



Your Future. Our Business.

Dear fellow investors,

This year is the 50th anniversary of Barbados' independence. For 20 of those years, Fortress has been helping Barbadians save and grow their money to achieve *financial* independence. The wise folks who invested in the Fortress Caribbean Growth Fund back in 1996 have now nearly quintupled their money. We hope the next 20 years will be equally successful for our investors and we are working hard to lay the foundations for that to happen.

The second quarter of 2016 was much quieter than the first, and the Fortress funds all posted positive returns. As you will read in the accompanying reports, these are unusual times in the investment world, with instability in Europe, zero or negative interest rates in many countries, and credit stress among Caribbean governments. Through all of this we continue to approach investing in a disciplined way, allocating our investors' capital as good value opportunities arise, and just as importantly paying close attention to the risks that may be unrecognised under the surface.

Please save the date for the **7th Annual Fortress Investment Forum** the evening of Thursday, November 3rd, 2016 at the Frank Collymore Hall. As in previous years, the Fortress team and guest experts will offer insights and straight talk on the investment environment - and most importantly answer your questions. Watch your email or www.fortressfund.com for more details as the date approaches. We hope you can plan to attend.

Thank you very much for investing with us.

Sincerely,
Fortress Fund Managers

OF INTEREST THIS QUARTER:

THE CARIBBEAN GROWTH FUND

gained 0.3% in the second quarter on strength in Jamaican holdings. The U.K. "Brexit" vote led to market volatility and some opportunities.

THE CARIBBEAN HIGH INTEREST FUND

returned 0.7% during the second quarter as bond yields globally fell further and stresses in Caribbean government bonds remained.

THE CARIBBEAN PENSION FUND

shares returned 0.6%-0.7% during the second quarter, with equity and fixed income holdings contributing equally.

Come run with us - The Fortress Half Marathon



Fortress Fund Managers is proud to be part of the Cave Shepherd group's lead sponsorship of the Run Barbados weekend **December 2nd - 4th, 2016**. The Fortress Half Marathon will set off for 13.1 miles at 5:00 a.m. on December 4th. We love being associated with a long event where steady effort and consistent preparation pay off because that's exactly the business we're in. Come run with us!

Check www.fortressfund.com for details in the coming weeks.



Caribbean Growth Fund

HIGHLIGHTS:

- *The Fund gained 0.3% during the quarter as select Jamaican holdings rallied.*
- *Global markets were volatile around the "Brexit" vote, creating some buying opportunities.*

The Fund gained 0.3% during the second quarter of 2016 and is down 1.5% over the past year. The net asset value (NAV) finished June 30th at \$4.9271. Net assets of the Fund were \$375 million. The Fund's annual compound rate of return since inception in 1996 is now 8.5% per year. Its portfolio remains well diversified by security, geography and currency.

Caribbean stock markets were subdued during the quarter as most Jamaican shares consolidated recent gains. The Fund's holdings in GraceKennedy and Pan Jamaican Investment Trust, though, bucked the trend with gains of 50% and 40% respectively. GraceKennedy is now trading on a P/E ratio of approximately 12x with a dividend yield of 2%. This is not expensive, but as with Jamaican stocks generally it is nowhere near as cheap as what prevailed as recently as a year ago, and is approaching more normal levels. The Trinidad and Barbados markets both posted small gains. CIBC FirstCaribbean, the largest stock in the Barbados index, rose modestly as it reported fewer challenges to operating performance and lower loan losses. The Trinidad dollar remained under pressure as the price of oil stabilised in the US\$45-50 range. The Fund continues to have only minimal exposure to Trinidad shares.

Global stock markets saw marginal gains during the quarter as the focus was on the U.K. vote at the end of June to leave the European Union (EU). "Brexit" resulted in significant market volatility both before and after the vote. The market plunge in the two days following June 23rd was one of the sharpest on record. The decision to leave the EU will almost certainly lead to a short term slowdown in economic growth in the U.K. Some companies in Europe, including the poorly capitalised banks, will likely see headwinds from this and other shifts, but in our view that does not mean all areas will suffer. With the British pound at the lowest level in more than 30 years and many securities in the U.K. trading at attractive valuations, the bad headlines have presented some good buying opportunities and we have added selectively to the Fund's investments there.

