

Fortress Caribbean
HIGH INTEREST FUND

ANNUAL REPORT 2019



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.

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Upper Collymore Rock
St. Michael, BB14004
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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.

FUND NAME:	Fortress Caribbean High Interest Fund	
LAUNCH DATE:	May 17, 2002	
LAUNCH PRICE:	\$1.00 per share	
MINIMUM INVESTMENT:	\$500.00 \$100.00 for subsequent investments \$50.00 for monthly savings plan	
FUND STATUS:	Closed to lump sum subscriptions Open for pension and monthly savings programme only	
	ACCUMULATION	DISTRIBUTION
NET ASSET VALUE PER SHARE 9/30/2019	\$1.9975	\$1.0189
NET ASSETS 9/30/2019	\$133,633,464	\$3,506,812
MANAGEMENT EXPENSES: <i>Management fees:</i>	0.75% per annum on the net assets	
<i>Custodian & 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	
INITIAL CHARGES:	Nil	
REDEMPTION CHARGES:	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	
INVESTMENT MANAGER & ADMINISTRATOR:	Fortress Fund Managers Limited	
CUSTODIAN:	CIBC FirstCaribbean International Bank (Barbados) Limited Wealth Management Division	
FUND VALUATIONS:	Weekly on Fridays	
NAV QUOTATIONS:	Internet: www.fortressfund.com 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
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

(Address as of September 30, 2019)
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

(Address as of September 30, 2019)
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Hincks Street
Bridgetown
Barbados

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Internet: www.fortressfund.com
Email: 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.



Directors' Report



“The gross yield of the Fund’s portfolio is approximately 3.3%, a good estimate of its return potential in the medium-term. ”

Directors’ Report

Investment Director Roger Cave

The Fortress Caribbean High Interest Fund returned 3.1% in the year ended September 30, 2019, a steady result against the backdrop of very low global interest rates and the aftermath of the recent Government bond restructuring in Barbados. The net asset value (NAV) of the Accumulation shares increased from \$1.9382 at September 30, 2018 to \$1.9975 at September 30, 2019, while the Distribution shares moved from \$0.9886 to \$1.0189. Net assets increased from \$132 million to \$137 million. The Fund’s compound annual return since inception in 2002 is now 4.1% per year, net of all fees and expenses. Its investment objective continues to be the highest level of income consistent with the preservation of capital.

The Fund is still closed to new lump-sum subscriptions but remains open for subscriptions from monthly savings programmes and pension plans.

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 but growing allocation to government securities, a wide range of high-quality global bonds accomplished via the US\$ Fortress Fixed Income Fund and directly, investments in specialised funds, and cash on deposit with CIBC FirstCaribbean, the Fund’s Custodian Trustee.

The gross yield of the Fund’s portfolio is approximately 3.3%, a good estimate of its return potential in the medium-term.

2019 Investment Performance

The Fund returned 3.1% for the year as global bond prices rose and more of the Fund’s Barbados dollar cash was put to work earning higher returns. Global bonds rallied strongly during the year after the U.S. Federal Reserve (Fed) moved from raising interest rates to lowering them. The Fed wound up cutting its target rate twice in 2019. The Fund’s investments in the US\$ Fortress Fixed Income Fund and other U.S. and global bonds achieved high single digit returns in this environment of falling rates, contributing to the Fund’s overall result.

The Government of Barbados (GOB) domestic debt restructuring and exchange was finalised early in the year and some secondary market trading developed in the new “post-restructuring” bonds. With the most acute default risk now passed, we took a measured approach to adding GOB exposure back in the Fund, starting with some of the new Series F bonds at yields of approximately 7.5%. This and other new investments that reduced the cash levels in the Fund helped increase the average yield in the portfolio and added to returns during the year.

Even though the Fund's cash balance was reduced significantly during the year, it was still higher than desired. We expect cash levels to continue to decline as more investments are made in the months ahead, and for the Fund's average yield to rise incrementally as a result.

