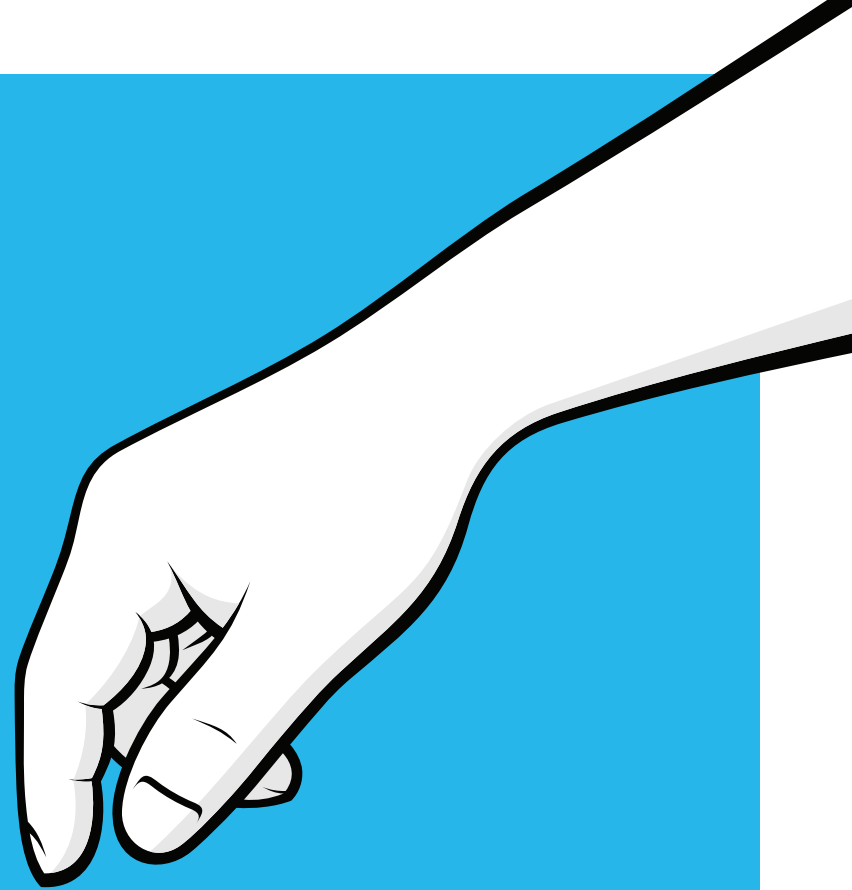


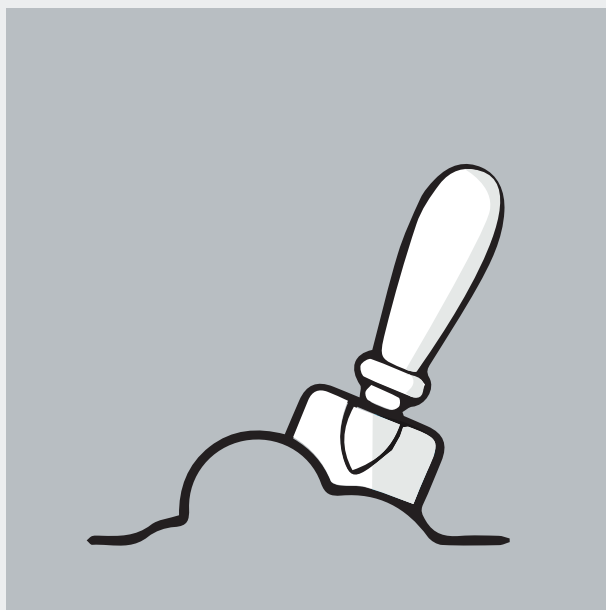
Fortress Caribbean  
**High Interest Fund**

Fund the Future.



ANNUAL  
REPORT  
**2018**

 **Fortress**  
FUND MANAGERS

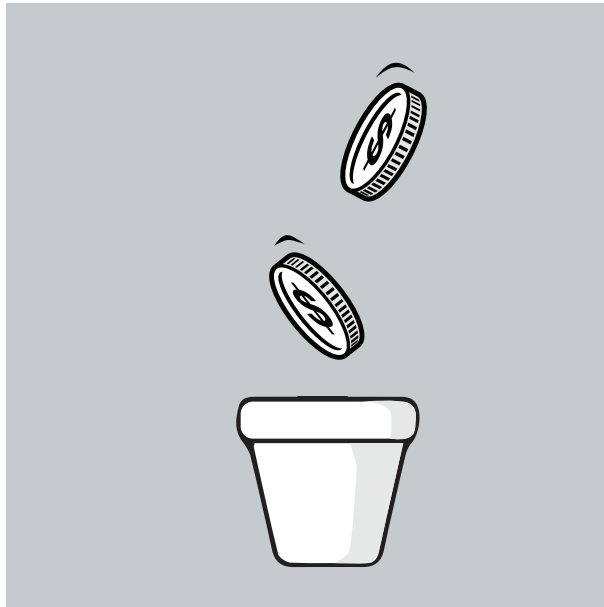


Fortress Fund Managers is a Barbados-based investment manager. We have been providing top-ranked returns, open communication and accessible service to our clients since 1996.

We offer a range of funds and investment products to meet the needs of individuals and institutions. In each case, our main goal is to achieve consistent long-term returns for our clients. We do this by applying sound, disciplined processes to our investments in equities, fixed income and real estate. We offer products with global reach, as well as those that focus primarily on the Caribbean region.

Please feel free to contact us to learn more about this Fund, or any of our products.

Fortress Fund Managers Limited  
First Floor, Carlisle House  
Hincks Street  
Bridgetown  
Barbados  
BB11144  
TEL (246) 431 2198  
FAX (246) 431 0514  
[invest@fortressfund.com](mailto:invest@fortressfund.com)  
[www.fortressfund.com](http://www.fortressfund.com)



---

Fortress Caribbean  
High Interest Fund

# Investment Objectives & Fund Details

---

The Fund's primary objective is income and capital preservation over the medium term. The Fund actively invests in a diversified portfolio of primarily Caribbean and international debt securities.

The Fund issues two classes of shares - "Accumulation" and "Distribution". Holders of the Distribution shares receive dividends every six months. Holders of the Accumulation shares are not paid dividends, but receive their entire return via the Fund's increase in Net Asset Value. Pre-tax returns to holders of the two share classes are identical.

<b>FUND NAME:</b>	Fortress Caribbean High Interest Fund	
<b>LAUNCH DATE:</b>	May 17, 2002	
<b>LAUNCH PRICE:</b>	\$1.00 per share	
<b>MINIMUM INVESTMENT:</b>	\$500.00 \$100.00 for subsequent investments \$100.00 for monthly savings plan	
<b>FUND STATUS:</b>	Closed to lump sum subscriptions Open for pension and monthly savings programme only	
	<b>ACCUMULATION</b>	<b>DISTRIBUTION</b>
<b>NET ASSET VALUE PER SHARE</b> 9/30/2018	\$1.9382	\$0.9886
<b>NET ASSETS</b> 9/30/2018	\$128,382,150	\$3,533,640
<b>MANAGEMENT EXPENSES:</b> <i>Management fees:</i>	0.75% per annum on the net assets	
<i>Custodian &amp; Administrator:</i>	0.20% per annum on the first \$30 million of net assets 0.175% per annum on the next \$50 million of the net assets and 0.15% per annum on amounts over \$80 million in net assets	
<b>INITIAL CHARGES:</b>	Nil	
<b>REDEMPTION CHARGES:</b>	Up to 2% on amounts placed less than 6 months Up to 1% on amounts placed less than 2 years Nil on amounts placed greater than 2 years	
<b>INVESTMENT MANAGER &amp; ADMINISTRATOR:</b>	Fortress Fund Managers Limited	
<b>CUSTODIAN:</b>	CIBC FirstCaribbean International Bank (Barbados) Limited Wealth Management Division	
<b>FUND VALUATIONS:</b>	Weekly on Fridays	
<b>NAV QUOTATIONS:</b>	Internet: <a href="http://www.fortressfund.com">www.fortressfund.com</a> Local Barbados newspapers Bloomberg: FORCAHI BA	

# Directors & Administrators

---

## **DIRECTORS**

Sir Geoffrey Cave, K.A., C.B.E., B.C.H., L.L.D. (Hon) - Chairman  
C. David Bynoe  
Kenneth Emery  
John Howard  
David Simpson  
John Williams  
Roger Cave - Investment Director

## **COMPANY SECRETARY**

Hanna M. Chrysostom  
Broad Street  
Bridgetown  
St. Michael  
Barbados

## **FORTRESS FUND MANAGERS AUDIT COMMITTEE**

David Simpson  
C. David Bynoe  
John Howard

## **REGISTERED OFFICE**

First Floor, Carlisle House  
Hincks Street  
Bridgetown  
St. Michael  
Barbados

## **ATTORNEY AT LAW**

Clarke Gittens Farmer  
Parker House  
Willey Business Park  
Willey Road  
St. Michael  
Barbados

## **INDEPENDENT AUDITORS**

Ernst & Young Services Limited  
One Welches  
Welches  
St. Thomas  
Barbados

## **CUSTODIAN**

CIBC FirstCaribbean International Bank (Barbados) Limited  
Wealth Management Division  
3rd Floor  
Broad Street  
Bridgetown  
Barbados

## **INVESTMENT MANAGER & ADMINISTRATOR**

Fortress Fund Managers Limited  
First Floor, Carlisle House  
Hincks Street  
Bridgetown  
Barbados

Tel: (246) 431 2198  
Fax: (246) 431 0514  
Internet: [www.fortressfund.com](http://www.fortressfund.com)  
Email: [invest@fortressfund.com](mailto:invest@fortressfund.com)

Fortress Caribbean High Interest Fund Limited ("the Fund") is an open-ended mutual fund company and was incorporated on May 9, 2002 under the provisions of the Mutual Funds Act of Barbados. The Fund maintains its registered office at First Floor, Carlisle House, Hincks Street, Bridgetown, Barbados. The principal activity of the Fund is investment in domestic, regional and international fixed income markets with the aim of achieving the highest level of return consistent with capital preservation.

