



Your Future. Our Business.

Dear Fellow Investors,

The second quarter was a good one for the Fortress funds as most areas in which we invest saw positive returns and the funds' holdings also performed well. The one-year returns to June 30 have also been exceptionally strong especially in our equity investments. Of course, we never know when the returns will come - or from where - but we do know that tomorrow's returns do not come from yesterday's returns. They come from today's prices.

And how do today's prices stack up in the investment world? Among carefully selected international stocks, we think they look very good indeed, and so do the future return prospects. Among U.S. stocks, though, we think they look less attractive especially at the level of the broad market indexes. Global bonds are looking better than they have in years as interest rates rise, but the return prospects unfortunately are not yet substantial.

Closer to home in the Caribbean, we find prices and return prospects vary widely. With so much capital trapped in Barbados and Trinidad, for example, many share prices have risen even though underlying fundamentals are highly uncertain. This is clearly a time for discipline because not all risks are worth taking - especially as prices rise and return prospects fall. As always, we continue to apply our consistent, disciplined process to investments here in the region and around the world, focusing the funds' portfolios where the risks are appropriate and potential rewards are best.

Thank you very much for investing with us.

Sincerely,  
Fortress Fund Managers

**OF INTEREST THIS QUARTER:**

**THE CARIBBEAN GROWTH FUND**

gained 2.1% in the second quarter and 12.9% over the past year. Share prices globally strengthened as economic data improved.

**THE CARIBBEAN HIGH INTEREST FUND**

returned 0.6% during the second quarter and 3.3% over the past year. Caribbean government finances remained under severe pressure.

**THE CARIBBEAN PENSION FUND**

shares returned 0.8% to 1.6% during the second quarter and 4.2% to 10.9% over the past year. Equity investments continued to see the strongest performance.

**New house? New name? New email?**  
**Congratulations, but please don't forget us!**



Keeping your records up to date means we can make sure you receive statements, reports and invitations to special events directly, and that you can always access your investment promptly.

You can call us on 431-2198 or email [invest@fortressfund.com](mailto:invest@fortressfund.com)



# Caribbean Growth Fund

## HIGHLIGHTS:

- *The Fund gained 2.1% during the quarter and is up 12.9% over the past year. Caribbean stock markets were mixed while international shares strengthened.*
- *Fiscal austerity in the Caribbean will likely limit earnings growth in the near term.*

The Fund gained 2.1% during the second quarter of 2017 and is up 12.9% over the past year. The net asset value (NAV) finished June 30 at \$5.5622. Net assets of the Fund were \$440 million. The Fund's annual compound rate of return since inception in 1996 is now 8.7% per year. Its portfolio remains well diversified by security, geography and currency.

Stock markets in the Caribbean had a mixed quarter, with Jamaica and Barbados both rising and Trinidad falling. Barbados shares saw light activity, and the trades that did occur tended to nudge prices higher. CIBC FirstCaribbean, the largest weight in the index, was up 2%, while some smaller shares such as Barbados Dairy and Barbados Farms saw larger gains. The Fund benefited from its substantial holding in Goddard Enterprises, which returned 8% during the quarter. Jamaican shares continued to consolidate their large gains of the last two years, showing little change during the quarter, but the Jamaican dollar strengthened slightly due to some policy changes in how the commercial banks are encouraged to use their reserves. Trinidad shares remained under pressure, as did the Trinidad dollar, due to weakness in the economy and fiscal challenges of the government from lower oil prices. Massy shares fell 6%, while some other companies such as Unilever Caribbean and One Caribbean Media saw larger declines. The Fund continues to carry only a very small weight in Trinidad shares, although as prices decline we will likely look to add selectively to investments there. The outlook for share markets in Barbados and Trinidad is uncertain, partly because trade has been choked off by a lack of currency to settle trades across borders within the region, and partly because corporate earnings are likely to come under pressure from tax increases.

Global stock markets posted another positive quarter, and the Fund's holdings in international and emerging markets benefited from this strength. With the recent evidence of more widespread economic and earnings growth around the world, shares in Europe, Asia and emerging markets saw share prices rise. The election result in France was viewed positively, with France the best-performing European stock market during the quarter. Just as some of the rest of the world seems to be finding itself on firmer economic footing, the U.S. has found itself mired in greater policy uncertainty, and at the same time facing rising interest rates. We continue to find much better value among companies outside the U.S., where valuations are more reasonable and the currencies attractively priced. The Fund's largest global allocations are to the Fortress International Equity Fund and the Fortress Emerging Markets Fund which have both returned 26% over the past year. Values still support good long term returns from here, though almost certainly below the pace of the past year.

