



Your Future. Our Business.

Dear Fellow Investors,

The fourth quarter of 2016 was good for the Fortress funds, with positive returns across the board. We still see risks in some areas of the equity markets, but are constructive on how the Fortress Caribbean Growth Fund is positioned, with well-valued shares that we think have very good return prospects. We continue to exercise caution within the Fortress Caribbean High Interest Fund's portfolio as this quarter showed how low global rates can snap back to bite bond investors, and how the Caribbean government debt crisis has not yet been resolved.

As you may have heard, in late January the directors of Fortress Fund Managers took a decision to temporarily "soft close" our three Barbados funds to new lump sum subscriptions. During this time, they remain open as usual *only* to regular contributions from pension plans and from monthly savings programmes. (Naturally, the change does not affect redemptions - these are business as usual.) We would like to apologise for any inconvenience this temporary soft close may cause you. Helping people save for the future is why Fortress exists. That's why we've chosen to keep the funds partially open in a way that supports what in our view is the best approach to doing this - by preserving access for regular monthly savers. We know this won't suit everyone, but we hope it will suit many people who would like to keep saving.

We will continue working hard to preserve and grow your savings in these interesting times. As always, please let us know if you have any questions at all.

Thank you very much for investing with us.

Sincerely,
Fortress Fund Managers

OF INTEREST THIS QUARTER:

THE CARIBBEAN GROWTH FUND

gained 1.8% in the fourth quarter and 6.5% over the past year as Caribbean and global markets added to their gains.

THE CARIBBEAN HIGH INTEREST FUND

returned 0.2% during the fourth quarter and 3.0% over the past year. Global bonds sold off as the U.S. Federal Reserve raised rates again.

THE CARIBBEAN PENSION FUND

shares returned 0.4% to 1.1% during the fourth quarter and 3.0% to 5.3% over the past year as returns from equities continued to outpace those from bonds.

Why use a monthly **\$**SAVINGS programme?



- It's easy.
- Experts agree it's best to "pay yourself first" because you can't spend what you don't see.
- Dollar cost averaging means you'll buy more when prices are low and less when they are high - and that's smart investing.
- You can still access the Fortress funds, which are now closed to lump sum investments.

We're here to help. Call us at 431-2198 to get started with or to update your monthly saving programme.



Caribbean Growth Fund

HIGHLIGHTS:

- *The Fund gained 1.8% during the quarter and 6.5% over the past year as international and emerging markets shares continued to strengthen.*
- *Economic weakness in Trinidad is weighing on shares and the currency there.*

The Fund gained 1.8% during the fourth quarter of 2016 and is up 6.5% over the past year. The net asset value (NAV) finished December at \$5.1944. Net assets of the Fund were \$404 million. The Fund's annual compound rate of return since inception in 1996 is 8.6% per year. Its portfolio remains well diversified by security, geography and currency.

In the Caribbean, Jamaican shares posted another positive quarter as the currency remained stable and money continued to flow into the market on thin volumes. The Fund's holdings in NCBJ and Pan Jamaican Investment Trust returned 19% and 18% respectively, while our largest holding in Jamaica, GraceKennedy was weaker, down 3% on the quarter. Trinidad shares also saw positive returns as investors there benefited from an approximately US\$100 million inflow from the takeover of TCL. Jamaican shares inter-listed in Trinidad continued to trade strongly relative to their values at home, with premiums as high as 20% at times. This seems to reflect the strong demand from those with Trinidad dollars to find outlets for them. Here in Barbados, the economic news continued to be challenging, but some of the Fund's larger holdings saw healthy gains during the quarter. Goddard Enterprises was up 9%, while ICBL was up 11%. Massy Holdings shares stopped trading in Barbados at the end of 2016, removing yet another company from the local menu for investors.

The global news in the quarter was dominated by the U.S. election, with the surprise result leading to substantial moves in stocks, bonds and currencies. Bonds were the hardest hit as a Trump presidency is expected to drop taxes and increase spending on infrastructure (including walls), fiscal expansion that could lead to higher interest rates. The election result also put more pressure on emerging markets' currencies such as the Mexican peso, on fears that trade with the U.S. will be negatively impacted by protectionist policies. On the whole, though, higher interest rates can help the earnings of banks and other financial institutions recover, and shares in this sector were some of the best performers during the quarter. We have seen value in the moribund financial sector for some time. The Fund's investments in the Fortress Global Funds performed well during the quarter, with the Emerging Markets Fund up 2.7%, International Equity Fund up 3.9% and the US Equity Fund gaining 6.8%.