Important information about this Fund is contained in its prospectus, which we encourage you to read before making an investment. The indicated returns in this document 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 Fund's shares may go down as well as up. A copy of the prospectus may be obtained from the offices of Fortress Fund Managers, or downloaded at [www.fortressfund.com](http://www.fortressfund.com).

# Investment Performance

For the year ended September 30, 2018 the Fund's NAV declined by 1.2% as conditions for bond investors remained challenging in the Caribbean and around the world. Global bond prices fell and closer to home the Government of Barbados restructured its debt, bringing substantial losses to many bondholders. The Fund had only minimal exposure in this area so the impact was also small. Our select corporate bond investments in Barbados performed well. Overall, the Fund remained squarely in capital preservation mode during the year and this meant carrying relatively large Barbados dollar cash balances that weighed on performance. The Accumulation shares declined to \$1.9382 from

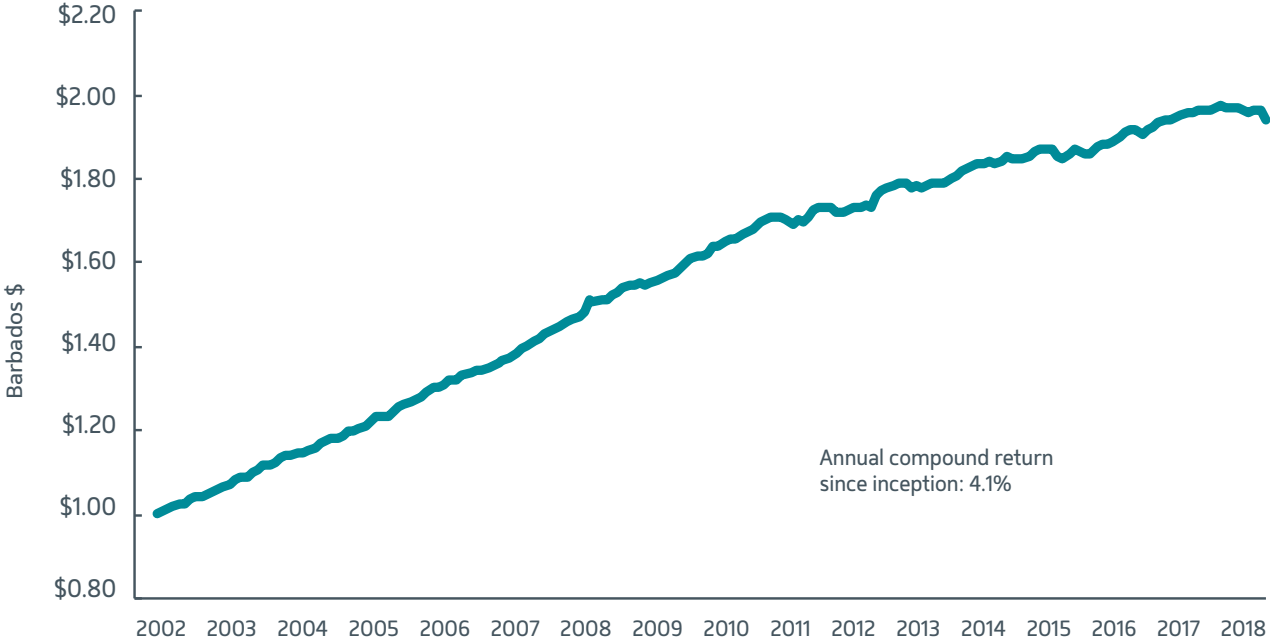
\$1.9612 a year ago, and the Distribution shares fell to \$0.9886 from \$1.0115 last year after paying a dividend of \$0.0114 per share in October 2017.

Since inception in 2002, the Fund has now generated a compound annual rate of return of 4.1% per year, net of all fees and expenses. Over this period, its diversified mix of Caribbean and global fixed income assets has led to relatively steady performance in a range of market conditions. The Fund remained closed to new lump-sum subscriptions during 2018 but remained open for subscriptions from monthly savings programmes and pension plans.

Investment Performance as of 9/30/18*					
	3 month	1 year	3 year	5 year	Inception
<b>Caribbean High Interest Fund</b> (Accumulation Shares)	<b>-1.0%</b>	<b>-1.2%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>4.1%</b>

*\*periods longer than one year are annual compound returns*

Caribbean High Interest Fund Net Asset Value Since Inception - Accumulation Share



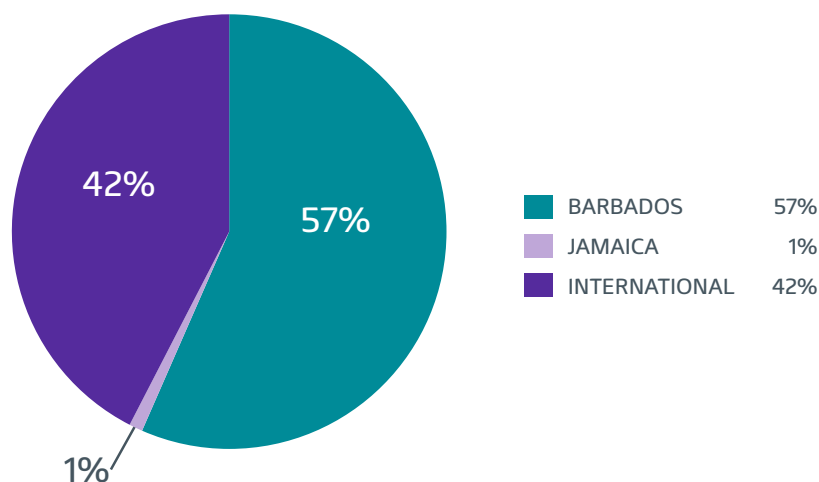
# Portfolio Positioning

The Fund’s investment portfolio continues to be as widely diversified as possible among regional and international holdings. These include Barbados dollar bank deposits, corporate bonds, U.S. dollar government and corporate bonds, and specialised funds investing globally in income-producing assets. The portfolio is constructed to maximise return from diversified sources, while limiting overall risk and maintaining an acceptable level of liquidity. We have maintained a relatively short average term to maturity, limiting the portfolio’s sensitivity to price declines as interest rates rise. As we have previously reported, for the last few years the Fund has had only very limited holdings in Caribbean government bonds. This was due to the substantial credit risks which we felt were underappreciated by investors until very recently. In June, the Government of Barbados finally addressed the issue and initiated a restructuring

of its debts and fiscal reform plan which will be painful for current bond investors but will hopefully improve the prospects for the future. The Fund has substantial cash in reserve and we expect to make investments in Caribbean government bonds again as credit quality improves and prices become appropriate.

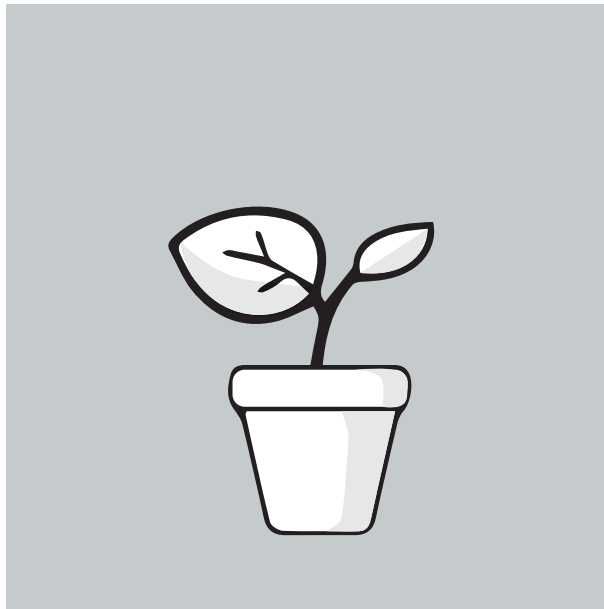
As of September 30, 2018, the average term to maturity of the Fund’s holdings was 2.5 years, and the average gross yield to maturity was 2.8%, a good estimate of return potential in the medium term. Approximately 42% of the portfolio is invested outside the Caribbean region in U.S. dollars and other global currencies. For a complete list of the Fund’s holdings as of year-end, please see the notes to the accompanying financial statements.

