



Your Future. Our Business.

Dear fellow investors,

On December 9th, 2011 the Fortress Caribbean Growth Fund turned 15 years old. Time certainly flies! When the Fund was launched back in 1996 at \$1.00 per share, we had only a few clients, and even fewer staff. Now, Fortress has approximately 12,000 client accounts served by a team of 10, and the Caribbean Growth Fund shares have increased in value from \$1.00 to \$4.47 – a 10.5% per year compound rate of return. In the process, the Fund has grown to approximately \$325 million in assets.

We'd like to take this opportunity to say **Thank You for investing with us**, and for your trust and support over the years. We hope that over the next 15 years we can be even more successful in helping you save and grow your money.

Many of our clients have signed up to receive periodic updates by email. For those who haven't visited [www.fortressfund.com](http://www.fortressfund.com) recently, the home page has an easy link to sign up for this service. In coming months, we'll be working to improve our online communications, and we hope you will find it easier to keep in touch with your investments. If you have any suggestions please give us a call or send an email to [info@fortressfund.com](mailto:info@fortressfund.com).

Thank you again for investing with us, and we wish you all the best in 2012.

Sincerely,

*Fortress Fund Managers*

**OF INTEREST  
THIS QUARTER:**

**THE CARIBBEAN  
GROWTH FUND**

declined 0.1% in the quarter as Barbados stocks lagged regional and global markets. The Fund was up 0.9% in 2011.

**THE CARIBBEAN  
HIGH INTEREST  
FUND**

returned 1.1% in the quarter as credit markets stabilised. The Fund was up 2.6% in 2011.

**THE GLOBAL  
VALUE FUND**

declined 3.4% for the quarter as weakness in European and Asian stocks outweighed gains in the US.

Does your bank say "thank you" ?



**Maybe they should.** Out of habit, many people keep their savings in bank accounts that earn relatively low rates of interest. Some investors are catching on, and finding that the **FORTRESS CARIBBEAN HIGH INTEREST FUND** can be an excellent alternative.

- Weekly liquidity
- Higher yields
- Tax efficient

Call us at 431-2198 to find out more.

# Caribbean Growth Fund



## HIGHLIGHTS:

- *The Fund declined 0.1% for the quarter ended December 31, 2011 and is up 0.9% for the full year.*
- *Recent Caribbean equity market performance reminds us of the 2004-2005 period.*

The Fund declined 0.1% during the fourth quarter and finished 2011 with a gain of 0.9%. The net asset value (NAV) finished December 31st at \$4.4730. Its compound annual rate of return since inception 15 years ago is now 10.5% per year.

The Barbados equity market lagged its peers in the region during the fourth quarter, declining 1.1% as earnings releases from some key companies highlighted the continuing difficult business environment. This impacted some of the Fund's larger holdings and offset gains from investments elsewhere. CIBC FirstCaribbean International Bank saw its earnings decline and it continued to struggle with nonperforming loans and lacklustre demand for credit. The stock fell by 7% during the quarter. Goddard Enterprises also reported more modest than usual results and its stock was unchanged during the quarter. Insurance Corporation of Barbados, a relatively small position in the Fund, also came under pressure during the quarter following a reduction in earnings and the departure of the CEO. The stock fell 16%.

Within the region, some of the Fund's holdings performed well. GraceKennedy, for example, gained approximately 17% during the quarter. Jamaica and Trinidad markets both added to their 2011 gains in the fourth quarter. We took some profits along the way in stocks like National Commercial Bank of Jamaica. The way these markets have behaved recently reminds us of the period in 2004 and early 2005 when investors' enthusiasm for certain shares began to outstrip what we thought they were worth. Valuations in some areas are again uncomfortably high, driven by very low interest rates in Trinidad and fears of inflation in Jamaica.

The Fund's regional holdings continue to be concentrated in companies we feel can operate successfully in a difficult business environment – even if their short term share price performance is for now lagging. We saw how the Trinidad and Jamaica markets plummeted in 2005 and 2006 after their previous surges. We believe it is important at times like this to focus on the Fund's objective of capital growth over the long term.

