



Your Future. Our Business.

Dear fellow investors,

Our investment returns were all positive for the fourth quarter, and for 2012 as a whole. While they remain below average, they have shown some signs of life in recent months. And most importantly, as the following fund commentaries outline, we are finding good investments to make for the future, especially in stock markets.

In November and December we found more and more investors taking advantage of a Fortress RRSP to save tax now and earn more for retirement in the future. Our clients' total RRSP assets were up approximately 30% from this time last year, as they opened new plans, continued contributing to existing ones, and earned investment returns. Do you have an RRSP yet?

The third annual Fortress Investment Forum on November 10th brought a capacity crowd of our clients to UWI to hear from the Fortress team, as well as a distinguished panel of experts on NIS and pensions. We were delighted to see so many familiar faces in attendance, and to hear the range of questions asked. The general summary from the panellists was not a happy one: We cannot delegate responsibility for our future solely to NIS. We must take control of our own savings, invest better, and, most likely, save more. In other words, *hope is not a strategy*.

At the forum, we also announced some new products that we are working on, including a "drawdown" income option for pension and RRSP clients as they enter retirement. We are very excited about this new option, and will keep you posted as it is finalised and becomes available.

This quarter you might notice that your statement has more detail on your investments and the information is more succinctly presented. This change was in response to feedback from a number of clients - we hope you find it useful.

Please get in touch with us if you have any questions at all about your investments. We thank you very much for investing with us.

Sincerely,
Fortress Fund Managers

OF INTEREST THIS QUARTER:

THE CARIBBEAN GROWTH FUND

gained 1.3% for the quarter and finished 2012 with a 5.4% return as global markets strengthened.

THE CARIBBEAN HIGH INTEREST FUND

returned 1.6% for the quarter and 2.9% for 2012 as global credit markets improved.

PENSION FUND

shares returned between 1.5% and 1.8% for the quarter, and between 2.9% and 5.1% for 2012.

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- Find out as soon as reports are ready.
- Receive the latest news and topical comments.
- Get the first invitation to client events.
- Get ready for the future: we're working on offering more options for electronic delivery. One step was sending annual reports on CD this year, as well as posting to our website and email notifications.

Visit www.fortressfund.com/news and make sure you're signed up.

Caribbean Growth Fund



HIGHLIGHTS:

- *The Fund gained 1.3% for the fourth quarter of 2012 and 5.4% for the year.*
- *Global stocks continued to improve while Caribbean markets lagged.*

The Fund gained 1.3% during the fourth quarter of 2012. The net asset value (NAV) finished December 31 at \$4.7124 per share. Net assets of the Fund were \$340 million, up \$17 million in 2012. The Fund's annual compound rate of return since inception in 1996 is now 10.2% per year.

Once again this quarter, gains in the Fund's international investments were reduced by lacklustre performance in the Caribbean, especially in Barbados. The Barbados market was down 3.5% in the fourth quarter, and down a total of 5.7% for 2012. Jamaica, meanwhile, showed a small gain for the quarter, but lost 10.4% of its value during the year. Trinidad was the best performer among Caribbean markets for the year, up 5.1% but it was down marginally in the fourth quarter. International stock markets capped off a relatively good year, with a gain of 2.6% for the quarter and a 16.5% gain for all of 2012.

Overall, we continue to see corporate earnings come under pressure as governments' reduced ability to pay their bills impacts companies' cashflow, and as tourism and international business continue to show very little net growth in countries like Barbados. Some companies - such as Sagicor, Neal & Massy and CIBC FirstCaribbean International Bank - did announce slightly improved results, but their share prices did not improve from relatively low levels. Sagicor lost another 10% in value during the quarter. Neal & Massy showed only a very small gain. We continue to believe there is very good potential for Neal & Massy shares given their relatively steady operating performance, 3% dividend yield, and attractive valuation especially relative to other Trinidad shares. This is the Fund's largest single holding.

