

# Fortress Global Funds Quarterly Reports

Income Builder US Fund

Income Builder International Fund

US Equity Fund

International Equity Fund

Emerging Markets Fund

Global Opportunity Wealth Fund

Fixed Income Fund

March 31, 2018



Your Future. Our Business.



April, 2018.

Dear investors,

After a strong start, the first quarter of 2018 saw a return to volatility in financial markets. Most sectors in the U.S. stock market had negative returns, though this was largely offset within the broad indexes by strength in leading technology companies. Bond prices spent the quarter weakening as the U.S. Federal Reserve (Fed) raised its target rate again in March. The U.S. dollar was generally lower against other global currencies and this helped international and emerging returns in U.S. dollar terms. The Fortress funds had returns that ranged from slightly positive to slightly negative. We outperformed in international and emerging equities, as well as in fixed income, and underperformed again in U.S. equities. The accompanying reports have details on the performance and positioning of each fund.

While news headlines have recently focused on geopolitical tensions and trade frictions, we believe the most important factor at play in financial markets is still rising interest rates. The tentacles of higher rates reach silently around the world, affecting discount rates and investor risk tolerances, and sucking prices lower in most asset classes as a result. This type of normalisation is to be expected, in line with the old saying that if something cannot go on forever it must eventually stop. So far, the "stopping" has been very gradual but it has not gone unnoticed. As investors grapple with exactly how much more normalisation is required, and how far interest rates will need to rise, stock and bond prices will likely see more volatility, waves of fear and/or euphoria, and rotation among sectors.

We are seeing more evidence that the process of "normalisation" is also asserting itself in a few other areas beyond interest rates. The first of these is volatility. After trading at very low levels through most of 2017, implied volatility on options has now risen to a level more in line with the average of recent years. This is good news going forward for our Income Builder strategies which use structural sales of call options to add incremental return and reduce risk. It is also a useful window into investor psychology. On average, investors feel equities are riskier now, after the swift declines seen in February and uncertainty over the path of rate hikes. In the backward logic of financial markets that's better for future returns because this increased perception of risk is dampening current valuations, at least somewhat.

The second area of potential normalisation is in technology and privacy. After several years of light regulation, companies such as Facebook are increasingly under the microscope of regulators and legislators as their services become integral to everyday life. Users have also shown surprise at the depth and breadth of the monetisation of information about their behaviour. This increased scrutiny cannot be good for profits. It will likely dampen investors' expectations for the future from these companies, bringing them down to a more sustainable level for growth from an already large base.

*The Wall Street Journal* had an [article](#) recently<sup>1</sup> about a third potential area of normalisation: value stocks. These lower-priced, relatively unloved shares have been underperforming the U.S. market for the last several years. The article points out there is indeed a durable, long-term advantage to owning well-valued shares rather than highly valued ones, but that exactly *when* the shorter periods of outperformance will come are completely unpredictable. Indeed, the long-term performance advantage can be interpreted as compensation for enduring the periods of underperformance such as the one at play right now. While growth has continued to outperform value in 2018, there has been a shift in recent weeks. The market leaders have seen their prices pull back and “boring” sectors such as energy and even some retailers have seen improved performance. Time will tell if this is a longer-term trend to normalisation of value vs growth. If it is, it could have a very long way to run.

The one thing that does **not** appear to be normalising yet is U.S. corporate earnings. These remain above historic norms as a share of the overall economy and got another boost in recent months from tax cuts. Higher interest rates, upward wage pressure, and political interference with international supply chains could be headwinds from here. For now, though, earnings continue to grow. Outside the U.S., we continue to be pleasantly surprised by good value still on offer among international and emerging markets equities. The fundamentals in the companies in our portfolios continue to see improvements in earnings and dividend payouts, and their valuations remain consistent with excellent long-term returns. Perhaps this is also a normalisation in the spread of global profits, as many companies outside the U.S. are still only in the early days of recovery.

The first quarter was a good reminder that it is completely normal for financial markets to have periods of volatility. They will happen again, and again. Our response during these periods – and all periods – is simply to focus in a disciplined way on investing in good value at reasonable levels of risk, and to adjust the funds’ portfolios only as the location of this value changes.

We are always happy to answer any questions you may have. Thank you for investing with us.

Sincerely,

A handwritten signature in blue ink that reads "Peter Arender". The signature is fluid and cursive, with the first name "Peter" and last name "Arender" clearly legible.

Peter Arender, CFA  
Chief Investment Officer

1. [“Value Should Do Better. But When Is Anybody’s Guess,”](#) *The Wall Street Journal*, April 27, 2018.



# Income Builder US Fund

## HIGHLIGHTS:

The Fund declined 2.8% during the first quarter and is down 1.5% over the past year as rising rates kept pressure on the Fund's high quality equity holdings. Fed tightening resulted in negative returns on bonds and declines in almost all areas of the U.S. stock market.