The Fund's international investments had mostly positive results during the quarter. The Fortress Equity Income strategy gained 6%, the Fortress US Equity strategy was up 11.3% and the Fortress International Equity strategy added 2.7%. Our investments in OAM Europe and Asia funds were approximately flat for the quarter, ending a year where they preserved capital well in negative markets.

The prices of stocks in the Caribbean, and internationally, are not universally cheap. We anticipate that in the months ahead the shares of good quality companies, trading at attractive valuations will see better results than the markets generally.

## FUND OBJECTIVE

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

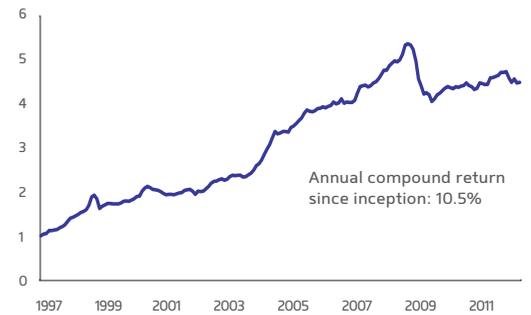
Minimum Investment	\$100
Net Asset Value per Share	\$4.4730
Fund Net Assets	\$323,004,408
Fund Inception	Dec 9, 1996

## INVESTMENT RETURNS

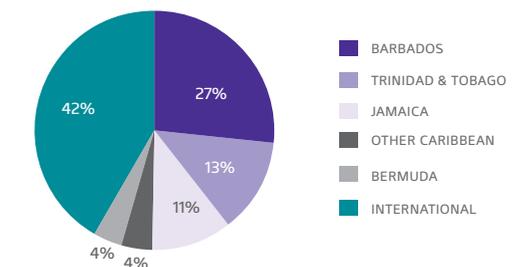
	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
<b>Fund</b>	<b>-0.1%</b>	<b>0.9%</b>	<b>2.0%</b>	<b>0.4%</b>	<b>10.5%</b>
Jamaica (US\$)	3.9%	10.6%	3.3%	-5.9%	6.0%
Trinidad	2.7%	20.8%	5.6%	0.2%	12.4%
Barbados	-1.1%	7.6%	-3.5%	-2.3%	6.6%
MSCI World Index	7.7%	-5.0%	-3.5%	-1.8%	4.7%

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO DECEMBER 31ST, 2011



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

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

## EXPENSES

**Manager:** 1.75% per annum of net assets  
**Custodian:**  
 0.0875% on first \$30M in net assets  
 0.075% on amounts over \$30M in net assets  
**Administrator:**  
 0.10% on the first \$30M in net assets  
 0.0875% on amounts over \$30M in net assets  
**Redemption Charge:** none  
**Initial Charges:** 2%

## MANAGER & ADMINSTRATOR

Fortress Fund Managers Ltd.

## CUSTODIAN

CIBC First Caribbean International Bank®  
 Wealth Management Division

## AUDITORS

PricewaterhouseCoopers

## ATTORNEY-AT-LAW

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

## DIRECTORS

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

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

# Caribbean High Interest Fund



## HIGHLIGHTS:

- *The Fund returned 1.1% during the quarter ended December 31, 2011 and was up 2.6% for the full year.*
- *Global credit markets stabilised; Caribbean bonds declined.*

The Fund returned 1.1% during the fourth quarter finished 2011 with a gain of 2.6%. The net asset value (NAV) of the accumulation shares finished on December 31st at \$1.7070. Its compound annual rate of return since inception in 2002 is 5.7% per year.

Bond markets had a more "normal" time in the fourth quarter, after a very volatile and panicky summer. The Fund's return of 1.1%, corresponding to a 4.5% annual rate, was roughly in line with the average running yield of the portfolio's various holdings.

During the quarter, there were mixed developments on the credit front in the Caribbean. The change of government in Jamaica raised investor concern that policy changes could affect ongoing reforms and the country's International Monetary Fund support. Jamaican bond prices have dropped steadily over the past 5 months. In Barbados, the rating agency Standard & Poor's downgraded its outlook on the country to "negative", increasing the chances of a downgrade to "junk" status in the medium term. CariCRIS, the Caribbean's credit rating agency, meanwhile reaffirmed its rating of Barbados debt in December. Barbados bond prices also declined during the quarter. The yields on bonds issued by Trinidad & Tobago, possibly the region's strongest credit, remained at very low and unattractive levels.

