JUNE 2011 QUARTERLY REPORT

Fortress FUND MANAGERS

Your Future. Our Business.

Dear fellow investors,

The second quarter of 2011 was another good one, as all Fortress funds and strategies showed positive returns.

It's not all clear sailing, though, in regional or global markets. As you'll read in the fund commentaries this quarter, we are focused as much on the funds' risk these days as on their potential return. Whether it's the risk of broad equity markets falling, of government creditworthiness deteriorating, or corporate bondholders being unable to pay their obligations down the road, we continue to take deliberate and consistent steps in all our funds to protect your capital.

We'd like to give you plenty of notice about our upcoming **Second Annual Investment Forum**, to be held at Frank Collymore Hall in mid November. For those who were able to attend last year's event (our first!), we hope to make this year's event even more interesting and useful. We will set aside even more time to answer your questions, and as last year, will feature a guest speaker that we hope will be both entertaining and informative. Please watch our web site for more information.

Special congratulations to Nicola Berry, who won our $5,000 RRSP contest. Nicola qualified for the draw by contributing to her RRSP before June 30th. Many other clients also contributed – and we hope they all appreciate the tax savings and investment returns their RRSP will earn them. Do you have an RRSP yet?

The Fortress website www.fortressfund.com is recently improved, with easy access from the home page to the most recent reports and announcements. Have a look, and please let us know if you have suggestions about the website – or any part of our service.

Thank you very much for investing with us.

Sincerely,

Fortress Fund Managers

OF INTEREST THIS QUARTER:

THE CARIBBEAN GROWTH FUND

gained 1.9% in the quarter and is up 7.4% over the last year. Regional markets are finally showing strength and supporting the performance of the Fund.

THE CARIBBEAN HIGH INTEREST FUND

gained 1.0% for the quarter and is up 5.4% over the last year. The Fund is still positioned very defensively.

THE GLOBAL VALUE FUND

gained 1.7% for the quarter and is up 13.8% over the last year. For now, low interest rates and healthy corporate profits are supporting global equities.

RETIREMENT TIP

Be SMART about your future!

There are many ways to save for retirement and being a member of a COMPANY PENSION PLAN is one of the best.

- Many companies are yet to set up a pension plan for their employees, yet it is so easy to do.
- No company is too small – pension plans can be any size
- Contributions from both employer and employee are tax deductible

Fortress is one of the leading providers of pension products in Barbados with thousands of employees from many companies who benefit from our pension services.

Call us at 431-2198 to find out more.

Caribbean Growth Fund

Fortress
FUND MANAGERS

HIGHLIGHTS:

- *The Fund returned 1.9% for the quarter ended June 30, 2011 and is up 7.4% over the last year*
- *Caribbean equity markets led the way higher this quarter.*

The Fund gained 1.9% in the second quarter and is up 6.0% so far in 2011. The net asset value (NAV) finished at $4.6986 on July 1st. Its compound annual rate of return since inception is now 11.3%. The Fund's diversified holdings in regional and international stocks all contributed to the quarter's gain.

Caribbean markets showed generally good returns during the quarter. Earnings in key areas seem to have stabilised as companies come to terms with lower revenue levels. Neal & Massy recently announced that its loss making division Warrens Motors would be closed down. Similar decisions, large and small, have been made by companies in recent months. This is giving greater clarity to what earnings may be in coming quarters. In addition, low interest rates are making stocks look relatively more attractive, and the cash in investors' pockets following the BL&P takeover earlier in the year may also still be a short-term factor supporting regional markets.

In our view, while generally fair value and offering some good opportunities, Caribbean markets remain vulnerable to government fiscal problems that could lead to higher interest rates, slower economic growth and a difficult environment for profits in coming quarters if not dealt with appropriately. We remain constructive, but cautious.