## FUND OBJECTIVE

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

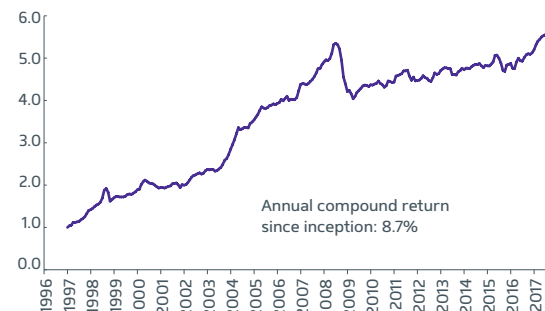
Minimum Investment	\$100
Net Asset Value per share	\$5.5622
Fund Net Assets	\$439,929,967
Fund Inception	Dec 9, 1996

## INVESTMENT RETURNS

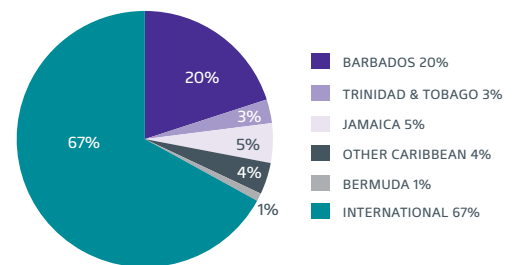
	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept
<b>Fortress</b>	<b>2.1%</b>	<b>12.9%</b>	<b>4.6%</b>	<b>4.5%</b>	<b>8.7%</b>
Jamaica	4.8%	45.2%	42.4%	13.2%	7.0%
Trinidad	-2.3%	3.4%	-0.4%	2.4%	11.3%
Barbados	2.2%	15.9%	10.7%	-1.7%	5.0%
Global Index	4.2%	18.9%	5.8%	12.0%	7.8%

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO JUNE 30TH, 2017



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

Holding	Country/Region
1. Fortress International Equity Fund	International
2. Fortress Emerging Markets Fund	International
3. Fortress Income Builder Intl Fund	International
4. Fortress OAM Overseas Fund	Europe/Asia
5. Fortress Income Builder US Fund	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 & 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 0.6% for the second quarter and 3.3% over the past year.*
- *Caribbean government debt remains under pressure, and global interest rates have gradually begun to rise.*

The Fund returned 0.6% during the second quarter of 2017 and is up 3.3% over the past year. The net asset value (NAV) of the Fund's Accumulation share finished at \$1.9502. The Distribution share finished at \$1.0058 after paying a distribution of \$0.0124 in April. Net assets of the Fund were \$125 million. The Fund's annual compound rate of return since inception in 2002 is now 4.5% per year. Its portfolio remains as diversified as possible across various issuers, industries, geographies and terms to maturity.

The Caribbean government debt situation worsened during the quarter as Government of Trinidad & Tobago saw its credit rating downgraded by Standard & Poor's from "A-" to "BBB+" as weakness in oil-related revenues persisted. Closer to home, the Government of Barbados announced new budgetary proposals to attack the deficit and debt. These proposals included significantly increased taxes and a selective restructuring of debt held by the NIS and Central Bank of Barbados to save on interest costs. Noticeably, the proposals did not include long-term plans for encouraging greater economic activity from which individuals and businesses could earn incomes and future taxes might be paid. Government of Barbados US\$ bonds gained in price after the budget announcement, now trading at 80-90 cents on the dollar. Investors seem to have concluded that domestic bondholders and savers, with their capital effectively trapped, will indeed bear the brunt of the pain to come both directly and indirectly.

Global bonds had a positive quarter even as central banks around the world generally tended towards reducing monetary stimulus, and the Fund's holdings performed well. With greater policy uncertainty in the U.S., and the Federal Reserve already raising interest rates and contemplating the gradual unwind of its quantitative easing policy, estimates of longer term growth and inflation are moderating. It remains to be seen if this is justified. There has been a huge amount of stimulus in recent years since the financial crisis and interest rates in the U.S. are still low compared to levels that would normally prevail at current levels of economic activity. We believe rates can continue moving higher in the medium term, and as this happens bonds will gradually become more attractive investments.

Against a background of normalising global interest rates and unresolved government finance stress in the Caribbean, the Fund remains squarely in capital preservation mode. The average term to maturity is still relatively short, and exposure to Caribbean government debt is minimal. We are accepting lower returns on capital in the short term for as much certainty as possible about the return of capital down the road.