The Fund continues to carry a meaningful cash balance to invest as opportunities arise. We still see good value in select shares in the Caribbean where prices are still reasonable, and more broadly in international and emerging market shares. Risks remain in the more expensive U.S. stock market, in our view. We believe the valuations of the Fund's underlying holdings are consistent with very good long-term returns in the coming years.

FUND OBJECTIVE

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

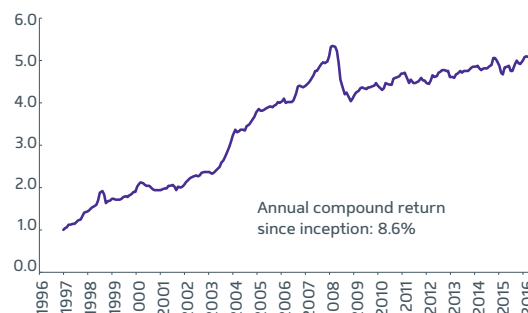
| | |
|---------------------------|---------------|
| Minimum Investment | \$100 |
| Net Asset Value per share | \$5.1944 |
| Fund Net Assets | \$403,976,253 |
| Fund Inception | Dec 9, 1996 |

INVESTMENT RETURNS

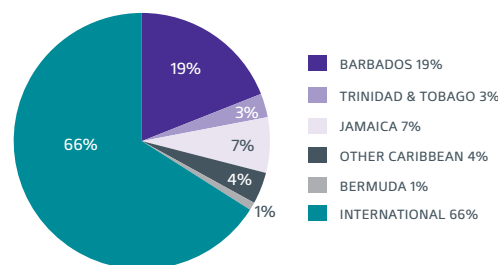
| | 3 Mo | 1 Yr | 3 Yrs | 5 Yrs | Incept |
|-----------------|-------------|-------------|-------------|-------------|-------------|
| Fortress | 1.8% | 6.5% | 3.2% | 3.0% | 8.6% |
| Jamaica | 15.8% | 18.9% | 25.3% | 6.2% | 6.1% |
| Trinidad | 5.1% | 0.0% | -0.7% | 2.8% | 11.4% |
| Barbados | 1.2% | 10.1% | -4.6% | -4.5% | 4.2% |
| MSCI World | 2.0% | 8.2% | 4.4% | 11.0% | 7.2% |

*periods longer than 1 year are annual compound returns

NAV SINCE INCEPTION TO DECEMBER 31ST, 2016



GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



TOP 5 HOLDINGS

| Holding | Country/Region |
|---------------------------------------|----------------|
| 1. Fortress International Equity Fund | International |
| 2. Fortress Emerging Markets Fund | International |
| 3. Fortress OAM Overseas Fund | Europe/Asia |
| 4. CS&C Joint Venture | Barbados |
| 5. Fortress Income Builder Int'l Fund | International |

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 FirstCaribbean International Bank®
 Wealth Management Division

AUDITORS

Ernst & Young

ATTORNEY-AT-LAW

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

DIRECTORS

Sir Geoffrey Cave, Chairman
 David Bynoe
 Ken Emery
 Sir Fred Gollop
 John Howard
 David Simpson
 John Williams
 Roger Cave, Investment Manager



Caribbean High Interest Fund

HIGHLIGHTS:

- *The Fund returned 0.2% for the fourth quarter and 3.0% over the past year.*
- *Global bonds sold off sharply as rates rose and inflation expectations grew on the back of the U.S. election result.*

The Fund returned 0.2% during the fourth quarter of 2016 and is up 3.0% over the past year. The net asset value (NAV) of the Fund's Accumulation share finished at \$1.9181. The Distribution share finished at \$1.0018 after paying a dividend of \$0.0215 per share in October. Net assets of the Fund were \$122 million. The Fund's annual compound rate of return since inception in 2002 is now 4.5% per year. It remains as diversified as possible by issuer, geography and currency, with approximately 54% invested in Barbados and 46% invested globally.