Globally, even companies with strong earnings growth in previous years are seeing estimates reduced for coming quarters. Earnings estimates for Apple Inc., for example, continued to come lower in the last months of 2012. Estimates for the S&P 500 as a whole have also flattened out and moved slightly lower in recent months, as the "fiscal cliff" and expectations of inevitable government spending cuts have led to reduced consumption and investment. Europe remains in recession and while many companies there are trading at attractive valuations, a durable recovery in earnings may still be some time off.

One potential bright spot where we have been making more investments recently is in Emerging Markets. Here is an area that has seen very good growth in earnings in recent years, and where growth expectations are still reasonably good. In countries like China, Brazil, Indonesia and South Africa we are finding companies with great balance sheets and solid earnings trading at price-earnings ratios of 6-8 times. Five years ago, investors were very keen to invest in countries like these when prices were much higher and earnings lower. With underperformance of emerging markets in recent years, we think the value and return prospects here are now some of the best in the world, and are certainly better than they have been in years.

The Fund remains quite liquid, with approximately \$50 million (15% of assets) in cash as of December 31. We have significant flexibility to continue adding to investments on any market weakness.

FUND OBJECTIVE

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

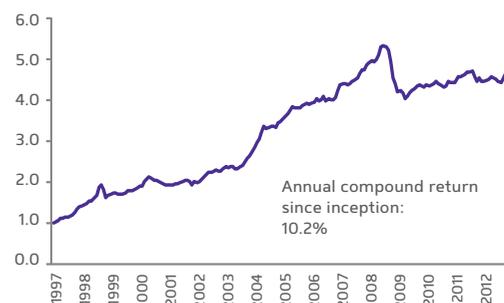
Minimum Investment	\$100
Net Asset Value per Share	\$4.7124
Fund Net Assets	\$339,634,982
Fund Inception	Dec 9, 1996

INVESTMENT RETURNS

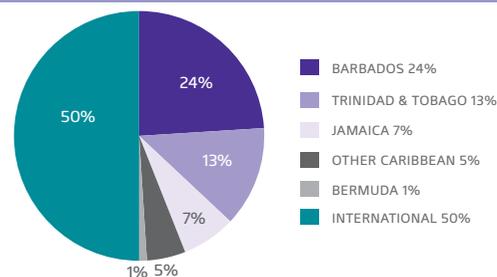
	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
Fund	1.3%	5.4%	2.5%	-0.8%	10.2%
Jamaica (US\$)	1.7%	-10.4%	2.1%	-8.4%	4.9%
Trinidad	-0.1%	5.1%	11.1%	1.2%	11.9%
Barbados	-3.5%	-5.7%	-1.2%	-5.7%	5.8%
MSCI World Index	2.6%	16.5%	7.5%	-0.6%	5.4%

*periods longer than 1 year are annual compound returns

NAV SINCE INCEPTION TO DECEMBER 31ST, 2012



GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



TOP 5 HOLDINGS

Holding	Country/Region
1. Neal & Massy Holdings Ltd.	Trinidad
2. OAM European Value Fund	Europe
3. Fortress Global Value Fund	Global
4. GraceKennedy Ltd.	Jamaica
5. CS&C Joint Venture	Barbados

EXPENSES

Manager: 1.75% per annum of net assets

Custodian:

0.0875% on first \$30M in net assets

0.075% on amounts over \$30M in net assets

Administrator:

0.10% on the first \$30M in net assets

0.0875% on amounts over \$30M in net assets

Redemption Charge: none

Initial Charges: 2%

MANAGER & ADMINISTRATOR

Fortress Fund Managers Ltd.

CUSTODIAN

CIBC First Caribbean International Bank®
Wealth Management Division

AUDITORS

PricewaterhouseCoopers

ATTORNEY-AT-LAW

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

DIRECTORS

Geoffrey Cave, Chairman

David Bynoe

Sir Fred Gollop

Ken Emery

John Williams

Roger Cave, Investment Director

Caribbean High Interest Fund



HIGHLIGHTS:

- *The Fund gained 1.6% during the fourth quarter of 2012.*
- *Global credit markets continued improving and interest rates generally moved lower.*

The Fund gained 1.6% during the fourth quarter of 2012. The net asset value (NAV) of the Fund's accumulation shares finished December 31 at \$1.7565 per share. The distribution shares finished at \$1.0070, after paying a dividend of \$0.01 per share in November. Net assets of the Fund were \$115 million, up \$7 million in 2012. The Fund's annual compound rate of return since inception in 2002 is now 5.4% per year.