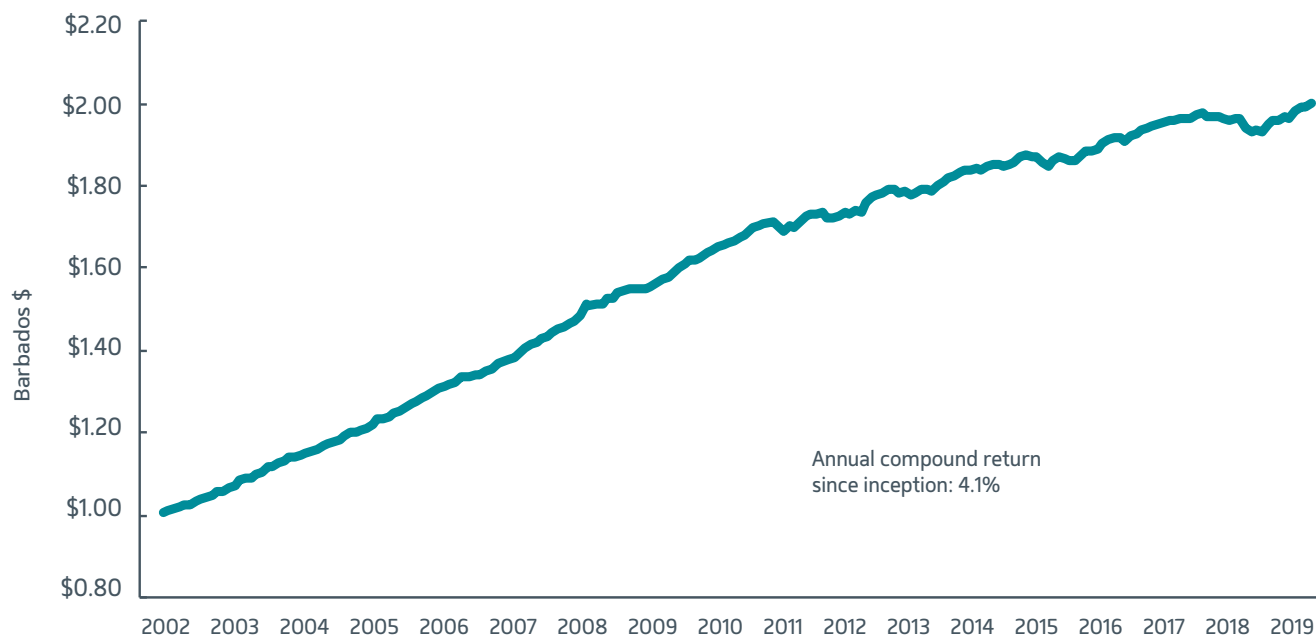
The Fund's recent performance and performance since inception in 2002 are summarised in the table and graph below.

Investment Performance as of 9/30/19*

	3 month	1 year	3 year	5 year	Inception
Caribbean High Interest Fund (Accumulation Shares)	1.0%	3.1%	1.4%	1.7%	4.1%

**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 and government 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.

During the year we made a number of new investments. Positions were established in some of the new, post-restructuring Government of Barbados bonds, in Barbados dollar corporate bonds and in repurchase agreements backed by (non-Barbados) government bonds. As a result of these investments the Fund's cash level declined from approximately \$49 million to \$29 million during the year, and its average yield to maturity increased even though global bond yields fell.

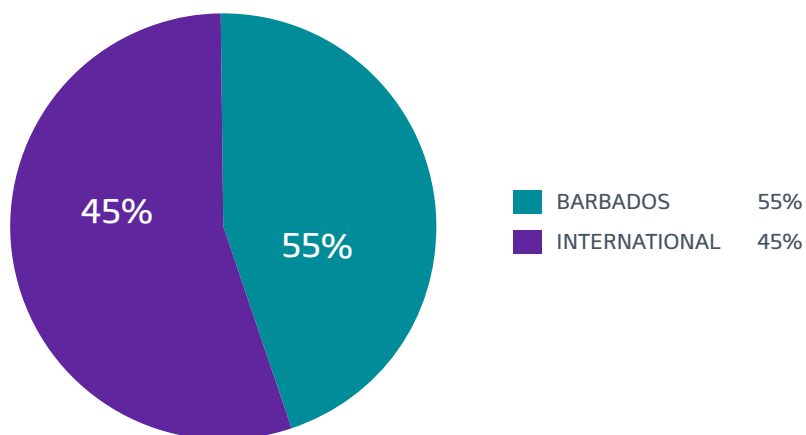
We also increased the Fund's core allocation to the US\$ Fortress Fixed Income Fund. This fund, also managed directly by Fortress, invests in high quality corporate and

government bonds primarily in the U.S., and is an efficient way to access this type of conservative investment with an actively managed, well-diversified portfolio. The fund is among the top holdings in the Caribbean High Interest Fund because it offers us the ability to gain efficient diversification for the Fund and to easily adjust allocations as necessary. The fund's average gross yield is just over 2.5% and the average credit rating is "A". Its (low) management fees are rebated by Fortress to the Fund to avoid double charging.

As of September 30, 2019, the average term to maturity of the Fortress Caribbean High Interest Fund's holdings was approximately 2.9 years, and the average *gross* yield to maturity was 3.3% (up from 2.8% last year). Approximately 45% of the portfolio is invested outside the Caribbean region in U.S. dollars and other global currencies.

