



Your Future. Our Business.

Dear fellow investor,

This is an unusual and challenging time in Caribbean and global markets. Corporate profits, especially in Barbados and the OECS, remain under pressure, as does the creditworthiness of government bonds. In global stock markets, some areas such as the U.S. have rallied to or beyond fair value, and others, such as emerging markets, are still languishing. Global bond prices continue to decline as U.S. interest rates adjust higher.

In this, and all environments, we are committed to preserving and growing your money. This is a time for paying as much attention to risk as to the potential return that an investment “promises”. As you will read in the accompanying commentaries, we believe there are currently opportunities with good risk/reward prospects, but they are by no means everywhere, and having a diversified portfolio is absolutely essential to reduce risk.

At the fourth annual Fortress Investment Forum at the Frank Collymore Hall this past November 9th, approximately 250 attendees heard our latest thoughts on the funds’ positioning and market outlook, and heard from our guest speaker. The Q&A session lasted nearly an hour and there were great questions, many of them about the state of the Barbados economy, the currency, and government finances. While these are not the only issues affecting the funds, these questions highlighted just how important they are to all of us.

The newspapers will no doubt have attention-grabbing headlines in the weeks and months ahead. We will continue to share our thoughts on developments that affect your investment with us – in these quarterly reports, in periodic emails and updates on our website and sometimes on Twitter (@FortressFund).

As always, please feel free to call us with any questions you may have. We thank you very much for investing with us.

Sincerely,  
Fortress Fund Managers

**OF INTEREST  
THIS QUARTER:**

**THE CARIBBEAN  
GROWTH FUND**

gained 1.0% for the quarter as performance in Caribbean and global markets continued to be mixed.

**THE CARIBBEAN  
HIGH INTEREST  
FUND**

returned 0.3% for the quarter. Significant stresses are building in Caribbean bond markets and the Fund is positioned conservatively.

**THE CARIBBEAN  
PENSION FUND**

shares all had a positive quarter, with greater gains for the shares with larger allocations to equities.

**Information Is Like Bread – It’s Best When It’s Fresh!**



*Our fund reports are all online at [www.fortressfund.com](http://www.fortressfund.com).*

This includes recently published annual reports for the Fortress Caribbean Growth Fund, Fortress Caribbean High Interest Fund, Fortress Caribbean Property Fund, all six Fortress Global Funds, and Fortress OAM Overseas Fund.

**Reports are available first online** – the one in your hands now was available online two weeks ago.

*Make sure you are on our email list, or following us on Twitter, to receive first notification that new reports are ready.*



# Caribbean Growth Fund

## HIGHLIGHTS:

- *The Fund gained 1.0% for the fourth quarter and 0.3% for 2013*
- *Mixed performance across Caribbean and international markets highlights the importance of broad diversification for investors.*

The Fund gained 1.0% during the fourth quarter of 2013 and was up 0.3% for the year ended December 31, 2013. The net asset value (NAV) finished at \$4.7246. Net assets of the Fund were \$337 million, down \$2 million from this time last year. The Fund's annual compound rate of return since inception in 1996 is 9.6% per year.

Stock markets in the Caribbean were mixed for the quarter, with Jamaica down 8.8%, Trinidad up 3.9% and Barbados up 0.5%. Jamaica's losses were exacerbated by a weakening currency, with the Jamaican dollar dropping to 105 per U.S. dollar during the quarter. Barbados companies are struggling to deal with flat sales and reduced profits as individuals and businesses adjust their spending and investment plans in light of the government fiscal crisis. Trinidad, meanwhile, was a standout in the Caribbean in 2013. Unfortunately, its recent gains have made most stocks there even more expensive and unattractive, in our view.

Jamaica, on the other hand, is getting more interesting. Some major companies there are still seeing acceptable levels of profitability even against the challenging backdrop, and recent pressure on their share prices and on the Jamaican dollar have created what we think are some interesting opportunities. During the quarter we established a position in Pan Jamaica Investment Trust and added to holdings in Scotia Group Jamaica and Jamaica Money Market Brokers. These stocks are trading at depressed Price/Earnings ratios of 5-6 times. GraceKennedy continues to be a core holding in the Fund. Jamaican stocks are still a relatively small portion of the fund at 3.5%, but this percentage is growing.

International stocks were strong during the quarter, capping a good year, especially in the U.S. Huge monetary stimulus from the Federal Reserve continued to support markets as earnings growth generally slowed. This monetary support, which is partly "real" and partly "psychological" remained in place even after the Fed announced it will begin tapering its quantitative easing programme. This support has been a big factor behind the 150%+ rally in U.S. stocks since 2009, and has led to the U.S. now having some of the most highly valued stocks in the world. As a result, we are finding more and more value among certain stocks in Europe, Asia and especially emerging markets, rather than in the U.S. Many have seen their share prices lag significantly in the past 2-3 years even as their underlying earnings performance remained healthy.

