



Your Future. Our Business.

Dear fellow investors,

After a strong year in 2017, investment returns started this year with a flat first quarter. While the global economy and corporate earnings continued to grow, concerns also grew about rising interest rates in the U.S. and increased global trade tensions. There are certainly risks – and there always are – but we still see very good long-term prospects for the kind of well-valued shares we own in the Caribbean region and globally. And the silver lining of rising interest rates in the U.S. is that they will gradually increase the potential returns for bond investors who have been underpaid for several years.

Risk certainly seems to be on investors' minds – at the 8th annual Fortress Investment Forum at the Frank Collymore Hall in March, we and our guest experts fielded questions from investors and many of them were about the risks surrounding the Barbados currency and fiscal situation. What does the current stress mean for persons saving for retirement? What does it mean for everyday life? And as global companies like CIBC move to divest themselves of operations here, what does it mean for the business landscape? We do not know exactly how the stresses will be resolved or what the future will hold. But we do know that investing for the future – whether as individuals or as a society – involves setting aside resources today in pursuit of a long-term goal. It then involves investing those resources prudently, in viable and growing economic activity. To succeed in this, we believe transparency matters, diversification matters, and a focus on the long-term is essential.

Thank you very much for investing with us. We will continue to work hard to preserve and grow your money for the future.

Sincerely,  
Fortress Fund Managers

**OF INTEREST  
THIS QUARTER:**

**THE CARIBBEAN  
GROWTH FUND**

gained 0.4% in the first quarter and 9.1% over the past year. Equity markets were little changed after a volatile start to the year.

**THE CARIBBEAN  
HIGH INTEREST  
FUND**

declined 0.1% during the first quarter and gained 1.5% over the past year. Stresses remained in Caribbean bonds while U.S. rates rose further.

**THE CARIBBEAN  
PENSION FUND**

three share classes returned between 0.1% and 0.4% during the first quarter and between 2.4% and 7.5% over the past year. Stock and bond returns were both subdued to start the year.



**KEEP AN EYE ON THE HORIZON.**

No matter how hard the wind is blowing, the formula for financial security is always the same.

*Spend a lot less than you earn, and invest the rest sensibly for the long-term.*

Start with our simple monthly investment programme.  
**Call 431-2198 to begin.**



# Caribbean Growth Fund

## HIGHLIGHTS:

- The Fund returned 0.4% for the first quarter and 9.1% over the past year.
- Global markets had a volatile start at the beginning of the year and Caribbean stocks were largely unchanged.

The Fund gained 0.4% during the first quarter of 2018 and is up 9.1% over the past year. The net asset value (NAV) finished March 31 at \$5.9436. Net assets of the Fund were \$465 million, up from \$433 million this time last year. The Fund's annual compound rate of return since inception in 1996 is now 8.8% per year. Its portfolio remains well diversified by security, geography and currency.

Caribbean stock markets were little changed during the quarter as Jamaica digested recent gains and Trinidad stabilised on the back of higher oil prices. Our position in GraceKennedy gained 12% during the quarter but most regional holdings were in line with the flat markets. In Barbados, the major news was that FirstCaribbean International Bank (FCIB) announced it would be listing on the New York Stock Exchange, its parent CIBC would be selling a portion of its majority stake to investors, and that FCIB would be moving its listing on the regular market of the Barbados Stock Exchange to the International Securities Market. CIBC's plan is to continue selling down its stake in FCIB over the next three years. While FCIB has shown improved results recently, the Caribbean market outlook remains extremely uncertain. We will have to see what level of interest, if any, the market has for CIBC's stake in FCIB and what will be the implications of a change in control and majority ownership. FCIB is by far the largest weight in the Barbados Stock Exchange index. The Fund has a 1% position in FCIB.

Global equities started the year with a surge in January, a precipitous drop in February, and choppy trade in March before ending the quarter almost unchanged. As expected, higher interest rates weighed on most major asset prices – including stocks, bonds and real estate. The U.S. Federal Reserve (Fed) raised its target rate again in March and investors see further increases to follow later this year. Trade tensions also made headlines, though we feel these are less relevant to investors than the path of interest rates. Emerging markets continued to outperform other areas of the global stock markets as the generally positive economic growth around the world led to continued improvement in operating results. We still see substantial value among international and emerging equities, even as the U.S. market remains more fully priced. During the quarter we reduced the Fund's position in the OAM European Value Fund and took profits on a long-standing position in British Empire Trust. We will be adding to our holding in the Fortress International Equity Fund in the coming weeks; that fund's average Price/Earnings ratio of only 9x is consistent with well above average future returns. We still see excellent value in Europe and Asia, including Japan and the Fund's global investments continue to be focused on good value holdings in these areas.