The graph below summarises the Fund's geographic distribution as of September 30, 2019 and the table on the following page lists some of the top holdings. 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 9/30/19



Top 5 Holdings

<i> Holding </i>	<i> Country/Region </i>	<i> Sector </i>	<i> Weight </i>
Fortress Fixed Income Fund	International	Various	20.0%
Deposits - CIBC FirstCaribbean Int'l Bank	Barbados	Bank	20.0%
Government of Barbados Series F Bond	Barbados	Government	7.1%
First Citizens Repo Jan 6, 2020	Barbados	Financial	6.6%
Legg Mason Asian Opportunitites Debt Fund	International	Various	4.4%

Outlook

Bond investors in the Caribbean continue to face two significant challenges. The first from a global perspective is the extremely low yields in most developed markets, with government bond yields still negative in some European countries, and in Japan. The second, closer to home, is the extremely limited capital markets in the Caribbean region that are often dominated by government debt. Last year's default by the Government of Barbados is only the most recent in a long string of such defaults in the region in countries like Grenada, Jamaica and St. Kitts & Nevis. Periodic losses of significant amounts of bondholders' capital in these cases is a feature of the landscape that cannot be ignored.

We think it is important to take risk sensibly in all areas where the Fund invests and to bear in mind the primary objective of the Fund, which is the preservation of capital. In global markets this means focusing on high-quality issuers, keeping average term to maturity relatively short and including inflation-linked securities in the mix to limit risk. Within Barbados it means working hard to achieve what diversification we can while insisting on an appropriate return for the (not insignificant) risks that persist here. The average yield on the Fund's portfolio is currently about 3.3%. We expect this to rise marginally in the months ahead as more low-yielding cash is profitably deployed. But there are limits to what can be accomplished given the challenges of the environment,

in the Caribbean and abroad. We suggest investors in the Fund continue to expect lower than historic returns in the range of 2.5-3% per year for the foreseeable future.

At the end of September this year, David Bynoe retired as a Director of the Fortress funds. Mr. Bynoe was a director of the Fund since inception and much of the success it has enjoyed over the years has been due to the contributions that he has made, informed by decades of business experience. We thank Mr. Bynoe for his many years of service to the funds, and to Fortress investors.

Finally, and most importantly, thanks to you our shareholders for your support this year and every year since the Fund started in 2002. We look forward to reporting to you on our continued progress in the year ahead.



Roger Cave, CA, CFA
Investment Director



Financial Statements



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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 2019, and the statement of changes in net assets attributable to holders of redeemable mutual fund shares, statement of comprehensive income, 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 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

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 the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

The Audit Committee is 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 the Audit Committee 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 Matters

This report is made solely to the Fund's shareholders, as a body, in accordance with Section 147 of the Companies 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

CHARTERED ACCOUNTANTS
BARBADOS
16 DECEMBER 2019

Fortress Caribbean High Interest Fund Limited

Statement of Financial Position

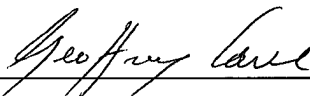
As at September 30, 2019

(expressed in Barbados dollars)

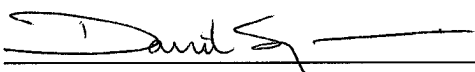
	2019	2018
	\$	\$
Assets		
Financial assets (note 5)	107,334,123	83,130,591
Accounts receivable	–	9,781
Cash and cash equivalents (note 6)	29,847,222	48,818,486
Total assets	137,181,345	131,958,858
Liabilities		
Accounts payable and accrued expenses	40,069	42,068
Liabilities (excluding net assets attributable to holders of redeemable mutual fund shares)	40,069	42,068
Net assets attributable to holders of redeemable mutual fund shares:		
Accumulation shares (note 9)	133,633,464	128,382,150
Distribution shares (note 9)	3,506,812	3,533,640
	137,140,276	131,915,790
Total liabilities	137,180,345	131,957,858
Share capital (note 10)	1,000	1,000
Liabilities and shareholder funds	137,181,345	131,958,858
Net asset value per accumulation share	1.9975	1.9382
Net asset value per distribution share	1.0189	0.9886

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

Approved by the Board of Directors on December 12, 2019



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, 2019

(expressed in Barbados dollars)

	Number of shares		Net assets attributable to holders of redeemable mutual fund shares		
	Accumulation	Distribution	Accumulation	Distribution	Total
			\$	\$	\$
Balance - September 30, 2017	62,598,979	4,596,398	122,767,263	4,649,300	127,416,563
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)
Balance - September 30, 2018	66,239,320	3,574,417	128,382,150	3,533,640	131,915,790
Issue of shares	3,753,758	49,483	7,316,006	49,356	7,365,362
Redemption of shares	(3,091,838)	(182,242)	(6,044,839)	(182,463)	(6,227,302)
Total comprehensive profit for the year	–	–	3,980,147	106,279	4,086,426
Balance - September 30, 2019	66,901,240	3,441,658	133,633,464	3,506,812	137,140,276