Global credit markets continued their healing process during the fourth quarter, pushing bond prices higher and yields lower in most areas and contributing to a healthy return for the Fund. Distressed European credits improved, in some cases dramatically, in response to ongoing support from the European Central Bank and other central banks around the world pushing interest rates to zero and in some cases below. Italy 5-year bond yields fell from 6.3% mid-year to 3% by year end; Spain 5-year yields dropped from 7.5% to 4% over the same period. Greece saw its post-restructuring 10 year bonds improve from a 30% yield to 12% by year end. The Fund benefited this quarter from price gains on a very small position in Greek government bonds established immediately after they restructured in early 2012.

In the Caribbean, meanwhile, government fiscal positions continued to weaken. We have yet to see signs that creditworthiness in the region has turned the corner, and unfortunately are still seeing signs of further deterioration. The December downgrade of the Caribbean Development Bank by Standard & Poor's shows the kinds of problems facing the region's governments. A number of countries that had borrowed from the CDB have not been paying their bills, with one in particular more than 180 days past due on its loan payments.

The Fund's portfolio is still very conservatively positioned with approximately 35% of assets invested in very short term securities such as treasury bills and bank wholesale term deposits. We are augmenting the yield on this part of the portfolio with investments in Barbados corporate bonds and loans, where possible, and in global bonds. Allocations to US\$ and other global bonds provide further diversification, and incremental yield. Approximately 38% of the Fund's assets are invested in US dollars and other global currencies.

With yields globally at new lows, and the risks in Caribbean government debt still with us, we continue to expect that the returns on the Fund will be somewhat below average in coming months. We are very much in capital preservation mode, and take the risks prevailing in bond markets today very seriously. The average yield on the Fund's diversified portfolio is currently 4.6%, a good estimate of its medium term earning potential.

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.

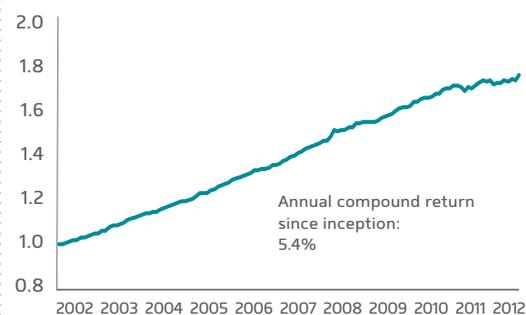
<i>Minimum Investment</i>	\$500
<i>Net Asset Value per share</i>	\$1.7565/\$1.0070
<i>Fund Net Assets</i>	\$115,417,592
<i>Fund Inception</i>	May 17, 2002

INVESTMENT RETURNS

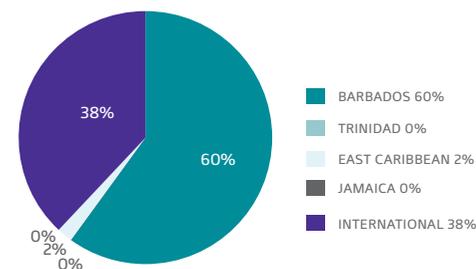
3 Months	1 Year	3 Years	5 Years	Inception
1.6%	2.9%	3.7%	4.4%	5.4%

*periods longer than 1 year are annual compound returns

NAV SINCE INCEPTION TO DECEMBER 31ST, 2012



GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



TOP 5 HOLDINGS

Holding	Country
1. Government of Barbados T-Bills	Barbados
2. CIBC FirstCaribbean deposits	Barbados
3. Fortress US Equity Income Strategy	US
4. Franklin Templeton Global Bond Fund	Global
5. University of West Indies Bond 9/29/2027	Barbados

EXPENSES

Manager: 0.75% per annum

Custodian & Administrator:

0.20% on first \$30M in net assets

0.175% on next \$50M in net assets

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

Redemption Charge:

2% for funds held less than 6 months

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

Nil after 2 years

Initial Charges: none

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 & ADMINISTRATOR

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

Pension Fund

HIGHLIGHTS:

- All classes of the Pension Fund showed positive returns for the fourth quarter and were up between 2.9% and 5.1% for the full year 2012. Stocks had a good year, especially in global markets, while bonds continue to feel the effects of record low interest rates. Returns by class of share are shown in the table to the right.