## FUND OBJECTIVE

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

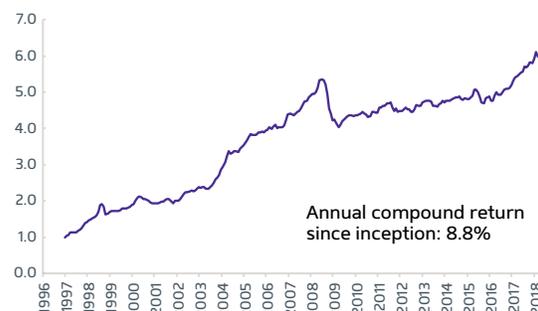
Minimum Investment	\$100
Net Asset Value per share	\$5.9436
Fund Net Assets	\$464,612,359
Fund Inception	Dec 9, 1996

## INVESTMENT RETURNS

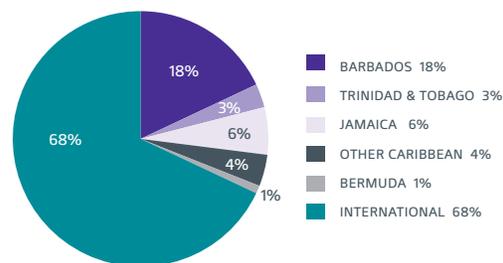
	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept
<b>Fortress</b>	<b>0.4%</b>	<b>9.1%</b>	<b>6.6%</b>	<b>4.5%</b>	<b>8.8%</b>
Jamaica	1.1%	34.0%	47.5%	22.8%	8.0%
Trinidad	-0.1%	2.1%	1.1%	1.8%	11.6%
Barbados	4.9%	12.9%	13.8%	1.0%	5.6%
Global Index	-1.2%	14.2%	8.6%	10.3%	8.4%

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO MARCH 31ST, 2018



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

Holding	Country/Region
1 Fortress Emerging Markets Fund	International
2 Fortress International Equity Fund	International
3 Fortress Income Builder Intl Fund	International
4 Fortress OAM Overseas Fund	Europe/Asia
5 Goddard Enterprises Limited	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

EY Barbados

## ATTORNEY-AT-LAW

Clarke Gittens Farmer

## DIRECTORS

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

# Caribbean High Interest Fund

## HIGHLIGHTS:

- *The Fund declined 0.1% for the first quarter and has returned 1.5% over the past year.*
- *Global interest rates rose during the quarter and bond prices fell. Caribbean government bonds remained stressed.*

The Fund declined 0.1% during the first quarter of 2018 and is up 1.5% over the past year. The net asset value (NAV) of the Fund's Accumulation share finished March 31 at \$1.9667, while the Distribution share finished at \$1.0030. Net assets of the Fund were \$131 million, up from \$126 million this time last year. The Fund's annual compound rate of return since inception in 2002 is now 4.3% per year. Its portfolio remains as diversified as possible across various issuers, industries, geographies and terms to maturity.

The Fund remains squarely in capital preservation mode in response to the ongoing risks in Caribbean government debt and rising rates globally. In Barbados, the government's low credit rating has curtailed access to global capital markets. At the same time rising interest rates in the U.S. have put pressure on "pegged" currencies around the world, affecting foreign reserves. The government has previously announced plans to restructure at least some of its outstanding bonds to reduce the interest burden. Clearer communication on what form this will take is yet to come. Multilateral lenders who can help restore foreign reserves will typically require action on deficit reduction and debt sustainability. Against this highly uncertain backdrop, we continue to have only minimal exposure to Caribbean government bonds. Our focus in Barbados is on high quality corporate bonds from issuers with the willingness and ability to make timely interest and principal payments. When there are no appropriate investments available, we continue to keep Barbados dollar cash on deposit with the Fund's custodian trustee. The low rate paid on these balances continues to be a drag on performance.

In the first quarter, global bonds had a rare period of negative returns, with the main U.S. bond index declining 1.5%. This came due to rising yields and the corresponding move lower in bond prices. The U.S. Federal Reserve raised its target rate again in March and U.S. Treasury 10-year bond yields increased from 2.41% to 2.74%, a substantial move in bond market terms. We have been expecting higher rates and the average term to maturity of the Fund's portfolio is still relatively short as a result. Rising rates mean a temporary headwind for bond returns, but they are also increasing the prospects for future returns, and this is important for long-term investors. As rates keep rising, we will gradually extend the term of the Fund's investments to lock in the more attractive rates.

The average gross yield to maturity of the Fund's portfolio is currently 2.9%, with very limited risk. We stand ready to invest more aggressively as the regional and global prospects for bond investors improve.