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, 2019

(expressed in Barbados dollars)

	2019	2018
	\$	\$
Revenue		
Interest income (note 7)	1,618,747	1,523,989
Net fair value gains/(losses) on investments (note 5)	3,559,439	(2,042,148)
Amortisation of premiums	–	3,224
Dividend income	97,183	82,204
	<hr/>	<hr/>
Total investment income/(loss)	5,275,369	(432,731)
	<hr/>	<hr/>
Expenditure		
Management fees (note 8)	845,255	820,325
Administrator and custodian fees (note 8)	229,365	224,282
Other operating expenses	81,250	67,231
Audit fees	31,973	39,195
Trade fees	1,100	594
	<hr/>	<hr/>
Operating expenditure	1,188,943	1,151,627
	<hr/>	<hr/>
Total comprehensive income/(loss)	4,086,426	(1,584,358)
	<hr/>	<hr/>
Total comprehensive income/(loss) on ordinary activities allocated to:		
Holders of redeemable mutual fund distribution shares	106,279	(40,051)
Holders of redeemable mutual fund accumulation shares	3,980,147	(1,544,307)
	<hr/>	<hr/>
Total comprehensive income/ (loss)	4,086,426	(1,584,358)
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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, 2019

(expressed in Barbados dollars)

	2019	2018
	\$	\$
Cash flows from operating activities		
Total comprehensive income/(loss)	4,086,426	(1,584,358)
Adjustments for:		
Amortisation of premium	–	(3,224)
Net fair value gains on investments	(3,559,439)	2,042,148
Interest income	(1,618,747)	(1,523,989)
Dividend income	(97,183)	(82,204)
	<hr/>	<hr/>
Operating loss before working capital changes	(1,188,943)	(1,151,627)
Decrease in accounts receivable	–	17,806
Decrease in due from broker	–	32,000
(Decrease)/increase in accounts payable and accrued expenses	(1,999)	30,538
Purchase of investments	(38,039,974)	(47,788,595)
Proceeds on the sale of investments	17,432,621	57,558,022
	<hr/>	<hr/>
Cash (used in)/generated from operations	(21,798,295)	8,698,144
Interest received	1,591,788	1,683,299
Dividends received	97,183	82,204
	<hr/>	<hr/>
Cash (used in)/generated from operating activities	(20,109,324)	10,463,647
	<hr/>	<hr/>
Cash flows from financing activities		
Issue of mutual fund shares	7,365,362	15,875,218
Redemption of mutual fund shares	(6,227,302)	(9,739,231)
Dividends paid	–	(52,402)
	<hr/>	<hr/>
Cash generated from financing activities	1,138,060	6,083,585
	<hr/>	<hr/>
Net (decrease)/ increase in cash and cash equivalents	(18,971,264)	16,547,232
	<hr/>	<hr/>
Cash and cash equivalents - beginning of year	48,818,486	32,271,254
	<hr/>	<hr/>
Cash and cash equivalents - end of year	29,847,222	48,818,486
	<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, 2019

(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 1st 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 12, 2019.

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 preparation

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, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

a) Basis of preparation...continued

New and amended standards adopted by the Fund

IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments' became effective for annual periods beginning on or after January 1, 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39. The Fund adopted the standard on October 1, 2018.

(a) Classification and measurement

The Fund has assessed the classification of financial instruments as at the date of initial application and has applied such classification retrospectively. Based on that assessment:

- All financial assets previously held at fair value continue to be measured at fair value.
- Financial assets previously classified as loans and receivables are held to collect contractual cash flows and for sale. These instruments are held within a portfolio of investments that is managed and whose performance is evaluated on a fair value basis. Thus, management has elected to have such instruments have been re-measured on at fair value through profit and loss under IFRS 9.
- The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at fair value through profit or loss (FVPL) attributable to changes in credit risk. IFRS 9 requires that such element be recognised in other comprehensive income (OCI), unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability (including the effects of changes in credit risk) should be presented in profit or loss. This requirement has not had an impact on the Fund

(b) Impairment

- IFRS 9 requires the Fund to record expected credit losses (ECLs) on all of its other receivables, either on a 12-month or lifetime basis. Given the limited exposure of the Fund to credit risk, this amendment has not had a material impact on the financial statements. The Fund only holds receivables with no financing component and which have maturities of less than 12 months at amortised cost and therefore has adopted an approach similar to the simplified approach to ECLs.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

a) Basis of preparation...continued

New and amended standards adopted by the Fund...continued

IFRS 9 Financial Instruments...continued

(c) Hedge accounting

The Fund has not applied hedge accounting under IAS 39 nor will it apply hedge accounting under IFRS.