One immediate effect of the uncertainty from the Brexit vote is lower interest rates globally, including in the U.S. On balance this is supportive for international stocks and currencies. We continue to find excellent value in select markets outside the U.S., but find U.S. equities fully valued and therefore vulnerable. The average Price/Earnings ratio of the Fund's underlying holdings in the Caribbean and global markets is approximately 10x, with a healthy dividend yield. The Fund remains flexible with cash of approximately 20% to invest on 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 | \$4.9271 |
| Fund Net Assets | \$375,354,909 |
| Fund Inception | Dec 9, 1996 |

INVESTMENT RETURNS

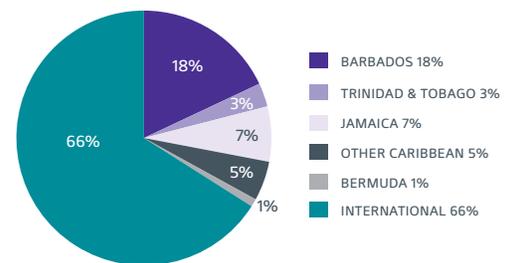
| | 3 Mo | 1 Yr | 3 Yrs | 5 Yrs | Incept |
|-----------------|-------------|--------------|-------------|-------------|-------------|
| Fortress | 0.3% | -1.5% | 2.2% | 1.0% | 8.5% |
| Jamaica | -0.4% | 49.8% | 13.5% | 4.1% | 5.3% |
| Trinidad | 0.8% | -5.3% | -0.5% | 3.2% | 11.1% |
| Barbados | 2.0% | 15.3% | -2.3% | -5.4% | 4.1% |
| MSCI World | 1.2% | -2.2% | 7.5% | 7.2% | 6.7% |

*periods longer than 1 year are annual compound returns

NAV SINCE INCEPTION TO JUNE 30TH, 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. Fortress Income Builder Int'l Fund | International |
| 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 FirstCaribbean International Bank®
 Wealth Management Division

AUDITORS

Ernst & Young

ATTORNEY-AT-LAW

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

DIRECTORS

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 0.7% for the second quarter, an annual rate of 2.8%. It has returned 1.1% over the past year.*
- *More and more global bonds are now yielding less than zero. "Brexit" caused yields to move lower still.*

The Fund returned 0.7% during the second quarter of 2016 and is up 1.1% over the past year. The net asset value (NAV) of the Fund's Accumulation share finished at \$1.8880. The Distribution share finished at \$1.0072 after paying a distribution of \$0.0104 in April. Net assets of the Fund were \$117 million. The Fund's annual compound rate of return since inception in 2002 is now 4.6% per year. It remains as diversified as possible by issuer, geography and currency, with approximately 53% invested in Barbados and 47% invested globally.

Low global interest rates and credit stress among Caribbean governments continued to limit the Fund's return in the second quarter. We remain conservatively positioned especially with respect to Caribbean government debt, focusing squarely on capital preservation.

The June 23rd vote by the U.K. to exit the European Union introduced greater uncertainty into European financial markets and shed fresh light on the vulnerabilities of undercapitalised European banks. This is expected to keep global central banks in easing mode for longer than might otherwise have been the case, and bond yields have fallen to new lows. During the quarter the yield on the 10-yr U.S. Treasury bond declined from 1.8% to 1.5%. The U.S. is one of the higher yielding government bonds in the developed world. Germany 10-year bonds yield zero, Japan's yield -0.2% and Switzerland's -0.6%. Closer to home, the Brexit decision is unlikely to be helpful to the Barbados economy in the near term and could be an additional challenge to resuming growth and improving the fiscal situation here.

Corporate bonds are a viable alternative to low yielding governments, but yields in that area are moving lower too. The Fund's corporate investments performed well during the quarter, earning income and some incremental capital gains as prices increased. We continued to add selectively to corporate bond positions during the quarter, in Barbados and in global markets. The lack of suitable corporate bonds available in Barbados continues to limit investment options here, and as a result the Fund's cash balance remains higher than normal.

The average term of the Fund's portfolio is a relatively conservative 2.5 years, and the average gross yield is 3.6%. If and when the Caribbean government debt situation becomes more sustainable and the current risk of restructuring abates, we will be in a position to add substantial holdings in this area, reducing the cash drag in the portfolio and positioning once again for higher returns. Until then, the Fund's returns will likely continue to be lower than average.

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.

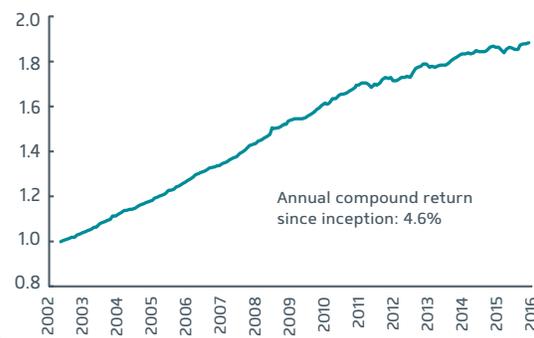
| | |
|----------------------------------|---------------------|
| <i>Minimum Investment</i> | \$500 |
| <i>Net Asset Value per share</i> | \$1.8880 / \$1.0072 |
| <i>Fund Net Assets</i> | \$117,149,822 |
| <i>Fund Inception</i> | May 17, 2002 |