During the quarter, Sagicor, one of the Fund's largest holdings, entered into an arrangement with International Finance Corporation (IFC) for IFC to invest US$100 million in equity and convertible preferred shares. While we are disappointed that there was the need for this financing, following losses in the company's global insurance operation, we expect that the IFC involvement will probably be positive over time. We elected to make an investment in the new Sagicor convertible preferred shares given their relatively attractive pricing.

Global markets also strengthened again in the quarter, even as headlines were filled with bad news out of Europe, the US and Asia. The European sovereign debt crisis took centre stage, with Greece's government enacting further austerity measures in return for funding from fellow European countries. In the US, the Federal Reserve's second round of quantitative easing, aimed at stimulating markets and the economy, concluded in June. Data also came out suggesting slower economic growth in the US, causing some analysts to fear a "double dip recession". In China, now the world's second largest economy, the government raised interest rates further to fight inflation and discourage a frothy market.

The good news is that profits at many global companies remain at healthy levels, interest rates in general remain very low, and there are still some good companies whose stocks are trading at reasonable valuations.

We also remain constructive, but cautious on global investments. After a 100%+ rally in global markets since the 2009 lows, we believe not all stocks can continue rallying. While the Fund's portfolio is focused in well-valued stocks and with managers with strong value-based portfolios, we still see some risk of an overall market correction that could affect all stocks, including ours. We have been taking opportunities, when available, to purchase cheap insurance for the portfolio in the options market. We will continue to pay as much attention to reducing and managing the risks in the Fund as to positioning for good future returns.

FUND OBJECTIVE

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

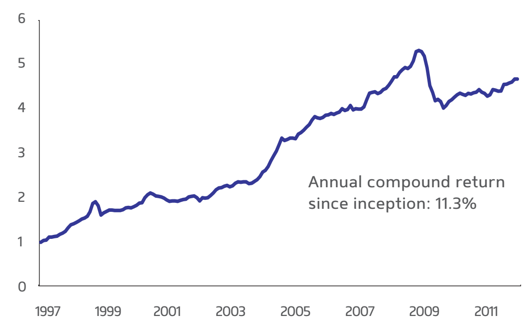
Minimum Investment	$100
Net Asset Value per Share	$4.6986
Fund Net Assets	$341,792,318
Fund Inception	Dec 9, 1996

INVESTMENT RETURNS

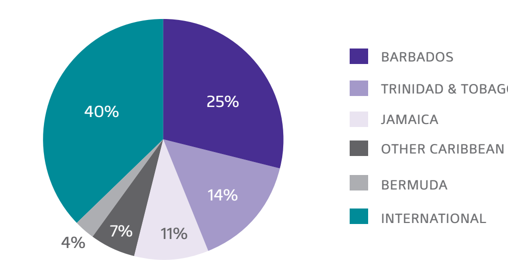
	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
Fund	**1.9%**	**7.4%**	**-4.2%**	**3.3%**	**11.3%**
Jamaica (US$)	2.1%	1.8%	-12.3%	-4.4%	5.7%
Trinidad	8.9%	13.6%	-7.3%	0.3%	12.4%
Barbados	-0.8%	8.4%	-8.3%	-3.0%	7.0%
MSCI World Index	0.7%	31.2%	-8.3%	2.8%	5.6%

*periods longer than 1 year are annual compound returns

NAV SINCE INCEPTION TO JUNE 30TH, 2011



GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



TOP 5 HOLDINGS

Holding	*Country/Region*
1. Neal & Massy Holdings Ltd.	Trinidad
2. Fortress Global Value Fund	Global
3. OAM European Value Fund	Europe
4. GraceKennedy Ltd.	Jamaica
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 Manager

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

Caribbean High Interest Fund

Fortress FUND MANAGERS

HIGHLIGHTS:

- *The Fund returned 1.0% for the quarter ended June 30, 2011 and is up 5.4% over the last year.*
- *The portfolio is still defensively positioned.*

The Fund gained 1.0% in the second quarter and is up 2.5% so far in 2011. The net asset value (NAV) of the Accumulation shares finished at $1.7062 on July 1st. Its compound annual rate of return since inception is now 6.0%, achieved with very little volatility – as shown in the NAV graph at the right of this page.