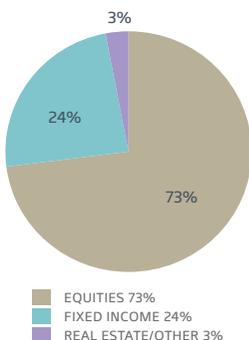
Investors in the Pension Fund typically select from three different classes of share, based on personal circumstances and risk tolerance. These classes differ in how their assets are spread across the major asset classes of equities, bonds, and real estate and other assets. The graphs below show how each of the classes (AA, CC, CS) is allocated currently. The reports on the Caribbean Growth Fund and Caribbean High Interest Fund on pages 2 and 3 of this quarterly report give you a direct look into the performance, positioning and outlook for the major underlying investments in the Pension Fund.

How much will you need to have to retire? And who's saving for your retirement? These are important questions to ask, because here in Barbados low interest rates are combining with high inflation to create a challenge as we all save for retirement. National Insurance and other government support is an important cornerstone for income in retirement, but it can top out at a relatively low level compared to many people's earnings. Company pension plans are another important component, including maximizing voluntary contributions. And it's important to save as much on taxes as you can. Here, regular contributions to an RRSP are an important way to save tax and earn more each year.

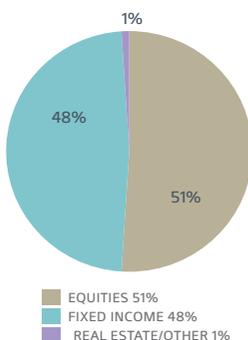
We can help with your whole retirement savings programme. Fortress pension clients have access to an online savings tool in the Pensions section of our website. We have also developed an easy to use Fortress Builder™ savings calculator. If you haven't already received one and would like to, speak with your HR manager, or simply call us or stop by the office.

The future is coming, and it's our business to help you prepare for it.

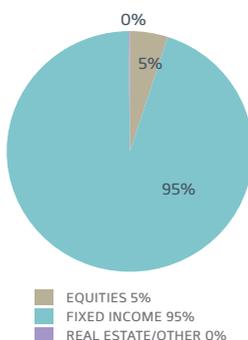
AGGRESSIVE ACCUMULATOR (AA)



CONSERVATIVE CONSOLIDATOR (CC)



CAPITAL SECURE (CS)



FUND OBJECTIVE

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

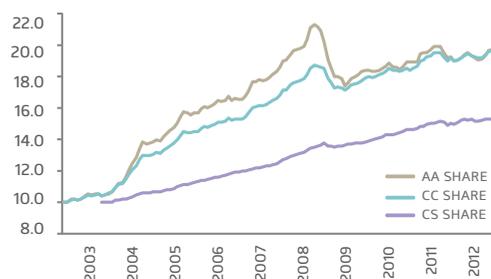
Net Asset Value Per Share (est.):	\$19.95/\$19.88/\$15.48 (AA/CC/CS)
Fund Net Assets (est.):	\$170,696,823

INVESTMENT RETURNS

	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
AA Share	1.8%	5.1%	2.9%	0.4%	6.7%
CC Share	1.7%	4.5%	3.4%	2.5%	6.7%
CS Share	1.5%	2.9%	3.4%	3.6%	4.6%

*periods longer than 1 year are annual compound returns

NAV SINCE INCEPTION TO DECEMBER 31ST, 2012



BENEFITS AT A GLANCE

Company Pension (DC Scheme):

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

Personal Pension (RRSP):

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

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

EXPENSES

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

MANAGER & ADMINISTRATOR

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