Back at home, we are not optimistic that there will be easy solutions to the government debt stresses faced by Barbados and some other Caribbean governments. Layoffs of civil servants, reduced spending, and the potential introduction of measures to preserve foreign exchange could all have serious negative effects on the profits of businesses that are already under pressure. We believe that the spending adjustments now being announced in Barbados represent a necessary restructuring of the economy, and if done correctly they will lead to greater prosperity in the long term. In the short term, however, we expect local profits and share prices to remain under pressure. In this environment, investors must be as diversified as possible. The Fund's holdings are well spread across profitable companies in the Caribbean and international markets. They are trading at attractive valuations that are consistent with good long term returns. The Fund also has sufficient cash and liquid investments on hand to take advantage of further opportunities as they arise.

## FUND OBJECTIVE

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

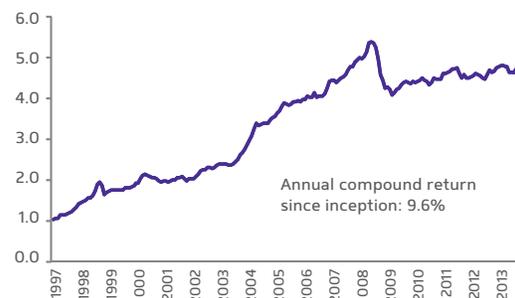
Minimum Investment	\$100
Net Asset Value per Share	\$4.7246
Fund Net Assets	\$337,392,633
Fund Inception	Dec 9, 1996

## INVESTMENT RETURNS

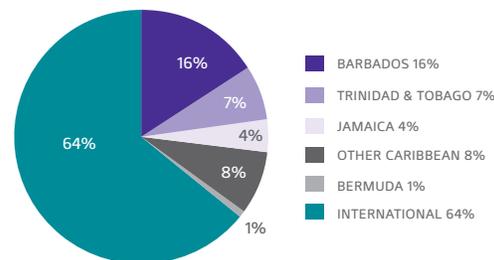
	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
<b>Fortress</b>	<b>1.0%</b>	<b>0.3%</b>	<b>2.2%</b>	<b>2.3%</b>	<b>9.6%</b>
Jamaica	-8.8%	-23.4%	-8.8%	-5.4%	3.0%
Trinidad	3.9%	11.4%	12.3%	6.6%	11.9%
Barbados	0.5%	-2.8%	-0.4%	-3.8%	5.2%
MSCI World Index	8.1%	27.4%	12.1%	15.7%	6.6%

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO DECEMBER 31ST, 2013



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

Holding	Country/Region
1. Fortress OAM Overseas Fund	Europe/Asia
2. Fortress Emerging Markets Fund	Global
3. Fortress International Equity Fund	Global
4. OAM European Value Fund	Europe
5. Neal & Massy Holdings	Trinidad

## 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

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

# Caribbean High Interest Fund



## HIGHLIGHTS:

- *The Fund returned 0.3% during the fourth quarter and gained 1.7% over the last year.*
- *The current environment for bond investors is challenging, with severe credit stresses in the Caribbean and rising interest rates in global markets.*

The Fund returned 0.3% for the fourth quarter and gained 1.7% for the year ended December 31, 2013. The net asset value (NAV) of the Fund's accumulation share finished at \$1.7855. The distribution share finished at \$0.9999 after paying a dividend of \$0.003 per share during the quarter. Net assets of the Fund were \$121 million, up \$6 million from this time last year. The Fund's annual compound rate of return since inception in 2002 is now 5.1% per year.

The Fund remains squarely in capital preservation mode against a backdrop of severe credit deterioration and risk of bond restructurings in the Caribbean, and low and rising interest rates in international markets. This is a time for extraordinary caution. Unfortunately, such caution comes at a price of temporarily lower returns – the Fund's return in coming months will likely remain below a 3% per year rate, well under its historical average.

The worst disaster in investing is a *permanent* loss. For bond investors, this can occur when the issuer of a bond can no longer make payments and is forced to restructure with lower coupons, lengthened maturities, and sometimes a reduction, or "haircut", in the principal amount. In the Caribbean, such restructurings have occurred in the last few years in St. Kitts and Nevis, Jamaica and Grenada. Bond investors there suffered permanent losses, in the case of Grenada for the second time in eight years.

As we have commented repeatedly in recent years, the government fiscal situation in Barbados, and some other Caribbean countries, carries significant risk – and investors are starting to take notice. In global bond markets, where prices are more easily observed than domestically, Government of Barbados bond prices have been plummeting. In the third quarter, Barbados US\$ bonds maturing in 2022 fell in price to 86 cents on the dollar, where they yield 9.3%. This compares to a price of 96 and a yield of 7.7% only three months ago, and a price of 105 and yield of 6.2% as recently as May of last year. That is a 20% loss in market value in 8 months. We are hopeful that recently announced steps to improve economic performance and government's fiscal balance will be successful. For now, however, the situation is one of considerable stress, and it is not one that can be fixed easily.

