



Your Future. Our Business.

Dear fellow investor,

The second quarter was a good one for investors in all the Fortress funds. Performance is certainly not back to that of the "good old days", but it has been increasingly positive so far in 2014, and the positioning of our portfolios is constructive. As you'll read in the accompanying fund commentaries, these recent results are coming in a very challenging environment, especially in the Caribbean, so controlling risk is a very important part of what we are doing in all the funds.

In order to keep you well informed about your investments we have scheduled the fifth annual **Fortress Investment Forum** for early November this year, and *you are invited*. The exact details will follow shortly. This year, we and our special guests will focus exclusively on delivering frank, informed, answers to your questions about the economy, debt, your savings, pensions, our funds' positioning and outlook, and anything else the audience would like. There is certainly no shortage of issues today, and we are hoping once again for a wide ranging, open, and, most importantly, *useful* discussion for all who attend. And the snacks after might not be bad either.

We do hope you can plan to join us in November. And, of course, we are here to answer your questions any time.

Thank you very much for investing with us.

Sincerely,

Fortress Fund Managers

**OF INTEREST  
THIS QUARTER:**

**THE CARIBBEAN  
GROWTH FUND**

gained 2.1% for the quarter and is up 5.3% over the last year. Caribbean stock markets weakened further.

**THE CARIBBEAN  
HIGH INTEREST  
FUND**

returned 1.1% for the quarter. The Fund remains very conservatively positioned.

**THE CARIBBEAN  
PENSION FUND**

shares all had a positive quarter, with gains of 1.2% - 2.2% in the different classes.



## Saving for a university education?

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# Caribbean Growth Fund

## HIGHLIGHTS:

- *The Fund gained 2.1% for the second quarter of 2014.*
- *International investments performed well, while Caribbean markets remained weak, but with some areas of opportunity.*

The Fund gained 2.1% during the second quarter of 2014 and has returned 5.3% over the past year. The net asset value (NAV) finished June 30th at \$4.8552. Net assets of the Fund were \$350 million, up \$18 million from this time last year. The Fund's annual compound rate of return since inception in 1996 is 9.4% per year.

The Fund's Caribbean and international holdings generally performed well in the second quarter. This came as Caribbean stock markets declined further, making an already bad year for them worse, and as international markets showed gains across the board. In Barbados, a 25% decline in the value of FirstCaribbean International Bank, by far the largest weight in the local stock index, contributed to a 16% drop in the index for the quarter. The Barbados market is now down 20% over the past year, and FirstCaribbean itself is down 40% so far in 2014.

The Fund's largest single holding in the region continues to be Neal & Massy (recently renamed Massy Group), and these shares saw a gain of 5% for the quarter. We added to the Fund's position in Goddard Enterprises, which is now approximately 3% of total assets. It, too, bucked the general negative trend and held its value well during the quarter. We also continued to purchase Jamaican shares like Pan-Jamaican Investment Trust, GraceKennedy and NCBJ as that market remains under pressure and the currency weakens. Jamaican shares now make up approximately 6% of the portfolio, and we will likely look to continue increasing this allocation slowly as opportunities arise, and especially if the already very low prices keep getting lower. We would not say there are a lot of companies in the region with good, profitable operations and shares trading at attractive valuations, but there are a few and we are investing actively in them.

International stocks did well in the second quarter, led by strength in emerging markets. We are pleased to see some improvement in emerging markets shares because this is one area that we have been finding excellent value, and where a good portion of the Fund's portfolio is therefore invested. Globally, monetary policy is generally still supportive for stocks. The U.S. Federal Reserve (Fed) communicated during the quarter that it expects its quantitative easing ("QE") programme to wrap up by October this year, but will likely still keep interest rates very low after. More than five years since the 2009 bottom in global markets, with many stock indexes now double or triple their "crisis" levels, we believe there are areas, like Europe and parts of the U.S., where some caution is warranted as investor enthusiasm has outstripped the underlying reality. We continue to invest very selectively as a result, with a strong focus on risk control.