## Geographic Distribution of Portfolio as of 9/30/18



## Top 5 Holdings

<i> Holding </i>	<i> Country/Region </i>	<i> Sector </i>	<i> Weight </i>
Deposits - CIBC FirstCaribbean Int’l Bank	Barbados	Bank	33.7%
Fortress Fixed Income Fund	International	Various	16.3%
Legg Mason Asian Opportunitites Debt Fund	International	Various	4.1%
PIMCO Global Investment Grade Credit Fund	Global	Various	4.0%
Stallion Property Holdings 12/31/2021	Global	Various	3.8%



---

## Directors' Report



“ This was only the second time in the Fund’s 16-year history that we have posted a negative year. ”



## Directors' Report

Investment Director Roger Cave

The Fortress Caribbean High Interest Fund registered a decline of 1.2% for the year ended September 30, 2018. This rare negative result came against a backdrop of price declines in global bonds as interest rates rose and following the long-anticipated restructuring of Government of Barbados bonds. The net asset value (NAV) of the Accumulation shares declined from \$1.9612 at September 30th 2017 to \$1.9382 at September 30th 2018, while the Distribution shares declined \$1.0115 to \$0.9886 after paying a dividend of \$0.0114 in October 2017. Total net assets increased from \$127 million to \$132 million. The Fund’s compound annual return since inception in 2002 is now 4.1% per year.

This was only the second time in the Fund’s 16-year history that we have posted a negative year. The only other time was in 2004 when the Grenada government defaulted on its debt following the passing of Hurricane Ivan. This year we continued to face an unusually challenging environment, with historically low yields on global bonds, the U.S. Federal Reserve (Fed) continuing to raise its target rate applying pressure to bond prices and continued severe stress on Caribbean government debt. These factors are not new – they have been features of the landscape for the last few years and the Fund has sought to insulate itself from them to the extent possible.

Through this year’s challenges some seeds of future improvement were planted. The Government of

Barbados embarked on a comprehensive debt restructuring and multi-year fiscal reform programme supported by the International Monetary Fund (IMF). As we have previously reported, the Fund has had only minimal investments in these bonds so the debt restructuring had only a small impact on the Fund’s performance. On the other side of these government reforms, we see the potential for improved creditworthiness and a period where the Fund, at the right prices, could begin to invest more normally. Similarly, the rising interest rates in the U.S. and elsewhere caused declines in bond prices in the near term but higher yields are gradually improving return prospects for investors going forward.

In last year’s annual report we wrote:

*We continue to face the dual challenges of historically low global interest rates, and an ongoing government debt crisis in the Caribbean. Both are significant risks for bond investors. The Fund has only very limited exposure to Caribbean government bonds. Its exposure to rising interest rates globally also remains low.*

We likely wrote something similar the previous year – the Fund has been squarely in capital preservation mode for some time. This has meant carrying an above average amount of Barbados dollar cash which diminished returns even as our select corporate bond investments

in Barbados performed well and contributed mid-single digit yields. In June, investors who owned bonds issued by the Government of Barbados discovered how real the credit risks were as the government announced a restructuring of its debts and investors were asked to accept substantial reductions in the present value of their investments.

We were fortunate that the impact on the Fortress Caribbean High Interest Fund was very small because the Fund only had one minor holding that was affected. This was in a bond issued by the University of the West Indies (UWI), a separate entity from the Government of Barbados, which was nonetheless forcibly caught up in the Government of Barbados restructuring. We engaged legal counsel in Barbados and Jamaica on the matter and their opinions were that the bonds should not have been part of the restructuring. Unfortunately, efforts by us and other bondholders to resolve the situation have been unsuccessful. Therefore, prior to September 30, 2018 we reduced the value of this holding by approximately half, to where it would be if it were included in the restructuring. This resulted in a 1% drop in the net asset value of the Fund during the year, which we expect to be the maximum loss by the Fund from the Government of Barbados default.

With the domestic debt restructuring in Barbados now behind us, the risks of Barbados debt going forward could be meaningfully reduced. The debt restructuring will help the Barbados debt situation in a number of ways. The cash flows to service the unsustainable debt have been significantly reduced, the total outstanding principal has been cut, and maturities have been extended out as far as 50 years. In addition, the formal IMF programme which will be in place for at least the next four years, which will add an additional layer of oversight and focus on much-needed reforms. It is expected that the government will not be issuing any new bonds in the near future as the programme involves running a larger primary fiscal surplus and borrowing from the IMF and other multi-lateral agencies. The new bonds that have been issued as part of the debt restructuring

will be available to be traded on the secondary market, hopefully on the Barbados Stock Exchange (BSE). Depending on the levels at which the debt trades, it is possible that we will be able to selectively resume our buying of Government of Barbados debt. Increased confidence in the Barbados economy may also bring new corporate bond issues to market which we could consider including in the portfolio. This would gradually increase the returns to the Fund as the unusually high cash levels are reduced.

The investment objective of the Fund is the "highest level of income consistent with the preservation of capital". In recent years, with very low interest rates globally and weak credit quality in the Caribbean, we have been focusing much more on preservation of capital. This is because, unlike equities which can recover from temporary price declines, bond defaults typically represent a *permanent* loss of capital. Investors in this Fund, especially pensioners nearing retirement, have experienced lower than normal returns in recent years but their capital has so far been preserved in some highly unusual and risky times.

Globally, interest rates generally rose and bond prices fell resulting in slightly negative returns on bonds during the year. The Fed increased its target rate four times bringing it to a range of 2%-2.25% in response to solid GDP growth and low unemployment. In response U.S. 5-year Treasury yields rose from 1.94% to 2.95% during the year. As long as the U.S. economy continues to grow, similar increases are projected again in 2019. We have continued to keep the average maturities of our global fixed income securities relatively short to reduce the negative impact of rising interest rates. The good news is that the net running yields for the portfolio are gradually rising, too. As rates continue to rise we expect to gradually add longer term holdings, locking in more attractive yields for the long-term.

During the year, we expanded our range of Cayman Islands domiciled US\$ funds by launching the Fortress Fixed Income Fund. The Fortress Fixed Income Fund

invests in high quality corporate and government bonds in the U.S., offering investors an efficient way to access this type of conservative investment with an actively managed, well-diversified portfolio. The fund is now among the top holdings in the Caribbean High Interest Fund because it offers us the ability to gain efficient diversification and to easily adjust allocations as necessary. The fund's average gross yield is just over 3.5% and the average credit rating is "A". Its (low) management fees are rebated to avoid double charging.

The Caribbean High Interest Fund also has investments in both the Fortress Income Builder Funds with the same arrangement on management fee rebates. These Income Builder Funds seek to produce higher levels of returns from portfolios of high-quality equities and options to reduce overall risk. They have produced solid returns for the Fund over the years, but in 2018 returns were mixed. The Income Builder US was up 3.3% while the Income Builder International was down 5.8%. Our allocations to specialist external managers mostly had slightly negative returns in 2018 as global fixed income markets endured headwinds of rising interest rates and, in the case of international portfolios, weaker currencies against the U.S. dollar.

### Positioning & Outlook

The Fund's portfolio continues to be as diversified as possible given the constraints and controls in place in Barbados and the limited capital markets in the region. Its holdings are a mix of Barbados corporate bonds, a small allocation to government securities, a wide range of high-quality global bonds accomplished via the Fortress Fixed Income Fund and directly, investments in specialised funds, and a substantial amount of cash on deposit with CIBC FirstCaribbean, the Fund's custodian trustee. We hope that once the Government of Barbados bond restructuring is complete and the Barbados economy improves that there will be opportunities to deploy some or all the Fund's cash in appropriate investments that meet the Fund's objectives of capital security and income.

With an average gross yield in the Fund's portfolio of 2.8%, it is almost certain that returns in the medium term will continue to be below historic norms. These are still not normal times for bond investors, but we do expect better days ahead especially as we are now on the other side of the long-anticipated government credit event in Barbados where the majority of the Fund's capital is held. For global bonds, we expect rates to continue rising slowly in the U.S. and potentially in other regions, too. This will limit returns in the short-term but over time will set the stage for more normal returns going forward.

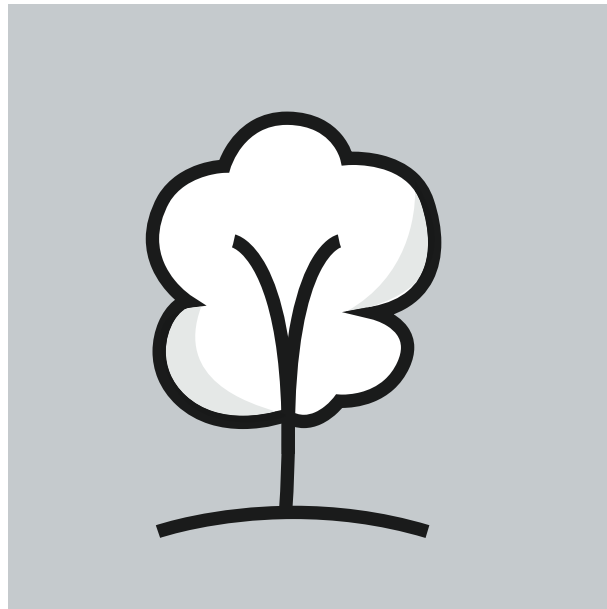
At Fortress, we continue to invest in the development of our team and to improve our systems and procedures. Recent initiatives to strengthen data protection, disaster recovery, compliance, risk management, governance and reporting moved the company forward in quiet but important ways.