The fourth quarter saw significant declines in bond prices around the world as the implications of a Trump presidency set in almost immediately. Ten-year U.S. government bond yields rose from 1.6% to 2.4% as expectations grew that U.S. taxes would be cut and infrastructure spending would rise. This rise in yields caused a drop of 7% in the price of assets that are usually considered among the lowest risk in an investor's portfolio. The volatility in bonds this quarter illustrates the impact on bond portfolios of rising rates from such low levels. The U.S. Federal Reserve ended the year by raising its target rate by 0.25%, making it the only major central bank in the world to be raising interest rates. Closer to home, Government of Barbados bonds were downgraded again by CariCRIS in early January, with a negative outlook for the future.

The Fund's diversified portfolio and relatively short term to maturity kept it largely insulated from the quarter's volatility, as it showed a positive return. The Fortress Income Builder US Fund and Fortress Income Builder International Fund both contributed positively, returning 3.8% and 4.5% respectively for the quarter. The Fund has a 3.5% allocation to each. The Templeton Global Bond Fund also moved higher during the quarter with a return of 8.4%, benefiting from its negative sensitivity to U.S. interest rates and its global diversification. We gradually added further to positions in 5-10 year corporate bonds as their prices fell in November, edging up the running yield of the portfolio and marginally increasing its interest rate exposure.

The Fund continues to face the twin challenges of low global bond yields, and a slow-motion credit crisis in Caribbean government debt. Global rates are a bit higher now, but they are still not offering yields even close to historic averages. The very serious Caribbean government debt problem remains unresolved, in our view. As a result, the Fund remains squarely in capital preservation mode and this will continue to limit its return in the medium term. The average term to maturity of the Fund's portfolio remains very conservative at 2.6 years, with an average gross yield to maturity of 3.3%.

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.

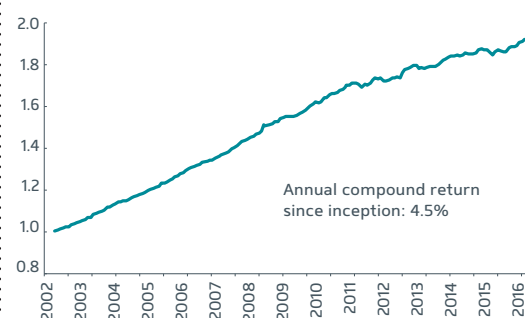
| | |
|----------------------------------|---------------------|
| <i>Minimum Investment</i> | \$500 |
| <i>Net Asset Value per share</i> | \$1.9181 / \$1.0018 |
| <i>Fund Net Assets</i> | \$121,910,976 |
| <i>Fund Inception</i> | May 17, 2002 |

INVESTMENT RETURNS

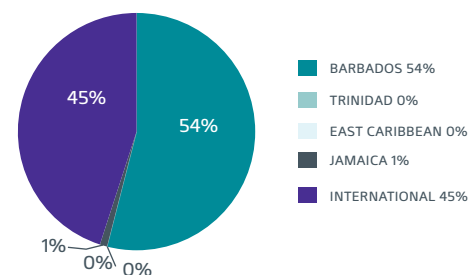
| 3 Months | 1 Year | 3 Years | 5 Years | Inception |
|-------------|-------------|-------------|-------------|-------------|
| 0.2% | 3.0% | 2.4% | 2.4% | 4.5% |

*periods longer than 1 year are annual compound returns

NAV SINCE INCEPTION TO DECEMBER 31ST, 2016



GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



TOP 5 HOLDINGS

| Holding | Country |
|--|---------------|
| 1. Legg Mason Asian Opportunities Debt Fund | International |
| 2. Franklin Templeton Global Bond Fund | Global |
| 3. GEL 4.5% 30 Nov 2017 | Barbados |
| 4. Stallion Property 5% 30 Sep 2021 | Barbados |
| 5. PIMCO Global Investment Grade Credit Fund | Global |

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

MANAGER & ADMINISTRATOR

Fortress Fund Managers Ltd.

CUSTODIAN

CIBC FirstCaribbean International Bank®
 Wealth Management Division

AUDITORS

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 Juris Chambers

DIRECTORS

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 David Bynoe
 Ken Emery
 Sir Fred Gollop
 John Howard
 David Simpson
 John Williams
 Roger Cave, Investment Manager

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



Caribbean Pension Fund

HIGHLIGHTS:

- Shares of the Pension Fund returned 0.4% to 1.1% in the fourth quarter.
- Returns by class of share are shown in the table to the right.