U.S. equities had a volatile quarter. With a conservative portfolio and substantial option protection, the Fund weathered February's stock market weakness well. Since then it has benefited from an increase in prevailing levels of implied volatility which has boosted the amount we can earn from the steady sale of call options. Unfortunately, most sectors of U.S. stocks declined in the quarter and this meant the underlying portfolio's shares also finished lower. Underlying fundamentals continue to be good and valuations are attractive, which bodes well for future returns.

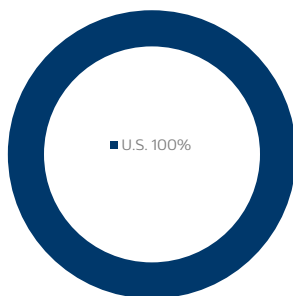
During the quarter we took profits on positions in Cisco Systems and United Technologies, and established new holdings in communications provider AT&T and retailer The Gap. Cisco and United Technologies had both seen their share prices rally strongly in recent months. The Gap is seeing its earnings improve but the share price has declined through much of the year so far and still trades at a reasonable Price/Earnings ratio of 11x and a dividend yield of 3%. Retailers remain generally out of favour at the moment and this provides an opportunity to buy shares in some great companies at attractive prices. AT&T is a boring, steady company whose share price still trades today at the same level where it traded in 2012, even as earnings have grown by 50%. With improved results it now trades on a Price/Earnings ratio of 10x and pays a dividend of nearly 6%.

## PORTFOLIO SUMMARY

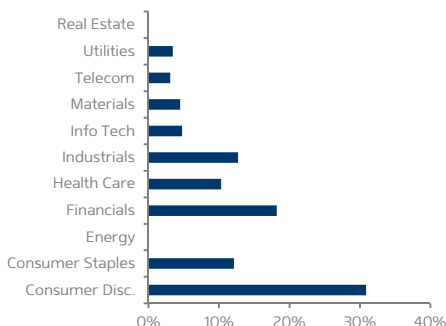
	Earnings Yield	Dividend Yield	Call Option Coverage	Put Option Protection	Monthly Volatility
FUND	8.3%	2.5%	36%	12%	1.6%

Options data are delta-adjusted

## GEOGRAPHIC ALLOCATION



## SECTOR ALLOCATION



## FUND OBJECTIVE

Target a fixed return of 8% per year with bond-like volatility.

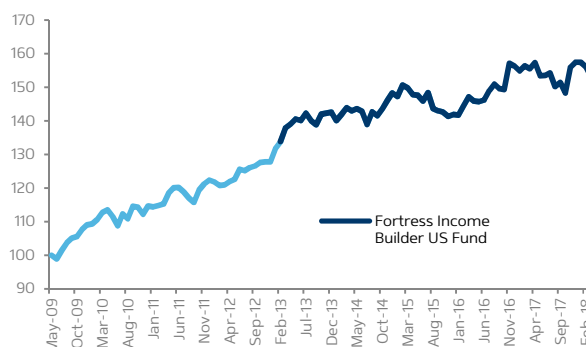
Minimum Investment:	US\$ 100,000
Net Asset Value per Share:	US\$ 114.4106
Fund Net Assets:	US\$ 15,422,581
Fund Inception:	Feb 28, 2013
Strategy Inception:	Jun 11, 2009
Bloomberg Ticker:	FORIBUA KY
Dealing/NAV Dates:	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
Fund	-2.8%	-1.5%	0.7%	2.1%	5.0%

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION to 3/31/2018



Returns prior to Feb 28, 2013 are for the composite of segregated accounts managed with the identical strategy, adjusted for Fund management and administration fees. Fund returns are net of fees and withholding taxes.

## TOP 10 HOLDINGS

RAYTHEON COMPANY	4.6%
TE CONNECTIVITY LTD	4.3%
EASTMAN CHEMICAL CO	4.0%
HONEYWELL INTERNATIONAL INC	3.8%
TORCHMARK CORP	3.7%
UNITEDHEALTH GROUP INC	3.6%
TRACTOR SUPPLY COMPANY	3.4%
KOHL'S CORP	3.3%
PRINCIPAL FINANCIAL GROUP	3.3%
DISCOVER FINANCIAL SERVICES	3.3%

## EXPENSES

### Paid by the Fund

Management Fee: 1% of net assets per annum  
 Administrator Fee: 0.1% of net assets per annum

### Investor Redemption Fees

Within 6 months of purchase: 2%  
 All other times: 0.2%  
 Paid to the benefit of remaining shareholders in both cases

## INVESTMENT MANAGER

Fortress Fund Advisors Limited  
**ADMINISTRATOR**  
 Fortress Fund Managers Limited  
**PRIMARY CUSTODIAN**  
 Morgan Stanley  
**AUDITORS**  
 EY

## FORTRESS FUND MANAGERS DIRECTORS

Sir Geoffrey Cave	John Williams
Ken Emery	John Howard
Roger Cave	David Simpson
David Bynoe	
<b>FUND DIRECTORS</b>	
David Bynoe	Roger Cave
John Howard	

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# Income Builder International Fund



## HIGHLIGHTS:

The Fund returned 0.5% in the first quarter and has gained 5.9% over the past year. Bonds prices declined as rates rose and equities were volatile during the quarter, but the Fund's underlying portfolio held its value well.