At the end of September this year, Mr. Ken Emery retired as a director of the Fortress funds. Ken joined Fortress first as a British Executive Overseas (BESO) consultant in 1997 after he had retired from a very successful career in the mutual fund industry in the United Kingdom. Later that year Ken joined the Fortress board of directors, and has been instrumental in the progress and development of all the Fortress funds. Undoubtedly, Fortress Fund Managers would not be where it is today without the time, care, guidance and expertise that Ken has contributed over the last two decades. We thank Ken and are fortunate that he will continue to assist us in a consulting capacity going forward.

Most importantly, we thank you very much for investing with us, and we hope to return to reporting positive results in 2019.



Roger Cave, CA, CFA  
Investment Director



---

## Financial Statements



Ernst & Young Ltd  
P.O. Box 261  
Bridgetown, BB11000  
Barbados, W.I.

Tel: 246 430 3900  
Fax: 246 426 9551  
246 430 3879  
www.ey.com

Street Address  
One Welches  
Welches  
St. Thomas, BB22025  
Barbados, W.I.

## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN HIGH INTEREST FUND LIMITED

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Fortress Caribbean High Interest Fund Limited (“the Fund”), which comprise the statement of financial position as at 30 September 2018, and the statement of comprehensive income, statement of changes in net assets attributable to holders of redeemable mutual fund shares and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 30 September 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.



## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN HIGH INTEREST FUND LIMITED

### **Report on the Audit of the Financial Statements (Continued)**

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN HIGH INTEREST FUND LIMITED

### **Report on the Audit of the Financial Statements (Continued)**

#### **Other Legal Matter**

This report is made solely to the Fund's shareholders, as a body, in accordance with Section 32 of the Mutual Funds Act of Barbados. Our audit work has been undertaken so that we might state to the Fund's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Fund and the Fund's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

*Ernst & Young Ltd*

BARBADOS  
17 December 2018

# Fortress Caribbean High Interest Fund Limited

## Statement of Financial Position

As at September 30, 2018

(expressed in Barbados dollars)

	2018	2017
	\$	\$
<b>Assets</b>		
Financial assets (note 5)	83,130,591	95,095,576
Accounts receivable	9,781	30,263
Due from broker	–	32,000
Cash and cash equivalents (note 6)	48,818,486	32,271,254
<b>Total assets</b>	<b>131,958,858</b>	127,429,093
<b>Liabilities</b>		
Accounts payable and accrued expenses	42,068	11,530
<b>Liabilities (excluding net assets attributable to holders of redeemable mutual fund shares)</b>	<b>42,068</b>	11,530
<b>Net assets attributable to holders of redeemable mutual fund shares:</b>		
Accumulation shares (note 9)	128,382,150	122,767,263
Distribution shares (note 9)	3,533,640	4,649,300
	<b>131,915,790</b>	127,416,563
<b>Total liabilities</b>	<b>131,957,858</b>	127,428,093
<b>Share capital (note 10)</b>	<b>1,000</b>	1,000
<b>Liabilities and shareholder funds</b>	<b>131,958,858</b>	127,429,093
<b>Net asset value per accumulation share</b>	<b>1.9382</b>	1.9612
<b>Net asset value per distribution share</b>	<b>0.9886</b>	1.0115

The accompanying notes form an integral part of these financial statements.

Approved by the Board of Directors on December 14, 2018



Director



Director



# Fortress Caribbean High Interest Fund Limited

## Statement of Changes in Net Assets Attributable to Holders of Redeemable Mutual Fund Shares For the year ended September 30, 2018

(expressed in Barbados dollars)

	Number of shares		Net assets attributable to holders of redeemable mutual fund shares		
	Accumulation	Distribution	Accumulation \$	Distribution \$	Total \$
<b>Balance - September 30, 2016</b>	<b>60,790,853</b>	<b>5,044,441</b>	<b>116,323,814</b>	<b>5,149,692</b>	<b>121,473,506</b>
Issue of shares	5,574,283	352,772	10,783,661	354,447	11,138,108
Redemption of shares	(3,766,157)	(800,815)	(7,299,343)	(802,222)	(8,101,565)
Dividends paid (note 9)	–	–	–	(165,967)	(165,967)
Total comprehensive income for the year	–	–	2,959,131	113,350	3,072,481
<b>Balance - September 30, 2017</b>	<b>62,598,979</b>	<b>4,596,398</b>	<b>122,767,263</b>	<b>4,649,300</b>	<b>127,416,563</b>
Issue of shares	8,059,664	37,697	15,837,518	37,700	15,875,218
Redemption of shares	(4,419,323)	(1,059,678)	(8,678,324)	(1,060,907)	(9,739,231)
Dividends paid (note 9)	–	–	–	(52,402)	(52,402)
Total comprehensive loss for the year	–	–	(1,544,307)	(40,051)	(1,584,358)
<b>Balance - September 30, 2018</b>	<b>66,239,320</b>	<b>3,574,417</b>	<b>128,382,150</b>	<b>3,533,640</b>	<b>131,915,790</b>

The accompanying notes form an integral part of these financial statements.

# Fortress Caribbean High Interest Fund Limited

## Statement of Comprehensive Income

For the year ended September 30, 2018

---

(expressed in Barbados dollars)

	2018	2017
	\$	\$
<b>Revenue</b>		
Interest income (note 7)	1,523,989	2,367,581
Net fair value (losses)/gains on investments (note 5)	(2,042,148)	1,801,031
Amortisation of premiums	3,224	14,907
Dividend income	82,204	112,196
	<hr/>	<hr/>
<b>Total investment (loss)/income</b>	<b>(432,731)</b>	4,295,715
	<hr/>	<hr/>
<b>Expenditure</b>		
Management fees (note 8)	820,325	844,265
Administrator and custodian fees (note 8)	224,282	214,219
Other operating expense	67,231	129,318
Audit fees	39,195	34,927
Trade fees	594	505
	<hr/>	<hr/>
<b>Operating expenditure</b>	<b>1,151,627</b>	1,223,234
	<hr/>	<hr/>
<b>Total comprehensive (loss)/income</b>	<b>(1,584,358)</b>	3,072,481
	<hr/>	<hr/>
<b>Total comprehensive (loss)/income on ordinary activities allocated to:</b>		
Holders of redeemable mutual fund distribution shares	(40,051)	113,350
Holders of redeemable mutual fund accumulation shares	(1,544,307)	2,959,131
	<hr/>	<hr/>
<b>Total comprehensive (loss)/income</b>	<b>(1,584,358)</b>	3,072,481
	<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements.

# Fortress Caribbean High Interest Fund Limited

## Statement of Cash Flows

For the year ended September 30, 2018

---

(expressed in Barbados dollars)

	2018	2017
	\$	\$
<b>Cash flows from operating activities</b>		
Total comprehensive (loss)/income	(1,584,358)	3,072,481
Adjustments for:		
Amortisation of premium	(3,224)	(14,907)
Net fair value gains on investments	2,042,148	(1,801,031)
Interest income	(1,523,989)	(2,367,581)
Dividend income	(82,204)	(112,196)
	<hr/>	<hr/>
Operating loss before working capital changes	(1,151,627)	(1,223,234)
Decrease in accounts receivable	17,806	58,843
Decrease/(increase) in due from broker	32,000	(32,000)
Increase/(decrease) in accounts payable and accrued expenses	30,538	(22,545)
Purchase of investments	(47,788,595)	(48,625,396)
Proceeds on the sale of investments	57,558,022	27,046,498
	<hr/>	<hr/>
<b>Cash generated from/(used in) operations</b>	8,698,144	(22,797,834)
Interest received	1,683,299	2,303,687
Dividends received	82,204	112,196
	<hr/>	<hr/>
<b>Cash generated from/(used in) operating activities</b>	10,463,647	(20,381,951)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Issue of mutual fund shares	15,875,218	11,138,108
Redemption of mutual fund shares	(9,739,231)	(8,101,565)
Dividends paid	(52,402)	(165,967)
	<hr/>	<hr/>
<b>Cash generated from financing activities</b>	6,083,585	2,870,576
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	16,547,232	(17,511,375)
	<hr/>	<hr/>
<b>Cash and cash equivalents - beginning of year</b>	32,271,254	49,782,629
	<hr/>	<hr/>
<b>Cash and cash equivalents - end of year</b>	48,818,486	32,271,254
	<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements.

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

---

(expressed in Barbados dollars)

## 1 Incorporation and principal activity

Fortress Caribbean High Interest Fund Limited (“the Fund”) was incorporated in Barbados on May 9, 2002 under the Companies Act of Barbados and is licensed under the Mutual Funds Act 2002-22 of Barbados as an authorised mutual fund. The Fund maintains its registered office at 1<sup>st</sup> Floor, Carlisle House, Hincks Street, Bridgetown, Barbados.

The Fund’s primary objective is income and capital preservation over the medium term. The Fund actively invests in a diversified portfolio of primarily Caribbean and international debt securities.

The Fund’s investment and administration activities are managed by Fortress Fund Managers Limited (“the Investment Manager”).

The Fund is an open ended fund and offers its shares to a broad group of investors.

These financial statements were authorised for issue by the Board of Directors on December 14, 2018.