Impact of adoption of IFRS 9

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on October 1, 2018 however, the Fund has chosen to take advantage of the option not to restate comparatives. Therefore, the 2018 figures are presented and measured under IAS 39. The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Fund's financial assets and financial liabilities as at October 1, 2018.

October 1, 2018	IAS 39 classification	IAS 39 Measurement \$	IFRS 9 Classification	IFRS 9 measurement \$
Financial assets				
Government backed securities	Designated at FVPL	2,420,037	Designated at FVPL	2,420,037
Corporate securities	Designated at FVPL	3,320,411	Designated at FVPL	3,320,411
Mutual funds	Designated at FVPL	46,517,078	Designated at FVPL	46,517,078
Hedge funds	Designated at FVPL	1,261,471	Designated at FVPL	1,261,471
Loans and receivables	Loans and receivables	29,611,594	Designated at FVPL	29,611,594
Accounts receivable	Loans and receivables	9,781	Amortised cost	9,781
Cash and cash equivalents	Loans and receivables	48,818,486	Amortised cost	48,818,486
Financial liabilities				
Accounts payable and accrued expenses	Other financial liabilities	42,068	Amortised cost	42,068

The carrying amounts of amortised cost instruments continued to approximate these instruments' fair values on the date of transition after transitioning to IFRS 9.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

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.

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 instruments

IFRS 9, October 1, 2018

(i) Classification

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

Financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Fund can also elect on adoption of IFRS 9, to select the fair value option to eliminate an accounting mismatch.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

c) Financial instruments...continued

(i) Classification...continued

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables including cash collateral posted on derivative contracts, accrued income and other receivables.

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding or;
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund includes in this category:

- Equity instruments
- Debt instruments. These include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains. It also includes instruments management has elected to designate at fair value through profit and loss under IFRS 9.
- Instruments held for trading. This category includes equity instruments and debt instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. This category also includes derivative contracts in an asset position.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

c) Financial instruments...continued

(i) Classification...continued

Financial liabilities

Financial liabilities measured at fair value through profit or loss (FVPL)

A financial liability is measured at FVPL if it meets the definition of held for trading. A financial liability is also measured at fair value through profit or loss if, upon initial recognition, it is irrevocably designated by the entity as at fair value through profit or loss when doing so results in more relevant information, because it eliminates, or significantly reduces, a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Fund includes in this category other short-term payables.

(ii) Recognition

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

(iii) Initial measurement

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(iv) Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at FVPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVPL in the statement of comprehensive income. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense in the statement of comprehensive income.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

c) Financial instruments...continued

(iv) Subsequent measurement...continued

Financial assets, other than those classified as at FVPL, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the instruments are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method (EIR) is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments, but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset or;
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the fund has retained.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

c) Financial instruments...continued

(v) Impairment of financial assets

Policy effective from October 1, 2018 (IFRS 9)

The Fund holds only other receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its other receivables. Therefore the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Fund's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Policy effective before October 1, 2018 (IAS 39)

The Fund assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future ECLs that have not yet been incurred) discounted using the asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as credit loss expense.

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If a previous write-off is later recovered, the recovery is credited to the credit loss expense.

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

c) Financial instruments...continued

Accounting policies applied until September 30, 2018

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, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

c) Financial instruments...continued

Accounting policies applied until September 30, 2018

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, 2019

(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, 2019

(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, 2019

(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

Price risk is the risk of unfavourable changes in the fair values of equity instruments or equity-linked instruments 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, 2019 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 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	
		2019	2018
		\$	\$
Bloomberg Barclays US Aggregate Bond Index	3%	452,563	1,863,970

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, 2019

(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 2019 \$	Effect on net assets 2018 \$
Change in interest rate:		
-2%	1,698,696	538,879
2%	(1,484,257)	(459,874)

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, 2019

(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 \$
September 30, 2019	
Financial assets	
Investments	742,483
Total financial assets	742,483
Total financial liabilities	—
Net position	742,483

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

4 Financial risk management...continued

Market risk...continued

iii) Foreign exchange risk...continued

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

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:

	Effect of a 5% depreciation as of September 30, 2019	Effect of a 5% depreciation as of September 30, 2018
	\$	\$
Balances denominated in MXN	37,124	38,062

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, 2019

(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.