In general, we remain concerned that declining creditworthiness among some Caribbean government issuers is not sufficiently reflected in the market prices of their bonds. The Fund therefore continues to hold a large portion of assets in very liquid and secure government of Barbados Treasury bills, and bank deposits, with maturities of less than 3 months. The average term to maturity of the entire portfolio is just 2.6 years. This means its sensitivity to changes in interest rates – and therefore market prices – is relatively low. Where possible, the Fund's medium term Barbados dollar investments are in bonds issued by Barbados companies with solid operations and relatively secure balance sheets. We are always looking to make more investments in this area.

Approximately 45% of the Fund's assets continue to be invested in US dollars, where rates are lower than in Barbados, but where the choice of diversified investments is significantly greater. During the quarter, our primary international investments generally performed well. The Fortress Equity Income strategy returned 6%, and the specialist funds that make up approximately 15% of the Fund gained between 1% and 3%.

The Fund's diversified mix of domestic, regional and international investments is on average yielding approximately 5%.

## FUND OBJECTIVE

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

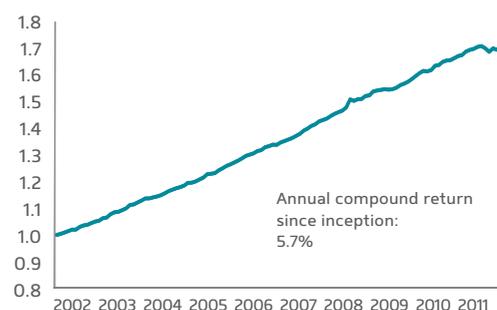
<i>Minimum Investment</i>	\$500
<i>Net Asset Value per share</i>	\$1.7070/\$1.0109
<i>Fund Net Assets</i>	\$108,264,743
<i>Fund Inception</i>	May 17, 2002

## INVESTMENT RETURNS

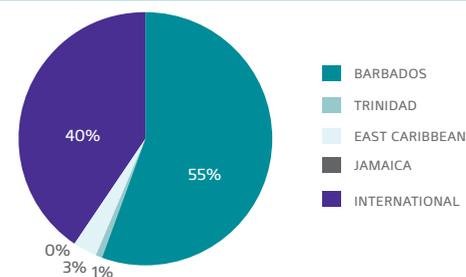
3 Months	1 Year	3 Years	5 Years	Inception
<b>1.1%</b>	<b>2.6%</b>	<b>4.1%</b>	<b>5.1%</b>	<b>5.7%</b>

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO DECEMBER 31ST, 2011



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

Holding	Country
1. CIBC FirstCaribbean demand deposits	Barbados
2. CIBC FirstCaribbean Deposit 3/26/12	Barbados
3. CIBC FirstCaribbean Deposit 1/4/12	Barbados
4. University of West Indies Bond 9/29/2027	Barbados
5. Fortress Equity Income Strategy	US

## EXPENSES

*Manager:* 0.75% per annum

*Custodian & Administrator:*

0.20% on first \$30M in net assets

0.175% on next \$50M in net assets

0.15% on amounts over \$80M in net assets

*Redemption Charge:*

2% for funds held less than 6 months

Up to 1% for funds held less than 6 months - 2 years

Nil after 2 years

*Initial Charges:* none

## CUSTODIAN

CIBC First Caribbean International Bank®  
Wealth Management Division

## AUDITORS

PricewaterhouseCoopers

## ATTORNEY-AT-LAW

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

## MANAGER & ADMINSTRATOR

Fortress Fund Managers Ltd.

## DIRECTORS

Geoffrey Cave, Chairman

David Bynoe

Sir Fred Gollop

Ken Emery

John Williams

Roger Cave, Investment Director

Please see our [Fund Prospectus](#) for further important information

# Global Value Fund (US\$)



## HIGHLIGHTS:

- *The Fund declined 3.4% for the quarter ended December 15, 2011 and was down 5.4% for the full year.*
- *European and Asian stocks dropped while US investments rose*

The Fund declined 3.4% during the fourth quarter and finished 2011 with a loss of 5.4%. The net asset value (NAV) finished on December 15 at \$0.9132. The benchmark MSCI World index dropped 1.6% in the quarter and was down 6.7% for 2011.