## 2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

### a) Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRS Interpretations Committee (IFRS IC) promulgated by the International Accounting Standards Board (IASB), applicable to companies reporting under IFRS. The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund’s accounting policies. Although these estimates are based on management’s best knowledge of current events and conditions, actual results could differ from these estimates. The areas involving a higher degree of judgement on complexity, or areas where assumptions and estimates are significant to the financial assets are disclosed in note 3.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

---

(expressed in Barbados dollars)

## 2 Summary of significant accounting policies...continued

### a) Basis of preparation...continued

#### *New and amended standards adopted by the Fund*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning October 1, 2017 that would be expected to have a material impact on the Fund.

#### *Standards, amendments and interpretations that are issued but not yet effective which may be relevant for the Fund's operations*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Fund except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and is applicable from January 1, 2018. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Fund intends to adopt IFRS 9 no later than the accounting period beginning on or after October 1, 2018.

### b) Foreign currency translation

#### *Functional and presentation currency*

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in Barbados dollars which is the Fund's functional and presentation currency.

#### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

---

(expressed in Barbados dollars)

## 2 Summary of significant accounting policies...continued

### b) Foreign currency translation...continued

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of comprehensive income as part of the net fair value gain and loss on investments.

### c) Financial assets

The Fund classifies its investments into two categories:

- Financial assets at fair value through profit or loss
- Loans and receivables

Management determines the appropriate classification of these assets at initial recognition.

#### *Financial assets at fair value through profit or loss*

##### *i) Classification*

A significant component of the Fund's investments has been classified as financial assets at fair value through profit or loss in accordance with International Accounting Standards 39 (IAS 39), Financial Instruments: Recognition and Measurement.

Financial assets in the category at fair value through profit or loss have been so designated by management at inception since the assets form part of the managed portfolio whose performance is evaluated on a fair value basis in accordance with a documented investment strategy.

##### *ii) Recognition, derecognition and measurement*

Regular-way purchases and sales of investments are recognised on the trade date, which is the date the Fund commits to purchase or sell the investments.

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income, which include the bid-ask spread, fees and commissions paid to agents, advisers, brokers and dealers. Financial assets at fair value through profit or loss are derecognised when the rights to receive cash flows from these assets have expired or the Fund has transferred substantially all risks and rewards of ownership.

Investments in other investment funds are valued on the basis of the net asset value per share as determined by the administrators of those investment vehicles in accordance with industry practice.

Gains or losses arising from changes in the fair value of investments classified as financial assets at fair value through profit or loss are recognised in the statement of comprehensive income as they arise. Average cost is used to compute realised and unrealised gains and losses on investments.

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

---

(expressed in Barbados dollars)

## 2 Summary of significant accounting policies...continued

### c) Financial assets...continued

#### *Financial assets at fair value through profit or loss ...continued*

##### iii) *Fair value estimation*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The quoted market price used for financial assets held by the Fund is the current exit price; the quoted market price for financial liabilities is the current exit price. If a significant movement in fair value occurs subsequent to the close of trading on the year end date, valuation techniques will be applied to determine the fair value. A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign exchange, but before the Fund's valuation time that materially affects the integrity of the closing prices for any security, instrument, currency or securities affected by that event so that they cannot be considered 'readily available' market quotations.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques or from other sources. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. Investments in other funds are measured on the net asset value per share as determined by the administrator of the fund.

##### iv) *Transfers between levels of the fair value hierarchy*

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method less provision for impairment. A loan or receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees and the financial condition and viability of the borrower.

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

---

(expressed in Barbados dollars)

## 2 Summary of significant accounting policies...continued

### d) Cash and cash equivalents

Cash equivalents are short term, highly liquid investments, with original maturities of three months or less that are readily convertible to known amounts of cash, which are subject to insignificant changes in fair value.

### e) Investment income

#### Interest income

Interest income is recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective interest method. Interest income relates to interest earned on fixed income investments and short term deposits.

#### Dividend income

Dividend income is recognised when the Fund's right to receive payment is established.

### f) Expenses

Expenses are accounted for on an accrual basis. Expenses are charged to the statement of comprehensive income.

In addition to the management fees and administration expenses, the Fund is responsible for the payment of all direct expenses relating to its operations such as audit, legal and professional fees.

### g) Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered by the statement of financial position date, respectively.

### h) Redeemable shares/net asset value

The Fund issues redeemable shares which are redeemable at the holder's option and are classified as financial liabilities. Redeemable shares can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The redeemable shares are carried at the redemption amount that is payable at the statement of financial position date if the holders exercise the right to put the shares back to the Fund.

Redeemable shares are issued and redeemed at the holder's option at prices based on the Fund's net asset value per share at the time of issue or redemption. The Fund's net asset value per redeemable mutual fund share is calculated by dividing the net assets attributable to those shares by the number of outstanding redeemable shares. In accordance with the provisions of the Fund's regulations, investment positions are



# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

---

(expressed in Barbados dollars)

## 2 Summary of significant accounting policies...continued

### h) Redeemable shares/net asset value...continued

valued based on the procedures described in note 2c for the purpose of determining the net asset value per share for subscriptions and redemptions.

### i) Distributions payable to holders of redeemable mutual fund shares

The Fund issues two classes of redeemable mutual fund shares - accumulation and distribution. Holders of distribution receive all income earned in the Fund with respect to these shares in the form of a dividend every six months. Holders of accumulation shares are not paid dividends and all income earned in the Fund with respect of these shares, including interest, dividends and capital gains is automatically reinvested and this income is reflected in the quoted net asset value of these shares.

### j) Taxation

The Fund is licensed as an authorised mutual fund under the Mutual Funds Act, 2002-22 of Barbados. The Directors have resolved that all of the net income of the Fund is attributable to the Fund's redeemable mutual fund shareholders. In calculating the assessable income of the Fund for tax purposes, the Act provides for a deduction of up to a 100% of the income that is designated to be the income of the Fund shareholders.

## 3 Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the next financial year relate to the valuation of unquoted investments and the determination of impairment provisions. The fair value of such securities not quoted in an active market may be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices.

The Fund would exercise judgement and estimates on the quantity and quality of pricing sources used. The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Management policies surrounding these estimates and assumptions are disclosed in note 4.

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

---

(expressed in Barbados dollars)

## 4 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (which includes price risk, interest rate risk and currency risk), credit risk and liquidity risk.

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise the potential adverse effect on the Fund's financial performance.

The risk management policies employed by the Fund to manage these risks are discussed below. There are no changes in the risk management policies from the prior year.

The management of these risks is carried out by the investment manager under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments and the investment of excess liquidity.

### Market risk

#### i) Price risk

Equity price risk is the risk of unfavourable changes in the fair values of equity instruments or equity-linked derivatives as the result of changes in the levels of equity indices and the value of individual shares. The majority of the Fund's financial assets are debt securities and units in managed bond funds. To manage this risk the Fund holds a diversified portfolio of investments in accordance with its investment policy. A summary of the overall consolidated statement of financial position market exposures at September 30, 2018 is disclosed in note 5.

#### Sensitivity

Management's best estimate of the effect on profit or loss for a year due to a reasonably possible change in equity indices, with all other variables held constant is indicated in the table below. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in each of the indices shown below would have resulted in an equivalent, but opposite, impact.

	Change in bond index	Effect on profit or loss for the year	
		2018	2017
		\$	\$
Bloomberg Barclays US Aggregate Bond Index	3%	1,863,970	1,800,396

The Investment Manager uses the Bloomberg Barclays US Aggregate Bond Index as a reference point in making investment decisions. However, the Investment Manager does not manage the Fund's investment strategy to track the Bloomberg Barclays US Aggregate Bond Index or any other index or external benchmark.

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

---

(expressed in Barbados dollars)

## 4 Financial risk management...continued

### Market risk...continued

#### ii) Cash flows and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow. The Fund holds fixed interest securities that expose the Fund to fair value interest rate risk. The Fund's significant interest-bearing financial assets earn interest at fixed rates and therefore the cash flows of the Fund are not affected by fluctuations in the prevailing levels of market interest rates. The Fund therefore has no significant interest rate risk on its cash flows.

The effective interest rates on investments and cash and cash equivalents are disclosed in note 5 and note 6 respectively. All of the other financial assets and liabilities of the Fund are non-interest bearing. The Fund would be impacted by movement in the market interest rates on the maturity of short term fixed rate instruments which would have to be reinvested at different rates of return.

#### Sensitivity

The following table indicates the sensitivity to the fair value of the Fund's long term fixed rate financial assets at fair value through profit or loss, to a reasonable possible change in interest rates with all other variables being constant.

	Effect on net assets 2018 \$	Effect on net assets 2017 \$
<b>Change in interest rate:</b>		
-2%	538,879	3,043,829
2%	(459,874)	(2,601,982)

The Fund has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Fund invests and impact on the valuation of certain over-the-counter derivative products that use interest rates as an input in their valuation model.

Therefore, the above sensitivity analysis may not fully indicate the total effect on the Fund's net assets attributable to holders of redeemable shares of future movements in interest rates.

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

---

(expressed in Barbados dollars)

## 4 Financial risk management...continued

### Market risk...continued

#### iii) Foreign exchange risk

The Fund holds financial assets denominated in currencies other than the Barbados dollar, the functional currency of the Fund. Consequently, except where assets and liabilities are denominated in currencies fixed to the Barbados dollar, the Fund is exposed to currency risk. The Fund's policy is not to enter into hedging transactions to mitigate currency risk.