As interest rates rose further in the U.S., stocks and bonds around the world felt the headwinds with most markets posting declines to start the year. One exception was Japan where the Fund has a 27% weight and a stronger yen led to gains in U.S. dollar terms. The Fund's equity holdings continued to see improving fundamentals with growth in both earnings and dividend payouts. Because of this, valuations declined during the quarter. The portfolio's average earnings yield of 10.4% is even more consistent now with above average future returns. Higher levels of implied volatility since the February selloff have also helped the Fund earn a more normal amount of income from call option sales.

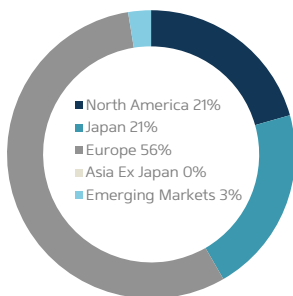
There were only two changes to the underlying portfolio during the quarter. We moved out of a holding in German chemical company Bayer and established a new position in Swedish security provider Securitas. Bayer had seen its earnings decline over the last two years and its share price remain largely unchanged. Securitas has a solid balance sheet, steady growth in earnings and dividends, and trades at a reasonable 14x earnings.

## PORTFOLIO SUMMARY

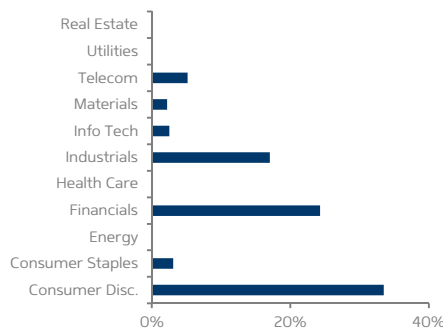
	Earnings Yield	Dividend Yield	Call Option Coverage	Put Option Protection	Monthly Volatility
FUND	10.4%	3.5%	36%	11%	2.5%

Options data are delta-adjusted

## GEOGRAPHIC ALLOCATION



## SECTOR ALLOCATION



## FUND OBJECTIVE

Target a fixed return of 8% per year with bond-like volatility.

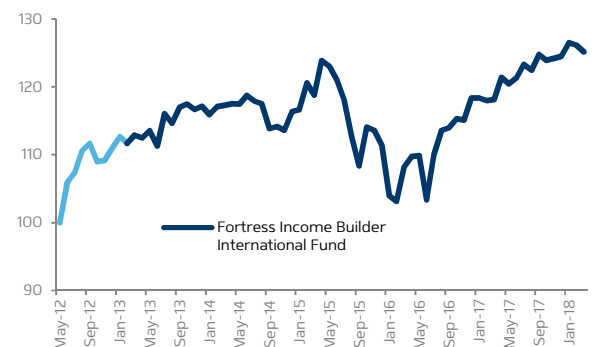
Minimum Investment:	US\$ 100,000
Net Asset Value per Share:	US\$ 112.0651
Fund Net Assets:	US\$ 22,270,429
Fund Inception:	Feb 28, 2013
Strategy Inception:	Jun 1, 2012
Bloomberg Ticker:	FORIBIA KY
Dealing/NAV Dates:	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
Fund	0.5%	5.9%	1.8%	2.1%	3.9%

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION to 3/31/2018



Returns prior to Feb 28, 2013 are for the composite of segregated accounts managed with the identical strategy, adjusted for Fund management and administration fees. Fund returns are net of fees and withholding taxes.

## TOP 10 HOLDINGS

MICHELIN (CGDE)	3.9%
ALLIANZ SE-REG	3.8%
OLD MUTUAL PLC	3.7%
MAGNA INTERNATIONAL INC	3.7%
CONTINENTAL AG	3.6%
ASSICURAZIONI GENERALI SpA	3.6%
LEGAL & GENERAL GROUP PLC	3.4%
HENKEL AG & CO KGAA	3.4%
MARUBENI CORP	3.4%
BAYERISCHE MOTOREN WERKE AG	3.3%

## EXPENSES

### Paid by the Fund

Management Fee: 1% of net assets per annum  
 Administrator Fee: 0.1% of net assets per annum

### Investor Redemption Fees

Within 6 months of purchase: 2%  
 All other times: 0.2%  
 Paid to the benefit of remaining shareholders in both cases

## INVESTMENT MANAGER

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**ADMINISTRATOR**  
 Fortress Fund Managers Limited  
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 EY

## FORTRESS FUND MANAGERS DIRECTORS

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 Ken Emery              John Howard  
 Roger Cave              David Simpson  
 David Bynoe  
**FUND DIRECTORS**  
 David Bynoe              Roger Cave  
 John Howard

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# US Equity Fund

## HIGHLIGHTS:

The Fund declined 3.3% in the first quarter and is up 8.6% over the past year. Most areas of the U.S. stock market lost ground during the quarter as rising interest rates and trade frictions worried investors. Only some large technology companies saw gains to start the year.