The fourth quarter saw European and Asian markets add to their declines for the year, while the US held in relatively well with a small gain. The European debt and banking crisis kept pressure on European stocks, while an apparent slowdown in the Chinese economy pushed Asian and emerging markets shares lower. Even with a widely publicised fiscal agreement among most European countries, it seems that the prospect of significant restructuring still hangs over the markets. The European Central Bank's extension of approximately EUR500 billion in 3-year credit helped address some short term liquidity concerns within the banking sector, but it does not appear to have provided the desired support for sovereign bond prices in key countries such as Italy.

Against this backdrop, the Fund's underlying strategies and managers had mixed results in the fourth quarter. The three Fortress strategies contributed positive returns, with Equity Income up 4.8%, US Equity up 4.2% and International Equity up 0.9%. The Fund is approximately 50% allocated to a combination of these three strategies. The OAM European and Asia funds were little changed, and for the year did an excellent job of protecting capital in negative markets. The other specialist managers had a disappointing quarter: Sprott Offshore Fund dropped 16.9%, Third Avenue Value Fund declined 11.1% and Templeton Latin America Fund lost 7.0%.

While recent economic data in the US have been better than expected, we believe there is a good chance that business conditions are no longer strengthening. Corporate earnings are on average leveling off and in some areas declining. More than a few leading companies have warned that their profits will not meet expectations. Thankfully, one positive factor is that companies have access to very cheap funding in US dollars. This can take the same amount of revenue and help turn it into a higher amount of earnings than might otherwise have been the case.

We believe that valuations in Europe and some emerging markets are now quite reasonable, and stocks there could see acceptable returns when market conditions stabilise. Areas of the US are also quite attractive, but the US seems to have been the beneficiary of significant "flight to quality" flows in the fourth quarter, and as a result prices there have increased. If this continues, we expect to find more and more good value outside the US in the months ahead and the Fund's portfolio will reflect this.

## FUND OBJECTIVE

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

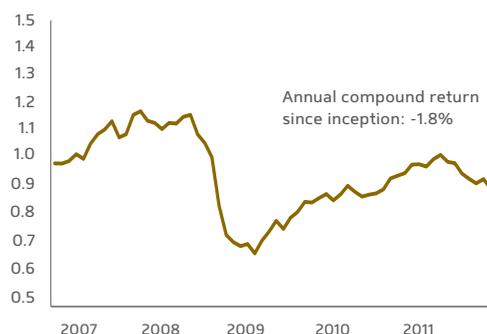
<i>Minimum Subscription</i>	US\$ 5,000
<i>Net Asset Value per Share</i>	US\$0.9132
<i>Fund Net Assets</i>	US\$15,215,031
<i>Fund Inception</i>	Nov 30, 2006

## INVESTMENT RETURNS

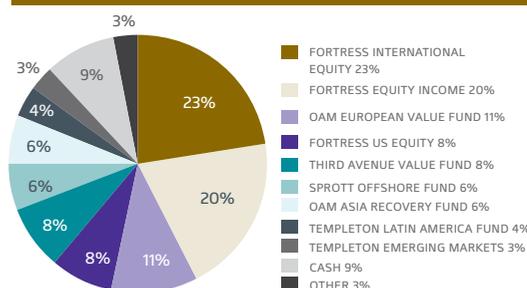
	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
<b>Fund</b>	<b>-3.4%</b>	<b>-5.4%</b>	<b>8.0%</b>	<b>-1.8%</b>	<b>-1.8%</b>
MSCI World Index	-1.6%	-6.7%	11.7%	-2.5%	-1.9%

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO DECEMBER 15TH, 2011



## MANAGER / STRATEGY ALLOCATIONS



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

### EXPENSES

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

### INVESTMENT MANAGER

Fortress Fund Managers Ltd.

### CUSTODIAN

CIBC First Caribbean International Bank®  
 Wealth Management Division

### AUDITORS

PricewaterhouseCoopers

### LEGAL COUNSEL

Appleby Hunter Baihache

### ADMINISTRATOR

ATU Fund Administrators (BVI) Limited

### DIRECTORS

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

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