## FUND OBJECTIVE

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

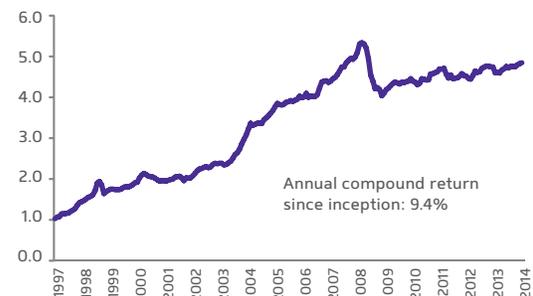
Minimum Investment	\$100
Net Asset Value per share	\$4.8552
Fund Net Assets	\$349,705,741
Fund Inception	Dec 9, 1996

## INVESTMENT RETURNS

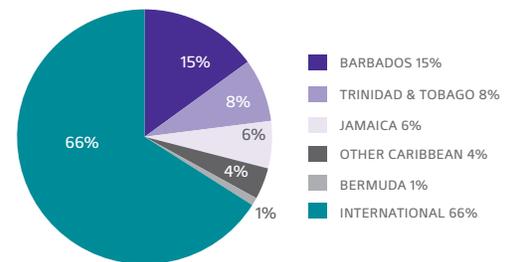
	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
<b>Fortress</b>	<b>2.1%</b>	<b>5.3%</b>	<b>1.1%</b>	<b>2.8%</b>	<b>9.4%</b>
Jamaica	-8.8%	-26.4%	-15.0%	-7.0%	1.9%
Trinidad	-1.2%	3.1%	7.0%	8.0%	11.4%
Barbados	-15.9%	-20.2%	-13.5%	-8.6%	3.1%
MSCI World Index	5.1%	24.7%	12.4%	15.6%	6.8%

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO JUNE 30TH, 2014



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

Holding	Country/Region
1. Fortress OAM Overseas Fund	Europe/Asia
2. Fortress Emerging Markets Fund	International
3. Fortress International Equity Fund	International
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

# Caribbean High Interest Fund

## HIGHLIGHTS:

- *The fund gained 1.1% in the second quarter of 2014, an annual rate of 4.4%.*
- *Bond yields are low and risks remain high in Caribbean government debt. Caution in the bond market is warranted.*

The Fund returned 1.1% during the quarter, and has gained 3.3% over the past year. The net asset value (NAV) of the Fund's accumulation share finished at \$1.8353. The distribution share finished at \$1.0112, after paying a distribution of \$0.0154 during the quarter. Net assets of the Fund were \$121 million, up \$1 million from this time last year. The Fund's annual compound rate of return since inception in 2002 is now 5.1% per year.

Global bond prices continued to rally during the quarter, pushing interest rates lower. The U.S. 10-year Treasury bond yields fell to 2.53% from 2.72% last quarter, and are down from over 3% at the start of 2014. In the bond world, this is a significant move. It was supported by continued easy money policies from central banks around the world. While the U.S. Federal Reserve (Fed) suggested the end is near for its quantitative easing ("QE") programme, the European Central Bank has suggested that it may initiate one of its own. Cheap money seems here to stay for some time.

Some countries, like Jamaica, are benefiting from the flood of cheap money, quite in contrast to how things were a few short years ago. In the Jamaican case, in late 2009, as fear of restructuring reached a peak, yields on Jamaica's bonds were in the 12-13% range and investors were panicking to get out. Now, five years later, after two rounds of bond restructurings, and with some significant progress on an IMF-supported adjustment programme, investors are panicking to get in. Recently the Government of Jamaica came to the U.S. bond market to raise US\$500 million in 10-year bonds, for which investors reportedly placed US\$3 billion of orders. The bonds were issued with a coupon of only 7.625%, and have traded stronger in the secondary market since, pushing the yield down to 7.35%. We believe that the Jamaica experience shows the importance of achieving long term debt sustainability. This process is of course ongoing in Jamaica, just as it is, or will be, to varying degrees, in other countries around the region.

The Fund's holdings in medium-term Barbados corporate bonds continued to perform as expected during the quarter, and are throwing off yields in the range of 5-8%. We expect to make a new, secured investment during the third quarter that will add incrementally to this part of the portfolio at an acceptable yield.

Overall, the Fund continues to be squarely in capital preservation mode. We feel that the compensation for taking credit and long term interest rate risk globally is far from favourable at the moment, and that in the Caribbean government credit risk is unacceptably high. The Fund continues to have a short average term to maturity, as much geographic diversification as we can get, and very little exposure to Caribbean government long-term bonds. The gross average yield to maturity of the portfolio is just under 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.