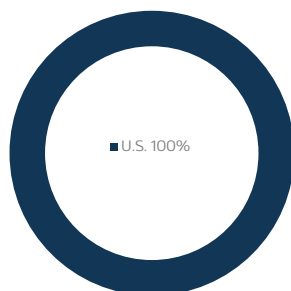
The breadth behind the U.S. stock market's advance diminished still further in Q1, with relatively few large companies continuing to advance while more and more of the market came under pressure. Technology (+3.2%) and consumer discretionary (+2.8%) saw gains while telecom (-8.7%), consumer staples (-7.8%) and energy (-6.6%) saw the heaviest declines. The Fund's portfolio continues to trade at a significant valuation discount to that of the broad market and that margin widened further as many holdings saw improved earnings (helped along by recent U.S. tax changes) and increased dividend payments, while share prices retreated. This brought the average Price/Earnings ratio (P/E) all the way down to 10x, a level usually consistent with meaningful absolute and relative future returns. We see significant upside in the portfolio when market fashion eventually swings back in favour of value shares.

During the quarter we moved out of holdings in Harley-Davidson, Cummins and Cisco, and established new positions in data storage company Western Digital, Southwest Airlines, and medical distributor McKesson. Western Digital trades on a P/E of 6x, Southwest at 11x and McKesson at 12x.

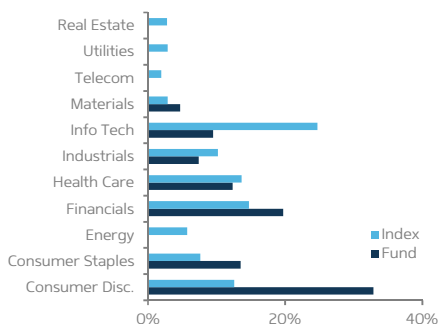
## PORTFOLIO SUMMARY

	P/E Ratio	P/B Ratio	Div Yld	ROE	Volatility
FUND	10.3	2.1	2.4%	22.1%	3.5%
Index	16.0	3.2	2.0%	20.0%	3.7%
+/-	-5.7	-1.1	0.4%	2.1%	-0.2%

## GEOGRAPHIC ALLOCATION



## SECTOR ALLOCATION



## FUND OBJECTIVE

Long term growth with limited risk in U.S. large cap equities.

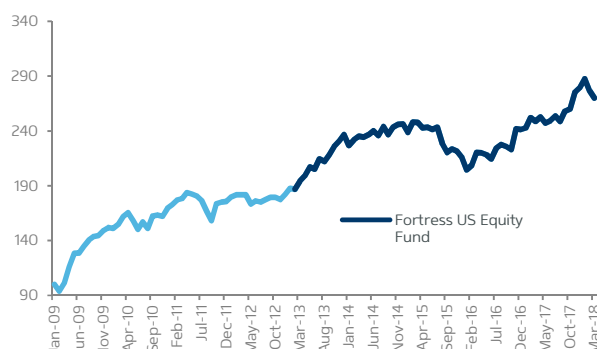
Minimum Investment:	US\$ 100,000
Net Asset Value per Share:	US\$ 144.4701
Fund Net Assets:	US\$ 7,204,484
Fund Inception:	Feb 28, 2013
Strategy Inception:	Feb 18, 2009
Bloomberg Ticker:	FORUEFA KY
Dealing/NAV Dates:	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
Fund	-3.3%	8.6%	2.9%	6.8%	11.5%
Index	-0.9%	13.3%	10.1%	12.6%	16.8%

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION TO 3/31/2018



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## TOP 10 HOLDINGS

TE CONNECTIVITY LTD	4.9%
BEST BUY CO INC	4.7%
EASTMAN CHEMICAL CO	4.7%
WESTERN DIGITAL CORP	4.6%
LINCOLN NATIONAL CORP	4.5%
ANTHEM INC	4.2%
UNITEDHEALTH GROUP INC	4.2%
PRINCIPAL FINANCIAL GROUP	4.2%
SOUTHWEST AIRLINES CO	4.1%
TRACTOR SUPPLY COMPANY	4.0%

## EXPENSES

### Paid by the Fund

Management Fee: 1% of net assets per annum  
 Administrator Fee: 0.1% of net assets per annum

### Investor Redemption Fees

Within 6 months of purchase: 2%  
 All other times: 0.2%

Paid to the benefit of remaining shareholders in both cases

## INVESTMENT MANAGER

Fortress Fund Advisors Limited

### ADMINISTRATOR

Fortress Fund Managers Limited

### PRIMARY CUSTODIAN

Morgan Stanley

### AUDITORS

EY

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FORTRESS FUND MANAGERS, FIRST FLOOR, CARLISLE HOUSE, HINCKS STREET, BRIDGETOWN, BB11144, BARBADOS

TEL: (246) 431-2198 invest@fortressfund.com www.fortressfund.com

# International Equity Fund



## HIGHLIGHTS:

The Fund declined 0.6% in the first quarter and is up 15.6% over the past year. Higher interest rates and increased trade frictions weighed on international equities to start the year, with weakness partially offset by gains in the major currencies against the U.S. dollar.