	2019	2018
	\$	\$
Government backed securities	11,586,746	2,420,037
Corporate debt securities	40,376,840	2,442,991
Cash and cash equivalents	29,847,222	48,818,486
Accounts receivable	–	9,781
Loans and receivables	–	29,611,594
Total	81,810,808	83,302,889

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:

	2019	2018
	% of debt securities	
A-	6%	8%
BBB+	3%	4%
BBB	3%	–
BB-	3%	4%
B-	10%	–
D	–	15%
Unrated*	75%	69%
Total	100%	100%

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2019

(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:

	2019	2018
	\$	\$
Cash and cash equivalents		
CIBC FirstCaribbean International Bank Limited	27,510,023	47,918,618
	<u>27,510,023</u>	<u>47,918,618</u>

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, 2019

(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.

	Less than 1 month \$	1 - 3 months \$
At September 30, 2019		
Accounts payable and accrued expenses	–	40,069
Net assets attributable to holders of redeemable mutual fund shares	137,140,276	–
Total financial liabilities	137,140,276	40,069
At September 30, 2018		
Accounts payable and accrued expenses	–	42,068
Net assets attributable to holders of redeemable mutual fund shares	131,915,790	–
Total financial liabilities	131,915,790	42,068

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, 2019, 51% (2018- 88%) 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, 2019

(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 \$
September 30, 2019				
Total assets	<u>52,920,520</u>	<u>15,627,185</u>	<u>1,504,393</u>	<u>67,129,247</u>
September 30, 2018				
Total assets	<u>67,155,735</u>	<u>32,558,569</u>	<u>1,261,471</u>	<u>30,983,083</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, 2019

(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
	\$	\$	\$	\$
September 30, 2019				
Financial assets at fair value through profit or loss				
Government backed securities	–	–	11,586,746	11,586,746
Corporate debt securities	2,218,820	742,483	37,931,137	40,892,440
Hedge funds	–	1,336,750	–	1,336,750
Mutual funds	–	53,518,187	–	53,518,187
	2,218,820	55,597,420	49,517,883	107,334,123

September 30, 2018

Financial assets at fair value through profit or loss

Government backed securities	–	–	2,420,037	2,420,037
Corporate debt securities	3,320,411	–	–	3,320,411
Hedge funds	–	1,261,471	–	1,261,471
Mutual funds	–	46,517,078	–	46,517,078
	3,320,411	47,778,549	2,420,037	53,518,997

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, 2019

(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 debt and corporate issued debt securities. 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.

There were no transfers between levels as at September 30, 2019.

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

	Government backed securities \$	Corporate debt securities \$	Total \$
September 30, 2019			
Opening balance	2,420,037	–	2,420,037
Transfers into level 3- (reclassification to fair value through profit or loss in adaption of IFRS 9)	–	23,327,663	23,327,663
Purchases	14,001,612	14,565,740	28,567,352
Sales	(4,181,714)	(36,007)	(4,217,721)
(Losses)/gains recognised in statement of comprehensive income	(653,189)	73,741	(579,448)
Closing balance	11,586,746	37,931,137	49,517,883
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	(653,189)	73,741	(579,448)

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

	Government backed securities	Total
	\$	\$
September 30, 2018		
Opening balance	1,090,291	1,090,291
Transfers into level 3	2,836,187	2,836,187
Purchases	301,714	301,714
Sales	(955,043)	(955,043)
Losses recognised in statement of comprehensive income	(853,112)	(853,112)
	2,420,037	2,420,037
Closing balance	2,420,037	2,420,037
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	(853,112)	(853,112)

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

Description	Fair value at September 30, 2019 \$	Fair value at September 30, 2018 \$	Valuation technique	Unobservable Inputs	Relationship of unobservable inputs to fair value
Government backed securities	11,586,746	2,420,037	DCF method	Discount rate	The higher the discount rate, the lower the fair value
Corporate debt securities	37,931,137	–	DCF method	Discount rate	The higher the discount rate, the lower the fair value

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2019

(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, 2019 but for which fair value is disclosed.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2019				
Assets				
Cash and cash equivalents	29,847,222	–	–	29,847,222
Total	29,847,222	–	–	29,847,222
Liabilities				
Accounts payable and accrued expenses	–	40,069	–	40,069
Net assets attributable to holders of redeemable mutual fund shares	–	137,140,276	–	137,140,276
Total	–	137,180,345	–	137,180,345
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2018				
Assets				
Loans and receivables	–	–	29,611,594	29,611,594
Accounts receivable	–	9,781	–	9,781
Cash and cash equivalents	48,818,486	–	–	48,818,486
Total	48,818,486	9,781	29,611,594	78,439,861
Liabilities				
Accounts payable and accrued expenses	–	42,068	–	42,068
Net assets attributable to holders of redeemable mutual fund shares	–	131,915,790	–	131,915,790
Total	–	131,957,858	–	131,957,858