## 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.

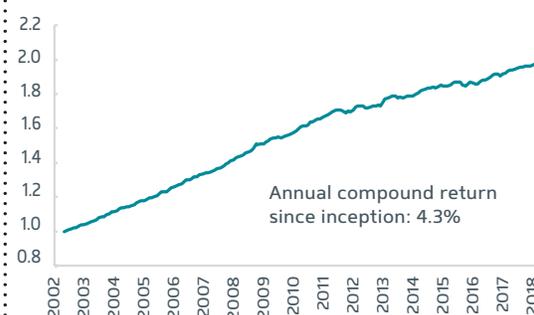
<i>Minimum Investment</i>	\$500
<i>Net Asset Value per share</i>	\$1.9667 / \$1.0030
<i>Fund Net Assets</i>	\$131,066,679
<i>Fund Inception</i>	May 17, 2002

## INVESTMENT RETURNS

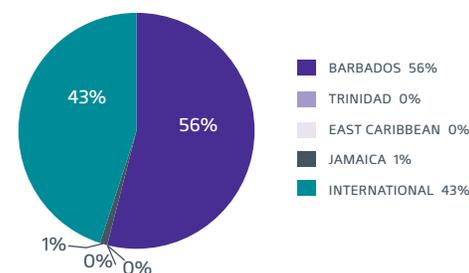
3 Months	1 Year	3 Years	5 Years	Inception
<b>-0.1%</b>	<b>1.5%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>4.3%</b>

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO MARCH 31ST, 2018



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

Holding	Country
1 Fortress Fixed Income Fund	International
2 Legg Mason Asian Opportunités Debt Fund	International
3 PIMCO Global Investment Grade Credit Fund	Global
4 GEL 3.75% 30 Nov 2019	Barbados
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

EY Barbados

## ATTORNEY-AT-LAW

Clarke Gittens Farmer

## DIRECTORS

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



# Caribbean Pension Fund

## HIGHLIGHTS:

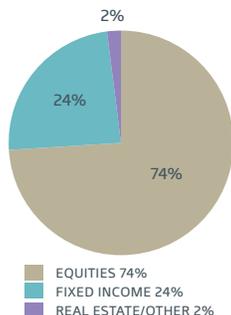
- The three classes of shares of the Pension Fund returned between 0.1% and 0.4% in the first quarter and are up between 2.4% and 7.5% over the past year. There was short-term volatility to start the year, but markets were little changed by the end of the quarter.
- Returns by class of share are shown in the table to the right.

Saving and investing is an important part of planning for retirement, but it is not the only part. In his recent book *Let's All Learn How to Fish... to Sustain Long-Term Economic Growth*, U.S. pensions expert Michael S. Falk suggests that we all need to think of not just what we are retiring from, but also what we are retiring to. What he means by this is that there are other aspects of being retired that may require preparation and adjustment. For those of us with partners, retirement will mean spending much more time with them: there will be no more getting out of the house for 8 – 10 hours a day, no more coffee breaks, business trips, seminars, Christmas lunches, etc. Most of us will retire on less than we earned immediately before retirement. We need to think of how we will adjust our lifestyle, our interests and hobbies, to correspond to a reduced income and increased amount of time. For many "retirees" some part-time work can help with finances as well as keeping active and engaged with others. And do not forget to think about health insurance. Will your coverage continue as a retiree? If not, are you able purchase the insurance on your own and at what price?

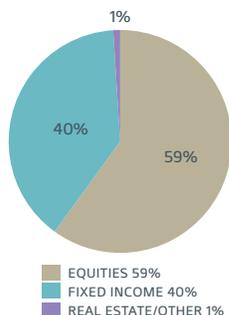
When preparing for retirement it is important that we "crunch the numbers" and save and invest from as early as we can during our working lives. It is also important to plan for the other aspects of being retired because these days we can spend almost as much time in retirement as we did working full-time.

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.

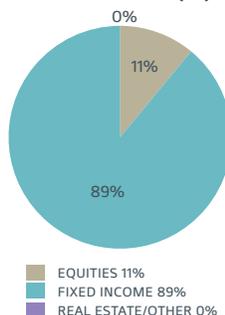
**AGGRESSIVE ACCUMULATOR (AA)**



**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:** 0.03% per annum.  
**Sales Charge:** None  
**Redemption Charge:** none

## MANAGER & ADMINISTRATOR

Fortress Fund Managers Ltd

## CUSTODIAN

CIBC FirstCaribbean International Bank  
Wealth Management Division

## AUDITORS

EY Barbados

## ATTORNEY-AT-LAW

Clarke Gittens Farmer

## 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>	\$25.00 / \$24.56 / \$17.60 (AA/CC/CS)
<b>Fund Net Assets:</b>	\$297,101,511

## INVESTMENT RETURNS

	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
<b>AA Share</b>	0.4%	7.5%	6.0%	4.3%	6.0%
<b>CC Share</b>	0.4%	6.5%	5.4%	4.0%	5.8%
<b>CS Share</b>	0.1%	2.4%	2.5%	2.3%	3.9%

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO MARCH 31ST, 2018



## 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  
 John Howard  
 Desmond Kinch  
 David Simpson  
 John Williams  
 Roger Cave, Investment Manager

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