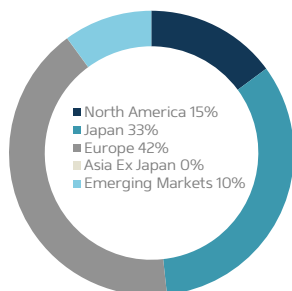
We continued to see broadly improving fundamentals among the holdings in the Fund's portfolio even though share prices did not advance. This dynamic lowered the valuations in the Fund so that the average Price/Earnings ratio of its various holdings is now only 9x with a dividend yield of nearly 4% - levels consistent with substantial long-term returns. Against this potential, rising interest rates in the U.S. could be a risk worth noting. If other countries cannot keep pace with the hikes, their currencies could weaken and this would reduce international equity returns in U.S. dollar terms.

There were no changes to the portfolio during the quarter. We still see great value in European and Asian shares generally, with a large number of companies related to the automobile sector in particular offering the opportunity for investors to own top drawer global operations at bargain prices. BMW, for example, which is one of the Fund's holdings in this area, trades on a Price/Earnings ratio of 8x and pays a dividend of 4.5%. Japanese industrials are another area of continued interest for us as the values remain compelling and broad reforms improve company operating performance. A holding like ITOCHU advanced 5% during the quarter and trades at a multiple of only 8x growing earnings.

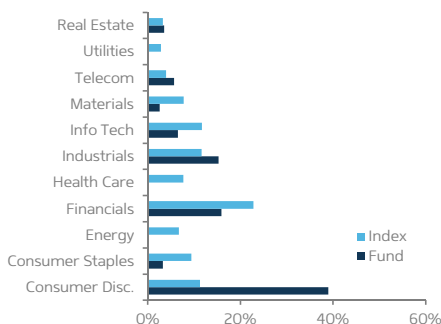
## PORTFOLIO SUMMARY

	P/E Ratio	P/B Ratio	Div Yld	ROE	Volatility
FUND	8.8	1.4	3.8%	15.2%	3.7%
Index	13.3	1.7	3.0%	12.8%	4.3%
+/-	-4.5	-0.3	0.8%	2.4%	-0.6%

## GEOGRAPHIC ALLOCATION



## SECTOR ALLOCATION



## FUND OBJECTIVE

Long term growth with limited risk in non-U.S. large cap equities.

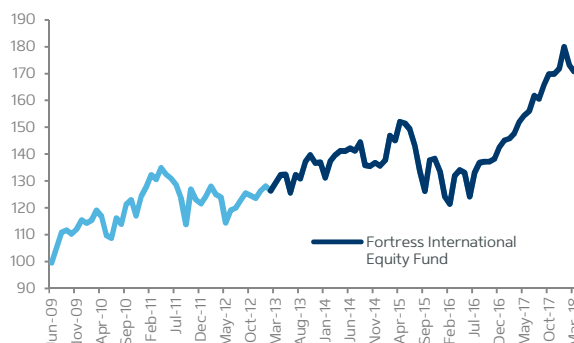
Minimum Investment:	US\$ 100,000
Net Asset Value per Share:	US\$ 135.2306
Fund Net Assets:	US\$ 21,854,679
Fund Inception:	Feb 28, 2013
Strategy Inception:	Jun 30, 2009
Bloomberg Ticker:	FORIEFA KY
Dealing/NAV Dates:	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
Fund	-0.6%	15.6%	5.6%	5.7%	6.3%
Index	-1.2%	16.5%	6.2%	5.9%	7.7%

*Periods longer than one year are annual compound returns*

## PERFORMANCE SINCE INCEPTION to 3/31/2018



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## TOP 10 HOLDINGS

ITOCHU CORP	3.9%
SAMSUNG ELECTR-GDR	3.8%
MAGNA INTERNATIONAL INC	3.8%
RANDSTAD NV	3.7%
CONTINENTAL AG	3.7%
PERSIMMON PLC	3.6%
CHINA OVERSEAS LAND & INVEST	3.6%
ORIX CORP	3.5%
BAYERISCHE MOTOREN WERKE AG	3.5%
DAIMLER AG-REGISTERED SHARES	3.4%

## EXPENSES

### Paid by the Fund

Management Fee: 1% of net assets per annum  
 Administrator Fee: 0.1% of net assets per annum

### Investor Redemption Fees

Within 6 months of purchase: 2%  
 All other times: 0.2%

Paid to the benefit of remaining shareholders in both cases

## INVESTMENT MANAGER

Fortress Fund Advisors Limited

### ADMINISTRATOR

Fortress Fund Managers Limited

### PRIMARY CUSTODIAN

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### AUDITORS

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# Emerging Markets Fund

## HIGHLIGHTS:

The Fund gained 4.0% in the first quarter and is up 22.3% over the past year. In spite of increased trade frictions and higher U.S. interest rates, emerging markets stocks continued to outpace other global equities as company fundamentals improved and valuations remained compelling.