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2019

(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, 2019

(expressed in Barbados dollars)

5 Financial assets

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

	2019	2018
	\$	\$
Financial assets at fair value through profit or loss		
- government backed securities	11,586,746	2,420,037
- corporate debt and equity instruments	40,892,440	3,320,411
- mutual funds	53,518,187	46,517,078
- hedge funds	1,336,750	1,261,471
	<hr/>	<hr/>
Total financial assets designated as fair value through profit or loss	107,334,123	53,518,997
Loans and receivables (reclassified to fair value through profit or loss on adaption of IFRS 9)	–	29,611,594
	<hr/>	<hr/>
Total investments	107,334,123	83,130,591
	<hr/>	<hr/>
Gains recognised in relation to financial assets at fair value through profit or loss:		
- unrealized gains/(losses)	3,684,876	(1,917,735)
- realised losses	(125,437)	(124,413)
	<hr/>	<hr/>
Net gains/(losses) in fair value through profit or loss	3,559,439	(2,042,148)
	<hr/>	<hr/>

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

	Carrying value 2019	Carrying value 2018
	\$	\$
Due within one year	30,051,782	9,281,605
Due after one year but within five years	19,103,495	21,713,344
Due after 5 years	2,808,309	3,479,673
No stated maturity	55,370,537	48,655,969
	<hr/>	<hr/>
	107,334,123	83,130,591
	<hr/>	<hr/>

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

5 Financial assets ...continued

The detailed portfolio of investments is as follows:

Security	Rate	Maturity	2019		2018	
			Cost \$	Market value \$	Cost \$	Market value \$
Financial assets at fair value through profit or loss:						
Barbados						
Government of Barbados- Series F (zero coupon)	–	2022-09-30	9,783,191	9,783,191	–	–
First Citizens Bank	3.50%	2020-01-06	9,000,000	9,076,903	–	–
Goddards Enterprises Ltd	3.75%	2019-11-30	5,000,000	5,072,121	–	–
Stallion Prop Holdings	5.00%	2021-12-31	5,000,000	5,047,700	–	–
Cave Shepherd & Co. Ltd	5.00%	2019-12-15	5,000,000	5,034,874	–	–
Eppley Cbean Property Fund- Value Fund	5.00%	2020-07-31	3,000,000	3,057,393	–	–
Goddards Enterprises Ltd	3.25%	2019-11-30	3,000,000	3,035,769	–	–
Eppley Cbean Property Fund- Value Fund	4.00%	2021-07-31	1,500,000	1,504,393	–	–
Cave Shepherd & Co. Ltd	3.25%	2020-07-31	1,000,000	1,008,971	–	–
Cave Shepherd & Co. Ltd	3.25%	2020-05-31	1,000,000	1,008,831	–	–
Government of Barbados- Series D	4.00%	2053-08-31	1,499,543	795,847	–	–
Sagicor Finance Ltd	8.88%	2022-08-11	502,580	534,056	503,468	524,224
Cave Shepherd & Co. Ltd	3.25%	2021-03-31	500,000	501,527	–	–
Eppley Cbean Property Fund- Value Fund			534,341	491,845	534,341	491,845
N.S.R Limited	5.00%	2029-09-30	500,000	466,619	–	–
Eppley Cbean Property Fund- Value Fund	4.00%	2023-07-31	300,000	295,944	–	–
Williams Industries Inc	5.25%	2023-06-30	200,000	205,281	–	–
Government of Barbados- Series B	2.00%	2033-09-30	7,098	5,075	–	–
UWI Cave Hill Bond	9.03%	2027-09-27	–	–	2,416,908	1,256,792
Government of Barbados	6.63%	2035-12-05	–	–	101,665	111,057
Government of Barbados	7.00%	2028-08-31	–	–	1,212	1,040
Government of Barbados	5.50%	2020-12-31	–	–	1,237	1,040
Government of Barbados	7.75%	2034-12-31	–	–	1,807	1,560
			47,326,753	46,926,340	3,560,638	2,387,558
OECS						
Government of Grenada	7.00%	2025-09-15	1,043,098	1,002,633	1,137,926	1,048,548
			1,043,098	1,002,633	1,137,926	1,048,548