When the Investment Manager formulates a view on the future direction of foreign exchange rates and the potential impact on the Fund, the Investment Manager factors that into its portfolio allocation decisions. While the Fund has direct exposure to foreign exchange rate changes on the price of non-Barbados dollar-denominated securities, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain companies in which the Fund invests, even if those companies' securities are denominated in Barbados dollars. For that reason, the below sensitivity analysis may not necessarily indicate the total effect on the Fund's net assets attributable to holders of redeemable shares of future movements in foreign exchange rates.

Foreign currency risk arises as recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities.

The Fund is most exposed to currency risk in its operating currencies whose values have noticeably fluctuated against the Barbados dollar. These currencies include the Mexican peso (MXN). The table below summarises the Fund's assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Barbados dollar:

	MXN \$
<b>September 30, 2018</b>	
<b>Financial assets</b>	
Investments	761,234
<b>Total financial assets</b>	<b>761,234</b>
<b>Total financial liabilities</b>	—
<b>Net position</b>	<b>761,234</b>

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

---

(expressed in Barbados dollars)

## 4 Financial risk management...continued

Market risk...continued

iii) Foreign exchange risk...continued

	MXN \$
<b>September 30, 2017</b>	
<b>Financial assets</b>	
Investments	778,753
<b>Total financial assets</b>	<b>778,753</b>
<b>Total financial liabilities</b>	—
<b>Net position</b>	<b>778,753</b>

*Sensitivity*

The theoretical decrease in net assets had these currencies depreciated by 5% against the Barbados dollar with all other variables held constant is considered below:

	<b>Effect of a 5% depreciation as of September 30, 2018</b>	Effect of a 5% depreciation as of September 30, 2017
Balances denominated in MXN	<b>\$ 38,062</b>	\$ 38,938

A 5% appreciation in the currencies will have an equal and opposite effect to that disclosed above.

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

---

(expressed in Barbados dollars)

## 4 Financial risk management...continued

### Credit risk

Credit risk is the risk that an issuer or counterparty to a financial instrument will be unable or unwilling to meet a commitment thereby causing a financial loss to the Fund.

The main concentration to which the Fund is exposed arises from the Fund's investments in debt securities. The Fund is also exposed to counterparty credit risk on cash and cash equivalents, amounts due from brokers and other receivable balances.

The maximum exposure to the Fund to credit risk is set out in the following table.

	2018	2017
	\$	\$
Loans and receivables	29,611,594	37,907,310
Government backed securities	2,420,037	10,650,288
Corporate debt securities	2,442,991	14,634,390
Accounts receivable	9,781	30,263
Cash and cash equivalents	48,818,486	32,271,254
<b>Total</b>	<b>83,302,889</b>	<b>95,493,505</b>

Credit risk from financial instruments is managed through holding a diversified portfolio of investments and purchasing securities after careful assessment of the borrower and placing deposits with financial institutions with a strong capital base and other corporations. The Fund seeks to manage credit risk by holding investments with strong credit ratings and low risk of default.

The credit ratings of the Fund's rated debt securities are set out below:

	2018	2017
	% of debt securities	
AA+	—	5%
AA-	—	2%
A+	—	5%
A	—	5%
A-	8%	5%
BBB+	4%	7%
BBB	—	2%
BBB-	—	7%
BB+	—	5%
BB-	4%	2%
B	—	5%
D	15%	—
Unrated*	69%	50%
<b>Total</b>	<b>100%</b>	<b>100%</b>

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

---

(expressed in Barbados dollars)

## 4 Financial risk management...continued

### Credit risk...continued

\*In order to monitor the credit quality of the “Unrated” underlying debt securities, the Investment Manager, on the basis of internal research, reviews the key financial metrics of the issue and structural features of the instruments in order to calculate the implied ratings for each of these investments. The majority of unrated securities have been assessed by the Investment Manager to have credit quality consistent with BBB-/Baa3 rated securities. A BBB-/Baa3 rating is the lowest rating a bond can have and still be considered investment-grade. An investment grade bond is a bond considered to have a relatively low risk of default.

The Fund’s exposure to individual counterparty credit risk on its cash and cash equivalents exceeding 2.5% of the Fund’s net assets are set out below:

	2018	2017
	\$	\$
<b>Cash and cash equivalents</b>		
CIBC FirstCaribbean International Bank Limited	47,918,618	32,134,895
	<u>47,918,618</u>	<u>32,134,895</u>

None of the Fund’s loans and receivables are impaired. None of the receivables are past due but not impaired. The Fund’s exposure to individual counterparty credit risk on its and loans and receivables are disclosed in note 5.

### Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to weekly cash redemptions of Class “A” Redeemable Mutual Fund Shares (note 9). The table below analyses the Fund’s financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amount, as the impact of discounting is not significant.

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

---

(expressed in Barbados dollars)

## 4 Financial risk management...continued

### Liquidity risk...continued

The Fund is exposed to liquidity risk due to the relatively undeveloped nature of the secondary market for fixed income securities in the Caribbean. The maturity profile of the Fund's significant financial assets is disclosed in note 5.

	<b>Less than 1 month \$</b>	<b>1 - 3 months \$</b>
<b>At September 30, 2018</b>		
Accounts payable and accrued expenses	–	42,068
Net assets attributable to holders of redeemable mutual fund shares	131,915,790	–
	<hr/>	<hr/>
<b>Total financial liabilities</b>	<b>131,915,790</b>	<b>42,068</b>

### At September 30, 2017

Accounts payable and accrued expenses	–	11,530
Net assets attributable to holders of redeemable mutual fund shares	127,416,563	–
	<hr/>	<hr/>
<b>Total financial liabilities</b>	<b>127,416,563</b>	<b>11,530</b>

Redeemable shares are redeemed at the holder's option (note 9). In the event of unusual circumstances, should redemption requests representing more than 20% of the Fund's assets be received within 30 consecutive days, the directors of the Fund reserve the right to suspend redemptions and to hold a special meeting of the Fund shareholders to determine the future of the Fund, including the liquidation of the Fund's assets.

At September 30, 2018, 88% (2017- 52%) of financial assets at fair value through profit or loss, comprise of investments in other funds that have been fair valued in accordance with the policies set out in note 2c. Since the shares of the other funds are not publicly traded, redemption can only be made by the Fund on the redemption dates and subject to the required notice periods specified in the offering documents of each of the other funds. The rights of the Fund to request redemption of its investments in other funds may vary in frequency from daily to monthly redemptions. As a result, the carrying values of the other funds may not be indicative of the prevailing values ultimately realised on redemption. In addition, the Fund may be materially affected by the actions of other investors who have invested in funds in which the Fund has invested.

The Fund manages its liquidity risk by investing in securities that it expects to be able to easily liquidate. The following table illustrates the expected liquidity of assets held.



# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

---

(expressed in Barbados dollars)

## 4 Financial risk management...continued

### Liquidity risk...continued

	Less than 1 week \$	1 week- 1 month \$	1 - 3 months \$	Over 3 months \$
<b>September 30, 2018</b>				
Total assets	<u>67,155,735</u>	<u>32,558,569</u>	<u>1,261,471</u>	<u>30,983,083</u>
<b>September 30, 2017</b>				
Total assets	<u>73,121,052</u>	<u>15,264,835</u>	<u>7,122,418</u>	<u>31,920,788</u>

### Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable shares. The amount of net assets attributable to holders of redeemable shares can change significantly on a weekly basis as the Fund is subject to weekly subscriptions and redemptions at the discretion of shareholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

### Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Fund is the current exit price; the quoted market price for financial liabilities is the current exit price. If a significant movement in fair value occurs subsequent to the close of trading on the year end date, valuation techniques will be applied to determine the fair value.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The Fund is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Fair value estimation...continued

For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following tables analyse within the fair value hierarchy the Fund's financial assets measured at fair value:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>September 30, 2018</b>				
<b>Financial assets at fair value through profit or loss</b>				
Government backed securities	–	–	2,420,037	<b>2,420,037</b>
Corporate securities	3,320,411	–	–	<b>3,320,411</b>
Hedge funds	–	1,261,471	–	<b>1,261,471</b>
Mutual funds	–	46,517,078	–	<b>46,517,078</b>
	<b>3,320,411</b>	<b>47,778,549</b>	<b>2,420,037</b>	<b>53,518,997</b>
<b>September 30, 2017</b>				
<b>Financial assets at fair value through profit or loss</b>				
Government backed securities	6,723,810	2,836,187	1,090,291	<b>10,650,288</b>
Corporate securities	16,413,210	–	–	<b>16,413,210</b>
Hedge funds	–	4,674,711	–	<b>4,674,711</b>
Mutual funds	–	25,450,057	–	<b>25,450,057</b>
	<b>23,137,020</b>	<b>32,960,955</b>	<b>1,090,291</b>	<b>57,188,266</b>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities, corporate securities and traded government debt securities. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

---

(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Fair value estimation...continued

within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently, are unquoted or are determined by a third party. Level 3 instruments include government issued. As observable prices are not available for these securities, the Fund has used valuation techniques to derive the fair value.

Level 3 valuations are reviewed on a weekly basis by the Fund's investment committee who report to the Board of Directors. The committee considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry.