The Fund benefited from its holdings in energy companies such as Tatneft (+28%), financials such as Itau (+25%) and from continued improvement in South African investments. Areas of weakness included Chinese automobile companies like Ghuangzhou Automobile (-22%) and technology-related companies such as Samsung (-4%). In general, emerging market equities continue to trade at an attractive discount to similar equities in developed markets and their underlying fundamentals have continued to improve in recent quarters. Under the surface, value-oriented investors are still able to buy shares in increasingly productive companies at prices that still reflect pre-2016 recession-like conditions. With an average Price/Earnings ratio of 8x we believe the value in the Fund's portfolio remains excellent.

During the quarter we moved out of a holding in LG Display, and established new positions in China Railway Group and Nine Dragons Paper Holdings. LG Display had seen its earnings drop substantially since mid-2017 with its share price little changed. China Railway has steadily growing earnings and trades on a Price/Earnings ratio of 7x, while Nine Dragons Paper has a solid balance sheet, trades at 6x earnings and has a dividend yield of 3.5%.

## FUND OBJECTIVE

Long term growth with limited risk in emerging markets equities.

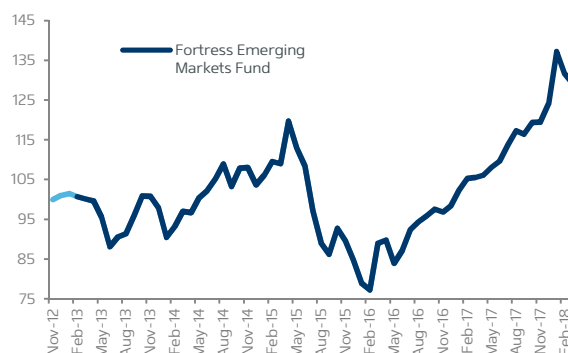
<b>Minimum Investment:</b>	US\$ 100,000
<b>Net Asset Value per Share:</b>	US\$ 128.1927
<b>Fund Net Assets:</b>	US\$ 24,789,673
<b>Fund Inception:</b>	Feb 28, 2013
<b>Strategy Inception:</b>	Dec 20, 2012
<b>Bloomberg Ticker:</b>	FORTEMA KY
<b>Dealing/NAV Dates:</b>	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
<b>Fund</b>	<b>4.0%</b>	<b>22.3%</b>	<b>5.8%</b>	<b>5.2%</b>	<b>5.0%</b>
<b>Index</b>	1.4%	24.9%	8.8%	5.0%	4.4%

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION to 3/31/2018

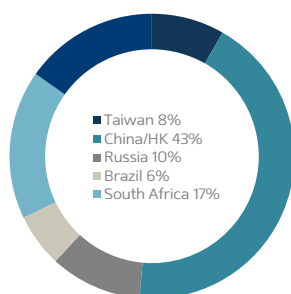


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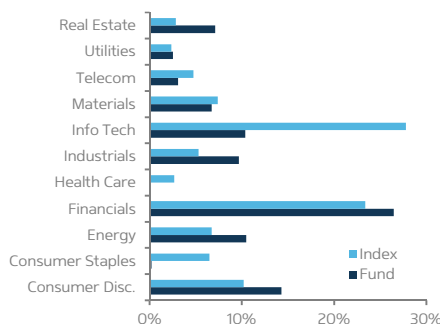
## PORTFOLIO SUMMARY

	P/E Ratio	P/B Ratio	Div Yld	ROE	Volatility
<b>FUND</b>	<b>7.9</b>	<b>1.3</b>	<b>3.7%</b>	<b>15.4%</b>	<b>4.8%</b>
<b>Index</b>	12.0	1.8	2.4%	15.0%	4.2%
<b>+/-</b>	-4.1	-0.5	1.3%	0.4%	0.6%

## GEOGRAPHIC ALLOCATION



## SECTOR ALLOCATION



## TOP 10 HOLDINGS

ISHARES MSCI TAIWAN ETF	5.5%
TATNEFT PAO-SPONSORED ADR	4.4%
SHIMAO PROPERTY HOLDINGS LTD	4.3%
HAIER ELECTRONICS GROUP CO	3.9%
BARLOWORLD LTD	3.9%
CHINA MERCHANTS BANK-H	3.8%
BARCLAYS AFRICA GROUP LTD	3.6%
LUKOIL PJSC-SPON ADR	3.4%
IND & COMM BK OF CHINA-H	3.4%
SAMSUNG ELECTR-GDR	3.3%

## EXPENSES

### Paid by the Fund

Management Fee: 1% of net assets per annum  
 Administrator Fee: 0.1% of net assets per annum

### Investor Redemption Fees

Within 6 months of purchase: 2%  
 All other times: 0.5%

Paid to the benefit of remaining shareholders in both cases

## INVESTMENT MANAGER

Fortress Fund Advisors Limited

### ADMINISTRATOR

Fortress Fund Managers Limited

### PRIMARY CUSTODIAN

Morgan Stanley

### AUDITORS

EY

## FORTRESS FUND MANAGERS DIRECTORS

Sir Geoffrey Cave	John Williams
Ken Emery	John Howard
Roger Cave	David Simpson
David Bynoe	
<b>FUND DIRECTORS</b>	
David Bynoe	Roger Cave
John Howard	