Recent returns in the Fund have been below its historical average, though, as a result of lower prevailing interest rates globally and of the relatively conservative positioning of the Fund in terms of its exposure to Caribbean (and other) long term government debt. The Fund's objectives are to earn income AND to preserve investors' capital. This means we must pay careful attention not just to the rate that could be earned from an investment, but also to the potential risk of loss that it represents. Unfortunately, economic conditions now are still not easy, especially in the Caribbean, and financial stresses are still significant at both the corporate and government levels.

During the quarter, Government of Barbados long term debt was again downgraded by a major rating agency, this time to the lowest notch that is still considered "investment grade". This was in response to a very real and substantial deterioration in our fiscal, foreign exchange and inflation situation in recent months and years. No one knows what would happen to the value of government bonds if a downgrade below investment grade were to happen – but we do have some recent examples to learn from. Portugal, for example, was recently downgraded from investment grade to just below and saw its 10-yr bonds fall to 60 cents on the dollar.

We believe in this situation it is better to be safe than sorry. As of June 30, approximately 40% of the Fund's assets were invested in Government of Barbados Treasury Bills, with very short terms to maturity of less than 90 days. This limits our exposure to the potentially negative price fluctuations that long term bonds could see in a period of rising investor concern over government creditworthiness, inflation, or both.

Another portion of the portfolio is still invested in a diversified mix of corporate bonds with yields of 5-10%, depending on their term and creditworthiness. The average running yield of the Fund's entire portfolio is 4.7%.

One way we have been dealing with low yields on bonds is to invest in other, bond-like instruments with limited risk and relatively consistent return streams. The Fortress Equity Income strategy, for example, which is a 6% weight on the Fund, returned 4.6% during the quarter. Its target return is 8-10% per year, with low volatility. This type of investment – and we are looking for more – offers what we think is a good trade-off between risk and return.

During the quarter we invested in a new bond issue from a good quality regional company with a solid balance sheet and consistent earnings. We would like to do a lot more of this – sadly there is not an abundance of such opportunities right now. We will continue to be patient in searching for the right investments to add to the Fund.

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.

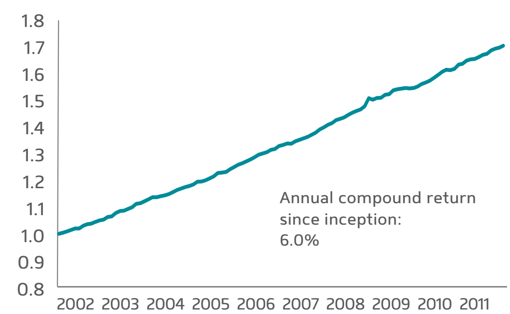
Minimum Investment	$500
Net Asset Value per share	$1.7062
Fund Net Assets	$109,824,293
Fund Inception	May 17, 2002

INVESTMENT RETURNS

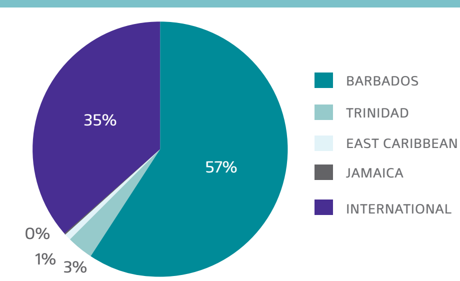
3 Months	1 Year	3 Years	5 Years	Inception
1.0%	**5.4%**	**5.3%**	**5.6%**	**6.0%**