INVESTMENT RETURNS

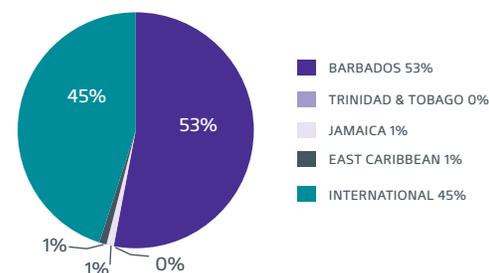
| 3 Months | 1 Year | 3 Years | 5 Years | Inception |
|-------------|-------------|-------------|-------------|-------------|
| 0.7% | 1.1% | 2.0% | 2.0% | 4.6% |

*periods longer than 1 year are annual compound returns

NAV SINCE INCEPTION TO JUNE 30TH, 2016



GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



TOP 5 HOLDINGS

| <i> Holding </i> | <i> Country </i> |
|--|------------------|
| 1. Legg Mason Asian Opportunities Debt Fund | International |
| 2. Sagico 6.5% Preferred Shares | Barbados |
| 3. GEL 4.5% 30 Nov 2017 | Barbados |
| 4. PIMCO Global Investment Grade Credit Fund | Global |
| 5. Franklin 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

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

Geoffrey Cave, Chairman
 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 0.6%-0.7% in the second quarter as global markets were volatile and Caribbean stocks showed little change.
- Returns by class of share are shown in the table to the right.

Participating in a group pension plan is one of the best ways to save for the future because employers typically match employee contributions, giving you an instant, guaranteed return on your money. We are often asked how benefits are then paid out of a pension plan, and under what circumstances. Based on current law, there are two main scenarios:

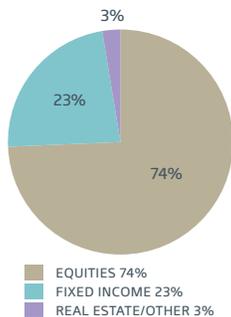
- 1. At termination of employment.** If you part ways with your current employer you will be supplied with an "option letter" which lets you pick from a number of options for your pension. The options will depend on how long you have been in the plan, the size of assets you have accumulated, whether or not you have made Additional Voluntary Contributions, and other factors. Usually, you can simply transfer your accumulated savings to your new employer's pension plan or into your own Registered Retirement Savings Plan (RRSP).
- 2. At retirement.** When you exit employment any time after age 55, you are able to withdraw tax free up to 25% of the account value, and the balance is then used to purchase a fixed rate annuity from an insurance company, or to initiate a Fortress Income Drawdown Policy. Both options pay you a monthly income in your retirement

If you pass away while your pension account is still active, the value of the account net of withholding tax will pass to your beneficiary. Remember that unless you and your spouse have explicitly signed otherwise, your spouse will automatically be your beneficiary.

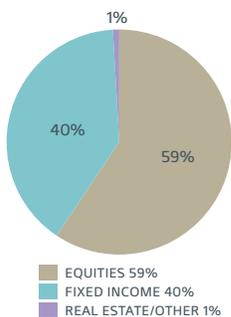
As you build your pension savings we are here to help. Please let us know if you have any questions

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.

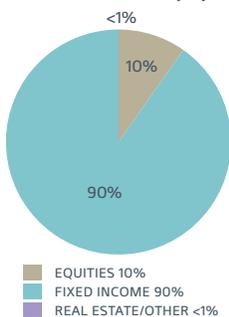
AGGRESSIVE ACCUMULATOR (AA)



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 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.

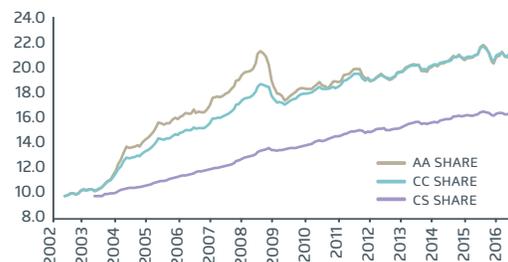
Net Asset Value Per Share (est.): \$21.29 / \$21.39 / \$16.62 (AA/CC/CS)
Fund Net Assets (est.): \$237,074,795

INVESTMENT RETURNS

| | 3 Mo | 1 Yr | 3 Yrs | 5 Yrs | Incept. |
|-----------------|------|-------|-------|-------|---------|
| AA Share | 0.6% | -0.9% | 2.6% | 1.4% | 5.5% |
| CC Share | 0.7% | -0.2% | 2.6% | 1.9% | 5.5% |
| CS Share | 0.6% | 0.8% | 2.1% | 2.0% | 3.9% |

*periods longer than 1 year are annual compound returns

NAV SINCE INCEPTION TO JUNE 30TH, 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

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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