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FORTRESS FUND MANAGERS, FIRST FLOOR, CARLISLE HOUSE, HINCKS STREET, BRIDGETOWN, BB11144, BARBADOS

TEL: (246) 431-2198 invest@fortressfund.com www.fortressfund.com



# Global Opportunity Wealth Fund



## HIGHLIGHTS:

The Fund declined 0.8% in the first quarter and is up 6.4% over the past year. Rising interest rates in the U.S. put downward pressure on most financial assets. Stronger currencies moderated the declines on international holdings in U.S. dollar terms.

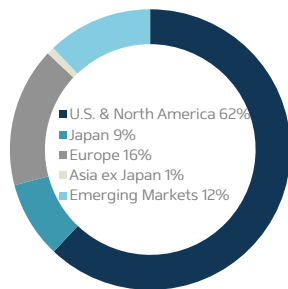
The year began with a surge in stocks in January, followed by a swift drop in February that erased these gains, and then choppy trading to close out March. In the U.S., the recent trend in favour of growth shares remained intact, with information technology the primary sector gaining while nearly all other sectors declined. Our equity allocations underperformed in the U.S. and outperformed in international and emerging. Among our holdings, earnings and dividends improved almost across the board so valuations became more attractive during the quarter. We are still finding very good value among global equities, though the value is by no means everywhere.

Interest rates rose in most maturities and U.S. bonds delivered a rare negative quarter. The Fortress Fixed Income Fund held its value better than benchmark due to a relatively short average term to maturity. We expect to extend term gradually as rates rise further and the risk/reward prospects improve. There were no changes to the Fund's allocations during the quarter.

## PORTFOLIO SUMMARY

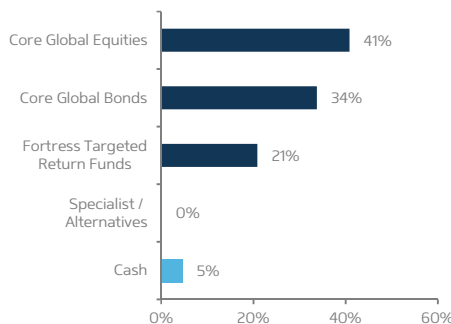
The Fund's portfolio is diversified across key asset classes and a combination of strategies to generate return and limit risk. The long term benchmark for the Fund is a blended index of **60%** global stocks and **40%** global bonds, though the Fund's positioning may differ from this both structurally and tactically. Limiting risk is a key objective of the overall asset allocation. The Fund will typically include allocations to the low volatility, targeted return Fortress Income Builder funds as an alternative to core equity and bond allocations.

## GEOGRAPHIC ALLOCATION



Geographic allocations estimated on a look-through basis.

## ASSET CLASS SUMMARY



## FUND OBJECTIVE

Long term wealth preservation and growth for the whole portfolio.

<b>Minimum Investment:</b>	US\$ 100,000
<b>Net Asset Value per Share:</b>	US\$ 115.5096
<b>Fund Net Assets:</b>	US\$ 4,544,171
<b>Fund Inception:</b>	May 31, 2013
<b>Strategy Inception:</b>	May 31, 2013
<b>Bloomberg Ticker:</b>	FORTGOW KY
<b>Dealing/NAV Dates:</b>	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
<b>Fund</b>	<b>-0.8%</b>	<b>6.4%</b>	<b>2.3%</b>	<b>2.9%</b>	<b>3.0%</b>
<b>Benchmark</b>	<b>-0.2%</b>	<b>11.3%</b>	<b>6.0%</b>	<b>6.1%</b>	<b>6.1%</b>

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION to 3/31/2018



Fund returns are net of fees and withholding taxes.

## TOP 10 ALLOCATIONS

Fortress Fixed Income Fund	23.5%
Fortress International Equity Fund	19.3%
Fortress US Equity Fund	14.0%
Fortress Income Builder International Fund	11.2%
Fortress Income Builder US Fund	9.7%
PIMCO Global Investment Grade Credit Fund	7.8%
Fortress Emerging Markets Fund	7.6%
Legg Mason WA Asian Opportunities Fund	2.4%
Cash	4.6%

## EXPENSES

### Paid by the Fund

Management Fee: 0.65% of net assets p.a. (rebated for Fortress funds)

Administrator Fee: 0.1% of net assets per annum

### Investor Redemption Fees

Within 6 months of purchase: 2%

All other times: 0.2%

Paid to the benefit of remaining shareholders in both cases

## INVESTMENT MANAGER

Fortress Fund Advisors Limited

### ADMINISTRATOR

Fortress Fund Managers Limited

### PRIMARY CUSTODIAN

Morgan Stanley

### AUDITORS

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# Fixed Income Fund



## HIGHLIGHTS:

The Fund declined 0.98% in the first quarter and is down 0.95% since inception in October, 2017 as U.S. interest rates rose across most maturities in response to Federal Reserve rate hikes. The average yield on the Fund's portfolio increased to 3.45%.

