unchanged during the quarter, and are up between 3.3% and 4.7% over the last year.
- Returns by class of share are shown in the table to the right.

As market prices change, sometimes portfolios need to change too. During the quarter, we took some steps to increase the diversification and expected returns of the AA, CC and CS shares. We did this by marginally adding to their investments in equities via the Fortress Caribbean Growth Fund, and reducing their holdings in bonds via the Fortress Caribbean High Interest Fund. This brings the equity allocation for the AA share to 74% from 72%, for the CC share to 59% from 51%, and for the CS share to 10% from 8%. You can see the current weights in the pie charts below. This move reflects our assessment that a prudently managed equity portfolio with holdings in the Caribbean and around the world will likely earn a better return in the coming years, and with greater diversification than is currently available in regional bonds. All the Fortress funds continue to focus as much on managing risks as on positioning to generate returns.

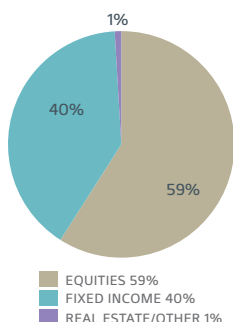
If you're curious how your Fortress investment is doing, remember you can check the Net Asset Value (NAV) of the Pension Fund share in which you are invested at any time by visiting [www.fortressfund.com](http://www.fortressfund.com). The NAV's are updated at the end of each month.

Investors in the Pension Fund typically select from three different classes of share, based on personal circumstances and risk tolerance. These classes differ in how their assets are spread across the major asset classes of equities, bonds, and real estate and other assets. The graphs below show how each of the classes (AA, CC, CS) is allocated currently. The reports on the Caribbean Growth Fund and Caribbean High Interest Fund on pages two and three of this quarterly report give you a direct look into the performance, positioning and outlook for the major underlying investments in the Pension Fund.

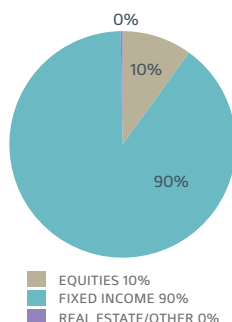
AGGRESSIVE ACCUMULATOR (AA)



CONSERVATIVE CONSOLIDATOR (CC)



CAPITAL SECURE (CS)



## EXPENSES

**Manager:** 0.50% per annum of net assets at the Fund level. Fees from the underlying Fortress funds in which the Fund invests are capped at between 0.25% and 0.50% per annum of net assets, depending on the fund.  
**Custodian:** \$7,500 per year paid by the Fund as a whole.  
**Administrator:** No charge at the Fund level.  
**Sales Charge:** None  
**Redemption Charge:** none

**MANAGER & ADMINISTRATOR**  
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.

## FUND OBJECTIVE

Capital growth, income and security over the long term, as appropriate to each class of share. The Fund invests in equities, fixed income, and real estate assets primarily via the other Fortress funds.

### Net Asset Value

Per Share (est.): \$20.84 / \$20.77 / \$16.18 (AA/CC/CS)

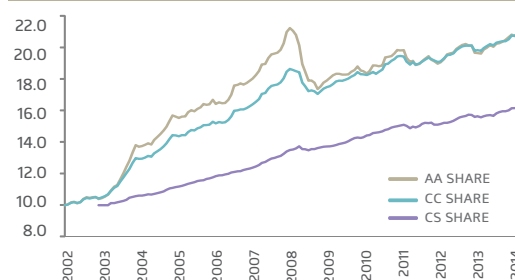
Fund Net Assets (est.): \$205,361,290

## INVESTMENT RETURNS

	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
AA Share	-0.1%	4.7%	2.9%	2.6%	6.1%
CC Share	-0.1%	3.8%	3.1%	3.0%	6.1%
CS Share	0.0%	3.3%	2.8%	3.2%	4.3%

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO SEPTEMBER 30TH, 2014



## BENEFITS AT A GLANCE

### Company Pension (DC Scheme):

- Contributions earn a tax allowance up to certain maximums based on your income.
- Choose from three easy, professionally managed options to get the class of share that suits you.
- 25% of your pension can be withdrawn tax free at retirement.
- Employers match employee contributions up to certain amounts.

### Personal Pension (RRSP):

- Contributions earn tax allowance up to \$10,000 per year depending on your income.
- Choose from the same three easy, professionally managed options to get the class of share that suits you; or pick your mix of Fortress funds.
- Up to \$25,000 may be withdrawn tax free for the purchase of a first house.
- Flexibility to withdraw funds as necessary, provided tax paid in year of withdrawal.

Fortress is a leading provider of DB and DC pension management and administration services to companies of all sizes, and to individuals via the Personal Pension Plan (RRSP).

## DIRECTORS

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