*periods longer than 1 year are annual compound returns

NAV SINCE INCEPTION TO JUNE 30TH, 2011



GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



TOP 5 HOLDINGS

Holding	*Country*
1. Government of Barbados T-Bill 9/24/2011	Barbados
2. Government of Barbados T-Bill 8/26/2011	Barbados
3. University of West Indies Bond 9/29/2027	Barbados
4. Fortress Equity Income Strategy	US
5. Templeton Global Bond 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

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 Manager

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

Global Value Fund (US$)

Fortress FUND MANAGERS

HIGHLIGHTS:

- *The Fund returned 1.7% for the quarter ended June 15, 2011 and is up 13.8% over the last year.*
- *For now, low interest rates and healthy corporate profits are supporting global equities.*

The Fund returned 1.7% for the quarter ended June 15 and is up 4.1% so far in 2011. The net asset value (NAV) finished at $1.0055. Its further gain in the very strong last two weeks of June will be reflected in the July 15 valuation. The MSCI World index was up 3.5% so far in 2011.

Global equity markets finished stronger again in the second quarter, but it was not without some volatility and uncertainty along the way. After peaking in May, equities sold off sharply into mid-June and then snapped back in the last week of the month. With the exception of gold, commodity prices generally eased during the quarter.

The news flow in most parts of the world was not generally good. In the US, the Federal Reserve ended its second round of "quantitative easing", an aggressive policy that had been aimed at supporting markets and the economy. Data also emerged that suggested to some that the US economy may be tending towards recession again. The European sovereign debt crisis that appeared this time last year also intensified and spread to other countries. Markets feared that a default was imminent, and that banks around the world would at least temporarily seize up.

Even with this bad news, though, two very important pillars supporting markets remained in place – for now: healthy corporate profits, and very low interest rates in most developed countries. It is also still possible (though much harder than 2 years ago) to find shares of good companies trading at reasonable valuations.

Quite in contrast to the US, Europe and Japan, central banks in emerging markets have been raising interest rates for several months to curb inflation. China raised rates again in early July. All things being equal, higher rates put pressure on stock prices. This difference in monetary policy may partially explain why the MSCI Emerging Markets index has only shown a very marginal gain for the year. The Fund continues to have only a small investment in the emerging markets area since we see better value in developed markets at current prices.

During the quarter, we increased the Fund's allocation to the Third Avenue Value Fund. The Fund now has an 8.8% investment in Third Avenue, one of the leading value managers in the world. At the moment, Third Avenue has a significant investment (~40%) in Hong Kong real estate companies. This is not an area where our internal strategies are invested, or, because of the special expertise required to assess international real estate companies, are likely to invest. As a result, this type of fund is an excellent addition to the unique mix of processes at work in the Global Value Fund. As long as there is a strong, consistent value-based process at work, we believe these different approaches make the Fund stronger and reduce its overall risk.

Our cash levels remain reasonably high at 16%, reflecting the risk we perceive in overall market valuations following the 100% rally from the lows in 2009. We will continue being patient and disciplined in committing the Fund's capital.

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.

Minimum Subscription	US$ 5,000
Net Asset Value per Share	US$ 1.0055
Fund Net Assets	US$ 17,127,964
Fund Inception	Nov 30, 2006

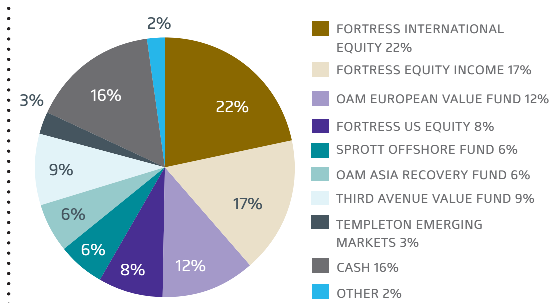
INVESTMENT RETURNS

	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
Fund	**1.7%**	**13.8%**	**-4.9%**	**n/a**	**0.1%**
MSCI World Index	2.0%	18.9%	-1.5%	n/a	0.2%

*periods longer than 1 year are annual compound returns

NAV SINCE INCEPTION TO JUNE 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

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