The Fed increased its target rate 0.25% in March and more hikes are expected later this year. Unemployment is low, wage and other inflation pressures are building, and financial asset prices are strong. Credit spreads stayed tight through the quarter even as equity markets saw some volatility in February. Corporate issuance continued to be met with strong investor demand, in some cases even for low quality issues with disadvantageous terms. It is becoming more and more important to invest only selectively in corporate credits at this stage of the cycle where market discipline is not at its strongest.

During the quarter we added eight new holdings of high quality corporate bonds with terms to maturity of 5 to 7 years, and added to TIPS and US Treasuries as new subscriptions came into the Fund. The average maturity of the Fund's portfolio remains relatively short. We expect to increase it gradually as rates continue rising and the risk/reward prospects for owning longer dated bonds improves. The average gross yield of 3.45% is a good estimate of the embedded return potential as rates stabilise.

## FUND OBJECTIVE

**Consistent returns and protection of principal over the medium-term with investments in high-quality bonds.**

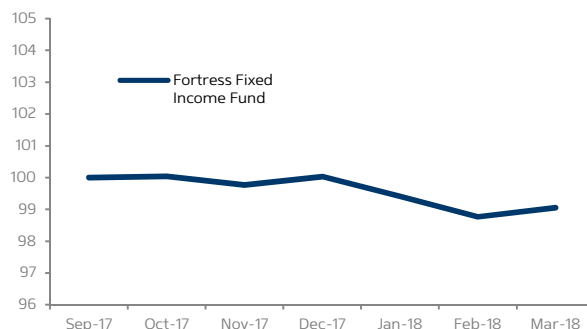
<b>Minimum Investment:</b>	US\$ 100,000
<b>Net Asset Value per Share:</b>	US\$ 99.0492
<b>Fund Net Assets:</b>	US\$ 17,211,861
<b>Fund Inception:</b>	Oct 2, 2017
<b>Strategy Inception:</b>	Oct 2, 2017
<b>Bloomberg Ticker:</b>	FORFIFA KY
<b>Dealing/NAV Dates:</b>	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
<b>Fund</b>	<b>-0.98%</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>-0.95%</b>
<b>Index</b>	<b>-1.46%</b>	<b>1.20%</b>	<b>1.20%</b>	<b>1.82%</b>	<b>-1.07%</b>

*Periods longer than one year are annual compound returns*

## PERFORMANCE SINCE INCEPTION to 3/31/2018



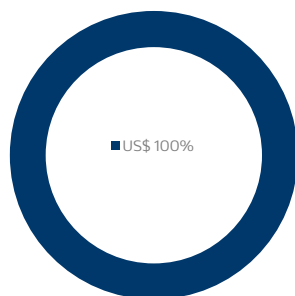
Fund returns are net of fees and withholding taxes.

## PORTFOLIO SUMMARY

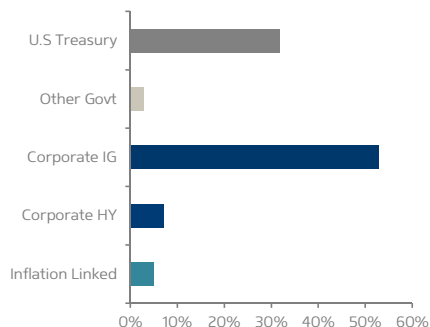
	Weight	Yield	Term to Maturity	Credit Rating*	Spread (bps)
<b>FUND</b>	<b>100%</b>	<b>3.45%</b>	<b>5.8 yrs</b>	<b>A</b>	<b>87</b>
Corporate securities	58.9%	3.95%	5.4 yrs	BBB+	138
Government securities	41.1%	2.74%	6.2 yrs	AAA	14

\* Source: Bloomberg

## CURRENCY ALLOCATION



## ALLOCATION SUMMARY



## TOP 10 HOLDINGS

US TREASURY N/B 2.25 2/15/2027	16.7%
US TREASURY N/B 2 7/31/2020	15.1%
TSY INFL IX N/B 0.25 1/15/2025	5.1%
JPMORGAN CHASE & CO FLOATING 10/24/2023	4.4%
JUNIPER NETWORKS INC 4.35 6/15/2025	4.4%
TIME WARNER INC 3.875 1/15/2026	4.3%
CISCO SYSTEMS INC 2.2 9/20/2023	4.3%
GOVT OF BERMUDA 3.717 1/25/2027	4.1%
AMGEN INC 2.25 8/19/2023	4.1%
MOSAIC CO 4.25 11/15/2023	4.0%

## EXPENSES

### Paid by the Fund

Management Fee: 0.35% of net assets per annum  
 Administrator Fee: 0.075% of net assets per annum

### Investor Redemption Fees

Within 3 months of purchase: 2%  
 All other times: 0.1%

Paid to the benefit of remaining shareholders in both cases

## INVESTMENT MANAGER

Fortress Fund Advisors Limited

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