For increased diversification by issuer and country, a portion of the Fund's portfolio is invested in international bonds. The last several months have been volatile in global bond markets because of expectations around the U.S. Federal Reserve's announced reduction in its huge quantitative easing programme. Long term interest rates continued to move higher in the fourth quarter, with 10-year U.S. Treasury yields inching up to 3%. Higher yields push bond prices down, and global bonds posted a rare year of negative returns in 2013 as a result. This has been a small drag on the performance of the Fund, even though our positioning has been extremely conservative with a very short average term to maturity. The positive outcome from this is that prevailing yields are now higher, and so are potential future returns. We can gradually extend the term to maturity of the Fund's holdings now to take advantage of this and increase the portfolio's running yield, which currently stands at approximately 4%.

## 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>	\$1.7855 / \$0.9999
<i>Fund Net Assets</i>	\$121,017,133
<i>Fund Inception</i>	May 17, 2002

## INVESTMENT RETURNS

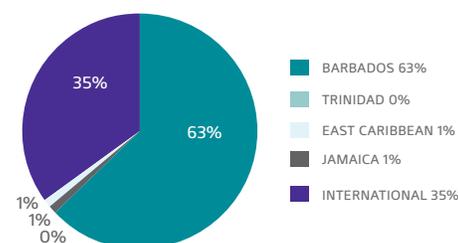
3 Months	1 Year	3 Years	5 Years	Inception
<b>0.3%</b>	<b>1.7%</b>	<b>2.4%</b>	<b>3.4%</b>	<b>5.1%</b>

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO DECEMBER 31ST, 2013



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

Holding	Country
1. Government of Barbados T-Bills (51-172 days)	Barbados
2. PIMCO Global Inv. Grade Credit Fund	Global
3. Fortress Income Builder US Fund	US
4. GEL 4.75% 11/30/2015	Barbados
5. Sagicor 6.5% Preferred Shares	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 gains in the quarter. Returns by class of share are shown in the table to the right.

The Fortress Caribbean Pension Fund offers plan participants an easy choice from three types of shares in which to accumulate pension savings. Each has its own asset allocation, from conservative to aggressive, and one in the middle. It's a good idea to check every few years that the share you have chosen still meets your objectives and risk tolerance. The shares are:

**Aggressive Accumulator**  
**Conservative Consolidator**  
**Capital Secure**

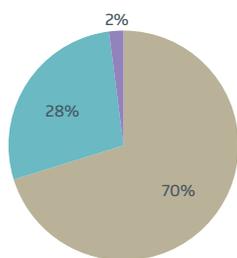
Highest expected return / highest risk  
 Middle of the road  
 Lowest expected return / lowest risk

Usually no change is required because asset allocation is a long term decision. Sometimes, though, your circumstances may have changed – perhaps due to a large inheritance or by drawing closer to your retirement date. You can elect to make a change once a year by notifying your plan administrator.

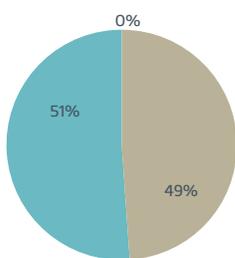
Watch for more information on this and other aspects of investing your pension with us in the 2014 edition of the *Fortress Pension Newsletter*. It will be emailed to plan administrators and posted on our website in February.

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.

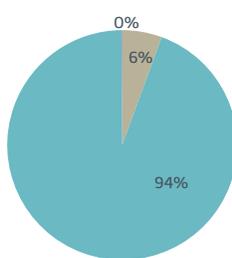
AGGRESSIVE ACCUMULATOR (AA)



CONSERVATIVE CONSOLIDATOR (CC)



CAPITAL SECURE (CS)



## EXPENSES

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

**MANAGER & ADMINISTRATOR**  
 Fortress Fund Managers Ltd

## CUSTODIAN

CIBC First Caribbean International Bank®  
 Wealth Management Division

## AUDITORS

PricewaterhouseCoopers

## ATTORNEY-AT-LAW

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

## FUND OBJECTIVE

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

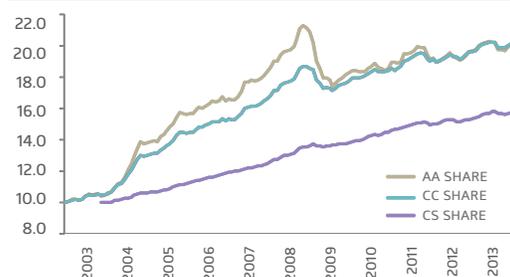
**Net Asset Value Per Share (est.):** \$20.09/\$20.18/\$15.69 (AA/CC/CS)  
**Fund Net Assets (est.):** \$190,786,701

## INVESTMENT RETURNS

	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
AA Share	0.9%	0.7%	2.1%	2.3%	6.2%
CC Share	0.9%	1.5%	2.7%	3.2%	6.2%
CS Share	0.2%	1.4%	2.2%	3.0%	4.3%

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO DECEMBER 31ST, 2013



## BENEFITS AT A GLANCE

### Company Pension (DC Scheme):

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

### Personal Pension (RRSP):

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

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

## DIRECTORS

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