The Fortress Caribbean Pension Fund, operating since 2003, is currently assisting over 70 companies and their approximately 4,000 employees in saving for retirement. We are committed to continuing in this partnership for many more years, and are still open for business.

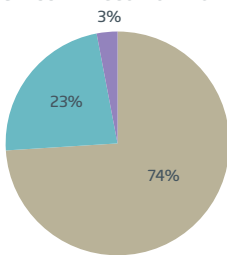
The need to save for retirement is now even greater today than in the past. Since the government's unfortunate policy change on RRSPs, most investors have naturally stopped adding new money to these "personal" pension accounts. But the steady saving can and should continue inside company pension plans and in regular mutual fund investments. As those who attended our last Fortress Investment Forum may remember, there are three simple (though not necessarily easy) suggestions to bear in mind as you think about your financial future:

1. Hope is not a strategy - financial security takes deliberate action.
2. Spend less than you earn.
3. Invest the rest sensibly

The last point is our job, and the first two are yours. As you build your savings we are here to help.

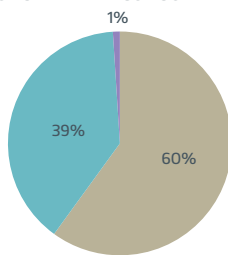
Investors in the Pension Fund typically select from three different classes of share, based on personal circumstances and risk tolerance. These classes differ in how their assets are spread across the major asset classes of equities, bonds, and real estate and other assets. The graphs below show how each of the classes (AA, CC, CS) is allocated currently. The reports on the Caribbean Growth Fund and Caribbean High Interest Fund on pages two and three 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)



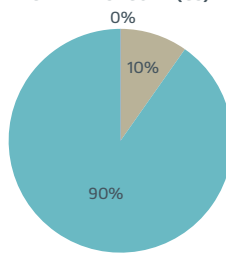
■ EQUITIES 74%
■ FIXED INCOME 23%
■ REAL ESTATE/OTHER 3%

CONSERVATIVE CONSOLIDATOR (CC)



■ EQUITIES 60%
■ FIXED INCOME 39%
■ REAL ESTATE/OTHER 1%

CAPITAL SECURE (CS)



■ EQUITIES 10%
■ FIXED INCOME 90%
■ REAL ESTATE/OTHER 0%

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 a whole.
Administrator: No charge at the Fund level.
Sales Charge: None
Redemption Charge: none

MANAGER & ADMINISTRATOR

Fortress Fund Managers Ltd

CUSTODIAN

CIBC FirstCaribbean International Bank®
Wealth Management Division

AUDITORS

Ernst & Young

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.

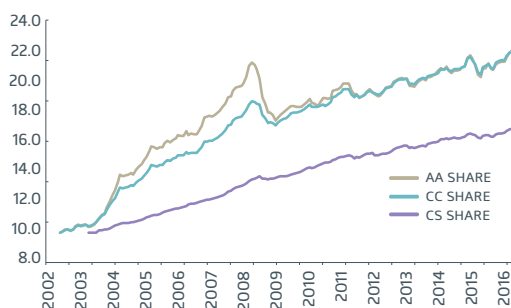
Net Asset Value Per Share (est.): \$22.30 / \$22.27 / \$16.94 (AA/CC/CS)
Fund Net Assets (est.): \$255,888,081

INVESTMENT RETURNS

| | 3 Mo | 1 Yr | 3 Yrs | 5 Yrs | Incept. |
|-----------------|------|------|-------|-------|---------|
| AA Share | 1.1% | 5.3% | 3.5% | 3.3% | 5.7% |
| CC Share | 1.1% | 5.2% | 3.3% | 3.2% | 5.6% |
| CS Share | 0.4% | 3.0% | 2.6% | 2.4% | 3.9% |

*periods longer than 1 year are annual compound returns

NAV SINCE INCEPTION TO DECEMBER 31ST, 2016



BENEFITS AT A GLANCE

Company Pension (DC Scheme):

- 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):

- 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

Sir Geoffrey Cave, Chairman
David Bynoe
René Delmas
Ken Emery
Sir Fred Gollop
John Howard
Desmond Kinch
David Simpson
John Williams
Roger Cave, Investment Manager

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