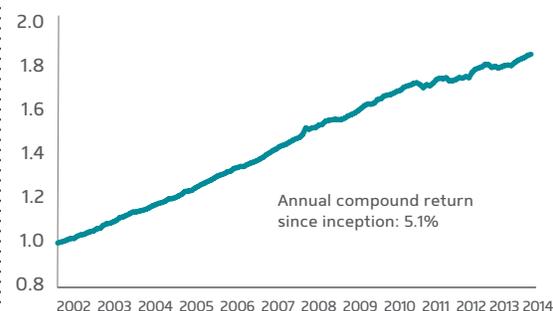
<i>Minimum Investment</i>	\$500
<i>Net Asset Value per share</i>	\$1.8353 / \$1.0112
<i>Fund Net Assets</i>	\$121,103,292
<i>Fund Inception</i>	May 17, 2002

## INVESTMENT RETURNS

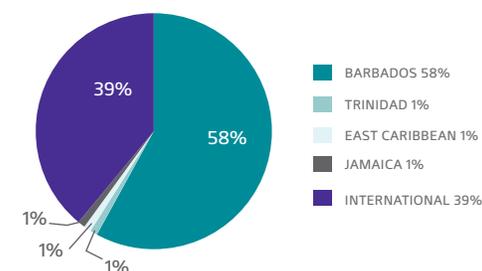
3 Months	1 Year	3 Years	5 Years	Inception
<b>1.1%</b>	<b>3.3%</b>	<b>2.5%</b>	<b>3.5%</b>	<b>5.1%</b>

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO JUNE 30TH, 2014



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

<i> Holding </i>	<i> Country </i>
1. CIBC FirstCaribbean deposits	Barbados
2. Sagicor 6.5% Preferred Shares	Barbados
3. Legg Mason Asian Opportunities Debt Fund	International
4. Franklin Templeton Global Bond Fund	Global
5. Corporate Deposit 4.75% 30 Nov 2015	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

## 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 Pension Fund

## HIGHLIGHTS:

- All shares of the Pension Fund had solidly positive returns in the second quarter. Over the past year, the classes with greater allocations to stocks have performed best.
- Returns by class of share are shown in the table to the right.

Pension investing is a very long term project, one that in most cases will be measured in decades rather than years. This is important because it means that we should all focus more on how our investments are positioned in terms of both risk and potential return for the long term, and less on short term variations in performance.

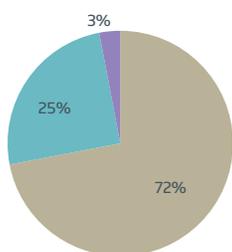
Risk usually involves things you can't see. It involves the chance of a permanent loss of a portion of your savings, and can come about from owning overpriced shares, or bonds whose issuer fails to pay in full.

Potential return means owning securities - usually stocks and bonds - where the prices are low enough to imply a reasonable rate of return. All things being equal, low prices are good; high prices are not.

Balancing these factors is an active process. It often involves positioning our portfolios in securities or areas that might be temporarily out of favour. The accompanying fund commentaries often touch on this. It may also involve sometimes having performance that is lower than hoped in any given short term window. Again, this is a long term project. And our focus is on making sure that our investors' pension savings stand the best chance possible of making it to the finish line with the growth and security that we all expect.

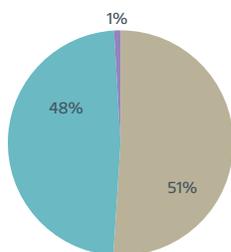
Investors in the Pension Fund typically select from three different classes of share, based on personal circumstances and risk tolerance. These classes differ in how their assets are spread across the major asset classes of equities, bonds, and real estate and other assets. The graphs below show how 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)



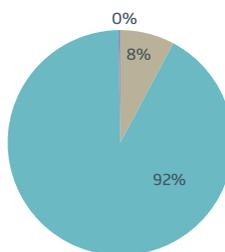
■ EQUITIES 72%  
■ FIXED INCOME 25%  
■ REAL ESTATE/OTHER 3%

CONSERVATIVE CONSOLIDATOR (CC)



■ EQUITIES 51%  
■ FIXED INCOME 48%  
■ REAL ESTATE/OTHER 1%

CAPITAL SECURE (CS)



■ EQUITIES 8%  
■ FIXED INCOME 92%  
■ 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 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.):** \$20.86 / \$20.80 / \$16.17 (AA/CC/CS)

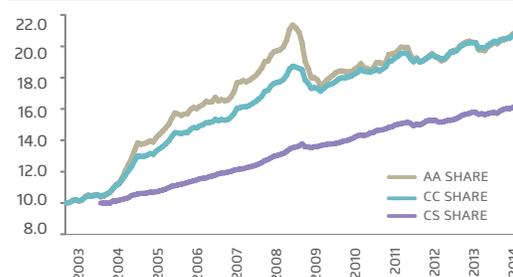
**Fund Net Assets (est.):** \$201,928,896

## INVESTMENT RETURNS

	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
AA Share	2.2%	5.9%	1.7%	3.1%	6.3%
CC Share	1.8%	4.9%	2.2%	3.5%	6.2%
CS Share	1.2%	3.5%	2.4%	3.3%	4.4%

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO JUNE 30TH, 2014



## 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