## 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.

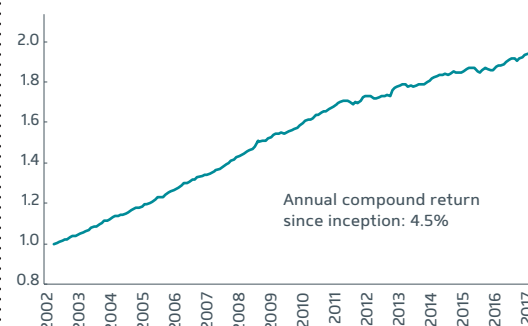
<i>Minimum Investment</i>	\$500
<i>Net Asset Value per share</i>	\$1.9502 / \$1.0058
<i>Fund Net Assets</i>	\$124,724,562
<i>Fund Inception</i>	May 17, 2002

## INVESTMENT RETURNS

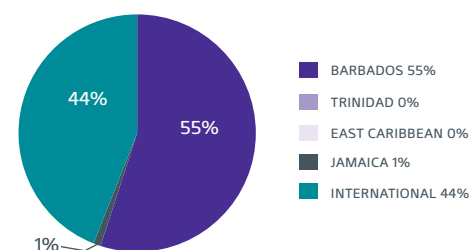
3 Months	1 Year	3 Years	5 Years	Inception
<b>0.6%</b>	<b>3.3%</b>	<b>2.0%</b>	<b>2.6%</b>	<b>4.5%</b>

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO JUNE 30TH, 2017



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

<i> Holding </i>	<i> Country </i>
1. Legg Mason Asian Opportunities Debt Fund	International
2. Franklin Templeton Global Bond Fund	Global
3. PIMCO Global Investment Grade Credit Fund	Global
4. GEL 4.5% 30 Nov 2017	Barbados
5. Stallion Property 5% 31 Dec 2021	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 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

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



# Caribbean Pension Fund

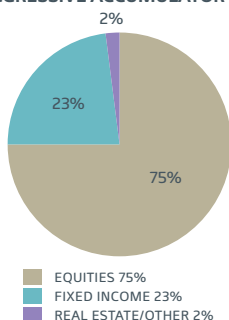
## HIGHLIGHTS:

- Shares of the Pension Fund returned 0.8% to 1.6% in the second quarter and are up 4.2% to 10.9% over the past year. Equity returns continued to be strong.
- Returns by class of share are shown in the table to the right.

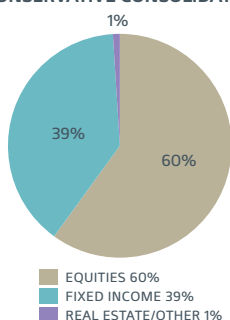
Preparing your finances for retirement involves a few building blocks and your company pension plan with Fortress is an important one. Another important component is your government pension. Many people don't realise that they have been quietly contributing to the government pension plan from the *first day of their first job* as they made payments into the National Insurance Scheme (NIS). The NIS commenced operations in Barbados in 1967 and the scheme provides a range of benefits including sickness, maternity, death, unemployment and of course pension at retirement. It does this primarily from the money paid into the Scheme by employees and employers, and the investment returns earned on that money. We think it is important not to take it for granted because you have paid for it and it is part of your future financial security. You can register on the NIS web portal at [www.nis.gov.bb](http://www.nis.gov.bb) and check to make sure your contributions over your working life have been paid in by your employer(s). You can also see an estimate of your retirement benefit so you know how much to budget from this source in retirement.

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.

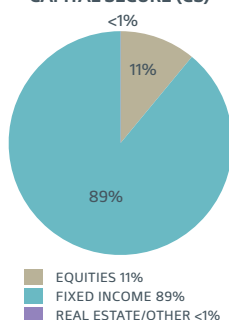
### AGGRESSIVE ACCUMULATOR (AA)



### 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.

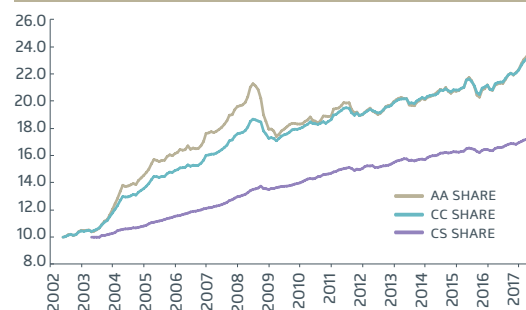
<b>Net Asset Value Per Share:</b>	\$23.62 / \$23.42 / \$17.32 (AA/CC/CS)
<b>Fund Net Assets:</b>	\$275,598,555

## INVESTMENT RETURNS

	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
<b>AA Share</b>	1.6%	10.9%	4.2%	4.4%	5.9%
<b>CC Share</b>	1.5%	9.4%	4.0%	4.1%	5.8%
<b>CS Share</b>	0.8%	4.2%	2.3%	2.7%	4.0%

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO JUNE 30TH, 2017



## 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

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