The fair value of these mutual funds in this category is determined by the administrators of these investments in accordance with industry practice.

There were no transfers between levels as at September 30, 2018.

The following table presents the movement in level 3 instruments by class of financial instrument:

	<b>Government backed securities</b>	<b>Total</b>
	\$	\$
<b>September 30, 2018</b>		
Opening balance	1,090,291	<b>1,090,291</b>
Transfers into level 3	2,836,187	<b>2,836,187</b>
Purchases	301,714	<b>301,714</b>
Sales	(955,043)	<b>(955,043)</b>
Losses recognised in statement of comprehensive income	(853,112)	<b>(853,112)</b>
Closing balance	<b>2,420,037</b>	<b>2,420,037</b>
Change in unrealised gains or losses for level 3 assets held at year end and included in other net changes in fair value on financial assets at fair value through profit or loss	<b>(853,112)</b>	<b>(853,112)</b>

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Fair value estimation...continued

	<b>Government backed securities</b>	<b>Total</b>
	\$	\$
<b>September 30, 2017</b>		
Opening balance	1,039,450	<b>1,039,450</b>
Purchases	—	—
Sales	(2,566)	<b>(2,566)</b>
Gains recognised in statement of comprehensive income	53,407	<b>53,407</b>
	<hr/>	<hr/>
Closing balance	<b>1,090,291</b>	<b>1,090,291</b>
	<hr/>	<hr/>
Change in unrealised gains or losses for level 3 assets held at year end and included in other net changes in fair value on financial assets at fair value through profit or loss	<b>53,407</b>	<b>53,407</b>
	<hr/>	<hr/>

The below table provides information about fair value measurements using significant unobservable inputs (level 3).

<b>Description</b>	<b>Fair value at September 30, 2018</b>	<b>Fair value at September 30, 2017</b>	<b>Valuation technique</b>	<b>Unobservable Inputs</b>	<b>Relationship of unobservable inputs to fair value</b>
	\$	\$			
Government backed securities	2,420,037	1,090,291	Third party valuation of bond prices	Market yields Linear interpolation	The higher the market yield the higher the fair value

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Fair value estimation...continued

#### Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table analyses within the fair value hierarchy the Fund's assets and liabilities (by class) not measured at fair value at September 30, 2018 but for which fair value is disclosed.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>September 30, 2018</b>				
<b>Assets</b>				
Loans and receivables	–	–	29,611,594	<b>29,611,594</b>
Accounts receivable	–	9,781	–	<b>9,781</b>
Cash and cash equivalents	48,818,486	–	–	<b>48,818,486</b>
<b>Total</b>	<b>48,818,486</b>	<b>9,781</b>	<b>29,611,594</b>	<b>78,439,861</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	–	42,068	–	<b>42,068</b>
Net assets attributable to holders of redeemable mutual fund shares	–	131,915,790	–	<b>131,915,790</b>
<b>Total</b>	<b>–</b>	<b>131,957,858</b>	<b>–</b>	<b>131,957,858</b>

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>September 30, 2017</b>				
<b>Assets</b>				
Loans and receivables	–	–	37,907,310	<b>37,907,310</b>
Accounts receivable	–	30,263	–	<b>30,263</b>
Due from broker	–	32,000	–	<b>32,000</b>
Cash and cash equivalents	32,271,254	–	–	<b>32,271,254</b>
<b>Total</b>	<b>32,271,254</b>	<b>62,263</b>	<b>37,907,310</b>	<b>70,240,827</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	–	11,530	–	<b>11,530</b>
Net assets attributable to holders of redeemable mutual fund shares	–	127,416,563	–	<b>127,416,563</b>
<b>Total</b>	<b>–</b>	<b>127,428,093</b>	<b>–</b>	<b>127,428,093</b>

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

---

(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Fair value estimation...continued

#### Assets and liabilities not carried at fair value but for which fair value is disclosed...continued

The assets and liabilities, except for the redeemable mutual fund shares, included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These represent contractual amounts due to the Fund. Their carrying values are a reasonable approximation of fair value. Margin accounts, cash and cash equivalents include cash in hand, deposits held with banks and other short-term investments in an active market.

Amounts due from brokers and other receivables include the contractual amounts for settlement of trades and other obligations due to the Fund. Amounts due to brokers and accruals represent the contractual amounts and obligations due by the Fund for settlement of trades and expenses.

The puttable value of redeemable shares is calculated based on the net difference between total assets and all other liabilities of the Fund in accordance with the Fund's offering memorandum. These shares are not traded on an active market. A demand feature is attached to these shares, as they are redeemable at the holders' option and can be put back to the Fund at any dealing date for cash equal to a proportionate share of the Fund's net asset value attributable to the share class (note 2h). The fair value is based on the amount payable on demand, discounted from the first date that the amount could be required to be paid. The impact of discounting in this instance is not material. As such, level 2 is deemed to be the most appropriate categorisation for net assets attributable to holders of redeemable shares.

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Barbados dollars)

## 5 Financial assets

The classification of the Fund's investments is detailed below:

	2018	2017
	\$	\$
<b>Financial assets at fair value through profit or loss</b>		
- government backed securities	2,420,037	10,650,288
- corporate securities	3,320,411	16,413,210
- mutual funds	46,517,078	25,450,057
- hedge funds	1,261,471	4,674,711
<b>Total financial assets designated as fair value through profit or loss</b>	<b>53,518,997</b>	57,188,266
Loans and receivables	29,611,594	37,907,310
<b>Total investments</b>	<b>83,130,591</b>	95,095,576
<b>Gains recognised in relation to financial assets at fair value through profit or loss:</b>		
- unrealised (losses)/gains	(1,917,735)	1,283,911
- realised (losses)/gains	(124,413)	517,120
<b>Net (losses)/gains in fair value through profit or loss</b>	<b>(2,042,148)</b>	1,801,031

The fair value of the Fund's investments is disclosed below:

	2018		2017	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Financial assets at fair value through profit or loss	53,518,997	53,518,997	57,188,266	57,188,266
Loans and receivables	29,611,594	29,611,594	37,907,310	37,907,310
	<b>83,130,591</b>	<b>83,130,591</b>	95,095,576	95,095,576

The maturity profile of the Fund's investments is disclosed below:

	Carrying value	Carrying value
	2018	2017
	\$	\$
Due within one year	9,281,605	24,642,052
Due after one year but within five years	21,713,344	19,387,205
Due after 5 years	3,479,673	19,162,731
No stated maturity	48,655,969	31,903,588
	<b>83,130,591</b>	95,095,576

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Barbados dollars)

## 5 Financial assets ...continued

The detailed portfolio of investments is as follows:

Security	Rate	Maturity	2018		2017	
			Cost \$	Market value \$	Cost \$	Market value \$
<b>Financial assets at fair value through profit or loss:</b>						
<b>Barbados</b>						
UWI Cave Hill Bond	9.03%	2027-09-27	2,416,908	1,256,792	2,544,113	2,836,187
Sagikor Finance Ltd	8.88%	2022-08-11	503,468	524,224	1,513,054	1,738,129
Eppley Cbean Property Fund- Value Fund (formerly Fortress Cbean Property Fund- Value Fund)			534,341	491,845	534,341	442,661
Government of Barbados	6.63%	2035-12-05	101,665	111,057	–	–
Government of Barbados	7.75%	2034-12-31	1,807	1,560	–	–
Government of Barbados	5.50%	2020-12-31	1,237	1,040	–	–
Government of Barbados	7.00%	2028-08-31	1,212	1,040	–	–
			<b>3,560,638</b>	<b>2,387,558</b>	<b>4,591,508</b>	<b>5,016,977</b>
<b>OECS</b>						
Government of Grenada	7.00%	2025-09-15	1,137,926	1,048,548	1,749,154	1,090,291
			<b>1,137,926</b>	<b>1,048,548</b>	<b>1,749,154</b>	<b>1,090,291</b>
<b>International</b>						
Fortress Fixed Income Fund			21,700,627	21,542,770	–	–
LEGG Mason WA Asian Opportunity			5,000,000	5,359,920	5,000,000	5,646,064
PIMCO GLB Inv Grade Inst			4,398,440	5,264,629	4,398,440	5,270,254
Franklin Templeton Global Bond Fund			4,178,564	4,916,513	4,178,564	5,034,496
Fortress Income Builder US Fund			3,971,799	4,639,534	3,971,799	4,492,089
Fortress Income Builder Int'l Fund SP			4,200,000	4,301,867	4,200,000	4,564,493
ChapelGate Credit Opportunity Fund Ltd			522,545	1,261,471	522,545	1,174,618
Mexican Bonos	5.00%	2019-11-12	997,419	761,234	998,194	778,753
<b>Balance c/fwd</b>			<b>44,969,394</b>	<b>48,047,938</b>	<b>23,269,542</b>	<b>26,960,767</b>



# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Barbados dollars)