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

5 Financial assets ...continued

Security	Rate	Maturity	2019		2018	
			Cost \$	Market value \$	Cost \$	Market value \$
Financial assets at fair value through profit or loss:						
Jamaica						
NCB Capital Markets Ltd	9.00%	2019-08-04	2,007,397	2,014,437	—	—
NCB Financial Group	5.25%	2018-12-20	600,000	600,374	—	—
			2,607,397	2,614,811	—	—
International						
Fortress Fixed Income Fund			25,700,627	27,487,512	21,700,627	21,542,770
LEGG Mason WA Asian						
Opport A			5,000,000	5,990,589	5,000,000	5,359,920
PIMCO GLB Inv Grade Inst			4,398,440	5,866,462	4,398,440	5,264,629
Franklin Templeton Global						
Bond Fund			4,178,564	5,002,472	4,178,564	4,916,513
Fortress Income Builder US						
Fund			3,971,799	4,583,659	3,971,799	4,639,534
Fortress Income Builder Int'l						
Fund SP			4,200,000	4,095,648	4,200,000	4,301,867
ChapelGate Credit Opportunity						
Fund Ltd			522,545	1,336,750	522,545	1,261,471
Mexican Bonos	5.00%	2019-12-11	996,656	742,483	997,419	761,234
Scotiabank Peru	4.50%	2022-12-13	588,386	631,029	584,784	609,426
Wells Fargo & Co	4.25%	2029-07-25	600,000	538,135	600,000	548,107
Axis Capital Holdings Ltd			500,000	515,600	500,000	481,100
Ventas Realty LP			—	—	400,000	396,320
			50,657,017	56,790,339	47,054,178	50,082,891
Total financial assets at fair value through profit or loss			101,634,265	107,334,123	51,752,742	53,518,997

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

5 Financial assets ...continued

Security	Rate	Maturity	2019		2018	
			Cost \$	Amortised cost/ carrying value \$	Cost \$	Amortised cost/ carrying value \$
Loans and receivables: (reclassified to fair value through profit or loss on adaption of IFRS 9)						
Barbados						
Eppley Cbean Property Fund- Value Fund (formerly Fortress Cbean Property Fund- Value Fund)	5.00%	2020-07-31	–	–	3,000,000	3,025,833
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
Eppley Cbean Property Fund- Value Fund (formerly Fortress Cbean Property Fund- Value Fund)	4.50%	2019-07-31	–	–	300,000	302,325
Williams Industries Inc	5.25%	2023-06-30	–	–	200,000	202,713
			–	–	7,500,000	7,563,479
Jamaica						
NCB Capital Markets Ltd	9.00%	2019-08-04	–	–	1,000,000	1,018,909
NCB Financial Group	5.25%	2018-12-20	–	–	600,000	602,007
			–	–	1,600,000	1,620,916
Other						
Loans receivables	3.25% - 5.00%	2019-07-04 -2021-12-31	–	–	20,296,783	20,427,199
Total loans and receivables			–	–	29,396,783	29,611,594
Total investments			101,634,265	107,334,123	81,149,525	83,130,591

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

6 Cash and cash equivalents

Cash and cash equivalents of \$29,847,222 (2018 - \$48,818,486) are placed with leading regional commercial banks. The effective yield on interest bearing cash and cash equivalents is 0% (2018 – 0%).

7 Interest income

	2019	2018
	\$	\$
Debt securities at fair value through profit or loss	1,587,859	370,336
Cash and cash equivalents	30,888	17,713
Loans and receivables	–	1,135,940
	<u>1,618,747</u>	<u>1,523,989</u>

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 \$1,009,323 (2018- \$983,907).

Management fees of \$164,068 (2018- \$163,582) were refunded by Fortress Fund Advisors Limited (a subsidiary of Fortress Fund Managers Limited) being 1% of the net asset values of Fortress Income Builder US Fund SP, Fortress Fixed Income Fund SP and Fortress Income Builder Intl Fund SP 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 \$114,683 (2018 - \$112,141) for the year.

The Fund holds 19,859 (2018- 19,859) shares valued at \$4,583,659 (2018- \$4,639,534) in the Fortress Income Builder US Fund SP.

The Fund holds 20,430 (2018- 20,430) shares valued at \$4,095,648 (2018- \$4,301,867) in the Fortress Income Builder International Fund SP.

The Fund holds 127,339 (2018- 108,543) shares valued at \$27,487,512 (2018- \$21,542,770) in the Fortress Fixed Income Fund SP.

Directors fees of \$12,000 (2018- \$14,000) were paid during the year. Directors' interest (including beneficial interests) in class "A" redeemable mutual fund shares are as follows:

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

8 Related parties...continued

	Number of shares at start of year	Number of shares purchased in the year	Number of shares redeemed in the year	Number of shares at year end
Shareholder				
Directors	80,548	283	–	80,831

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

	Number of shares	
	2019	2018
Fortress Caribbean Pension Fund Limited	49,409,487	47,702,917

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 nil (2018- \$0.0114) per share amounting to nil (2018- \$52,402) 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.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

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.



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