## 5 Financial assets ...continued

Security	Rate	Maturity	2018		2017	
			Cost \$	Market value \$	Cost \$	Market value \$
<b>Financial assets at fair value through profit or loss:</b>						
<b>International</b>						
<b>Balance b/fwd</b>			<b>44,969,394</b>	<b>48,047,938</b>	<b>23,269,542</b>	<b>26,960,767</b>
Scotiabank Peru			584,784	609,426	1,162,409	1,269,474
Wells Fargo & Co			600,000	548,107	600,000	568,675
Axis Capital Holdings Ltd			500,000	481,100	500,000	506,900
Ventas Realty LP			400,000	396,320	400,000	406,880
US Treasury Note	2.25%	2027-02-15	—	—	3,988,758	3,985,652
Permal Fixed Inc Holdings Fund			—	—	3,500,000	3,500,093
US Treasury Note	2.00%	2020-07-31	—	—	2,690,588	2,738,158
Juniper Networks	4.35%	2025-06-15	—	—	1,026,445	1,064,768
Time Warner Inc	3.88%	2026-01-15	—	—	997,670	1,023,556
Cisco Systems Inc	2.20%	2023-09-20	—	—	998,259	987,072
Amgen Inc	2.25%	2023-08-19	—	—	997,897	978,480
Mosaic Co	4.25%	2023-11-15	—	—	908,201	949,514
Bank of Nova	2.64%	2019-06-14	—	—	700,000	705,866
Whole Foods Market	5.20%	2025-12-03	—	—	631,307	700,968
GE Cap Corp			—	—	600,000	611,640
Lennar Corporation	4.88%	2023-12-15	—	—	503,831	536,959
Helmerich & Payne	4.65%	2025-03-15	—	—	518,919	530,705
Ultrapar Int	5.25%	2026-10-05	—	—	502,412	528,772
Concho Resources	5.50%	2022-10-01	—	—	511,178	527,808
Xerox Corporation	3.80%	2024-05-15	—	—	491,738	504,133
United Tech Corp	1.95%	2021-11-01	—	—	499,078	496,900
Alphabet Inc	2.00%	2026-08-15	—	—	392,629	376,865
Noble Holding Intl	4.63%	2021-03-01	—	—	364,097	366,993
Solar Capital			—	—	250,000	253,400
			<b>47,054,178</b>	<b>50,082,891</b>	<b>47,004,958</b>	<b>51,080,998</b>
<b>Total financial assets at fair value through profit or loss</b>			<b>51,752,742</b>	<b>53,518,997</b>	<b>53,345,620</b>	<b>57,188,266</b>

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Barbados dollars)

## 5 Financial assets ...continued

Security	Rate	Maturity	2018		2017	
			Cost \$	Amortised cost/ carrying value \$	Cost \$	Amortised cost/ carrying value \$
<b>Loans and receivables:</b>						
<b>Barbados</b>						
Eppley Cbean Property Fund- Value Fund (formerly Fortress Cbean Property Fund- Value Fund)	5.00%	2020-07-31	3,000,000	3,025,833	2,100,000	2,118,083
Eppley Cbean Property Fund- Value Fund (formerly Fortress Cbean Property Fund- Value Fund)	4.00%	2021-07-31	1,500,000	1,510,333	–	–
Cave Shepherd & Co. Ltd	3.25%	2020-07-31	1,000,000	1,005,610	–	–
Cave Shepherd & Co. Ltd	3.25%	2020-05-31	1,000,000	1,004,096	–	–
N.S.R Limited	5.00%	2029-09-30	500,000	512,569	500,000	500,139
Eppley Cbean Property Fund- Value Fund (formerly Fortress Cbean Property Fund- Value Fund)	4.50%	2019-07-31	300,000	302,325	300,000	302,325
Williams Industries Inc	5.25%	2023-06-30	200,000	202,713	200,000	202,713
Simpson Finance	3.58%	2021-06-15	–	–	3,000,000	3,032,193
Eppley Cbean Property Fund- Value Fund (formerly Fortress Cbean Property Fund- Value Fund)	4.00%	2018-07-31	–	–	1,500,000	1,510,333
Cave Shepherd & Co. Ltd	3.75%	2018-07-30	–	–	1,000,000	1,009,555
			<b>7,500,000</b>	<b>7,563,479</b>	<b>8,600,000</b>	<b>8,675,341</b>
<b>Jamaica</b>						
NCB Capital Markets Ltd	9.00%	2019-08-04	1,000,000	1,018,909	1,000,000	1,002,034
NCB Financial Group	5.25%	2018-12-20	600,000	602,007	600,000	603,754
			<b>1,600,000</b>	<b>1,620,916</b>	<b>1,600,000</b>	<b>1,605,788</b>

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Barbados dollars)

## 5 Financial assets ...continued

Security	Rate	Maturity	2018		2017	
			Cost \$	Amortised cost/ carrying value \$	Cost \$	Amortised cost/ carrying value \$
<b>Loans and receivables:</b>						
<b>OECS</b>						
Property Holdings	8.00%	2017-12-21	–	–	50,000	50,950
<b>Other</b>						
Loans receivables	3.25% - 5.00%	2019-07-04 -2021-12-31	20,296,783	20,427,199	27,444,521	27,575,231
<b>Total loans and receivables</b>			<b>29,396,783</b>	<b>29,611,594</b>	<b>37,694,521</b>	<b>37,907,310</b>
<b>Total investments</b>			<b>81,149,525</b>	<b>83,130,591</b>	<b>91,040,141</b>	<b>95,095,576</b>

The effective yield on loans and receivable is 3.81% (2017 – 3.18%).

## 6 Cash and cash equivalents

Cash and cash equivalents of \$48,818,486 (2017 -\$32,271,254) are placed with leading regional commercial banks. The effective yield on interest bearing cash and cash equivalents is 0% (2017 – nil%).

## 7 Interest income

	2018 \$	2017 \$
Loans and receivables	1,135,940	1,220,693
Debt securities at fair value through profit or loss	370,336	1,083,605
Cash and cash equivalents	17,713	63,283
	<b>1,523,989</b>	<b>2,367,581</b>

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

---

(expressed in Barbados dollars)

## 8 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Fortress Fund Managers Limited serves as manager and registrar of the Fund. As a result of providing investment advisory, management, registrar and administrator services, Fortress Fund Managers Limited receives a weekly management and administration fee based on the actual net asset value of the Fund, calculated weekly and payable in arrears. Management fees for the financial year amounted to \$983,907 (2017- \$933,593).

Management fees of \$163,582 (2017- \$89,328) were refunded by Fortress Fund Advisory Limited (a subsidiary of Fortress Fund Managers Limited) being 1% of the net asset values of Fortress Income Builder US Fund SPC, Fortress Fixed Income Fund SPC and Fortress Income Builder Intl Fund SPC shares held by the Fund during the year. This is to avoid double charging of management fees on assets invested in related Funds which have the same Manager.

The administrator fees amounted to \$112,141 (2017 - \$107,110) for the year.

The Fund holds 19,859 (2017- 19,859) shares valued at \$4,639,534 (2017- \$4,492,089) in the Fortress Income Builder US Fund SPC.

The Fund holds 20,430 (2017- 20,430) shares valued at \$4,301,867 (2017- \$4,564,493) in the Fortress Income Builder International Fund SPC.

The Fund holds 108,543 (2017- nil) shares valued at \$21,542,770 (2017- nil) in the Fortress Fixed Income Fund SPC.

Directors fees of \$14,000 (2017- \$16,000) were paid during the year. Directors' interest (including beneficial interests) in class "A" redeemable mutual fund shares are as follows:

	<b>Number of shares at start of year</b>	<b>Number of shares purchased in the year</b>	<b>Number of shares redeemed in the year</b>	<b>Number of shares at year end</b>
<b>Shareholder</b>				
Directors	80,548	—	—	<b>80,548</b>

Related party interests in participating redeemable mutual fund shares are as follows:

	<b>Number of shares</b>	
	<b>2018</b>	<b>2017</b>
Fortress Caribbean Pension Fund Limited	<b>47,702,917</b>	42,363,602

# Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2018

---

(expressed in Barbados dollars)

## 9 Redeemable mutual fund shares

Each class of Fund shares is entitled to share in the net income and net capital gains of the Fund. Fund shareholders shall not be entitled to vote at meetings of shareholders of the Fund save and except as permitted under the Companies Act CAP 308 and of the following:

- i) Disposal of substantially all of the Assets of the Fund, other than the course of ordinary business.
- ii) Any change or abrogation of the rights attached to the shares or any variation affecting the rights attached to the Fund shares.
- iii) Any proposed amalgamation of the Fund with another company or any amalgamation of the Fund with another Mutual Fund.
- iv) Any proposed liquidation or dissolution of the Fund.

### Redeemable Distribution Shares

This class of shares will distribute substantially all of its income accruing to the investors in the form of dividends, which are paid semi-annually. A dividend of \$0.0114 (2017- \$0.0339) per share amounting to \$52,402 (2017- \$165,967) was declared and paid during the financial year.

### Redeemable Accumulation Shares

This class of shares will not pay dividends but will retain all of its income accruing to the benefit of the net asset value of the shareholders of this class.

## 10 Share capital

The 1,000 common shares held by the Fund Manager, carry full voting rights, but do not share in the profits of the Fund. On winding up of the Fund, these shares would be repaid at par.



FORTRESS FUND MANAGERS LIMITED  
FIRST FLOOR, CARLISLE HOUSE, HINCKS STREET, BRIDGETOWN, BB11144, BARBADOS  
TEL: (246) 431-2198 FAX: (246) 431-0514 • [invest@fortressfund.com](mailto:invest@fortressfund.com) • [www.fortressfund.com](http://www.fortressfund.com)